



SHS HOLDINGS LTD

NEWS RELEASE

## SHS posts 1Q16 net profit of \$204,000 from continuing operations; plans to acquire 60% stake in modular construction company

- Aggregate consideration for proposed acquisition is expected in the range of US\$3.72 million to US\$4.34 million
- Proposed acquisition allows the Group to extend its SSF business into higher value-added modular volumetric construction which will progressively replace the loss of profit contribution from the recently-divested Refined Petroleum (“RP”) business

\$'000	1Q2016	1Q2015	Change
Revenue	12,911	11,535	12%
<b>Net profit attributable to shareholders</b>			
- Continuing Operations	204	(809)	NM
- Discontinued Operations	-	3,507	(100%)
	<b>204</b>	<b>2,698</b>	<b>(92%)</b>

*For the 3 months ended 31 March 2016 and 31 March 2015  
NM = Not Meaningful*

**Singapore, 13 May 2016** – 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 achieved a net profit attributable to shareholders from continuing operations of S\$204,000 for the first quarter of FY2016 (“1Q2016”).

This was achieved on the back of a 12% rise in Group revenue to S\$12.9 million, boosted by a 25% higher revenue contribution from its Structural Steel & Facade segment.

On 4 May 2016, the Group announced that its wholly-owned subsidiary, Hetat Holdings Pte Ltd, had entered into a non-binding term sheet in relation to the proposed acquisition of 60% of the total issued and paid-up share capital in a joint stock company to be converted from Thao Li Construction, Services and Trading Co. Ltd (“Thao Li”).

Thao Li is a Vietnam-incorporated company engaged in the business of, among others, providing design, construction and manufacturing services in modular construction projects also known as Pre-fabrication, Pre-finished Volumetric Construction (PPVC).

The aggregate consideration for the proposed acquisition is expected to be in the range of US\$3.72 million to US\$4.34 million, based on the valuation of Thao Li.

Post acquisition, Hetat will own 60% of the joint stock company, while Mr Alistair Sawyer, Thao Li’s managing director, and his nominee, will hold the remaining 40% stake.

Said **Group Chief Executive Officer, Mr Henry Ng:**

***“The signing of this term sheet paves the way for the extension of our SSF business into the higher value-added Pre-fabrication, Pre-finished Volumetric Construction (PPVC) business. Mr Sawyer, who has many years of experience in the PPVC business, will lead our new business venture as Chief Executive Officer of the new joint stock company.”***

***“We are excited about this strategic development, and are hopeful that the new PPVC business will progressively replace the loss of the profit contribution of our Refined Petroleum (“RP”) business recently divested,” Mr Ng added.***

## SEGMENT REVIEW

\$ million	1Q2016	1Q2015	Change
<b>Corrosion Prevention (CP)</b>			
- Revenue	4,976	5,232	(5%)
- Gross Profit	1,271	1,058	20%
<b>Structural Steel &amp; Façade (SSF)</b>			
- Revenue	7,594	6,051	25%
- Gross Profit	1,189	1,298	(8%)
<b>Others</b>			
- Revenue	341	252	35%
- Gross Profit	153	58	164%

*For the 3 months ended 31 March 2016 and 31 March 2015*

### Corrosion Prevention (CP)

The Group's CP segment registered a 5% dip in 1Q2016 revenue to S\$5.0 million, as it continued to be impacted by depressed crude oil prices which significantly dampened capital expenditure spending in the marine, offshore, oil and gas sectors, resulting in the oversupply of offshore rigs and vessels.

CP segment's gross profit for the first quarter, however, improved by 20% as a result of gross margin being uplifted from 13% in the year-ago period, to 20% in the current quarter. The improvement was due to continuous drive to improve productivity and reduce reliance of subcontracting services.

### Structural Steel & Façade (SSF)

Revenue for the SSF segment grew 25% to S\$7.6 million in 1Q2016 due to the recognition of projects such as the Singapore Management University, Changi General Hospital, Shell Marina and Singapore Post.

However, gross profit retreated by 8% to S\$1.2 million on the back of an intense competitive business environment and the loss of a production line as the current factory is undergoing redevelopment.

### Other Income

Other income grew 36% to S\$342,000 in 1Q2016 due to higher interest income from cash consideration derived from the divestment of the RP business placed in fixed deposits

Total operating expense decreased 9% to \$3.2 million from costs rationalization measures and improved worker productivity.

Net profit from continuing operations as a result improved from a loss in 1Q15 of \$810,000 to a profit of \$204,000. However the absence of the contribution from discontinued operations of the RP business resulted in 1Q16 net profit to decline 92% against 1Q15.

### **EPS/NAV Per Share**

Based on the latest 1Q2016 results, the Group's basic earnings per ordinary share from continuing operations (based on the weighted average number of shares) grew to 0.03 Singapore cents, reversing a loss per share of 0.13 Singapore cents posted in 1Q2015. Net asset backing per ordinary share was 35.77 Singapore cents as at 31 March 2016.

The Group maintained a robust financial position with its balance sheet strengthened with net assets growing from S\$220.0 million to S\$222.0 million, and with cash and cash equivalents of S\$97.1 million as at 31 March 2016.

### **Business Prospects**

FY2016 will remain challenging for the Group's core CP and SSF segments as domestic and global economic volatility, intense competition, depressed oil prices continue to make an impact on the Group's operating performance.

Its SSF segment, which is facing margin pressure in an increasingly competitive construction and infrastructure industry, will see Management taking appropriate action to stay efficient and nimble, and move up the value chain into modular construction and explore overseas for growth in this segment.

The depressed marine, offshore and oil & gas sectors, coupled with higher foreign worker levies and dependency ratio requirements, continue to add pressure to the CP segment's performance. In response, the Group will continue its cost rationalization and operational efficiency exercise, while intensifying its marketing efforts to expand and diversify its customer base.

Moving ahead, the Group will focus on exercising financial prudence and increasing its operational efficiency, while pursuing opportunities to generate new income streams for the Group.

*This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 13 May 2016.*

---

**Issued on behalf of SHS Holdings Ltd. by:**

**Waterbrooks Consultants Pte Ltd**

Tel: (+65) 6100 2228

**Wayne Koo** (M): +65 9338 8166 wayne.koo@waterbrooks.com.sg

**Ho See Kim** (M): +65 9631 3602 seekim@waterbrooks.com.sg

***About SHS Holdings Ltd.***

*SHS Holdings Ltd. is an established group with diversified businesses in corrosion prevention ("CP") and steel engineering services (SSF).*

*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 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 and Malaysia .*

*To build new earnings streams for the future, SHS Holdings Ltd. has also made strategic investments in an executive condominium development project in Singapore, mini-hydropower projects in Indonesia 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](http://www.shsholdings.com.sg).*