



## See Hup Seng Posts 31% Gain in Net Profit to S\$1.7M in 3Q12

- Bottom line performance lifted by higher Group revenue and GP margin expansion
- Group continues to invest for the future with recent acquisition of Axxmo
- Overwhelming demand for deluxe EC *Heron Bay*, in which the Group owns a 30% stake

**Singapore, 14 November 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 that its net profit for the 3 months ended 30 September 2012 ("3Q12") increased 31% to S\$1.7 million on the back of higher Group revenue and improved profit margins of its two key businesses.

Group revenue of S\$64.5 million in 3Q12 was 6% higher compared to S\$60.8 million in the same period a year ago. Higher sales achieved at the **Refined Petroleum** ("RP") business more than made up for a slight dip in revenue from its **Corrosion Prevention** ("CP") business.

Although the operating environment remained difficult, the Group improved its gross profit margin (GP margin) in 3Q12. This was attributable mainly to the CP business which registered a significant increase in GP margin during the quarter. GP margin of the RP business also edged higher during 3Q12. As a result, the Group's gross profit jumped 16% year-on-year to S\$9.5 million in 3Q12.

Said Mr Jimmy Tan, Managing Director of See Hup Seng, "The Group's financial results in 3Q12 were lifted by commendable performances of both the CP and RP businesses. Our CP business was able to leverage its strong competitive position in the industry as well as benefit from operational and cost efficiencies, which translated into higher profit margins.

Meanwhile, our RP business remained steady as we took the opportunity to benefit from robust activities in Singapore's industrial and construction sectors which compensated for the lower level of manufacturing activity.

Although current market conditions are still depressed, the Group is committed to continue building for the future through strategic and astute investments. We are pleased to report that the sales launch of *Heron Bay* executive condominium project, in which the Group has a 30% stake, was met with an overwhelming response.

This month, we acquired a company, Axxmo which is the master distributor in Singapore of a major petroleum-based waterproofing product used in public housing projects, to further strengthen our RP business."

For the nine months ended 30 September 2012 ("9M12"), Group revenue rose 3% to S\$187.8 million while net profit declined 24% to S\$4.6 million. RP accounted for 85% of total revenue in 9M12 with CP contributing around 15%. As at 30 September 2012, the Group had cash and cash equivalents of S\$31.1 million and net gearing<sup>1</sup> of 0.3 times. Net asset value per share stood at 20.47 cents.

<sup>1</sup>Net gearing is computed based on (Total Borrowings including trust receipts less Cash and Cash Equivalents) / (Total Equity)

## Segment Review

| S\$ million             | SEGMENTS (3Q12) |       |         | GROUP (3Q12 vs 3Q11) |       |                        | GROUP (9M12 vs 9M11) |       |                        |
|-------------------------|-----------------|-------|---------|----------------------|-------|------------------------|----------------------|-------|------------------------|
|                         | CP              | RP    | Others* | 3Q12                 | 3Q11  | yo <sup>y</sup> change | 9M12                 | 9M11  | yo <sup>y</sup> change |
| <b>Revenue</b>          | 8.5             | 55.8  | 0.2     | <b>64.5</b>          | 60.8  | 6%                     | <b>187.7</b>         | 181.8 | 3%                     |
| <b>Gross profit</b>     | 2.9             | 6.5   | 0.1     | <b>9.5</b>           | 8.2   | 16%                    | <b>27.9</b>          | 27.2  | 3%                     |
| <b>GP margin</b>        | 34.6%           | 11.6% | 39.5%   | <b>14.7</b>          | 13.5% | -                      | <b>14.9%</b>         | 15.0% | -                      |
| <b>Profit after tax</b> | 0.6             | 1.0   | 0.1     | <b>1.7</b>           | 1.3   | 31%                    | <b>4.6</b>           | 6.1   | (24%)                  |
| <b>EBITA</b>            | 1.2             | 1.8   | 0.2     | <b>3.2</b>           | 2.7   | 19%                    | <b>9.1</b>           | 10.5  | (13%)                  |

\*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, and equity accounting of Serangoon EC Pte Ltd.

### Refined Petroleum (RP)

Revenue from the distribution of RP products in the region rose 7% year-on-year to S\$55.8 million, accounting for 86% of Group revenue in 3Q12. This was driven primarily by higher sales volume of industrial and wholesale products, thanks to the higher level of industrial and construction activities and maiden contribution from asphalt product which commenced sales in 2012. However, sales of petroleum intermediates were softer due to a slowdown in manufacturing activities and lower average selling prices of certain products.

Gross profit of RP in 3Q12 increased at a faster pace of 12% to S\$6.5 million due to higher GP margin of 11.6% in 3Q12 compared to 11.0% 3Q11. As a result, RP's net profit in 3Q12 amounted to S\$1.0 million, up from S\$0.3 million in 3Q11.

### Corrosion Prevention (CP)

Revenue of CP eased 2% year-on-year to S\$8.5 million in 3Q12, due mainly to the decline in revenue from the Tank Coating & Module Blasting and Trading units. The Plant Operations posted a strong increase in revenue during 3Q12 which helped to moderate the effect of slower activities at the Tank Coating & Module Blasting business.

Thanks to higher capacity utilisation and improved sales mix, the Plant Operations lifted CP's gross profit by 19% to S\$2.9 million. Correspondingly, GP margin of CP expanded to 34.5% from 28.5% in 3Q11. However, due to the absence of a gain on disposal of fixed assets in 3Q12, CP's net profit was lower at S\$0.6 million as compared to S\$1.0 million in 3Q11.

## Business Outlook

Lingering global economic uncertainties are expected to continue dampening business sentiment and industrial activities in the region. While competitive conditions are likely to prevail for both the CP and RP businesses, the Group expects to remain profitable in FY2012 barring any unforeseen circumstances.

To generate higher value for shareholders in coming years, the Group has embarked on several initiatives during FY2012 to strengthen its existing businesses and build new revenue sources from diversified business ventures.

### RP business' expansion initiatives

The Group has been actively working to grow the RP business. Earlier this month, it announced the acquisition of 100% interest in Axxmo International Pte Ltd, the master distributor in Singapore for a petroleum-based waterproofing product of a major global producer. This acquisition, together with the commencement of sales from its asphalt contract this year, will broaden RP's product offering.

See Hup Seng is also aiming for RP to move up the supply chain. The Group has set up a joint venture, in which it owns 51% interest, to build an Integrated Chemical Hub at Penjuru Lane in Singapore. The Group is currently applying to extend the lease of the property at Penjuru Lane for a term of 30 years and envisages construction of the Integrated Chemical Hub to begin in 2013.

**Strategic investments**

As part of its plans to build new revenue streams, See Hup Seng also took a 30% equity stake in a joint venture that is developing *Heron Bay*, a 17-storey deluxe executive condominium (EC) in Upper Serangoon View. Since the sales opening on 26 October 2012, *Heron Bay* has received an overwhelming response with over 90% of the units sold at an average price of S\$725 per square foot. This project will have a total of 394 units with total saleable floor area of about 502,000 square feet.

*Heron Bay* is the first EC to feature large 5-bedroom units and luxurious features such as private pool-cum-jacuzzi/garden/fish pond ensuite to the living rooms of ground-floor units, complimentary Fibre Broadband Service during the first year of occupancy, hydrocavitated water swimming pool, among others. The development is expected to obtain temporary occupation permit in 2016.

In addition, the Group has a minority stake in Energy Drilling Pte Ltd. ("Energy Drilling"), an offshore drilling company which will own and operate modern tender rigs with capabilities that exceed any other tender rig in the market today. Energy Drilling has commissioned COSCO (Guangdong) Shipyard Co. Ltd. to build two self-erecting drilling tender barges for delivery in mid-2014.

The above business ventures are not expected to have a significant impact on the Group's financial results in FY2012 and FY2013.

*This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 14 November 2012.*

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**About See Hup Seng Limited**

See Hup Seng operates two primary businesses -- corrosion prevention services ("CP") and refined petroleum products and services ("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. See Hup Seng 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 by the Group's wholly-owned subsidiary, TAT Petroleum Pte Ltd. Headquartered in Singapore with offices in Hong Kong, China (Guangzhou), South Korea, Vietnam and Indonesia, TAT Petroleum is a strategic value-added distributor that offers comprehensive services including blending and packaging of refined petroleum products. Its customers hail from diverse sectors including vehicular, agriculture, coating, pharmaceutical, plastic and electronics industries. To expand its RP business, the Group is planning to build an Integrated Chemical Hub in Singapore through a 51%-owned joint venture as well as acquiring a company which is the master distributor in Singapore of a petroleum-based waterproofing product.

To build new earnings streams for the future, See Hup Seng 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.

See Hup Seng is listed on the Mainboard of SGX-ST. For further information, please visit the Group's website at [www.seehupseng.com.sg](http://www.seehupseng.com.sg)