



SEE HUP SENG LIMITED

NEWS RELEASE

## **Significant improvements from existing core businesses and maiden contribution from steel engineering boost See Hup Seng's 1Q14 net profit up 85% to S\$3.9 million**

- *Group revenue rose 23% to S\$85.3 million bolstered by higher sales volume from RP business and the maiden contribution of Structural Steel and Façade*
- *Moving ahead, its three growth engines, though operating in different industries, will propel the Group to new levels of growth*

**Singapore, 14 May 2014 – See Hup Seng Limited (四合成有限公司)** (“See Hup Seng” and together with its subsidiaries, the “Group”) today announced a jump of 85% in net profit to S\$3.9 million in the first quarter ended 31 March 2014 (1Q14). This was boosted by the first-time contribution from the recently acquired Hetat Holdings’ structural steel and façade business (“SSF”), as well as continued strong performance of the Group’s existing refined petroleum (“RP”) and corrosion prevention (“CP”) businesses.

The Group would have reported an increase of 119% in 1Q14 net profit to S\$4.6 million, if not for the amortization and the additional depreciation of S\$0.8 million (net of tax effect) at the Group level in relation to the fair value of SSF segment’s order book and revaluation of land and building at acquisition as required by FRS103.

The strong set of earnings was achieved on the back of higher Group revenue which rose 23% to S\$85.3 million from increased sales volume generated by its RP business as a result of its efforts in developing new markets and customers. Higher sales from RP’s new Blending and Trading business also led to RP registering a nearly 14.0% surge in revenue to S\$67.1 million. The Group’s SSF business generated revenue of S\$9.5 million from its engineering and construction business.

***Said Group Chief Executive Officer Mr Henry Ng, "Moving ahead, we are very excited about the integration of Hetat's structural steel and facade engineering business with the Group's existing RP and CP segments, thereby strengthening See Hup Seng's earnings base while enhancing long-term shareholder value. As each of these three growth engines operate in different industry segments, the pace of growth will be different but collectively, they will propel the Group to new levels of growth despite continued challenges in the macro operating environment."***

Based on the Group's latest first quarter results, earnings per ordinary share grew 28.0% to 0.64 Singapore cents while net asset backing per ordinary share rose 8.8% to 23.7 Singapore cents as at 31 March 2014 due to the enlarged share capital.

## **SEGMENT REVIEW**

### **Refined Petroleum (RP)**

In the first three months of FY2014, revenue derived from the Group's RP business increased by 14.0% to S\$67.1 million which was spurred by higher volume and average selling prices of its key products as well as new products from its Blending and Trading business.

The RP business achieved higher gross profit margin, improving by 0.5 percentage point to 13.4%, thanks to new Blending and Trading business. This led to RP achieving a jump of 53.8% in 1Q14 net profit to S\$2.0 million.

### **Corrosion Prevention (CP)**

CP revenue declined marginally by 4.0% to S\$8.4 million due to fewer tank coating and grit blasting projects at shipyards, and lower sales volume from its trading business. However, this was mitigated by the continued strong performance of its Plant Operations unit which remained the key contributor to the CP business - accounting for 57% of total revenue in 1Q14.

During the first quarter, CP segment achieved higher gross profit, rose 13.8% to S\$3.3 million due to better sales mix and projects secured, as well as improved operational efficiency and optimal plant utilisation. The CP segment posted higher profit margin during the quarter, improved by 6.2 percentage points to 39.7% as net profit jumped 33.3% to S\$1.2 million.

## **Structural Steel & Facade (SSF)**

The Group's SSF business unit, the leading provider of structural steel and facade engineering in Singapore, has a 10-year proven track record having completed a wide portfolio of residential, commercial, infrastructural and industrial projects in Singapore, Malaysia and Mongolia.

For the three months ended 31 March 2014, the SSF segment posted revenue of S\$9.5 million which is lower than the revenue expected for the remaining quarters of FY2014 the most of the projects in the order book is expected to kick in from second quarter onwards. Notwithstanding the lower revenue, the SSF segment generated a gross profit of S\$3.4 million (accounting for 21% of the Group's overall gross profit) with a gross profit margin of 35.2% driven by variation orders and higher value projects in 1Q14. With this, it made a maiden contribution of S\$0.7 million in 1Q14 net profit after netting off the amortization and additional depreciation of S\$0.8 million (net of tax effect) at the Group level resulting from the fair value of SSF segment's order book and revaluation of land and building at acquisition as required by FRS103.

## **Business Prospects**

Barring unforeseen circumstances, the Group is cautiously optimistic about the outlook of its three core businesses and expects FY2014 to be another profitable year. Its SSF segment will strive to meet its profit warranty of S\$6.3 million (before amortization and additional depreciation of approximately S\$2.0 million at Group level resulting from the fair value of Hetat's order book, and land and building as required by FRS103) in FY2014.

The RP segment, which has improved its performance in FY2013 under a new leadership, will continue to grow its distribution business and its new petrochemical blending and trading business, thereby enhancing its product lines and value-added offerings to customers, and expand capabilities as it moves up the supply chain.

As the leading provider of CP services in Singapore, the Group will continue to improve its business processes as well as maintain efficient and cost-effective operations to maintain its competitive position while broadening its revenue base by seeking new customers in diverse industries.

*This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 14 May 2014*

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**About See Hup Seng Limited**

See Hup Seng is an established group with diversified businesses in corrosion prevention ("CP") and structural steel and facade ("SSF"), and refined petroleum products ("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 mainly by the Group's wholly-owned subsidiary, TAT Petroleum Pte Ltd, which is headquartered in Singapore with offices in Hong Kong, China (Guangzhou), South Korea, Vietnam and Indonesia. TAT Petroleum's customers hail from diverse sectors including vehicular, agriculture, coating, pharmaceutical, plastic and electronics industries. The RP business also operates a company which is the master distributor in Singapore of a petroleum-based waterproofing product. The Group has also extended its RP business from product distribution to petrochemical blending and trading services.

The SSF 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, 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)