

SEE HUP SENG LIMITED

(Company Registration No. 197502208Z)

Unaudited Financial Statement Announcement for the Second Quarter of 2014 (“Q214”)

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 Jun			6 months ended 30 Jun		
	2014	2013	Change	2014	2013	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	93,863	75,924	24%	179,144	146,134	23%
Cost of sales and services	(78,827)	(64,203)	23%	(148,388)	(123,668)	20%
Gross profit	<u>15,036</u>	<u>11,721</u>	28%	<u>30,756</u>	<u>22,466</u>	37%
Other income	383	706	(46%)	932	1,053	(11%)
Selling and distribution expenses	(2,976)	(2,388)	25%	(5,795)	(4,422)	31%
Administrative expenses	(5,106)	(3,713)	38%	(10,382)	(7,278)	43%
Other operating expenses	(2,961)	(2,449)	21%	(6,116)	(5,047)	21%
Profit from operations	<u>4,376</u>	<u>3,877</u>	13%	<u>9,395</u>	<u>6,772</u>	39%
Finance costs	(316)	(283)	12%	(682)	(498)	37%
Share of (loss)/profit of associated companies	(5)	3	N/M	(8)	8	N/M
Profit before income tax	<u>4,055</u>	<u>3,597</u>	13%	<u>8,705</u>	<u>6,282</u>	39%
Income tax	(532)	(843)	(37%)	(1,346)	(1,437)	(6%)
Profit after income tax	<u>3,523</u>	<u>2,754</u>	28%	<u>7,359</u>	<u>4,845</u>	52%
Attributable to:						
Equity holders of the Company	3,533	2,824	25%	7,401	4,919	50%
Non-controlling interests, net of income tax	<u>(10)</u>	<u>(70)</u>	(86%)	<u>(42)</u>	<u>(74)</u>	43%
	<u>3,523</u>	<u>2,754</u>	28%	<u>7,359</u>	<u>4,845</u>	52%

Statement of Comprehensive Income

	Group			Group		
	3 months ended 30 Jun			6 months ended 30 Jun		
	2014	2013	Change	2014	2013	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit after income tax	3,523	2,754	28%	7,359	4,845	52%
<u>Other comprehensive income/(expense)</u>						
Foreign currency translation	(34)	194	N/M	(207)	268	N/M
Deferred taxation	-	-	N/M	-	-	N/M
Revaluation of property			N/M			N/M
	<u>(34)</u>	<u>194</u>	<u>N/M</u>	<u>(207)</u>	<u>268</u>	<u>N/M</u>
Total comprehensive income	<u>3,489</u>	<u>2,948</u>	18%	<u>7,152</u>	<u>5,113</u>	40%
Attributable to:						
Equity holders of the Company	3,497	3,017	16%	7,194	5,186	39%
Non-controlling interests, net of income tax	(8)	(69)	(88%)	(42)	(73)	(42%)
	<u>3,489</u>	<u>2,948</u>	18%	<u>7,152</u>	<u>5,113</u>	40%

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		
		2014	2013	Change	2014	2013	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other Income	1	391	193	103%	810	362	124%
Interest Income	2	27	177	(85%)	126	349	(64%)
Interest on borrowings	3	(317)	(283)	12%	(683)	(498)	37%
Depreciation	4	(1,284)	(831)	55%	(2,582)	(1,684)	53%
Fixed assets written off	5	(4)	(3)	33%	(13)	(13)	0%
(Loss)/gain on disposal of fixed assets		(35)	26	N/M	(4)	32	N/M
Amortisation of intangible assets	6	(318)	(24)	1226%	(1,160)	(29)	3900%
Allowance for doubtful debts	7	35	55	(36%)	28	(9)	(411%)
Write-back on allowance/(Allowance) for stock obsolescence	8	(65)	(243)	(73%)	45	(345)	(113%)
Stock written off	9	(62)	(60)	3%	(97)	(98)	(1%)
Foreign exchange gain/(loss)		56	(209)	N/M	(9)	(387)	(98%)
Gain on disposal of investment	10	-	310	(100%)	-	310	N/M

- 1) The increase was largely due to consolidation of SSF segment's other income that was generated from service income and selling of scrapped items.
- 2) The decrease was mainly due to lower shareholder loan extended to an associated company for property development business following repayment was made.
- 3) The increase was mainly due to increased business volume secured by RP segment and consolidation of SSF segment's financing expenses.
- 4) The increase was mainly due to consolidation of SSF segment's depreciation and additional depreciation at Group level resulting from revaluation of SF segment's land and building at acquisition as required by FRS103.
- 5) The increase was mainly due to more fixed assets were being written off.
- 6) The increase was mainly due to amortization at Group level resulting from the fair value of Hetat's order book at acquisition as required by FRS 103
- 7) The decrease was mainly due to lesser doubtful debts were noted.
- 8) The decrease was mainly due to lesser stock obsolescence was noted.
- 9) The increase was mainly due to more stocks were being written off.
- 10) The decrease was mainly due to stronger S\$ against US\$ and KRW.

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 2014 S\$'000	31 Dec 2013 S\$'000	30 Jun 2014 S\$'000	31 Dec 2013 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	33,889	28,544	11,924	12,592
Subsidiary companies	-	-	94,503	49,628
Associated companies	1,477	1,485	-	-
Financial assets, available-for-sale	15,555	14,555	12,555	12,555
Membership rights	195	195	-	-
Intangible assets	1,418	224	-	-
Goodwill	42,395	11,735	-	-
Loan to related party	600	11,100	-	-
Other receivables	694	523	-	-
	<u>96,223</u>	<u>68,361</u>	<u>118,982</u>	<u>74,775</u>
Current Assets				
Stock and work-in-progress	25,423	25,839	-	-
Trade receivables	74,289	56,058	6,255	6,932
Amount due from related parties	-	-	15,358	29,826
Other receivables	15,653	5,875	630	397
Fixed deposits	10,494	3,498	8,519	1,517
Cash and bank balances	37,741	48,045	6,726	13,335
	<u>163,600</u>	<u>139,315</u>	<u>37,488</u>	<u>52,007</u>
Total Assets	<u>259,823</u>	<u>207,676</u>	<u>156,470</u>	<u>126,782</u>
LIABILITIES				
Current Liabilities				
Trade payables and accruals	32,411	23,387	1,866	4,050
Other payables	13,698	6,436	709	468
Amount due to related parties	-	-	9,664	29,936
Term loans	3,271	2,884	-	-
Other amounts due to bankers	59,331	75,804	5,379	8,555
Hire purchase creditors	396	419	-	-
Provision for taxation	4,272	2,934	691	490
	<u>113,379</u>	<u>111,864</u>	<u>18,309</u>	<u>43,499</u>
Non-current Liabilities				
Term loans	14	-	-	-
Hire purchase creditors	248	377	-	-
Deferred taxation	2,682	2,100	1,165	1,165
	<u>2,944</u>	<u>2,477</u>	<u>1,165</u>	<u>1,165</u>
Total Liabilities	<u>116,323</u>	<u>114,341</u>	<u>19,474</u>	<u>44,664</u>
EQUITY				
Share capital	143,625	94,953	143,625	94,953
Treasury shares	(3,226)	(3,226)	(3,226)	(3,226)
Asset revaluation reserve	2,490	2,490	2,874	2,874
Foreign currency translation reserve	734	941	-	-
Other reserve	(16,687)	(16,687)	-	-
Revenue reserve/(accumulated losses)	15,089	13,347	(6,277)	(12,483)
	<u>142,025</u>	<u>91,818</u>	<u>136,996</u>	<u>82,118</u>
Non-controlling interests	1,475	1,517	-	-
Total Equity	<u>143,500</u>	<u>93,335</u>	<u>136,996</u>	<u>82,118</u>
Total Liabilities and Equity	<u>259,823</u>	<u>207,676</u>	<u>156,470</u>	<u>126,782</u>

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

	30-Jun-14	31-Dec-13
	S\$'000	S\$'000
Amount Repayable in one year or less, or on demand		
Secured	62,998	79,107
Unsecured	-	-
	<u>62,998</u>	<u>79,107</u>
Amount Repayable after one year, or on demand		
Secured	262	377
Unsecured	-	-
	<u>262</u>	<u>377</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\$21.0 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\$1.5 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 million;
- (iii) TAT Petroleum's corporate guarantee of approximately S\$3.4 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\$3.4 million;
- (iv) A mortgage in-escrow and deed of assignment over 19 Tuas Avenue 20 and corporate guarantee of S\$11.5 million for banking facilities extended to Hetat Pte Ltd of approximately S\$10.3 million.
- (v) 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	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows from Operating Activities				
Profit before income tax	4,055	3,597	8,705	6,282
Adjustments for:				
Depreciation	1,284	831	2,582	1,684
Fixed assets written off	4	3	13	13
Amortisation of intangible assets	318	24	1,160	29
Loss/(gain) on disposal of fixed assets	35	(26)	4	(32)
Interest on borrowings	317	283	683	498
Interest income	(27)	(177)	(126)	(349)
Gain on disposal of other investment	-	(310)	-	(310)
Share of loss/(gain) of associated companies	5	(3)	8	(8)
Allowance for doubtful debts	(36)	(55)	(28)	9
(Write-back on allowance)/allowance for stock obsolescence	65	243	(45)	345
Stock written off	62	60	97	98
Net foreign currency translation adjustments	(30)	990	(202)	1,397
Operating cash flow before working capital changes	6,052	5,460	12,851	9,656
Changes in working capital				
Inventories and work-in-progress	(1,304)	2,005	2,168	(5,153)
Receivables	(11,354)	(2,481)	(16,866)	(9,956)
Payables	12,301	(987)	10,383	5,551
Cash generated from operations	5,695	3,997	8,536	98
Interest paid	(316)	(283)	(682)	(498)
Interest received	21	9	29	14
Income tax payment	(1,315)	(571)	(1,338)	(571)
Net cash generated from operating activities	4,085	3,152	6,545	(957)
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(288)	(62)	(435)	(357)
Proceeds from disposal of property, plant and equipment	42	120	499	126
Loan to associated company	-	-	10,500	-
Acquisition of other investment	-	(2,000)	(1,000)	(7,233)
Proceed from lease shortfall	425	-	425	-
Proceeds from disposal of other investment	-	600	-	600
Cashflow on acquisition of subsidiary (net of cash)	-	-	(27,194)	-
Net cash generated from/(used in) investing activities	179	(1,342)	(17,205)	(6,864)
Cash Flows from Financing Activities				
Net proceeds from issue of shares	-	-	35,171	-
Dividends paid	(5,659)	(2,107)	(5,659)	(2,107)
Fixed deposit pledges with bank	-	(15)	4	(23)
Repayment to hire purchase	(121)	(309)	(337)	(10)
(Repayment to)/increase in term loan	(1,896)	(138)	(5,262)	214
(Repayment to)/increase in funds from trusts receipts	(1,653)	5,964	(16,468)	10,142
Net cash (used in)/generated from financing activities	(9,329)	3,395	7,449	8,216
Net foreign currency translation adjustments	(86)	69	(93)	259
Net (decrease)/increase in cash and cash equivalents	(5,151)	5,274	(3,304)	654
Cash and cash equivalents at the beginning of the year	49,911	26,848	48,064	31,464
Cash and cash equivalents at the end of the year	44,760	32,122	44,760	32,118

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
Group										
Balance at 01 January 2014	94,953	(3,226)	2,490	-	(16,687)	941	13,347	91,818	1,517	93,335
Comprehensive income	-	-	-	-	-	(207)	7,401	7,194	(42)	7,152
Allotment and issue of new ordinary shares to fund the acquisition of a company*	13,500	-	-	-	-	-	-	13,500	-	13,500
Allotment and issue of new ordinary shares as consideration share for the acquisition of a company*	36,024	-	-	-	-	-	-	36,024	-	36,024
Share issue expense	(852)	-	-	-	-	-	-	(852)	-	(852)
Dividends paid	-	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
Balance at 30 June 2014	143,625	(3,226)	2,490	-	(16,687)	734	15,089	142,025	1,475	143,500
Balance at 01 January 2013	94,953	(3,226)	2,461	-	(16,687)	631	7,435	85,567	1,577	87,144
Comprehensive income	-	-	-	-	-	267	4,919	5,186	(73)	5,113
Dividends paid	-	-	-	-	-	-	(2,107)	(2,107)	-	(2,107)
Disposal of property, plant and equipment	-	-	(30)	-	-	-	30	-	-	-
Balance at 30 June 2013	94,953	(3,226)	2,431	-	(16,687)	898	10,277	88,646	1,504	90,150
Company										
Balance at 01 January 2014	94,953	(3,226)	2,874	-	-	-	(12,483)	82,118	-	82,118
Comprehensive income	-	-	-	-	-	-	11,866	11,866	-	11,866
Allotment and issue of new ordinary shares to fund the acquisition of a company*	13,500	-	-	-	-	-	-	13,500	-	13,500
Allotment and issue of new ordinary shares as consideration share for the acquisition of a company*	36,024	-	-	-	-	-	-	36,024	-	36,024
Share issue expense	(852)	-	-	-	-	-	-	(852)	-	(852)
Balance at 30 June 2014	143,625	(3,226)	2,874	-	-	-	(6,277)	136,996	-	136,996
Balance at 01 January 2013	94,953	(3,226)	2,874	-	-	-	(12,271)	82,330	-	82,330
Comprehensive income	-	-	-	-	-	-	2,860	2,860	-	2,860
Dividends paid	-	-	-	-	-	-	(2,107)	(2,107)	-	(2,107)
Balance at 30 June 2013	94,953	(3,226)	2,874	-	-	-	(11,518)	83,083	-	83,083
* Please refer to Circular to Shareholders dated 16 December 2013 for further information										

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.

Details of the changes in the issued and paid-up capital of the Company since 30 Jun 2013 to 30 Jun 2014 are as follows:-

Ordinary shares	Number of shares	\$
Issued and fully paid ordinary shares at 30 Jun 2013	438,542,125	94,953,394
Allotment and issue of new ordinary shares to fund the acquisition of a company * (Note 1)	144,500,000	35,171,325
Allotment and issue of new ordinary shares as consideration share for the acquisition of a company *	42,519,053	13,500,000
Issued and fully paid ordinary shares at 30 Jun 2014	<u>625,561,178</u>	<u>143,624,719</u>

** Please refer to Circular to Shareholders dated 16 December 2013 for further information*
Note 1: The Company has utilised approximately S\$33.52 million to finance the acquisition of Hetat Holdings Pte Ltd. The remaining balance of the net proceeds of S\$1.65 million from the subscription has been placed in the bank pending disbursement.

There were no outstanding shares as at 30 June 2014.

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.

	As at 30 Jun 2014	As at 31 Dec 2013
Total number of shares (including treasury shares)	625,561,178	438,542,125
Less treasury shares	<u>(17,100,000)</u>	<u>(17,100,000)</u>
Total number of shares (excluding treasury shares)	<u>608,461,178</u>	<u>421,442,125</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 2013.

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	
	2014	2013	2014	2013
Profit per ordinary share for the financial year based on consolidated profit attributable to members of the Company (Basic and diluted)				
- Basic & Diluted	0.69 cents	0.67 cents	1.45 cents	1.17 cents
Based on the weighted average number of shares (Basic & Diluted)	511,574,756	421,442,125	511,574,756	421,442,125
- Basic & Diluted	0.58 cents	0.67 cents	1.22 cents	1.17 cents
Based on the number of shares in issue, excluding treasury shares (Basic & Diluted)	608,461,178	421,442,125	608,461,178	421,442,125

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 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Net asset backing per ordinary share	27.76 cents	21.79 cents	26.78 cents	19.49 cents
Based on the weighted average number of shares	511,574,756	421,442,125	511,574,756	421,442,125
Net asset backing per ordinary share	23.34 cents	21.79 cents	22.52 cents	19.49 cents
Based on the number of shares in issue, excluding treasury shares	608,461,178	421,442,125	608,461,178	421,442,125

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.**

Overview

The Group maintained its growth momentum to record 24% y-o-y increase in revenue to S\$93.9 million and a 25% y-o-y increase net profit attributable to equity holders to S\$3.5 million for the second quarter results ended 30 June 2014 ("2Q14"). The newly acquired Structural Steel and Facade business ("SSF") and higher contribution from refined petroleum ("RP") segment, pushed the Group's better profit performance in 2Q14.

For the six months ended 30 June 2014 ("1H14"), the results was mainly bolstered by growth in CP and RP segments as well as contribution from the newly acquired SSF segment. As a result, the Group's revenue increased by 23% y-o-y from S\$146.1 million to S\$179.1 million and net profit attributable to equity holders increased by 50% y-o-y from S\$4.9 million to S\$7.4 million. Excluding amortization and additional depreciation of S\$1.1 million (net of tax effect) at Group level relating to the fair value of SSF segment's order book and revaluation of land and building at acquisition as required by FRS103, the Group would have reported a net profit attributable to equity holders of S\$8.5 million, an increase of 72% from 1H13.

As at 30 June 2014, the Group maintained a strong financial position with cash and fixed deposits of S\$48.2 million. Net gearing stood at around 0.1 times (31 December 2013: 0.3 times).

Revenue

Group revenue in 2Q14 increased 24% y-o-y to S\$93.9 million from S\$75.9 million in 2Q13 on higher sales contribution from the RP segment and the newly acquired SSF segment.

For 1H14, the Group posted a 23% y-o-y increase in total revenue to S\$179.1 million. This was mainly driven by higher sales in RP segment and the contribution from the SSF segment partially offset by lower revenue contribution from CP segment and other segments.

CP segment

Revenue for the CP segment decreased by 14.5% y-o-y to S\$9.8 million in 2Q14 from S\$11.4 million in 2Q13. This was mainly due to the revenue recognition of a turnkey project in 2Q13 and lower revenue accounted for by the *Plant Operations* unit.

For 1H14, revenue declined by 10% y-o-y to S\$18.2 million, from S\$20.2 million in 1H13. The decline was mainly due to the revenue recognition of a turnkey project in 2Q13 and lower revenue accounted for by the *Plant Operations* and *Tank Coating* units.

RP segment

Revenue for the RP segment rose 11.1% y-o-y from S\$63.4 million in 2Q13 to S\$70.6 million in 2Q14. This was led primarily by the new *Trading and Blending* business as well as the *Distribution* unit, which registered a sales growth of 3% as a result of more aggressive marketing and pricing initiatives amid the challenging business environment.

For 1H14, revenue increased by 12% year-on-year to S\$137.7 million, from S\$123.3 million in 1H13. This was mainly driven by contribution from its new *Trading and Blending* business and higher sales volume under the *Distribution* business.

SSF segment

The newly acquired SSF segment contributed S\$13.2 million in 2Q14 and S\$22.8 million in 1H14 to the Group's revenue, with the acquisition of Hetat Holdings Pte Ltd for S\$42.4 million in January 2014 to create another business pillar for the Group's long term growth.

Hetat Holdings Pte Ltd has a strong track record in the design, engineering and construction of integrated structures created from steel, aluminum and glass materials.

Gross Profit ("GP") and Gross Margin ("GM")

The Group's GP in 2Q14 increased 28% to S\$15.0 from S\$11.7 million in 2Q13, underpinned by higher GP from RP segment as well as contribution from newly acquired SSF segment. The Group's composite GP margin expanded to 16.0% in the quarter from 15.4% previously as a result of CP's stronger GM and the effect from newly acquired SSF segment.

For 1H14, GP increased 37% to S\$30.8 million from S\$22.5 million. The increase was mainly attributable to higher GP accounted by CP and RP segments as well as contribution from newly acquired SSF segment. The Group GM in 1H14 improved to 17.2%, underpinned by the higher GP margin of CP segment and the effect from newly acquired SSF segment.

CP segment

CP segment's GP was relatively flat at S\$3.4 million in 2Q14, but recorded an increase of 6% y-o-y from S\$6.4 million in 1H13 to S\$6.8 million in 1H14. These were achieved in spite of lower revenue in 2Q14 and 1H14 as higher gross margin was accounted. Higher GMs of 35.0% and 37.2% were achieved in 2Q14 and 1H14 respectively as a result of better margin jobs, improved operational efficiency and higher plant utilization in the *Plant Operations* unit, and better product sales mix in the *Trading* unit.

RP segment

GP for RP segment increased by 12% y-o-y from S\$7.6 million in 2Q13 to S\$8.7 million in 2Q14, and rose 16% y-o-y from S\$15.2 million in 1H13 to S\$17.6 million in 1H14. The increase was mainly due to higher sales volume and higher GMs of 12.2% and 12.8% achieved in 2Q14 and 1H14 respectively, despite lower average selling prices.

SSF segment

SSF segment contributed S\$2.7 million in 2Q14 and S\$6.0 million in 1H14 to the Group's GP, with GM of 22.0% in 2Q14 and 27.5% in 1H14. The GP contribution was 19.5% of the Group's overall GP.

Other Income

Other income decreased by 46% year-on-year from S\$0.6 million in 2Q13 to S\$0.4 million in 2Q14. The decrease was largely due to lower business rebates received by RP segment partly lifted by the consolidation of other income of newly acquired SSF segment.

Selling, Distribution, Administrative and Other Operating Expenses

Total operating expenses increased by 29% y-o-y from S\$8.6 million in 2Q13 to S\$11.0 million in 2Q14.

Selling and distribution expenses in 2Q14 increased 25% y-o-y to S\$3.0 million in tandem with higher business volume from the RP segment and the inclusion of expenses from the newly acquired SSF segment.

Administrative expenses rose 38% y-o-y to S\$5.1 million in 2Q14 from S\$3.7 million in Q213. This was largely due to the inclusion of expenses from the newly acquired SSF segment and expenses incurred by the new *Blending and Trading* business under RP segment.

Other operating expenses increased 21% y-o-y to S\$3.0 million in 2Q14 as compared to S\$2.5 million in 2Q13. This was mainly due to the consolidation of expenses of newly acquired SSF segment and amortisation and additional depreciation at Group level resulting from the fair value of SSF segment's order book and revaluation of land and building as required by FRS103. The increase was partly offset by lower expenses incurred by the CP and RP segments.

Finance Costs

The 1% y-o-y increase in finance costs was mainly attributable to the inclusion of finance costs from the newly acquired SSF segment.

Net Profit

Group net profit attributable to equity holders in 2Q14 increased 25% y-o-y to S\$3.5 million from S\$2.8 million previously, spurred by the improvement in profit contribution from RP segment and contribution from newly acquired SSF segment. For 1H14, CP, RP and SSF segments lifted the Group net profit attributable to equity holders to S\$7.4 million, up 50% y-o-y from S\$4.9 million in 1H13.

Despite lower revenue, CP's net profit attributable to equity holders was maintained at S\$1.1 million in 2Q14 as a result of higher gross margin. For 1H14, CP's net profit attributable to equity holders rose 12% y-o-y to S\$2.3 million, compared to S\$2.0 million in 1H13.

RP's net profit attributable to equity holders in 2Q14 increased 8% y-o-y to S\$1.6 million on the back of stronger revenue and gross profit that was largely driven by the new *Trading and Blending* business. For 1H14, RP posted net profit attributable to equity holders of S\$3.5 million, up 30% y-o-y from S\$2.7 million in 1H13.

SSF segment contributed S\$1.0 million and S\$1.7 million of profits attributable to equity holders in 2Q14 and 1H14 respectively. These were net of amortization and additional depreciation of S\$0.3 million and S\$1.1 million (net of tax effect) at the Group level in the respective periods resulting from the fair value of SSF segment's order book and revaluation of land and building at acquisition as required by FRS 103.

Financial Position and Cash Flow Analysis

As at 30 June 2014, the Group had cash and fixed deposit totaling S\$48.2 million. Net gearing¹ stood at 0.1 times as at 30 June 2014.

Non-current assets increased to S\$96.2 million as at 30 June 2014 from S\$68.4 million as at 31 December 2013, due mainly to (i) inclusion of SSF's fixed assets, (ii) increase in investment in financial assets and (iii) goodwill and fair value of Hetat's order book arising from the acquisition of Hetat Holdings Pte Ltd. This was however partly offset by a reduction in loan to related party. The increase in investment in financial assets was in relation to the second tranche payment for the Group's investment in a fund. The loan to related party is a shareholder loan to an associated company to finance its property development activities.

Current assets increased to S\$163.6 million as at 30 June 2014 from S\$139.3 million as at 31 December 2013. This was primarily due to an increase in working capital balances and inclusion of SSF segment's current assets partly offset by dividend payout.

Current liabilities as at 30 June 2014 increased to S\$113.4 million from S\$111.9 million as at 31 December 2013. This was mainly due to the inclusion of SSF's current liabilities and higher trade payables, which was in line with higher revenue, and higher provision for taxation. This was however partly offset by the settlement of the introducer fee and other related costs in relation to the acquisition of the SSF segment.

Long-term liabilities as at 30 June 2014 increased marginally to S\$2.9 million from S\$2.5 million as at 31 December 2013 due to the inclusion of SSF's long term liabilities.

¹Net gearing is computed based on $(\text{Total Borrowings including trust receipts less Cash and Cash Equivalents}) / (\text{Total Equity})$

Shareholders' equity increased to S\$142.0 million as at 30 June 2014 from S\$91.8 million as at 31 December 2013. The increase was largely attributed to the increase in share capital arising from the share issuance in relation to the acquisition of SSF segment in January 2014, as well as higher revenue reserve from profit attributable to equity holders of S\$7.4 million for 1H14.

During 1H14, the Group generated net cash of S\$6.1 million from operating activities, after deducting S\$5.7 million for working capital requirements and S\$1.6 million for interest and income tax payments.

Net cash generated from investing activities amounted to S\$0.1 million in 2Q14, due to a claim from an investment partly offset by capital expenditure.

Net cash used in financing activities in 1H14 was S\$9.3 million, due mainly to dividend payout and repayments to term loan and trust receipts.

After taking into account foreign currency translation adjustments, the Group recorded a net decrease in cash equivalents of S\$5.0 million to S\$44.8 million in 2Q14.

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 2014.

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.

With the recent acquisition of the SSF business, the Group has now entered into another phase of its growth. The Group is now focused on utilising the synergies within its three business divisions by cross-selling of products and services and exploiting the economies of scale via the consolidation of common administrative, financial and logistical functions. The Group is also actively exploring various ways to increase overall productivity by improving operational efficiency and moving up the value chain.

The recently-acquired SSF segment complements the business of the CP segment which shares similar clientele in the marine and construction sectors. SSF segment will strive to meet its profit warranty of S\$6.3 million (before amortisation 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 FRS 103) in FY2014.

The RP segment will continue to strengthen its growth in the *Distribution* and the new petrochemical *Trading and Blending* businesses. Thereby, enhancing its products lines and value-added offerings to customers, and expanding its capabilities as it moves up the value chain.

The CP Division will leverage on its market-leader position and established track record to broaden its revenue base by seeking new industries for its corrosion prevention services. To improve its operational efficiency it will review its work processes to improve on delivery times, cost control and more efficient usage of materials.

Barring any unforeseen circumstances, the Group is cautiously optimistic on the outlook for its business, and expects FY2014 to be a profitable year.

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?

No.

(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 2014. 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, Lim Siok Kwee, Thomas and Ng Han Kok, Henry 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 2Q14 financial statements to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Ng Han Kok, Henry
Group CEO
14 August 2014