



SHS HOLDINGS LTD

NEWS RELEASE

SHS records lower net profit in 2Q2015 amidst macro economic uncertainties

- Group achieves S\$1.2 million in net profit attributable to shareholders on revenue of S\$95.0 million
- Moving ahead, the Group's SSF segment continues to build a healthy order book in 2H2015 while its RP business remains positive. CP, however continues to face challenges
- Group plans to build another pillar of growth with its proposed diversification into the solar power business

\$'000	2Q2015	2Q2014	Change	1H2015	1H2014	Change
Revenue	94,960	93,863	+1%	245,821	179,144	37%
Profit before tax	1,722	4,055	(58%)	4,993	8,705	(43%)
Net profit attributable to shareholders	1,220	3,533	(65%)	3,918	7,401	(47%)

For the 3 months ended 30 June 2015 and 30 June 2014

Singapore, 12 August 2015 – Mainboard-listed **SHS Holdings Ltd.**, (四合成有限公司) (“SHS” or “the Company”, and together with its subsidiaries, the “Group”) announced today that it has achieved net profit attributable to shareholders of S\$1.2 million for the second quarter of FY2015.

Group revenue for the quarter rose marginally by 1.2% rise to S\$95.0 million, led by the continued strong contribution from its Refined Petroleum (“RP”) segment’s Trading business, which saw a surge in volume. The Group’s Corrosion Prevention (“CP”) and Structural Steel

and Facade (“SSF”) business segments reported lower sales due to the slowdown in their respective industries and uncertainties in the macro business environment

Based on the latest second-quarter results, the Group’s basic earnings per ordinary share (based on the weighted average number of shares) was 0.20 Singapore cents while net asset backing per ordinary share was 24.49 Singapore cents (as at 30 June 2015).

The Group maintained a strong financial position with cash and fixed deposits of S\$35.6 million as at 30 June 2015, and a strong balance sheet with total equity at S\$150.6 million.

Said Group Chief Executive Officer Mr Henry Ng, “The uncertainties surrounding our external business environment have adversely impacted the Group’s operating performance especially SSF and CP segments. We are pleased that our SSF business, which has chalked up a healthy order book for the rest of FY2015 and beyond, will improve while our RP segment remains positive. Meanwhile, we are bracing ourselves for more challenges in CP’s operating environment. We hope that our relentless efforts to find growth opportunities for our core businesses, while driving innovation, efficiency and productivity, as well as diversifying our earnings stream, will secure the Group’s growth prospects for the longer term.”

The Group is holding an extraordinary shareholder meeting on 27 August 2015 to seek approval for the diversification of the Group’s existing core businesses to include the solar power business which comprises the engineering, procurement and construction of solar power systems for third parties; leasing of solar power systems to third parties; EPC of solar power systems for the sale of electric power produced by the Group’s systems, acquisition of solar power systems from third parties for the Group’s operations, and the sale of electric power produced by the Group.

“This diversification will add another pillar of growth for the Group while it helps to reduce our reliance on the existing core businesses. It also provides us with an opportunity to tap the growth potential of the renewable energy market, which includes solar power,” Mr Ng added.

With the proposed diversification, the Group aims to undertake projects for solar power systems of various sizes ranging from small-scale projects with an output of less than 1 Megawatt-Peak (“MWp”) to larger scale projects with output exceeding 1MWp. These

systems may be used in individual residential units, industrial properties, government buildings as well as solar farms.

SEGMENT REVIEW

\$ million	2Q2015	2Q2014	Change	1H2015	1H2014	Change
Refined Petroleum (RP)						
- Revenue	82.6	70.6	+18%	222.0	137.7	+61%
- Gross Profit	9.8	8.7	+14%	20.9	17.6	+19%
Corrosion Prevention (CP)						
- Revenue	5.5	9.8	(44%)	10.7	18.2	(41%)
- Gross Profit	1.6	3.4	(54%)	2.6	6.8	(61%)
Structural Steel & Façade (SSF)						
- Revenue	6.2	13.2	(53%)	12.2	22.8	(46%)
- Gross Profit	1.3	2.7	(52%)	2.6	6.0	(57%)

For the 3 months ended 30 June 2015 and 30 June 2014

Refined Petroleum (RP)

In the three months ended 30 June 2015, higher sales volume generated from increased trading activities such as an extended product range, boosted RP's Trading segment which elevated RP's revenue by 17.9% to S\$82.6 million.

The higher volume drove gross profit up by 13.6% to S\$9.8 million in the second quarter, achieved from the higher gross profit generated by RP's lower-volume but higher-margin Distribution offset lower gross profit from its Trading segment despite a surge in its revenue.

In 2Q2015, RP's gross profit margin declined marginally to 11.9% (2Q2014: 12.2%) due to the unfavorable business mix from the higher revenue but significantly lower-margin Trading segment.

Corrosion Prevention (CP)

The Group's CP segment posted a 43.6% decline in revenue to S\$5.5 million mainly due to the continued challenges of a competitive business environment from the slowdown in orders from the offshore and marine industries as a result of the weak crude oil prices, and to a lesser extent slowdown in the construction and infrastructure industries.

Gross profit for the CP segment as a result declined by 53.8% to S\$1.6 million as gross margin dipped from 35.0% in 2Q2014 to 28.7% in 2Q2015 due to idle capacities at the plant and site.

Structural Steel & Facade (SSF)

A slowdown in the domestic construction and infrastructure sectors continued to impact the Group's SSF segment which saw revenue decrease by 53.2% year-on-year to S\$6.2 million.

Gross profit similarly slipped by 51.9% to S\$1.3 million in 2Q2015, in line with gross margin erosion of about 0.7 percentage points to 21.3%.

The Group posted 2Q2015 net profit attributable to equity holders of S\$1.2 million, with overall expenses (selling & distribution, administrative, and other operating expenses) remaining relatively constant at approximately S\$11.3 million, and finance costs decreasing by 14.2% to S\$0.2 million.

Business Prospects

The macro business environment continues to be fraught with uncertainties, exacerbated by the anticipated slowdown in both domestic and global economies, depressed oil prices and intense competition. All these factors are expected to continue to impact the Group's operating performance in FY 2015.

Notwithstanding, the Group's SSF segment has managed to build up a healthy and growing order book in 2H2015 and beyond. Its CP segment will continue to face challenges while its RP segment will remain positive in the coming months. Meanwhile, the Group continues to pursue opportunities to enhance its three core businesses while strengthening efficiency and competitiveness.

Barring unforeseen circumstances, the Group is cautiously optimistic that it will remain profitable in FY2015,

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 12 August 2015.

Issued on behalf of SHS Holdings Ltd. by:

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About SHS Holdings Ltd.

SHS Holdings Ltd. is an established group with diversified businesses in corrosion prevention (“CP”) and steel engineering services, and refined petroleum products (“RP”).

Established in 1971, the CP business has successfully moved up the value chain to become a leading provider to the marine, oil and gas, construction and infrastructure industries in Singapore. SHS Holdings Ltd. has a strong niche in specialised tank coating services, and large-scale plant operations that are supported by a fully-equipped facility in Singapore. Its proven capability in corrosion prevention services is underlined by its status as a resident contractor for premier shipyards in Singapore.

The RP business distributes a wide range of refined petroleum products to customers in Asia Pacific. This business is operated mainly by the Group’s wholly-owned subsidiary, TAT Petroleum Pte Ltd, which is headquartered in Singapore with offices in Hong Kong, China (Guangzhou), South Korea, Vietnam and Indonesia. TAT Petroleum’s customers hail from diverse sectors including vehicular, agriculture, coating, pharmaceutical, plastic and electronics industries. The RP business also operates a company which is the master distributor in Singapore of a petroleum-based waterproofing product. The Group has also extended its RP business from product distribution to petrochemical blending and trading services.

The steel engineering business is operated through wholly-owned subsidiary, Hetat which has a fully-equipped steel fabrication plant of approximately 195,000 sq ft located in Tuas, Singapore. It is currently undertaking projects in Singapore, Malaysia and Mongolia.

To build new earnings streams for the future, SHS Holdings Ltd. has also made strategic investments in an executive condominium development project in Singapore, as well as an offshore drilling company that will own and operate tender rigs.

SHS Holdings Ltd. is listed on the Mainboard of SGX-ST. For further information, please visit the Group’s website at www.shsholdings.com.sg.