

# SEE HUP SENG LIMITED

(Company Registration No. 197502208Z)

## Unaudited Financial Statement Announcement for the Second Quarter and Half Year 2012

### PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2012	2011	Change	2012	2011	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	63,310	63,121	0%	123,196	121,032	2%
Cost of sales and services	(53,817)	(53,303)	1%	(104,759)	(102,002)	3%
<b>Gross profit</b>	<u>9,493</u>	<u>9,818</u>	(3%)	<u>18,437</u>	<u>19,030</u>	(3%)
Other income	88	234	(62%)	207	346	(40%)
Selling and distribution expenses	(2,056)	(1,730)	19%	(3,840)	(3,567)	8%
Administrative expenses	(3,141)	(2,933)	7%	(6,311)	(5,853)	8%
Other operating expenses	(2,063)	(1,856)	11%	(4,120)	(3,634)	13%
<b>Profit from operations</b>	<u>2,321</u>	<u>3,533</u>	(34%)	<u>4,373</u>	<u>6,322</u>	(31%)
Finance costs	(355)	(255)	39%	(671)	(521)	29%
Share of profit/(loss) of associated company	(3)	-	N/M	(3)	-	N/M
<b>Profit before income tax</b>	<u>1,963</u>	<u>3,278</u>	(40%)	<u>3,699</u>	<u>5,801</u>	(36%)
Income tax	(428)	(639)	(33%)	(799)	(1,011)	(21%)
<b>Profit after income tax</b>	<u>1,535</u>	<u>2,639</u>	(42%)	<u>2,900</u>	<u>4,790</u>	(39%)
<b>Attributable to:</b>						
Equity holders of the Company	1,545	2,599	(41%)	2,905	4,751	(39%)
Non-controlling interests, net of income tax	(10)	40	N/M	(5)	39	N/M
	<u>1,535</u>	<u>2,639</u>	(42%)	<u>2,900</u>	<u>4,790</u>	(39%)

## Statement of Comprehensive Income

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2012	2011	Change	2012	2011	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit after income tax	1,535	2,639	(42%)	2,900	4,790	(39%)
<u>Other comprehensive income/(expense)</u>						
Foreign currency translation	175	(101)	N/M	(165)	(566)	(71%)
	<u>175</u>	<u>(101)</u>	N/M	<u>(165)</u>	<u>(566)</u>	(71%)
Total comprehensive income	<u>1,710</u>	<u>2,538</u>	(33%)	<u>2,735</u>	<u>4,224</u>	(35%)
Attributable to:						
Equity holders of the Company	1,672	2,498	(33%)	2,694	4,193	(36%)
Non-controlling interests, net of income tax	38	40	(5%)	41	31	32%
	<u>1,710</u>	<u>2,538</u>	(33%)	<u>2,735</u>	<u>4,224</u>	(35%)

## Additional Information to Group Consolidated Profit and Loss Accounts Under the Provision of Rule 705 of SGX-ST Listing Manual

	Note	Group			Group		
		3 months ended 30 Jun			6 months ended 30 Jun		
		2012	2011	Change	2012	2011	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other Income	1	57	106	(46%)	101	169	(40%)
Interest Income	2	73	22	233%	81	31	161%
Interest on borrowings	3	(355)	(255)	39%	(671)	(521)	29%
Depreciation	4	(802)	(741)	8%	(1,556)	(1,485)	5%
Fixed assets written off		(2)	(2)	0%	(7)	(5)	40%
Gain on disposal of fixed assets	5	27	119	(77%)	25	116	(78%)
Bad debts expense		(42)	-	N/M	(47)	(12)	292%
Write-back on allowance/(Allowance) for doubtful debts		57	(92)	N/M	(24)	(117)	N/M
Write-back on allowance/(Allowance) for stock obsolescence		81	(30)	N/M	14	(27)	N/M
Stock written off	6	(34)	(29)	17%	(51)	(40)	28%
Foreign exchange (loss)/gain	7	(125)	(13)	862%	(58)	30	N/M

- 1) The decrease was largely due to trading income from commodities in Q211 as compared to none this period.
- 2) The increase was mainly due to additional income earned from shareholders loan extended for EC project partly offset by lower bank interest income as a result of lower cash balance following expenditure in investment projects.
- 3) The increase was in line with higher trust receipts balance.
- 4) The increase was mainly due to additions especially for new business.
- 5) The decrease was due to lower gain on disposal accounted.
- 6) The increase was due to more stocks required to be written off.
- 7) The increase was in line with stronger US\$ against S\$, KRW and VND.

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	30 Jun 2012 S\$'000	31 Dec 2011 S\$'000	30 Jun 2012 S\$'000	31 Dec 2011 S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	31,149	28,416	14,336	14,591
Subsidiary companies	-	-	49,672	45,593
Associated company	1,497	-	-	-
Financial asset, available-for-sale	7,639	317	7,612	290
Membership rights	195	195	-	-
Goodwill	11,008	9,465	-	-
Loan to related party	15,000	-	-	-
Other receivables	859	1,147	-	-
	<u>67,347</u>	<u>39,540</u>	<u>71,620</u>	<u>60,474</u>
<b>Current Assets</b>				
Stock and work-in-progress	25,338	24,850	-	-
Trade receivables	48,330	51,019	8,377	8,158
Amount due from related parties	-	-	22,732	8,950
Other receivables	4,519	3,281	563	513
Fixed deposits	4,558	10,795	1,509	7,340
Cash and bank balances	25,336	31,594	3,393	1,455
	<u>108,081</u>	<u>121,539</u>	<u>36,574</u>	<u>26,416</u>
<b>Total Assets</b>	<b><u>175,428</u></b>	<b><u>161,079</u></b>	<b><u>108,194</u></b>	<b><u>86,890</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade payables and accruals	18,167	17,479	1,636	1,556
Other payables	1,524	1,072	569	557
Amount due to related parties	-	-	23,255	7,530
Term loans	808	1,652	-	-
Other amounts due to bankers	63,412	57,812	-	-
Hire purchase creditors	377	244	-	-
Provision for taxation	2,706	2,466	288	57
	<u>86,994</u>	<u>80,725</u>	<u>25,748</u>	<u>9,700</u>
<b>Non-current Liabilities</b>				
Term loans	444	829	-	-
Hire purchase creditors	612	312	-	-
Deferred taxation	1,248	1,248	545	545
	<u>2,304</u>	<u>2,389</u>	<u>545</u>	<u>545</u>
<b>Total Liabilities</b>	<b><u>89,298</u></b>	<b><u>83,114</u></b>	<b><u>26,293</u></b>	<b><u>10,245</u></b>
<b>EQUITY</b>				
Share capital	94,948	89,388	94,948	89,388
Treasury shares	(917)	(751)	(917)	(751)
Asset revaluation reserve	2,335	2,461	2,874	2,874
Foreign currency translation reserve	884	1,095	-	-
Capital reserve	1,357	1,589	1,357	1,589
Other reserve	(16,687)	(18,040)	-	-
Revenue reserve/(accumulated losses)	3,904	1,958	(16,361)	(16,455)
	<u>85,824</u>	<u>77,700</u>	<u>81,901</u>	<u>76,645</u>
Non-controlling interests	306	265	-	-
<b>Total Equity</b>	<b><u>86,130</u></b>	<b><u>77,965</u></b>	<b><u>81,901</u></b>	<b><u>76,645</u></b>
<b>Total Liabilities and Equity</b>	<b><u>175,428</u></b>	<b><u>161,079</u></b>	<b><u>108,194</u></b>	<b><u>86,890</u></b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

	30-Jun-12 S\$'000	31-Dec-11 S\$'000
<b>Amount Repayable in one year or less, or on demand</b>		
Secured	64,597	59,708
Unsecured	-	-
	<u>64,597</u>	<u>59,708</u>
<b>Amount Repayable after one year, or on demand</b>		
Secured	1,056	1,141
Unsecured	-	-
	<u>1,056</u>	<u>1,141</u>

**Details of any collateral**

The credit facilities of the Group were secured by the following:

- (i) A mortgage in-escrow and deed of assignment over 81 Tuas South Street 5 for the Company's banking facility of approximately S\$11.0 million.
- (ii) A mortgage in-escrow and deed of assignment over 9 Jalan Pesawat, fixed and floating charge over all present and future undertakings, property assets, revenues and right of TAT Petroleum Pte Ltd ("TAT Petroleum"), corporate guarantee of S\$120.0 million and fixed deposit of S\$1.4 million and S\$1.1 million by the Company and TAT Petroleum respectively for banking facility (including foreign exchange spot and forward) extended to TAT Petroleum of approximately S\$151.6 mil;
- (iii) TAT Petroleum's corporate guarantee of approximately S\$2.4 million and fixed deposits of S\$0.5 million by TAT Petroleum (HK) Pte Limited ("TAT HK") for banking facilities extended to TAT HK of approximately S\$2.4 million; and
- (iv) Fixed assets under hire purchase arrangements.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash Flows from Operating Activities</b>				
Profit before income tax	1,963	3,278	3,699	5,801
Adjustments for:				
Depreciation	802	741	1,556	1,485
Fixed assets written off	2	2	7	5
Loss on disposal of fixed assets	(27)	(119)	(25)	(116)
Interest on borrowings	355	255	671	521
Interest income	(11)	(22)	(19)	(31)
Loss from sales of other investment	-	23	-	23
Share of loss of associated companies	3	-	3	-
Gain on available-for-sale assets	-	8	-	(26)
Allowance/(write-back on allowance) for stock obsolescence	(81)	30	(14)	27
Bad debts expense	42	-	47	12
Stock written off	34	29	51	40
Net foreign currency translation adjustments	(1,638)	158	(1,276)	(386)
Operating cash flow before working capital changes	1,444	4,383	4,700	7,355
Changes in working capital				
Inventories and work-in-progress	1,658	(3,543)	(526)	33
Receivables	3,395	(4,137)	2,912	(8,212)
Payables	(1,885)	7,485	1,025	7,421
Cash generated from operations	4,612	4,188	8,111	6,597
Interest paid	(355)	(254)	(670)	(520)
Interest received	11	22	19	31
Income tax payment	(554)	(496)	(556)	(320)
<b>Net cash generated from operating activities</b>	<b>3,714</b>	<b>3,460</b>	<b>6,904</b>	<b>5,788</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of property, plant and equipment	(94)	(949)	(1,104)	(1,175)
Proceeds from disposal of property, plant and equipment	24	118	24	168
Acquisition of a subsidiary	(4,080)	-	(4,080)	-
Acquisition of associated company	(1,500)	-	(1,500)	-
Loan to associated company	(15,000)	-	(15,000)	-
Acquisition of other investment	(7,322)	-	(7,322)	-
Proceeds from disposal of other investment	-	45	-	45
Cashflow on acquisition of subsidiary (net of cash)	120	-	120	-
<b>Net cash used in investing activities</b>	<b>(27,852)</b>	<b>(786)</b>	<b>(28,862)</b>	<b>(962)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from issue of warrants	2,656	-	5,328	-
Purchase of treasury shares	(166)	-	(166)	-
Dividends paid	(1,086)	(2,055)	(1,086)	(2,055)
Fixed deposit pledges with bank	2,929	(13)	2,929	-
Repayment to hire purchase	(82)	(75)	(160)	(154)
Repayment to term loan	(327)	(469)	(1,228)	(3,089)
Increase in funds from trusts receipts	2,852	3,297	7,078	3,148
<b>Net cash generated from/(used in) financing activities</b>	<b>6,776</b>	<b>685</b>	<b>12,695</b>	<b>(2,150)</b>
Net foreign currency translation adjustments	124	(251)	(305)	(267)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,238)</b>	<b>3,108</b>	<b>(9,568)</b>	<b>2,409</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>43,954</b>	<b>21,838</b>	<b>36,284</b>	<b>22,537</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>26,716</b>	<b>24,946</b>	<b>26,716</b>	<b>24,946</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Share Capital S\$'000	Treasury Share S\$'000	Revaluation Reserve S\$'000	Capital Reserve S\$'000	Other Reserve S\$'000	Foreign Currency Translation Reserve S\$'000	Revenue Reserve S\$'000	Total S\$'000	Minority Interests S\$'000	Total Equity S\$'000
<b>Group</b>										
<b>Balance at 01 January 2012</b>	89,388	(751)	2,461	1,589	(18,040)	1,095	1,958	77,700	265	77,965
Comprehensive income	-	-	-	-	-	(211)	2,905	2,694	41	2,735
Exercise of warrants	5,560	-	-	(232)	-	-	-	5,328	-	5,328
Disposal of property, plant and equipment	-	-	(126)	-	-	-	126	-	-	-
Dividends paid	-	-	-	-	-	-	(1,086)	(1,086)	-	(1,086)
Profit warranty shortfall	-	-	-	-	1,353	-	-	1,353	-	1,353
Share buyback	-	(166)	-	-	-	-	-	(166)	-	(166)
<b>Balance at 30 June 2012</b>	<b>94,948</b>	<b>(917)</b>	<b>2,335</b>	<b>1,357</b>	<b>(16,687)</b>	<b>884</b>	<b>3,904</b>	<b>85,824</b>	<b>306</b>	<b>86,130</b>
<b>Balance at 01 January 2011</b>	89,388	(751)	1,621	1,589	(18,040)	1,191	(3,154)	71,844	237	72,081
Comprehensive income	-	-	-	-	-	(558)	4,751	4,193	31	4,224
Disposal of property, plant and equipment	-	-	(162)	-	-	-	162	-	-	-
Dividends paid	-	-	-	-	-	-	(2,055)	(2,055)	-	(2,055)
<b>Balance at 30 June 2011</b>	<b>89,388</b>	<b>(751)</b>	<b>1,459</b>	<b>1,589</b>	<b>(18,040)</b>	<b>633</b>	<b>(296)</b>	<b>73,982</b>	<b>268</b>	<b>74,250</b>
<b>Company</b>										
<b>Balance at 01 January 2012</b>	89,388	(751)	2,874	1,589	-	-	(16,455)	76,645	-	76,645
Comprehensive income	-	-	-	-	-	-	1,182	1,182	-	1,182
Dividends paid	-	-	-	-	-	-	(1,088)	(1,088)	-	(1,088)
Share buyback	-	(166)	-	-	-	-	-	(166)	-	(166)
Exercise of warrants	5,560	-	-	(232)	-	-	-	5,328	-	5,328
<b>Balance at 30 June 2012</b>	<b>94,948</b>	<b>(917)</b>	<b>2,874</b>	<b>1,357</b>	<b>-</b>	<b>-</b>	<b>(16,361)</b>	<b>81,901</b>	<b>-</b>	<b>81,901</b>
<b>Balance at 01 January 2011</b>	89,388	(751)	2,874	1,589	-	-	(17,950)	75,150	-	75,150
Comprehensive income	-	-	-	-	-	-	1,664	1,664	-	1,664
Dividends paid	-	-	-	-	-	-	(2,055)	(2,055)	-	(2,055)
<b>Balance at 30 June 2011</b>	<b>89,388</b>	<b>(751)</b>	<b>2,874</b>	<b>1,589</b>	<b>-</b>	<b>-</b>	<b>(18,341)</b>	<b>74,759</b>	<b>-</b>	<b>74,759</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Pursuant to announcements made on 13 October 2009, 178,128,050 Warrants were issued on 16 October 2009, and listed and quoted on the Mainboard of SGX-ST with effect from 21 October 2009 at an exercise price of SGD0.23. The Warrants have a 3-year exercise period from the date of issue and it will expire on 15 October 2012.

From the date of issue to 30 June 2012, there were 23,952,525 shares issued in pursuant to the exercise of warrants.

Details of the changes in the issued and paid-up capital of the Company since 30 Jun 2011 to 30 Jun 2012 are as follows:-		
<u>Ordinary shares</u>	<u>Number of shares</u>	<u>\$</u>
Issued and fully paid ordinary shares at 30 Jun 2011	415,351,600	89,387,668
Exercise of warrants	23,167,025	5,560,086
Issued and fully paid ordinary shares at 30 Jun 2012	<u>438,518,625</u>	<u>94,947,754</u>

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>As at 30 Jun 2012</u>	<u>As at 31 Dec 2011</u>
Total number of shares (including treasury shares)	438,518,625	415,351,600
Less treasury shares	(5,176,000)	(4,310,000)
Total number of shares (excluding treasury shares)	<u>433,342,625</u>	<u>411,041,600</u>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been reviewed nor audited by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report including any qualifications or emphasis of matter**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the financial year ended 31 December 2011.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

None.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2012	2011	2012	2011
Profit per ordinary share for the financial year based on consolidated profit attributable to members of the Company (Basic and diluted)				
- Basic	0.37 cents	0.63 cents	0.70 cents	1.16 cents
- Diluted	0.37 cents	0.63 cents	0.70 cents	1.16 cents
Based on the weighted average number of shares (Basic)	417,706,835	411,041,600	417,706,835	411,041,600
Based on the weighted average number of shares (Diluted)	417,706,835	411,041,600	417,706,835	411,041,600

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	GROUP		COMPANY	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Net asset backing per ordinary share	20.55 cents	18.91 cents	19.61 cents	18.65 cents
Based on the weighted average number of shares	417,706,835	411,041,600	417,706,835	411,041,600



8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The operating landscape during the three months ended 30 June 2012 ("2Q12") continued to be difficult as business confidence remained fragile. The Group sustained its revenue in 2Q12 despite keen market competition. However, the prevailing competitive pressure has caused a contraction in the Group's gross profit margin. Coupled with higher operating expenses, net profit in 2Q12 declined from a year ago.

The corrosion prevention ("CP") business posted an improved profit despite recording lower revenue in 2Q12. While the refined petroleum ("RP") business sustained its revenue, profit was lower than the year before as the segment's gross profit margin narrowed amid intense competition. In addition, RP also faced higher operating expenses following the start of its asphalt business this year.

### **Revenue**

Group revenue in 2Q12 of S\$63.3 million was flat compared to the same period a year ago. Revenue from CP dipped marginally while revenue from RP edged up slightly from the previous corresponding quarter. On a q-o-q basis, Group revenue in 2Q12 was up 6% from S\$59.9 million in 1Q12, lifted mainly by increased sales from RP.

For the first six months ended 30 June 2012 ("1H12"), Group revenue was S\$123.2 million, up 2% from S\$121.0 million last year. As a percentage of revenue, RP accounted for 85% of Group revenue while CP made up the remaining 15% of total revenue in 1H12.

### **Revenue breakdown by business segments:**

Business Segments	Group			Group		
	3 months ended 30 Jun			6 months ended 30 Jun		
	2012	2011	Inc/(Dec)	2012	2011	Inc/(Dec)
	S\$'000	S\$'000		S\$'000	S\$'000	
Corrosion prevention	8,720	9,259	(6%)	18,670	18,602	0%
Distribution of refined petroleum products	54,412	53,862	1%	104,348	102,430	2%
Others *	178	-	n/m	178	-	n/m
Total Sales	63,310	63,121	0%	123,196	121,032	2%

\*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 a stake in ETS is for the purpose of forming a joint venture for the development of an integrated chemical hub in Singapore.

### **RP segment**

#### *Year-on-year analysis (y-o-y)*

Market conditions remained challenging in the face of prevailing keen competition. The uncertain economic environment has resulted in lower manufacturing activities which in turn have an impact on the demand for petroleum intermediates which are used as feedstock. Nonetheless, RP grew its total sales volume in 2Q12, but revenue in dollar terms rose only 1% to S\$54.4 million due to lower average selling prices.

The growth in sales volume was led primarily by industrial and wholesale products, including contribution from asphalt product which commenced sales towards the end of March 2012. Revenue from industrial and wholesale products for 2Q12 increased 35% year-on-year while petroleum-intermediates registered a small decline of 3%. Petroleum-intermediates accounted

for 53% of RP's revenue in 2Q12 while industrial and wholesale products made up the remaining 47%.

For 1H12, revenue totaled S\$104.3 million, up 2% from S\$102.4 million in 1H11. While sales volume was higher in 1H12, revenue growth was undermined by lower average selling prices.

*Quarter-on-quarter analysis (q-o-q)*

Revenue in 2Q12 improved 9% q-o-q from S\$49.9 million in 1Q12, on the back of higher orders for the major product groups. However, the growth in sales volume was partially negated by lower average selling prices as oil prices dropped in general and RP also had to maintain a competitive pricing strategy to sustain business volumes in a weaker business environment.

**CP segment**

*Year-on-year analysis (y-o-y)*

Revenue in 2Q12 eased 6% to S\$8.7 million, due mainly to lower revenue from the Tank Coating & Module Blasting, and Trading units. This was partially buffered by Plant Operations which registered stronger revenue in 2Q12.

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.

CP's revenue for 1H12 remained steady at S\$18.7 million when compared to 1H11. Higher sales from the Plant Operations and Tank Coating & Module Blasting units offset weaker revenues from the Grit Blasting-Site and Trading units.

*Quarter-on-quarter analysis (q-o-q)*

Revenue in 2Q12 was down 12% from S\$9.9 million in 1Q12. While both Plant Operations and Grit Blasting-Site units registered higher sales, the increases could not compensate for the lower volume of projects and orders at the Tank Coating & Module Blasting, and Trading units.

**Gross Profit (GP)**

The Group's GP in 2Q12 eased 3% y-o-y to S\$9.5 million. CP increased its GP by 22% to S\$2.8 million while RP saw its GP decline 12% to S\$6.7 million due to lower gross profit margin. However on a q-o-q basis, Group GP was up 6% from S\$8.9 million in 1Q12, attributed mainly to higher sales from RP.

**Gross profit margin (GPM) by business segments:-**

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2012	2011	2012	2011
Corrosion prevention	31.7%	24.6%	30.4%	26.4%
Distribution of refined petroleum products	12.2%	14.0%	12.2%	13.8%
Others	40.6%	-	40.6%	-
Average composite gross margin	15.0%	15.6%	15.0%	15.7%

*\*Others comprise the consolidated GPM of Eastern Tankstore (S) Pte Ltd (ETS) which has become a 51%-owned subsidiary of See Hup Seng in April 2012. The acquisition of a stake in ETS is for the purpose of forming a joint venture for the development of an integrated chemical hub in Singapore.*

Group GPM in 2Q12 decreased to 15.0% due mainly to lower GPM of the RP business. CP on the other hand, saw an expansion in its GPM. The Group's GPM remained steady over 1Q12 and 2Q12.

### RP segment

GPM was reduced to 12.2% compared to 14.0% previously as RP had to continue with an aggressive pricing strategy to counter intensifying competition due to slower market demand. Sequentially, RP's GPM held relatively steady compared to 12.1% in 1Q12.

### CP segment

GP in 2Q12 improved from the same quarter a year ago despite lower revenue. Correspondingly, GPM expanded to 31.7% from 24.6% previously, mainly on the back of higher GPM of the Plant Operations. This can be attributed to better sales mix, higher capacity utilisation and cost control initiatives.

Sequentially, GP in 2Q12 was lower than 1Q12 due mainly to lower sales. Nonetheless, GPM improved from 29.2% in 1Q12 due to better margins from Grit Blasting-Site and Trading units.

### Other Income

Other income in 2Q12 decreased to S\$88,000 from S\$0.2 million in 2Q11. The reduction is due mainly to lower gain on disposal of fixed assets and trading income from commodities.

### Selling, Distribution, Administrative and Other Operating Expenses

Total operating expenses amounted to S\$7.3 million in 2Q12, an increase of 11% from S\$6.5 million in 2Q11.

Selling and distribution expenses increased 19% year-on-year to S\$2.1 million, while administrative expenses rose 7% to S\$3.1 million. Other operating expenses also increased 11% to S\$2.1 million. The increases are attributed primarily to higher distribution costs in tandem with the increase in RP's sales volume; increase in headcount and staff salaries; higher repair and maintenance as well as rental costs. The provision for legal and professional expenses arising from the Group's corporate activities and business expansion initiatives was a factor for the increase in other operating expenses.

### Net Profit

The Group recorded profit from operations of S\$2.3 million in 2Q12, down 34% from S\$3.5 million in 2Q11. However, this was an improvement from S\$2.1 million in 1Q12. The y-o-y decline in profit from operations was caused mainly by weaker GPM of RP and higher operating expenses. After finance costs and tax, the Group recorded a profit after tax of S\$1.5 million in 2Q12, compared to S\$2.6 million in the year ago period.

For 1H12, Group net profit was S\$2.9 million, down 39% from S\$4.8 million in 1H12. The reduction is due mainly to lower GP and increase in total operating expenses.

In terms of profit by business segments, CP's operating profit in 2Q12 was S\$0.7 million, which is higher than S\$0.6 million in 2Q11. CP's net profit in 2Q12 amounted to S\$0.6 million, compared to S\$0.5 million in 2Q11. For 1H12, CP recorded net profit of S\$1.2 million, which is a steady performance compared to S\$1.1 million in 1H11.

RP's operating profit in 2Q12 fell to S\$1.6 million from S\$3.0 million in 2Q11, due mainly to lower GPM and higher operating expenses. Finance costs also increased due to higher utilisation of trust receipts for the ordinary course of business as the Group deployed its cash balances for new investments. As a result, RP recorded a net profit of S\$0.9 million, compared to S\$2.2 million in 2Q11. For 1H12, RP posted a net profit of S\$1.7 million, down from S\$3.7 million in 1H11, attributable to the reduction in GPM, and higher operating and finance expenses.

## **Balance Sheet and Cash Flow Analysis**

As at 30 June 2012, the Group had cash and bank balances, and fixed deposits totaling S\$29.9 million. Net gearing<sup>1</sup> stood at 0.4 times at the end of the period under review.

Non-current assets increased to S\$67.3 million as at 30 June 2012 from S\$39.5 million as at 31 December 2011, due mainly to an increase in property, plant and equipment; investment in associated company; increase in investment in financial asset; higher goodwill and a loan to related party.

The increase in property, plant and equipment arose primarily from the investment in equipment for RP's asphalt business. The investment in associated company of S\$1.5 million is in relation to the Group's acquisition of a 30% stake in Serangoon EC Pte Ltd (Serangoon EC). Serangoon EC is developing an executive condominium project in Singapore. The Group has also extended a loan of S\$15 million to Serangoon EC to finance the development cost of the project. The increase in financial asset of S\$7.3 million arose from the Group's investment in Energy Drilling Pte Ltd which will construct and operate tender rigs. The increase in goodwill of S\$1.5 million was due mainly to the acquisition of ETS.

Current assets decreased to S\$108.1 million from S\$121.7 million as at 31 December 2011, due primarily to the reduction in cash and cash equivalents and lower trade receivables. This was partially offset by higher other receivables and stock and work in-progress. Cash and cash equivalents decreased to S\$29.9 million compared to S\$42.4 million at the end of December 2011.

Current liabilities at the end of June 2012 increased to S\$87.0 million from S\$80.7 million as at 31 December 2011. This was due mainly to higher trade and other payables, increases in amounts due to bankers (trust receipts) and provision for taxation, which were partially offset by a reduction in term loans.

Long-term liabilities decreased to S\$2.3 million from S\$2.4 million at the end of December 2011 due mainly to repayments of term loan.

Shareholders' equity increased to S\$85.8 million as at 30 June 2012 from S\$77.7 million as at 31 December 2011. The increase was mainly attributable to an increase in share capital of S\$5.6 million from exercise of warrants, profit attributable to equity holders of S\$2.9 million for 1H12 and a profit warranty shortfall of S\$1.4 million. This was partially reduced by a decrease in foreign currency translation reserve of S\$0.2 million and payment of dividends of S\$1.1 million.

During 2Q12, net cash generated from operations amounted to S\$3.7 million. Net cash used in investing activities amounted to S\$28.0 million. Of this amount, around S\$4.0 million was used for the acquisition of 51% stake in ETS, while S\$1.5 million was used to purchase a 30% stake in Serangoon EC. The Group also provided S\$15.0 million to Serangoon EC as a shareholder loan. Around S\$7.3 million was also used during 2Q12 for the investment in Energy Drilling Pte Ltd.

Net cash generated from financing activities was S\$7.0 million, derived primarily from proceeds raised from the exercise of warrants, increase in trust receipts, and reduction in fixed deposits pledged with banks. These offset the dividend payment of S\$1.1 million in 2Q12.

### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The current announced results are in line with the prospect commentary previously disclosed to shareholders in the results announcement for the period ended 31 March 2012.

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

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

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.

To generate higher value for shareholders in the coming years, the Group intends to continue pursuing expansion initiatives aimed at strengthening its business foundation and earnings base. At the same time, the Group will maintain a cautious stance in the management of its finances and business operations to ensure it remains financially sound to withstand difficult periods and positioned to capitalise on potential business opportunities.

Barring any unforeseen circumstances, the Group expects to remain profitable in FY2012.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

No.

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of Dividend	:	Interim
Dividend Type	:	Cash
Dividend Amount per Ordinary Share	:	0.25 cents
Tax Rate	:	Tax exempt one-tier

***(c) Date payable***

Not applicable.

***(d) Books closure date***

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect**

Not applicable.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect,**

There had been no interested person transactions during the three months ended 30 June 2012. The Group does not have a general mandate pursuant to Rule 920(1)(a)(ii).

**14. Confirmation Pursuant to Rule 705(5) of the Listing Manual**

We, Thomas Lim Siok Kwee and Goh Koon Seng, being two directors of See Hup Seng Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the 2Q12 and 1H12 financial statements to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

Thomas Lim Siok Kwee  
Executive Chairman  
14 August 2012