



SHS HOLDINGS LTD

NEWS RELEASE

## SHS' 3Q2016 net profit dips 17% to S\$1.5M in absence of contribution from TAT Petroleum following divestment

- The Group posted net profit from continuing operations of S\$1.4M for 3Q2016, reversing net loss of S\$288,000 in the year-ago quarter
- Absence of contribution from the divested Refined Petroleum business pushed 3Q2016 net profit 17% below 3Q2015.
- 9M2016 net profit at S\$9.7M however is 68% above 9M2015.

S\$'000	3Q2016	3Q2015	Change	9M2016	9M2015	Change
Revenue	12,200	19,253	(37%)	38,843	43,074	(10%)
<b>Net profit attributable to shareholders</b>						
- Continuing Operations	1,379	(288)	NM	1,989	(2,005)	NM
- Discontinued Operations	169	2,146	(92%)	7,725	7,793	(1%)
	<b>1,548</b>	<b>1,858</b>	<b>(17%)</b>	<b>9,714</b>	<b>5,788</b>	<b>68%</b>

*For the period ended 30 September 2016 and 30 September 2015  
NM = Not Meaningful*

Singapore, 9 November 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 both its continuing and discontinued operations of S\$1.5 million for the third quarter of FY2016 (“3Q2016”) ended 30 September 2016.

This was 17% lower than the year-ago period because of the absence of the contribution from former subsidiary TAT Petroleum which was acquired by Brenntag AG in FY2015.

In the latest third quarter, the Group posted net profit from continuing operations of S\$1.4 million, reversing a net loss of S\$288,000 in 3Q2015. This was achieved by the cost rationalization efforts in the face of tough operating conditions and the absence of the write of doubtful debts in 3Q2015.

Group revenue declined by 37% to S\$12.2 million due to significantly lower business volumes from its Corrosion Prevention (“CP”) segment, as projects from shipyards were being pushed back, and loss of production line in its Structural Steel & Facade (“SSF”) segment as redevelopment plant in Tuas.

Said Group Chief Executive Officer, Mr Henry Ng: ***“Despite the challenging business environment, we are pleased that our core business units are fundamentally healthy and profitable. Moving ahead, however, we are securing a more sustainable future with new capabilities such as modular construction for our SSF segment, as well as the renewable energy business. Last month, we made a significant progress in our Bangladesh solar project with the signing of the Power Purchase and Implementation Agreements with the Bangladesh Power Development Board and the Government of the People’s Republic of Bangladesh and the Power Grid Company of Bangladesh Ltd respectively. In the next few months, we will be finalizing the funding arrangements after which the project will be ready for commercial operations within the next 18 months.”***

## SEGMENT REVIEW

S\$ million	3Q2016	3Q2015	Change	9M2016	9M2015	Change
<b>Corrosion Prevention (CP)</b>						
- Revenue	3,792	6,227	(39%)	14,207	16,978	(16%)
- Gross Profit	1,239	2,062	(40%)	4,091	4,704	(13%)
<b>Structural Steel &amp; Facade (SSF)</b>						
- Revenue	7,661	13,021	(41%)	23,150	25,252	(8%)
- Gross Profit	2,201	3,182	(31%)	5,047	5,797	(13%)
<b>Solar Energy</b>						
- Revenue	482	-	NM	628	-	NM
- Gross Profit	98	-	NM	34	-	NM
<b>Others</b>						
- Revenue	265	5	NM	858	844	2%
- Gross Profit	111	57	93%	371	203	84%

*For the period ended 30 September 2016 and 30 September 2015*

### Corrosion Prevention (CP)

Revenue from the Group's CP segment decreased by 39% to S\$3.8 million mainly due to the substantially reduced volume of work as projects from major customers' shipyards were pushed back due to the slowdown in the marine, offshore, as well as oil and gas sectors.

Its third-quarter gross profit similarly fell by 40% to S\$1.2 million year-on-year while managing to maintain gross profit margin at the 32.7% level (3Q15: 33.1%) due to the Group's efforts in raising productivity, rationalizing costs and reducing its reliance on subcontracting services.

### Structural Steel & Facade (SSF)

Revenue for the SSF segment decreased by 41% to S\$7.7 million in 3Q2016 on the back of challenging business conditions and the loss of a production line due to the ongoing redevelopment of its SSF plant in Tuas.

Gross profit similarly declined 31% to S\$2.2 million, however, this was mitigated by the improvement in gross margins from 24.4% in the year-ago quarter to 28.7% in the latest quarter due to recognition of its higher-margin projects.

### Solar Energy

Revenue from the Group's solar energy business, through its subsidiary Sinenergy Holdings Pte Ltd, amounted to S\$482,000 in 3Q2016. It managed to generate a gross profit of S\$98,000 from the recognition of construction work of the SATS project.

## **Other Income**

Other income increased by S\$759,000 in 3Q2016 mainly due to sale of scrap materials from SSF segment, unrealized exchange gains from the Mongolian Tugriks, and higher interest income from surplus cash in fixed deposits.

## **EPS/NAV Per Share**

Based on the Group's latest third quarter results, its basic earnings per ordinary share (based on the weighted average number of shares) rose to 0.21 Singapore cents, reversing a loss per share of 0.04 Singapore cents registered in 3Q2015. Net asset backing per ordinary share was 31.51 Singapore cents (as at 30 September 2016).

The Group's financial position continues to be robust, with its total equity amounting to S\$216.8 million, and cash and cash equivalents totaling S\$78.3 million as at 30 September 2016.

## **Business Prospects**

The depressed global economic backdrop, exacerbated by the continued volatility in oil prices and the highly competitive business environment, continues to be challenging for the Group's core businesses in the next reporting period and next 12 months.

This has impacted its CP business, which is largely dependent on a buoyant marine and offshore oil & gas sector. However, the Group's efforts to rationalize its cost structure, while expanding and diversifying its customer base, have helped to soften the negative impact.

Meanwhile, margin pressure from an increasingly competitive industry, coupled with the temporary loss of a production line while its SSF plant in Tuas was being redeveloped, continued to dog the SSF business segment.

Its solar energy subsidiary, Sinenergy Pte Ltd, is currently constructing a 4MW solar plant for SATS housed under the Group's special purpose vehicle, Changi Mega Solar Pte Ltd, which will provide a steady income for the Group when commissioned in the first half of 2017. On 27 October 2016, the Group announced that Sembcorp Utilities Pte Ltd acquired a 49% stake in Changi Mega Solar Pte Ltd, to participate in the design, build, finance, own and operate a grid-tied solar photovoltaic system for the SATS Airfreight Terminal at Changi Airport.

On 19 October 2016, the Group, through its subsidiary HDFC SinPower Limited ("HDFC"), officially signed the Power Purchase Agreement ("PPA") with the Bangladesh Power Development Board, as well as an Implementation Agreement with the Government of the

People's Republic of Bangladesh and the Power Grid Company of Bangladesh Ltd, for a 50MW solar power plant in Sutiakhali, Bangladesh. Tariff for all electric energy purchases was fixed at US\$0.17/kWh for 20 years. The construction of the Plant, estimated to be between US\$70-80 million, is to be completed within 18 months.

Looking ahead, Management continues to be vigilant and ready to respond to challenges in a volatile business environment.

*This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 9 November 2016.*

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

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***About SHS Holdings Ltd.***

*SHS Holdings Ltd. is an established group with core businesses in corrosion prevention ("CP"), steel engineering services (SSF), modular construction and solar energy.*

*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, Malaysia and Mongolia.*

*It recently added new capabilities in solar energy and modular construction, which will be additional growth engines for the Group.*

*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).*