SHS HOLDINGS LTD

NEWS RELEASE

SHS' FY2015 net profit jumps to S$57.8M from sale of RP business

- **Group divested its RP business to global chemicals distribution giant Brenntag AG for S$100.3 million in cash on 31 December 2015**
- **S$13.9m of profit from share of associate company profit in the Heron Bay Executive Condominium project in 4Q15 was recognized**
- **Moving ahead, the Group will focus on extending its structural engineering business into higher value added modular volumetric construction, and building a new arm of renewable energy-related businesses as its new growth engine.**
- **Special dividend of 3.68 cents per share and final dividend of 0.32 cents per share proposed**

$'000	**4Q2015**	**4Q2014**	**Change**	**FY2015**	**FY2014**	**Change**
Revenue	19,653	20,611	(5%)	62,727	86,064	(27%)
Net profit attributable to shareholders						
- Continuing Operations	11,124	2,192	407%	9,012	7,826	15%
- Discontinued Operations	40,803	2,108	NM	48,739	7,844	521%
	51,927	**4,300**	**NM**	**57,751**	**15,670**	**269%**

For the 3 months and full-year ended 31 December 2015 and 31 December 2014

Singapore, 29 February 2016 – Mainboard-listed **SHS Holdings Ltd.**, **(四合成有限公司)** ("SHS" or "the Company", and together with its subsidiaries, the "Group") today reported that its net profit attributable to shareholders for the full year 2015 ("FY2015") surged from S$15.7 million in FY2014 to S$57.8 million as a result of the gain from the divestment of its Refined

Petroleum (RP) business to Brenntag (Holding) B.V., a unit of global chemicals distribution giant Brenntag AG as well as the recognition of S$13.9 million share of associated company profits from the Heron Bay Condominium project

The divestment of the RP business has increased the Group's cash position from S$39.1 million in FY2014 to S$103.8 million in FY2015, thereby strengthening the Group's balance sheet and enhancing its financial flexibility as it explores new growth opportunities by developing a key competence in the area of Pre-fabrication, Pre-finished Volumetric Construction ("PPVC"), which is an extension of the Group's structural steel engineering business, as well as into the new renewable energy sector, in particular, the solar power business.

Dividends

The Directors have proposed a special dividend of 3.68 Singapore cents per ordinary share and a final dividend of 0.32 Singapore cents per ordinary share for approval at the forthcoming Annual General Meeting to be held on 28 April 2016. This represent a payout of 42% of FY2015 profits.

Road Map To Sustainable Growth

The Group's wholly-owned subsidiary, Sinenergy Pte Ltd, which was incorporated in February 2015, recently won a contract to install and lease up to 4MWh rooftop solar generation project from Singapore Airport Terminal Services Limited at its facility in Changi Airport, as well as a number of residential solar panel installations in Singapore.

On 30 December 2015, the Group announced that its wholly-owned subsidiary, Hetat Holdings Pte Ltd, had accepted a letter of intent issued by the Bangladesh Power Development Board, a statutory body responsible for the generation and distribution of electricity in Bangladesh, for the proposed design, construction, operation and maintenance of a 50MWp solar power plant ("Bangladesh Solar Project") at Sutiakhali, Mymensingh District, Bangladesh. Hetat is collaborating with the leading solar engineering, procurement and construction (EPC) solutions provider in Malaysia, Ditrolic Solar Technology, in this venture. As announced, the Bangladesh Solar Project will be subject to shareholders approval in an extraordinary general meeting to be held in due course.

"We have started to make important inroads into the renewable energy business through our subsidiary Sinenergy, and are confident that the solar power business holds a lot of potential for our Group. For our SSF business, we intend to move into the higher value-added Pre-fabrication, Pre-finished Volumetric Construction (PPVC)

segment which, when in place in the next two to three years, will help replace the loss of the profit contribution of our RP business just divested," Mr Ng added.

SEGMENT REVIEW

$ million	**4Q2015**	**4Q2014**	**Change**	**FY2015**	**FY2014**	**Change**
Corrosion Prevention (CP)						
- *Revenue*	6,044	6,769	(11%)	23,020	33,377	(31%)
- *Gross Profit*	1,586	2,037	(22%)	6,289	11,614	(46%)
Structural Steel & Façade (SSF)						
- *Revenue*	13,575	13,767	(1%)	38,827	51,693	(25%)
- *Gross Profit*	3,029	3,999	(24%)	8,827	13,227	(33%)
Others						
- *Revenue*	34	75	(55%)	880	994	(12%)
- *Gross Profit*	(123)	103	NM	82	300	(73%)

For the 3 months and full-year ended 31 December 2015 and 31 December 2014

Corrosion Prevention (CP)

The Group's CP segment posted a 11% decline in 4Q2015 revenue to S$6.0 million, and a 31% dip in FY2015 revenue to S$23.0 million, mainly due to the global slowdown in the offshore and marine sectors, the weak performance of the construction and infrastructure industries, and the overall competitive business environment.

Subsequently, gross profit for the CP segment decreased by 22% to S$1.6 million in 4Q2015, and declined by 46% to S$6.3 million in FY2015, from the weak business environment and intense competition. Gross margin fell to 26% in 4Q2015 and 27% for the full year.

Structural Steel &Facade (SSF)

A slowdown exacerbated by intense competition in the domestic construction and infrastructure sectors continued to impact the Group's SSF segment that saw revenue decrease marginally by 1% to S$13.6 million in the latest fourth quarter, and dipping by 25% to S$38.8 million in FY2015.

Gross profit fell by 24% to S$3.0 million in 4Q2015, and by 33% to S$8.8 million in FY2015. Gross margin dipped to 22% and 23% in 4Q2015 and FY2015 respectively.

Other Income

Other income decreased by 58% to S$0.3 million in 4Q2015, and by 66% to S$0.7 million in FY2015 due to the absence of the compensation received in FY2014 from the vendor of one of the Group's investment (non-recurring income) following the shortfall of the lease extension; lower service income from SSF segment as it had to commence its plant redevelopment project and lower income from scrapped items.

Net Profit Attributable to Shareholders

Notwithstanding below last year performance of SSF and CP segments, Group's net profit attributable to shareholders jumped from S$15.7 million in FY 2014 to S$57.8 million in FY 2015. This is driven by the profit from discontinued operations of S$48.7 million and the share of profit of associated company of S$13.9 million arising from the completion of the Heron Bay Executive Condominium project offset by S$2.7 million impairment of goodwill on acquisition of Eastern Tankstore in 2012.

NAV Per Share

Net asset backing per ordinary share as at 31 December 2015 surged 45% to 35.98 Singapore cents from 24.78 Singapore cents as at 31 December 2014.

The Group maintained a strong financial position with its balance sheet strengthened with net assets growing from S$152.2 million to S$220.0 million, and with cash and cash equivalents of S$102.6 million from the sales proceeds of RP business. The Group is in a net cash position of S$96.8 million.

Business Prospects

The Group expects the business landscape in FY2016 to remain challenging in the face of domestic and global economic volatility, heightening competition and depressed oil prices that will continue to impact the Group's operating performance.

The Group's construction and infrastructure segment is facing margin pressure in an increasingly competitive industry. To mitigate these challenges, the SSF Division has taken appropriate action to stay efficient and nimble while managing to secure a stable order book for FY2016.

The depressed marine, offshore and oil & gas sector will continue to impact the Group's CP business in FY2016. In addition, the hike in foreign worker levies and foreign worker dependency ratios are expected to increase CP Division's operating cost. Faced with these challenges, the Group will continue its cost rationalization exercise and enhance productivity to maintain an appropriate and efficient cost structure while it focuses on expanding and diversifying its customer base.

Following the disposal of its RP business in December 2015, the Group is actively seeking new growth engines to replace the loss of the income stream previously contributed by the RP business. Its entry into the renewable energy business, specifically the solar power business (which is subject to shareholders' approval) as well as the planned extension of the Group's SSF business into the higher value-added PPVC segment, when in place in the next few years, is expected to generate new income streams to the Group.

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 29 February 2016.

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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 (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, 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.