



# See Hup Seng Ltd

1st Quarter 2008  
Results Briefing  
13 May 2008  
5.30 pm



**A LEADING CORROSION  
PREVENTION SPECIALISTS  
IN SINGAPORE**

## **TWIN BUSINESS PILLARS**

**A LEADING DISTRIBUTOR  
OF REFINED PETROLEUM  
PRODUCTS IN THE  
ASIA-PACIFIC REGION**





# Quarterly Income Statement Ended 31 March 2008

	Group		
	3 months ended 31 March		
	2008	2007	Change
	S\$'000	S\$'000	%
Revenue	48,436	14,137	243%
Cost of sales and services	(40,105)	(7,994)	402%
<b>Gross profit</b>	<u>8,331</u>	<u>6,143</u>	36%
Other income	382	33	1058%
Selling and distribution expenses	(821)	(192)	328%
Administrative expenses	(2,430)	(1,263)	92%
Other Operating expenses	(1,380)	(1,413)	-2%
<b>Profit from continuing operations</b>	<u>4,082</u>	<u>3,308</u>	23%
Net finance costs	(453)	(89)	409%
Share of profit/(loss) of associated companies	(39)	(18)	117%
<b>Profit from continuing operations before income tax</b>	<u>3,590</u>	<u>3,201</u>	12%
Income tax	(643)	(138)	366%
<b>Profit from continuing operations after income tax</b>	<u>2,947</u>	<u>3,063</u>	-4%
Loss from discontinued operations	-	-	
<b>Profit after income tax</b>	<u><u>2,947</u></u>	<u><u>3,063</u></u>	
Attributable to:			
Equity Holders of the Company	2,302	3,063	-25%
Minority Interests, Net of Inome Tax	645	-	NM
	<u><u>2,947</u></u>	<u><u>3,063</u></u>	-4%



## Q108 VS Q107 BY SEGMENTS

	Corrosion Prevention Segment	Distribution - Petroleum Segment	Total
<b>SALES:</b>			
Q108 (\$'000)	13,525	34,911	48,436
Q107 (\$'000)	14,137	-	14,137
% Growth	-4%	N/M	243%
<b>GROSS PROFIT:</b>			
Q108 (\$'000)	4,046	4,285	8,331
Q107 (\$'000)	6,143	-	6,143
% Growth	-34%	N/M	36%
<b>GROSS MARGIN:</b>			
Q108 (%)	30%	12%	17%
Q107 (%)	43%	-	43%
<b>PAT</b>			
Q108 (\$'000)	1,656	1,291	2,947
Q107 (\$'000)	3,063	-	3,063
% Growth	-46%	N/M	-4%
<b>PAT / SALES</b>			
Q108 (%)	12%	4%	6%
Q107 (%)	22%	-	22%

### Sales:

- Inclusion of Tat's financials drove Q108 revenue 243% above Q107.
- The increase was partially offset by a slightly lower revenue from Corrosion Prevention ("CP") segment due completion of major site jobs in last financial year. Notwithstanding the lower revenue from Grit Blasting – Site division contribution, the Plant Operations and Tank Coating divisions continued their robust performance to boost Q108 CP's revenue 10% and 5% respectively above corresponding quarter last year.

### Gross Profit /Gross Margins:

- Inclusion of Tat's financials drove gross profit 36% above Q107.
- The increase was partially offset by lower gross profit from Corrosion Prevention ("CP") segment due to:-
  - lower revenue as mentioned above; and
  - Lower gross margin due to significant increase in direct costs including diesel, copper grits and hire of machinery and equipments. As the Group was working mostly on projects secured in 2007 where rates were had been contracted and the Group was unable to pass these increased costs to the clients. The Group has factored such rising costs in pricing and is currently reviewing the price with the client on all subsequent projects.
- Lower gross profit from CP segment and inclusion of Tat's typically lower margin distribution business resulted in composite Group's gross margin lower to 17% over Q107.

### PAT :

- The slightly lower revenue, lower gross profit and higher income tax expense (Q108: 0.6 million ; Q107: 0.1 million), due to brought forward tax losses had been substantially utilized in last quarter, has resulted to a lower PAT for CP segment.
- Inclusion of Tat's financials reduce the decrease in PAT from 46% to 4%.



# 1Q08 VS 4Q07 BY SEGMENTS

	Corrosion Prevention Segment	Distribution - Petroleum Segment	Total
<b>SALES:</b>			
Q108 (\$'000)	13,525	34,911	48,436
Q407 (\$'000)	18,634	27,052	45,686
% Growth	-27%	29%	6%
<b>GROSS PROFIT:</b>			
Q108 (\$'000)	4,046	4,285	8,331
Q407 (\$'000)	5,680	3,098	8,778
% Growth	-29%	38%	-5%
<b>GROSS MARGIN:</b>			
Q108 (%)	30%	12%	17%
Q407 (%)	30%	11%	19%
<b>PAT</b>			
Q108 (\$'000)	1,656	1,291	2,947
Q407 (\$'000)	3,681	186	3,867
% Growth	-55%	594%	-24%
<b>PAT / SALES</b>			
Q108 (%)	12%	4%	6%
Q407 (%)	20%	1%	8%

## **Sales:**

- Inclusion of Tat's financials drove Q108 revenue 6% above Q407.
- Tat's revenue grew by 29% over Q407.
- The increase was partially offset by a lower revenue from Corrosion Prevention ("CP") segment. Higher revenue were recorded in Q407 mainly due to shortfall in tank coating revenue in Q307 as a result of vessel delayed was fully made good in Q407.

## **Gross Profit /Gross Margins:**

- Tat's gross profit grew by 38% above Q407 resulted from higher revenue.
- Lower gross profit from Corrosion Prevention ("CP") segment due to lower revenue as mentioned above and lower gross margin in tank coating division due to significant increase in direct costs including diesel, copper grits and hire of machinery and equipments. As the Group was working mostly on projects secured in 2007 where rates were had been contracted and the Group was unable to pass these increased costs to the clients. The Group has factored such rising costs in pricing and is currently reviewing the price with the client on all subsequent projects. The decrease in tank coating gross margin was fully offset by higher gross margin from Grit Blasting – Site division due to different sales mix.

## **PAT :**

- The lower revenue and higher income tax expense, due to brought forward tax losses had been substantially utilized in last quarter, has resulted to a lower PAT for CP segment.
- Tat's PAT increased by 594% due to forex loss incurred in last quarter has already properly addressed and hedged in Q108.
- Inclusion of Tat's financials reduce the decrease in PAT from 55% to 24%.



# Balance Sheet - Assets

	GROUP (S\$'000)					
	31 Mar 2008			31 Dec 2007		
	Group	Tat	SHS	Group	Tat	SHS
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	34,926	13,998	20,928	33,224	13,761	19,463
Subsidiary companies	-	-	-	-	-	-
Associated companies	589	-	589	628	-	628
Available-for-sale financial assets	290	-	290	290	-	290
Membership rights	195	195	-	195	195	-
Goodwill	9,611	-	9,611	9,611	-	9,611
Intangible assets	94	94	-	118	118	-
	<b>45,706</b>	<b>14,287</b>	<b>31,418</b>	<b>44,066</b>	<b>14,074</b>	<b>29,992</b>
<b>Current assets</b>						
Inventories and work-in-progress	12,720	10,623	2,097	13,330	11,705	1,625
Trade receivables	53,752	26,333	27,419	45,914	19,822	26,092
Other receivables	4,751	2,257	2,494	3,063	1,772	1,291
Fixed deposits	19,186	2,186	17,000	22,185	2,185	20,000
Cash and bank balances	4,542	2,408	2,135	6,432	4,570	1,862
	<b>94,951</b>	<b>43,807</b>	<b>51,144</b>	<b>90,924</b>	<b>40,054</b>	<b>50,870</b>
<b>Total assets</b>	<b>140,657</b>	<b>58,094</b>	<b>82,563</b>	<b>134,990</b>	<b>54,128</b>	<b>80,862</b>



# Balance Sheet - Liabilities

	GROUP (S\$'000)					
	31 Mar 2008			31 Dec 2007		
	Group	Tat	SHS	Group	Tat	SHS
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables and accruals	24,185	15,462	8,723	21,868	12,754	9,114
Other payables	1,370	111	1,260	1,336	191	1,145
Term loan	1,560	960	600	1,530	960	570
Other amount due to bankers	688	688	-	733	733	-
Trust receipts	23,621	23,621	-	23,241	23,241	-
Hire purchase creditors	923	728	195	858	657	201
Provision for taxation	1,887	568	1,319	1,438	460	978
	<b>54,235</b>	<b>42,139</b>	<b>12,096</b>	<b>51,004</b>	<b>38,996</b>	<b>12,008</b>
<b>Non-current liabilities</b>						
Term loan	7,281	4,076	3,205	7,672	4,316	3,356
Hire purchase creditors	1,619	1,437	182	1,750	1,520	230
Deferred taxation	898	102	796	898	102	796
	<b>9,799</b>	<b>5,615</b>	<b>4,184</b>	<b>10,320</b>	<b>5,938</b>	<b>4,382</b>
<b>Total liabilities</b>	<b>64,034</b>	<b>47,754</b>	<b>16,280</b>	<b>61,324</b>	<b>44,934</b>	<b>16,390</b>



# Key Ratios / Indicators

1Q2007			1Q2008			FY2007		
CP	Tat	Total	CP	Tat	Total	CP	Tat	Total

## PROFIT & LOSS

Gross Margin %	43.5		43.5	30%	12%	17%	38%	13%	24%
PAT / Sales %	22%		22%	12%	4%	6%	21%	4%	12%

## BALANCE SHEET

Current Ratio				4.2	1.0	1.8	4.2	1.0	1.8
Sales : Days Outstanding				140	68	88	112	105	108
Debt / Equity Ratio						47%			47%
Return on Equity *	11%					3%			