News Release

SEE HUP SENG LIMITED

See Hup Seng Posts Net Profit of S$1.5M for 2Q12

- Group revenue was unchanged from a year ago at S$63.3 million, but up 6% from 1Q12
- Group net profit down 42% y-o-y but up 12% from 1Q12
- Recorded net profit of S$2.9 million on revenue of S$123.2 million for 1H2012
- New investments progressing according to plan

Singapore, 14 August 2012 – **See Hup Seng Limited (四合成有限公司)** ("**See Hup Seng**" or the "**Group**"), a leading provider of corrosion prevention services in Singapore and strategic value-added distributor of petroleum-derived products in Asia Pacific, today reported a net profit of S$1.5 million for the 3 months ended 30 June 2012 ("2Q12") on revenue of S$63.3 million.

The Group sustained its revenue despite the continued challenging operating landscape and keen market competition. Revenue from its **Corrosion Prevention** ("**CP**") business in 2Q12 dipped marginally but this was compensated by increased sales of the **Refined Petroleum** ("**RP**") business. When compared to the preceding quarter, revenue in 2Q12 was up 6% from S$59.9 million in 1Q12.

Although revenue was stable from a year ago, the Group's gross profit was down 3% or S$0.3 million to S$9.5 million due to lower gross profit margin (GPM) of the RP business. RP business faced pressure on its average selling prices as crude oil prices were lower than a year ago and market competition remained intense. This was partially buffered by the CP business which registered higher GPM. The contraction in RP's GPM and higher Group operating expenses resulted in Group net profit declining by 42% or S$1.1 million to S$1.5 million in 2Q12. This was however higher than the Group's net profit of S$1.4 million in 1Q12.

Said Mr Thomas Lim, Chairman of See Hup Seng, "Both our CP and RP businesses remained profitable despite prevailing headwinds in the business environment. CP improved its profit margin and bottom line, thanks to our operational improvements and cost containment measures. However, our RP business had to implement competitive pricing strategies to sustain its market share in the current environment. This inevitably reduced RP segment's profit in 2Q12. Group net profit was also affected in part by legal and professional expenses incurred for our corporate activities and business expansion plans.

Our strategic investments in the development of an Integrated Chemical Hub and executive condominium in Singapore are progressing according to plan. We are currently seeking to extend the lease of our property at Penjuru Lane, after which construction of the Integrated Chemical Hub is anticipated to start in FY2013. Meanwhile, sales of the executive condominium *Heron Bay* are expected to be launched in 4Q12. The Group also has a minority stake in an offshore drilling company which has already commissioned the construction of two tender barges for delivery in mid-2014. As we continue to build our primary CP and RP businesses, the benefits of some of these strategic investments are expected to be realised from FY2014."

For the first six months ended 30 June 2012 ("1H2012"), Group revenue rose 2% to S$123.2 million while net profit declined 39% to S$2.9 million. As at 30 June 2012, the Group had cash and cash equivalents of S$29.9 million and net gearing of 0.4 times. Net asset value per share stood at 20.55 cents.

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Segment Review

S$ million	SEGMENTS (2Q12)			GROUP (2Q12 vs 2Q11)			GROUP (1H2012 vs 1H2011)		
	CP	**RP**	**Others***	**2Q12**	**2Q11**	***yoy change***	**1H2012**	**1H2011**	***yoy change***
Revenue	8.7	54.4	0.2	**63.3**	63.1	*0%*	**123.2**	121.0	*2%*
Gross profit	2.8	6.7	0.0[#]	**9.5**	9.8	*(3%)*	**18.4**	19.0	*(3%)*
GP margin	31.7%	12.2%	40.6%	**15.0%**	15.6%	*(0.6pp)*	**15.0%**	15.7%	*(0.7pp)*
Profit after tax	0.6	0.9	0.0	**1.5**	2.6	*(42%)*	**2.9**	4.8	*(39%)*
EBITA	1.1	2.0	0.0	**3.1**	4.3	*(28%)*	**5.9**	7.8	*(24%)*

**Others comprise the consolidated revenue of Eastern Tankstore (S) Pte Ltd (ETS) which has become a 51%-owned subsidiary of See Hup Seng in April 2012. The acquisition of ETS is for the purpose of forming a joint venture for the development of an Integrated Chemical Hub in Singapore.*
[#]Due to rounding.

<u>Refined Petroleum (RP)</u>

Notwithstanding reduced average selling prices arising from keen competition and lower crude oil prices, RP recorded revenue of S$54.4 million in 2Q12, up 1% from S$54.0 million the previous year on stronger sales volume. The growth in sales volume was led primarily by industrial and wholesale products, including asphalt product which commenced sales towards the end of March 2012. Sales of industrial and wholesale products rose 35% year-on-year and compensated for the 3% decline in sales of petroleum-intermediates.

Gross profit in 2Q12 of S$6.7 million was however lower than S$7.5 million in 2Q11. GPM contracted to 12.2% compared to 14.0% previously as RP continued with its aggressive pricing strategy to counter intensifying competition amid slower demand conditions. Coupled with higher operating expenses in tandem with the increase in sales volume and start of the asphalt business, as well as an increase in finance costs, RP's net profit in 2Q12 declined to S$0.9 million, compared to S$2.2 million previously.

On a sequential basis, RP's revenue in 2Q12 improved 9% from S$49.9 million in 1Q12, while GPM and net profit also increased marginally from 12.1% and S$0.8 million respectively in 1Q12. For 1H2012, RP recorded net profit of S$1.7 million on revenue of S$104.3 million. This compares with net profit of S$3.7 million and revenue of S$102.4 million for 1H2011.

<u>Corrosion Prevention (CP)</u>

Revenue of CP in 2Q12 eased 6% to S$8.7 million from S$9.3 million in 2Q11. This was due mainly to lower revenue from the Tank Coating & Module Blasting, and Trading units which was partially buffered by stronger revenue of Plant Operations. In 2Q12, Plant Operations and Tank Coating & Module Blasting units contributed to 74% of the segment's revenue, while Trading and Grit Blasting-Site units accounted for the remaining 26% of CP revenue.

Although revenue was lower, CP recorded an increase in gross profit in 2Q12. The segment's GPM expanded to 31.7% in 2Q12 from 24.6% previously, driven primarily by Plant Operations which attained higher GPM on better sales mix, higher capacity utilisation and cost control initiatives. At the bottom line, CP increased its net profit to S$0.6 million in 2Q12, compared to S$0.5 million in 2Q11.

On a sequential basis, CP's revenue in 2Q12 was 12% lower than S$9.9 million in 1Q12 due to lower sales contribution from the Tank Coating & Module Blasting and Trading units. However, GPM in 2Q12 improved from 1Q12 while net profit remained steady. For 1H2012, CP posted a steady performance with a net profit of S$1.2 million on revenue of S$18.7 million. This compares with net profit of S$1.1 million and revenue of S$18.6 million in 1H2011.

Business Outlook

The ongoing European debt crisis and uncertainties over the global economy are expected to continue dampening business sentiment and the industrial activities in the region. As a result, competitive conditions are likely to prevail for both the CP and RP businesses. Nevertheless, the Group expects to remain profitable in FY2012 barring any unforeseen circumstances.

In the longer term, the Group plans to grow its RP business by expanding its product range and moving up the supply chain. To this end, the Group formed a joint venture, in which See Hup Seng owns a 51% stake, to build an Integrated Chemical Hub at Penjuru Lane in Singapore. The application for lease extension of the property at Penjuru Lane for a term of 30 years is underway and construction of the Integrated Chemical Hub is currently anticipated to start in 2013.

Earlier this year, See Hup Seng also took a 30% equity stake in a joint venture for the development of an executive condominium in Upper Serangoon View. Called *Heron Bay*, sales of the 17-storey executive condominium project is expected to be launched in 4Q12.

In April, the Group also acquired a minority stake in Energy Drilling Pte Ltd which has contracted COSCO (Guangdong) Shipyard Co. Ltd. to build two self-erecting drilling tender barges for delivery in mid-2014.

None of the above business ventures are expected to have any significant impact to the Group's financial results in FY2012 and FY2013.
