

## **NEWS RELEASE**

### **SEE HUP SENG POSTS PROFIT AFTER TAX OF S\$2.9 MILLION ON THE BACK OF S\$48.4 MILLION IN REVENUE FOR 1Q FY2008**

#### **Key Highlights:**

- Positive revenue contribution from refined petroleum products distribution business boosted Group revenue 243% above previous corresponding quarter
- Profit after tax dipped 3.8% to S\$2.9 million due to tax effect and lower contribution margin from Corrosion Prevention (“CP”) segment as a result of significant increase in direct costs
- Profit after tax would have grown 7% when adjusted for tax effect
- Planned second corrosion prevention plant is expected to commence operation before end of Q208 and will drive additional revenue and profit for the Group

**Singapore, 13 May 2008 – See Hup Seng Limited** (“See Hup Seng” or the “Group”), a leading provider of corrosion prevention services for the marine, oil and gas, construction and infrastructure industries in Singapore and a leading distributor of refined petroleum products in Asia Pacific region, today announced a 3.8% drop on its profit after tax to S\$2.9 million, on the back of a 243% increase in revenue to S\$48.4 million for the period ended 31 March 2008.

### Financial and Operation Review

Financial Highlights	3months ended 31 March				
	2008 CP	2008 Tat	2008 Total	2007 Total	%
	S\$'000	S\$'000	S\$'000	S\$'000	Change
Revenue	13,525	34,911	48,436	14,137	243%
Gross Profit	4,046	4,285	8,331	6,143	36%
Gross Margin %	30%	12%	17%	43%	-
Profit after tax	1,656	1,291	2,947	3,063	(4%)

CP= Corrosion Prevention Segment      Tat = Distribution of refined petroleum products segment  
 \* Tat was consolidated from 2Q2007 onwards

The Group's revenue of S\$48.4 million in Q108 was 243% higher than Q107 of S\$14.1 million. The increase in revenue was mainly attributable to inclusion of the contribution from Tat Petroleum Pte Ltd of S\$34.9 million against none in the corresponding period last year as Tat Petroleum was acquired from 1<sup>st</sup> April 2007,

Gross profit increased by S\$1.8 million or 36% from S\$6.1 million in Q107 to S\$8.3 million in Q108. The significant improvement was mainly contributed by the consolidation of Tat's financials as mentioned above where Tat contributed gross profit of S\$4.3 million to the Group. However, this was partially offset by lower gross profit from CP segment, which registered a decrease of S\$2.1 million or 34% to S\$4.0 million in Q108 from S\$6.1 million in Q107. The decrease in CP gross profit was mainly attributable to:-

- Decrease in CP gross margin resulted by significant increase in direct costs including diesel, copper grits and hire of machinery and equipments faced in Q108. The Group was working mostly on projects secured in 2007 where rates had been contracted and the Group was unable to pass these increased costs to its clients. The Group has now factored such

rising costs in its pricing for new contracts and is currently reviewing the price with its clients on all uncompleted projects secured in 2007.

❖ Slightly lower CP revenue

Profit after tax dipped 3.8% from S\$3.1 million to S\$2.9 million mainly due to higher income tax expense incurred for CP segment as tax losses carried forward from previous years had been fully utilized in offsetting the taxable income in FY2007. Therefore, the CP Division provided income tax expense at the effective tax rate of 18% in Q108 as compared to 4.3% in the previous corresponding quarter. If the CP Division need not accrue for income tax in Q108, profit after tax for the Group in Q108 would have increase 7% on a comparable basis against Q107.

Commenting on the performance for Q108, See Hup Seng's Non-Executive Chairman, Mr. Thomas Lim Siok Kwee said, "We are pleased to announce another profitable set of results for Q108 notwithstanding the rising direct costs faced in Q108 for CP segment. We expect the lower margin in Q108 as a result of higher costs to improve in subsequent quarters as we have revised our price for new contracts and are reviewing the price on all uncompleted projects secured in 2007. "

The Group's expansion plans on CP segment to tap the growth opportunities in FY2008 are firmly on track. The planned second corrosion prevention plant is expected to commence operation before end of Q208 and this will drive additional revenue and profit for the Group. The additional tank coating equipments which invested in Q307 and Q108 are also currently operating at full capacity to support on hand tank coating work orders. The Group will leverage on these initiatives to maximize and enjoy the growth of these industries and believes it will provide



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further revenue growth impetus for our corrosion prevention business going forward.

The contribution from the 51% equity interests in Tat is expected to gather momentum from the additional master distribution contracts secured from ExxonMobil in the last two quarters of FY2007 with estimated annual revenue of S\$27 million. The master distribution contracts secured to date has grown Tat's revenue by 93% or S\$16.8 million to S\$34.9 million in Q108 from S\$18.1 million in Q207 when Tat's financials were first consolidated into the Group. The Group will continue to implement strategies to drive revenue from the on hand master distribution contracts and by working with ExxonMobil to secure more master distribution contracts moving forward.

Looking ahead, the Group remains optimistic of its performance in FY2008. It expects revenue growth from its existing businesses, led by many initiatives including equipment and plant expansion plans and additional master distributions contracts clinched in the last quarter of FY2007.

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### **About See Hup Seng Limited**

The Company is a Singapore listed company with the Singapore Exchange Securities Trading Limited - Catalist. The Company is a leading provider of corrosion prevention services for the marine, oil and gas, construction and infrastructure industries in Singapore and also a leading distributor of refined petroleum products for the Asia Pacific region arising from the recent acquisition of Tat Petroleum Pte Ltd.



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