

# SHS Holdings Ltd.

(Company Registration No. 197502208Z)

## Unaudited Financial Statement Announcement for the Second 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 Jun			Group 6 months ended 30 Jun		
	2016	2015	Change	2016	2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Restated*			Restated*		
<b><u>Continuing Operations</u></b>						
Revenue	13,732	12,286	12%	26,643	23,821	12%
Cost of sales and services	(10,451)	(9,296)	12%	(20,749)	(18,418)	13%
<b>Gross profit</b>	<b>3,281</b>	<b>2,990</b>	<b>10%</b>	<b>5,894</b>	<b>5,403</b>	<b>9%</b>
Other income	738	123	N/M	1,264	452	180%
Selling and distribution expenses	(235)	(216)	9%	(350)	(409)	(14%)
Administrative expenses	(2,543)	(2,468)	3%	(4,548)	(4,735)	(4%)
Other operating expenses	(866)	(1,342)	(35%)	(1,967)	(2,402)	(18%)
<b>Profit/(loss) from operations</b>	<b>375</b>	<b>(913)</b>	<b>N/M</b>	<b>293</b>	<b>(1,691)</b>	<b>N/M</b>
Finance costs	(26)	(19)	39%	(67)	(47)	42%
Share of profit of associated companies	37	91	(59%)	330	84	293%
<b>Profit/(loss) before income tax</b>	<b>386</b>	<b>(841)</b>	<b>N/M</b>	<b>556</b>	<b>(1,654)</b>	<b>N/M</b>
Income tax	20	(66)	N/M	54	(63)	N/M
<b>Profit/(loss) from continuing operations after tax</b>	<b>406</b>	<b>(907)</b>	<b>N/M</b>	<b>610</b>	<b>(1,717)</b>	<b>N/M</b>
<b><u>Discontinued operations #</u></b>						
Profit from discontinued operations after tax	7,556	2,132	254%	7,556	5,647	34%
<b>Profit after income tax</b>	<b>7,962</b>	<b>1,225</b>	<b>550%</b>	<b>8,166</b>	<b>3,930</b>	<b>108%</b>
<b>Attributable to:</b>						
Equity holders of the Company						
- Continuing Operations	451	(910)	N/M	655	(1,720)	N/M
- Discontinued Operations	7,556	2,130	255%	7,556	5,638	34%
	8,007	1,220	556%	8,211	3,918	110%
Non-controlling interests, net of income tax						
- Continuing Operations	(45)	3	N/M	(45)	2	N/M
- Discontinued Operations	-	2	(100%)	-	10	(100%)
	(45)	5	N/M	(45)	12	N/M
	<b>7,962</b>	<b>1,225</b>	<b>550%</b>	<b>8,166</b>	<b>3,930</b>	<b>108%</b>

# 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		
	2016 S\$'000	2015 S\$'000	Change %	2016 S\$'000	2015 S\$'000	Change %
Profit after income tax	7,962	1,225	550%	8,166	3,930	108%
<u>Other comprehensive income</u>						
Foreign currency translation	10	(401)	N/M	32	(16)	(300%)
	<u>10</u>	<u>(401)</u>	N/M	<u>32</u>	<u>(16)</u>	N/M
Total comprehensive income	<u>7,972</u>	<u>824</u>	867%	<u>8,198</u>	<u>3,914</u>	109%
Attributable to:						
Equity holders of the Company	7,926	822	864%	8,240	3,905	111%
Non-controlling interests, net of income tax	<u>46</u>	<u>2</u>	N/M	<u>(42)</u>	<u>9</u>	N/M
	<u>7,972</u>	<u>824</u>	867%	<u>8,198</u>	<u>3,914</u>	109%

### 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 Jun			Group 6 months ended 30 Jun		
		2016 S\$'000	2015 S\$'000 Restated	Change %	2016 S\$'000	2015 S\$'000 Restated	Change %
Other Income	1	298	60	N/M	489	338	44%
Dividend income	2	334	127	N/M	334	127	N/M
Interest Income	3	254	10	N/M	510	19	N/M
Interest on borrowings	4	(26)	(19)	37%	(67)	(47)	42%
Depreciation	5	(768)	(823)	(7%)	(1,561)	(1,653)	(6%)
Fixed assets written off		-	(1)	(100%)	(1)	(1)	0%
Gain/(loss) on disposal of fixed assets		(1)	13	N/M	4	13	(69%)
Amortisation of intangible assets	6	(15)	(123)	(88%)	(29)	(204)	(86%)
(Allowance)/write-back on allowance for doubtful debts		-	-	N/M	27	0	N/M
Stock written back/(written off)		1	1	(16%)	1	1	(16%)
Foreign exchange gain/(loss)	7	(147)	(87)	69%	(73)	(46)	60%

- 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 stronger S\$ against RM 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 Jun	31 Dec	30 Jun	31 Dec
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	30,506	27,138	8,684	8,995
Subsidiary companies	-	-	53,447	53,447
Associated companies	20,448	20,112	4,964	4,965
Financial assets, available-for-sale	19,712	19,712	17,136	17,136
Intangible assets	81	110	-	-
Goodwill	26,450	26,450	-	-
	<u>97,197</u>	<u>93,522</u>	<u>84,231</u>	<u>84,543</u>
<b>Current Assets</b>				
Stock and work-in-progress	4,608	4,083	-	-
Trade receivables	26,723	23,518	599	1,533
Amount due from related parties	-	-	26,118	12,690
Other receivables	23,941	20,932	17,833	17,714
Loan to related party	600	600	-	-
Fixed deposits	71,019	1,531	71,019	1,531
Cash and bank balances	10,428	102,224	598	90,691
	<u>137,319</u>	<u>152,888</u>	<u>116,167</u>	<u>124,159</u>
<b>Total Assets</b>	<b>234,516</b>	<b>246,410</b>	<b>200,398</b>	<b>208,702</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade payables and accruals	7,444	14,041	710	3,453
Other payables	4,395	2,383	338	338
Amount due to related parties	-	-	6,472	6,700
Term loans	-	150	-	-
Other amounts due to bankers	3,644	6,229	-	-
Hire purchase creditors	130	210	-	-
Provision for taxation	742	858	18	35
	<u>16,355</u>	<u>23,871</u>	<u>7,538</u>	<u>10,526</u>
<b>Non-current Liabilities</b>				
Hire purchase creditors	353	386	-	-
Deferred taxation	2,164	2,202	707	707
	<u>2,517</u>	<u>2,588</u>	<u>707</u>	<u>707</u>
<b>Total Liabilities</b>	<b>18,872</b>	<b>26,459</b>	<b>8,245</b>	<b>11,233</b>
<b>EQUITY</b>				
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	1,429	1,400	-	-
Other reserve	-	-	3,297	3,297
Revenue reserve	55,920	75,450	30,349	50,794
	<u>214,730</u>	<u>219,102</u>	<u>192,153</u>	<u>197,469</u>
Non-controlling interests	914	849	-	-
<b>Total Equity</b>	<b>215,644</b>	<b>219,951</b>	<b>192,153</b>	<b>197,469</b>
<b>Total Liabilities and Equity</b>	<b>234,516</b>	<b>246,410</b>	<b>200,398</b>	<b>208,702</b>

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

	30-Jun-16 S\$'000	31-Dec-15 S\$'000
<b>Amount Repayable in one year or less, or on demand</b>		
Secured	3,774	6,589
Unsecured	-	-
	<u>3,774</u>	<u>6,589</u>
<b>Amount Repayable after one year, or on demand</b>		
Secured	353	386
Unsecured	-	-
	<u>353</u>	<u>386</u>

**Details of any collateral**

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

- i) A mortgage in-escrow and deed of assignment over 81 Tuas South Street 5 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 Jun		6 months ended 30 Jun	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash Flows from Operating Activities</b>				
Profit/(loss) before income tax from continuing operations	386	(843)	556	(1,654)
Profit before income tax from discontinued operations	7,556	2,565	7,556	6,647
Profit before income tax, total	7,942	1,722	8,112	4,993
Adjustments for:				
Depreciation	768	1,157	1,561	2,328
Fixed assets written off	-	3	1	5
Amortisation of intangible assets	15	123	29	204
Loss/(gain) on disposal of fixed assets	1	(16)	(4)	(19)
Interest on borrowings	26	271	67	537
Interest income	(254)	(18)	(510)	(37)
Share of profit of associated companies	(37)	(91)	(330)	(84)
Gain on disposal of subsidiary	(7,556)	-	(7,556)	-
(Write back)/allowance for doubtful debts	-	279	(27)	339
Allowance for inventory obsolescence	-	134	-	194
Dividend income	(334)	(127)	(334)	(127)
Bad debts expense	-	5	-	6
Inventories written off	(1)	(4)	(1)	27
Net foreign currency translation adjustments	(22)	1,431	23	1,005
Operating cash flow before working capital changes	548	4,869	1,031	9,371
Changes in working capital				
Inventories and work-in-progress	(1,213)	(1,386)	(502)	84
Receivables	(5,568)	2,061	(6,187)	6,641
Payables	528	963	(4,586)	(6,393)
Cash (used in)/generated from operations	(5,705)	6,507	(10,244)	9,703
Interest paid	(26)	(271)	(67)	(537)
Interest received	254	11	510	24
Income tax payment	(105)	(1,249)	(99)	(1,609)
<b>Net cash (used in)/generated from operating activities</b>	<b>(5,582)</b>	<b>4,998</b>	<b>(9,900)</b>	<b>7,581</b>
<b>Cash Flows from Investing Activities</b>				
Dividend received	334	127	334	127
Purchase of property, plant and equipment	(3,177)	(378)	(5,187)	(710)
Proceeds from disposal of property, plant and equipment	228	37	240	40
Net cash inflow on disposal of subsidiary (discontinued operations)	7,556	-	7,556	-
Investment in a joint venture	-	-	(7)	-
<b>Net cash generated from/(used in) investing activities</b>	<b>4,941</b>	<b>(214)</b>	<b>2,936</b>	<b>(543)</b>
<b>Cash Flows from Financing Activities</b>				
Net proceeds from issue of shares	14,992	10	16,906	10
Purchase of treasury shares	(1,777)	-	(1,777)	-
Dividends paid	(27,741)	(5,659)	(27,741)	(5,659)
Fixed deposit discharge/(pledges) with bank	-	11	1,200	(15)
Fund repayment to hire purchase	(57)	2	(113)	(89)
Repayment to term loan	-	(344)	(150)	(741)
Repayment to trusts receipts	(546)	(5,939)	(2,585)	(3,985)
Capital contribution from non-controlling interest	107	120	107	120
<b>Net cash used in financing activities</b>	<b>(15,022)</b>	<b>(11,799)</b>	<b>(14,153)</b>	<b>(10,359)</b>
Net foreign currency translation adjustments	32	424	9	(214)
<b>Net decrease in cash and cash equivalents</b>	<b>(15,631)</b>	<b>(6,591)</b>	<b>(21,108)</b>	<b>(3,535)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>97,078</b>	<b>38,676</b>	<b>102,555</b>	<b>35,620</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>81,447</b>	<b>32,085</b>	<b>81,447</b>	<b>32,085</b>

**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
<b>Group</b>									
<b>Balance at 01 January 2016</b>	143,730	(3,226)	1,748	-	1,400	75,450	219,102	849	219,951
Comprehensive income	-	-	-	-	29	8,211	8,240	(42)	8,198
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
<b>Balance at 30 June 2016</b>	160,636	(5,003)	1,748	-	1,429	55,920	214,730	914	215,644
<b>Balance at 01 January 2015</b>	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
<b>Balance at 30 June 2015</b>	143,635	(3,226)	2,508	(16,687)	1,159	21,617	149,006	1,626	150,632
<b>Company</b>									
<b>Balance at 01 January 2016</b>	143,730	(3,226)	2,874	3,297	-	50,794	197,469	-	197,469
Comprehensive income	-	-	-	-	-	7,296	7,296	-	7,296
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
<b>Balance at 30 June 2016</b>	160,636	(5,003)	2,874	3,297	-	30,349	192,153	-	192,153
<b>Balance at 01 January 2015</b>	143,625	(3,226)	2,874	-	-	(1,909)	141,364	-	141,364
Comprehensive income	-	-	-	-	-	6,306	6,306	-	6,306
Exercise of warrants	10	-	-	-	-	-	10	-	10
Dividends paid	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
<b>Balance at 30 June 2015</b>	143,635	(3,226)	2,874	-	-	(1,262)	142,021	-	142,021

- 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 2015 to 30 June 2016 are as follows:-		
<b>Ordinary shares</b>	<b>Number of shares</b>	<b>\$</b>
Issued and fully paid ordinary shares at 1 July 2015	625,613,178	143,635,119
Exercise of warrants	85,004,983	17,000,997
Issued and fully paid ordinary shares at 30 June 2016	<u>710,618,161</u>	<u>160,636,116</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.**

	<b>30-Jun-16</b>	<b>31-Dec-15</b>
Total number of shares (including treasury shares)	710,618,161	625,613,178
Less treasury shares	<u>(25,490,900)</u>	<u>(17,100,000)</u>
Total number of shares (excluding treasury shares)	<u>685,127,261</u>	<u>608,513,178</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 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 June		6 months ended 30 June	
	2016	2015	2016	2015
	Restated		Restated	
<u>Continuing Operations</u>				
Profit per ordinary share for the financial year based on consolidated profit attributable to members of the Company (Basic and diluted)				
- Basic	0.07 cents	(0.17) cents	0.10 cents	(0.30) cents
-Diluted	0.10 cents	(0.16) cents	0.10 cents	(0.28) cents
Based on the weighted average number of shares (Basic )	623,831,777	605,861,354	623,831,777	605,861,354
Based on the weighted average number of shares (Diluted)	680,288,632	649,817,167	680,288,632	649,817,167

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 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
Net asset backing per ordinary share	31.34 cents	35.98 cents	28.05 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**

For the second quarter ended 30 June 2016 ("2Q16"), the Group recorded a 12% increase in revenue from continuing operations to S\$13.7 million and a net profit attributable to equity holders of S\$451,000. This compares with a net loss after tax of S\$910,000 a year ago. Profit from discontinued operations after tax was S\$7.6 million in 2Q2016 compared to S\$2.1 million in 2Q2015. Discontinued operations relates to the Refined Petroleum Business, which has been divested in FY 2015. In 2Q2016, the Group received S\$7.6 million for the post completion payment from the acquirer, Brenntag for the difference between the audited book value delivered to Brenntag against the estimated book value at completion date. As a result, Group's net profit attributable to equity holders for 2Q16 was S\$8 million, an increase of 556% against S\$1.2 million the corresponding quarter last year.

For the first half ended 30 June 2016 ("1H16"), the Group recorded a 12% increase in revenue from continuing operations to S\$26.6 million and a net profit attributable to equity holders of S\$655,000. This compares with a net loss after tax of S\$1.7 million a year ago. Profit from discontinued operations after tax was S\$7.6 million as explained above compared to S\$5.6 million the corresponding period last year. As a result, Group's net profit attributable to equity holders for 1H16 was S\$8.2 million, an increase of 110% against S\$3.9 million the corresponding period last year.

As at 30 June 2016, the Group's total equity stood at S\$215.6 million compared to S\$220 million as at 31 December 2015. The Group has cash, fixed deposits and cash equivalent balance of S\$81.4 million. It is in a net cash position with low debt-to-total equity ratio of 1.7%.

### **Revenue from Continuing Operations**

<b>S\$'000</b>	<b>2Q16</b>	<b>2Q15</b>	<b>Change</b>	<b>1H16</b>	<b>1H15</b>	<b>Change</b>
<b>CP</b>	5,440	5,517	(1%)	10,415	10,750	(3%)
<b>SSF</b>	7,895	6,180	28%	15,489	12,231	27%
<b>Solar</b>	113	-	NM	146	-	NM
<b>Others</b>	284	589	(52%)	593	840	(29%)
<b>Total</b>	<b>13,732</b>	<b>12,286</b>	<b>12%</b>	<b>26,643</b>	<b>23,821</b>	<b>12%</b>

The Group's revenue rose by 12% to S\$13.7 million in 2Q16, compared with S\$12.3 million in the previous corresponding period. For 1H16, the Group registered 12% growth in total revenue to S\$26.6 million. This was mainly due to higher revenue contribution from the SSF segment.

#### **CP segment**

Revenue for CP segment decreased marginally by 1% to S\$5.4 million in 2Q16 from S\$5.5 million in 2Q15. For 1H16, revenue decrease by 3% to S\$10.4 million, from S\$10.7 million in 1H15. Crude oil prices continues to be volatile and depressed, significantly dampening capital expenditure spending in the marine, offshore, oil and gas sectors and the oversupply of offshore rigs and vessels continues to affect our CP business.

#### **SSF segment**

Revenue for SSF segment increased by 28% year-on-year to S\$7.9 million in 2Q16 from S\$6.2 million in 2Q15 due to recognition of revenue from steel and event management projects such as F1, CGH, OUE, SMU, Shell Marina and Singpost.

For 1H16, revenue increase by 23% to S\$15.5 million from S\$12.3 million largely from timing of recognition of revenue of different projects between years.

#### Solar Energy segment

The Solar Energy segment has become a core business of the Group following the approval by shareholders in the Extraordinary General Meeting on 26 May 2016 to diversify the Group's business to include solar power business. The revenue for Solar Energy in 2Q16 represents small household projects undertaken by the division in the quarter during the start up phase.

### **Gross Profit and Gross Margin**

#### **Gross Profit From Continuing Operations**

<b>S\$'000</b>	<b>2Q16</b>	<b>2Q15</b>	<b>Change</b>	<b>1H16</b>	<b>1H15</b>	<b>Change</b>
<b>CP</b>	1,580	1,584	-	2,852	2,643	8%
<b>SSF</b>	1,656	1,318	26%	2,845	2,615	26%
<b>Solar</b>	(89)	-	NM	(65)	-	NM
<b>Others</b>	134	88	52%	262	145	81%
<b>Total</b>	<b>3,281</b>	<b>2,990</b>	<b>10%</b>	<b>5,894</b>	<b>5,403</b>	<b>9%</b>

For 2Q16, the Group's gross profit increased by 10% year-on-year to S\$3.3 million, compared with S\$3.0 million in 2Q15. The increase was mainly due to higher gross profit from the SSF segment's revenue.

The Group's gross margin dipped slightly from 24.3% in 2Q15 to 23.9% in 2Q16, due to lower margins of the SSF segment and the loss position of the Solar Energy segment.

For 1H16, the Group's gross margin increased by 9% to S\$5.9 million from S\$5.4 million mainly contributed by CP and SSF segment. The gross margin dipped from 22.7% to 22.1% due to lower margin in SSF's projects.

#### CP segment

CP segment's gross profit was flat at S\$1.6 million in 2Q16. However, GP margin improved to 29.1% from 28.7% a year ago. For 1H16, gross margin increased to S\$2.9 million from S\$2.6 million. The improvement was due to its continual drive to improve productivity, cost rationalisation and reduce reliance of subcontracting services.

#### SSF segment

Gross profit for SSF segment increased by 26% from S\$1.3 million in 2Q15 to S\$1.7 million in 2Q16. Although gross profit improved in 2Q2016, the business climate for SSF remains challenging on the back of difficult trading conditions and the loss of a production line as the current factory is undergoing redevelopment. Gross margin was marginally lower at 21.0% in 2Q16 compared to 21.3% in 2Q15.

For 1H16, gross profit for SSF segment increased by 9% from S\$2.6 million to S\$2.8 million but gross margin dipped from 21.4% to 18.4%. This was mainly due to intense competition facing the construction sector.

#### Solar segment

The Group incurred a gross loss of S\$89,000 due to the startup phase of the new core business.

### **Other Income**

Other income increased 504% year-on-year from S\$0.1 million in 2Q15 to S\$0.7 million in 2Q16 mainly due to higher interest income from the unutilised cash consideration from the divestment of the RP business placed in fixed deposits and dividend income from an investment fund.

For 1H16, other income increased 180% from \$0.5 million in 1H15 to S\$1.3 million. The increase was largely due to sales of scrap material in SSF segment, dividend income from investment fund and higher interest earned from the unutilised cash consideration from the divestment of the RP business placed in fixed deposits.

### **Selling, Distribution, Administrative and Other Operating Expenses**

<b>S\$'000</b>	<b>2Q16</b>	<b>2Q15</b>	<b>Change</b>	<b>1H16</b>	<b>1H15</b>	<b>Change</b>
<b>Selling &amp; Distribution</b>	(235)	(216)	9%	(350)	(409)	(14%)
<b>Admin</b>	(2,543)	(2,468)	3%	(4,548)	(4,735)	(4%)
<b>Other OPEX</b>	(866)	(1,342)	(35%)	(1,967)	(2,402)	(18%)
<b>Total OPEX</b>	<b>(3,644)</b>	<b>(4,026)</b>	<b>(9%)</b>	<b>(6,865)</b>	<b>(7,546)</b>	<b>(9%)</b>

Total operating expenses decreased by 9% year-on-year from S\$4.0 million in 2Q15 to S\$3.6 million in 2Q16, as the drop in other operating expenses was offset by slight increase in Administrative expenses. The drop in other operating expenses was mainly due to absence of group amortisation of the fair value of SSF's order books at acquisition as required by FRS103 as against previous corresponding period. The slight increase in Administrative expenses in 2Q16 was mainly due to increase in personnel cost for the Solar Energy Segment.

Overall total opex expenses for 2Q16 and 1H16 decreased 9% against the corresponding period last year the result of the Group's continuing cost rationalisation efforts.

### **Finance Costs**

Finance costs were higher at S\$26,000 in 2Q16, compared with S\$19,000 in 2Q15 due to higher costs of borrowings.

### **Share of Associates' Results**

Share of profit of associated companies came in at S\$37,000 in 2Q16 compared with S\$91,000 a year ago. This was mainly derived from the Heron Bay project, with another 3 units released to home buyers.

### **Financial Position and Cash Flow Analysis**

Group's Non-current assets increased from S\$93.5 million as at 31 December 2015 to S\$97.2 million as at 30 June 2016.

This was mainly due to an increase of S\$3.4 million in property, plant and equipment ("PPE") to S\$30.5 million as at 30 June 2016, compared with S\$27.1 million as at 31 December 2015. The increase were from the construction in progress for the redevelopment of the SSF factory at 19 Tuas Avenue 20 and progressive acquisition of land for Bangladesh solar project offset by depreciation of PPE. Share of associate company profits was S\$0.3 million for the first six months ended 30 June 2016 ("1H16").

Group's Current assets decreased by S\$15.6 million, from S\$152.9 million as at 31 December 2015 to S\$137.3 million as at 30 June 2016. This was mainly due to lower cash and cash equivalent offset to a smaller extent by higher inventory, higher trade receivables and higher other receivables.

Cash balance was lower by S\$22.3m mainly due to payment of dividends of S\$27.7million; amount spent on construction in progress and purchase of land for solar project of S\$5 million; working capital financing of S\$9.9 million; settlement of trust receipts of S\$2.6 million 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\$7.6 million. Increase in inventory of S\$0.6 million is largely due to the work in progress incurred for the Solar Energy segment. Increase in Trade receivables of S\$3.2 million is largely from the SSF segment (S\$4.4 million) offset by reduction in CP trade receivables of S\$1.2 million. Increase in Other receivables of S\$3 million is mainly due to S\$1.2 million deposit placed for the industrial land in Johor and shareholder's loan of S\$0.4 million for the Myanmar low cost housing project from SSF segment and; S\$1.4 million from the Solar Energy segment in relation to the advance given to JV partner for the acquisition of land in Bangladesh.

Current liabilities decreased by S\$7.5 million to S\$16.4 million as at 30 June 2016 from S\$23.9 million as at 31 December 2015. This was mainly due to a decrease in trade payables, reduction of trust receipts due to bankers offset by increase in other payables due to acquisition of land for the Bangladesh solar project.

Shareholders' equity decreased to S\$215.6 million as at 30 June 2016 from S\$220 million as at 31 December 2015. In 1H16, the decrease were largely due to payment of dividends of S\$27.7 million, share buyback of S\$1.8 million, which was offset by increase in share capital of S\$16.9 million from the conversion of warrants.

During 1H16, the Group recorded a net cash outflow of S\$9.9 million from operating activities after deducting S\$4.6 million for changes in working capital from settlement of payables and S\$6.2 million increase in Receivables from higher recognition of sales.

Net cash generated from investing activities amounted to S\$2.9 million in 1H16, mainly due to cash proceeds of S\$7.6 million from disposal of subsidiary offset by the purchase of property, plant and equipment of S\$5.2 million arising from the plant redevelopment in SSF and land purchase for solar project.

Net cash used in financing activities in 1H16 was S\$14.2 million derived from payment of dividends of S\$27.7 million, settlement of trust receipts of S\$2.6 million, share buyback of S\$1.8 million offset by proceeds received from conversion of warrants of S\$16.9 million and release of pledge deposits of S\$1.2 million.

As a result, after taking into account net foreign currency translation adjustments, the Group recorded a net decrease in cash equivalents of S\$21.1 million for 1H16 to S\$81.4 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 31 March 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 FY2016 to be challenging for its core businesses due to the current depressed global economic outlook, the slump in oil prices and the highly competitive landscape.

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 softened the impact.

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. The Group has taken concrete steps to move up the value chain by setting up a new competency in modular construction through its subsidiary, TLC Modular Pte Ltd, which was incorporated on 5 May 2016. Since then, TLC has won a NZ\$11.2 million (US\$8.2 million) contract for the construction of an 88-room hotel in Christchurch, New Zealand. It has also signed a Letter of Intent with a major private equity fund that invests in hotel properties in the Asia-Pacific region for the development of a 12-storey, 200-room hotel in Yangon, Myanmar. The contract is worth approximately US\$19 million.

Following an Extraordinary General Meeting held on 26 May 2016, shareholders approved the diversification of the Group's business to include the solar power business as a core business. Management will progress on the contracts it has secured for the design, construction, operation and maintenance of a 50MW solar power plant in Bangladesh, as well as for a 4MW solar power project for Singapore Airport Terminal Services ("SATS") in Singapore.

**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 twenty-one interested person transactions totalling S\$567,000 during the three months ended 30 June 2016. For the first half ended 30 June 2016, there were forty-one interested person transactions totalling S\$600,000. This represents 0.31% 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 2Q16 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  
11 August 2016