SEE HUP SENG LIMITED
(Company Registration Number 197502208Z)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF A 51% INTEREST IN THE ISSUED AND PAID UP SHARE CAPITAL OF EASTERN TANKSTORE (S) PTE. LTD.

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1. Introduction

The Board of Directors of See Hup Seng Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce that it had today entered into a conditional sale and purchase agreement (the "**Agreement**") with GEP Asia Holdings Pte. Ltd. ("**GEP**") for the proposed acquisition of 51,000 ordinary shares (the "**Sale Shares**"), representing 51% of the issued and paid up share capital of Eastern Tankstore (S) Pte. Ltd. ("**ETS**") at a purchase consideration of S$4.08 million (the "**Acquisition**").

Following completion of the Acquisition, ETS will become a subsidiary of the Company.

2. The Purchase Consideration

The purchase consideration for the Sale Shares is S$4.08 million (the "**Purchase Consideration**").

The Purchase Consideration was arrived at following arms length negotiations, on a willing-buyer willing-seller basis, and after taking into consideration the open market value of the Property (as defined in paragraph 5.1 below) of S$11 million based on a valuation report dated 12 October 2011 issued by CKS Property Consultants Pte Ltd ("**CKS**") and on the assumption that the Property has an extended lease of 30 years. Please refer to paragraph 6.2 of this announcement for further information relating to the valuation conducted on the Property.

The Purchase Consideration will be fully satisfied in cash and will be funded from the internal resources of the Company.

The Purchase Consideration will be paid to GEP on the date of completion of the Acquisition.

3. Conditions Precedent

Pursuant to the terms of the Agreement, the Acquisition is conditional upon, *inter alia*, the following:-

3.1 The Company being satisfied with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Company and/or its advisers on ETS including without limitation the title to and the status and condition of the properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure of ETS and any other information disclosed to the Company, including the contents of a disclosure letter to be provided by GEP to the Company; and

3.2 The Company being satisfied that:-

(a) ETS has effectively disposed its drum manufacturing business including and not limited to all assets and liabilities relating thereto prior to the date of the Agreement;

(b) ETS has effectively disposed its interest in a petrol station located in Chua Chu Kang including and not limited to all assets and liabilities relating thereto;

(c) ETS has effectively disposed its interest in M-D Petroleum Enterprises Pte Ltd;

(d) the Property together with the Existing Lease (as defined in paragraph 5.1 below) is the remaining asset of ETS and save for the liabilities which are incurred by ETS in connection with the Property and the Existing Lease, ETS does not have any other existing liabilities;

(e) the audited accounts of ETS for its financial year ended 31 December 2011, including but not limited to the balance sheet and the consolidated profit and loss statement contained therein, accurately reflect the contributions of ETS' continuing businesses as generated by the Property; and

(f) the management accounts of ETS for the period commencing from 1 January 2012 and ending on the month immediately preceding the month on which completion of the Acquisition takes place, including but not limited to the balance sheet and the consolidated profit and loss statement contained therein, accurately reflect the contributions of ETS' continuing businesses as generated by the Property.

If any of the aforesaid conditions precedent is not fulfilled or waived by mutual consent of the parties by 31 August 2012 or such other date as the parties may agree in writing, the Agreement shall, *ipso facto*, cease and determine and save for any antecedent breach, neither party shall have any claim whatsoever against the other party for costs, damages, compensation or anything whatsoever.

4. Dividends

It was agreed that all the profits of ETS earned by ETS up to 31 December 2011 shall be accounted to GEP as dividends. Accordingly, the Company and GEP agree to ETS declaring and paying to GEP at any time prior to, or as soon as is practicable after, the date of completion of the Acquisition, a dividend out of all the profits of ETS earned by ETS up to 31 December 2011.

5. Conditions Subsequent

5.1 Following completion of the Acquisition, GEP is to procure ETS to do the following:-

(a) to obtain the approval of the Jurong Town Corporation ("**JTC**") for a new lease on an existing property of ETS for a term of 30 years from the date of approval ("**New Lease**") by JTC ("**JTC's approval**") and such approval to be obtained on or before 31 August 2013 or such further date as the parties may agree in writing; and

(b) to amend the Articles of Association of ETS in the manner and to the extent as set out in Appendix 2 to the Agreement as soon as practicable after completion of the Acquisition.

The property of ETS relates to a leasehold property which is located at 1 Penjuru Lane Singapore 609217 (the "**Property**").

The existing lease of the Property was granted by JTC to ETS for a term of 10 years which will expire on 31 October 2017 (the "**Existing Lease**"). For the avoidance of doubt, the remaining tenure on the Existing Lease will be void upon JTC's approval of a New Lease.

5.2 In the event that ETS's application for a New Lease is not approved by JTC, the Company and GEP have agreed to the following:-

(a) the agreed value of the Property will be reduced from S$8.0 million to S$5.5 million and GEP shall pay to the Company a sum amounting to S$1.275 million within fourteen (14) business days from the date of JTC's letter rejecting ETS' application for a New Lease; and

(b) the Company and GEP shall, as soon as practicable, liquidate and/or dispose the remaining assets of ETS and the net proceeds arising thereform shall be distributed proportionately based on the shareholdings of the Company and GEP in ETS.

In the event that JTC's approval for a New Lease is for a term which is less than 30 years, the amount that shall be paid by GEP to the Company shall be an amount equal to the percentage shortfall between 30 years and the term of the new lease based on JTC's approval, multiplied by S$1.275 million, and GEP shall make payment of that amount to the Company within fourteen (14) business days from the date of JTC's letter approving the New Lease for a term of less than 30 years.

6. Information on ETS and the Property

6.1 <u>Information on ETS</u>

ETS was incorporated in Singapore on 19 May 1977.

As at the date of the Agreement, ETS has an issued and paid up share capital of S$100,000 comprising 100,000 ordinary shares.

Following negotiations between the Company and GEP, the parties have agreed to develop the Property to become an integrated chemical hub and for ETS to be principally engaged in the business of providing toll-blending, warehousing and logistics services (the "**Chemical Hub Business**"). Based on current plans, the estimated cost of construction (including procurement of equipment) of the integrated chemical hub is expected to amount to S$27 million in total.

It has been agreed between the Company and GEP that a substantial portion of the development cost for the integrated chemical hub shall be obtained by ETS, and any shortfall in the required funding for the development of the chemical hub shall be provided jointly by the Company and GEP to ETS (the "**Further Investment in ETS**") on the same terms and in proportion to their shareholdings for the time being in ETS, whether by way of subscription of capital or cash advances to ETS or in such other manner as may be agreed upon among the Company, GEP and ETS. Such funds shall be provided by the Company and GEP to ETS for developing the Property into an integrated chemical hub and for the purposes of obtaining JTC's approval for the New Lease and for carrying on the Chemical Hub Business.

The Further Investment in ETS will be provided jointly by the Company and GEP in various tranches to ETS. Such Further Investment in ETS when made by the Company will be funded from the internal resources of the Company and external loans.

With the Chemical Hub Business in mind, ETS had and/or will dispose its other businesses and all assets and liabilities relating thereto (including the disposal of its interests in M-D Petroleum Enterprises Pte Ltd).

Based on the management accounts of ETS for its financial year ended 31 December 2011, the net tangible asset value and the net profit after tax of ETS were as follows:-

Description	Continuing Business (S$'000)	Discontinued Business (S$'000)	Total (S$'000)
Net tangible asset	772	62,804	63,576
Profit after tax	30	30,678	30,708

6.2 Information on the Property

The Property is a leasehold property and its lease was granted by JTC for a term of 10 years commencing from 1 November 2007.

The Property is a single storey detached factory with a mezzanine office and side/rear extension. The Property has a land area of 13,486.1 square meters.

A valuation was commissioned by ETS and based on the valuation report dated 12 October 2011 issued by CKS, the open market value of the Property is as follows:-

(a) based on the existing balance lease of the Property of 6 years, the open market value of the Property as at 12 October 2011 was S$4.5 million; and

(b) based on an extended fresh lease of the Property of 30 years, the open market value of the Property as at 12 October 2011 was S$11.0 million.

CKS had adopted the Market Comparison Method of Valuation in formulating its opinion on the open market value of the Property. In adopting the said approach, CKS had taken into cognizance transactions of comparable properties, the prevailing market condition and the underlying economic factors which may be of influence to the trend of market prices.

7. Relative Figures under Chapter 10 of the Listing Manual

7.1 Relative Figures under Chapter 10 of the Listing Manual and based on the Purchase Consideration of the Acquisition

Chapter 10 of the Listing Manual governs the continuing listing obligations of a listed company in respect of acquisitions and realisations. Rule 1006 of the Listing Manual sets out the computation of relative figures for acquisitions and disposals of assets by a listed issuer.

The relative figures of the Acquisition, computed according to Rule 1006 of the Listing Manual based on the Acquisition, the Purchase Consideration and the Company's latest unaudited consolidated financial statements for its financial year ended 31 December 2011, are as follows:-

		The Acquisition (S$'000)	The Group (S$'000)	%
(a)	Net asset value of the assets to be disposed compared with the Group's net asset value as at 31 December 2011	This basis of computation is not applicable as it only applies to disposal of assets		
(b)	The audited net profit[(1)] attributable to the assets acquired compared with the Group's unaudited net profit[(1)] for its financial year ended 31 December 2011	15[(2)]	7,969	0.2
(c)	Aggregate value of the consideration compared with the Company's market capitalisation as at 8 March 2012[(3)]	4,080[(4)]	90,867	4.5

		The Acquisition (S$'000)	The Group (S$'000)	%
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	This basis of computation is not applicable as the Purchase Consideration is to be fully satisfied in cash		

Notes:-

(1) Net profit is defined as profit before income tax, minority interests and extraordinary items.

(2) The unaudited net profit of S$15,000 is based on 51% of the net profit of ETS' continuing business based on its management accounts for its financial year ended 31 December 2011. Based on the management account of ETS for its financial year ended 31 December 2011, ETS recorded a net profit of S$30,000 from its continuing business.

(3) The market capitalisation of the Company was determined by multiplying the number of issued shares, being 422,635,100 ordinary shares (excluding 4,310,000 treasury shares currently held by the Company) by the weighted average price of such shares transacted on 8 March 2012 of S$0.215 per share (being the market day immediately preceding the date of the Agreement).

(4) Based on the Purchase Consideration of S$4.08 million which is payable by the Company to GEP for the Sale Shares.

As none of the relative figures as computed above exceeds 20%, the Acquisition is a discloseable transaction for the purposes of Chapter 10 of the Listing Manual. Accordingly, the Company is not required to obtain shareholders' approval for the Acquisition.

7.2 <u>Relative Figures under Chapter 10 of the Listing Manual and based on the Purchase Consideration and the Further Investment in ETS</u>

Chapter 10 of the Listing Manual governs the continuing listing obligations of a listed company in respect of acquisitions and realisations. Rule 1006 of the Listing Manual sets out the computation of relative figures for acquisitions and disposals of assets by a listed issuer. Practice Note 10.1 of the Listing Manual sets out the general principles in respect of acquisitions and realisations by a listed company. Paragraph 7 of Practice Note 10.1 states that for the purposes of determining the relative figure under Rule 1006(c), the aggregate value of consideration given should include, *inter alia*, such further amounts related to the transaction. Such further amounts relating to the transaction may include loans or guarantees extended by the purchaser, the discharge of any liabilities (whether actual or contingent) or the provision of other forms of security.

As stated in paragraph 6.1 above, it has been agreed between the Company and GEP that a substantial portion of the development cost of S$27 million for the integrated chemical hub shall be financed through bank loans obtained by ETS and any Further Investment in ETS shall be provided jointly by the Company and GEP to ETS on the same terms and in proportion to their shareholdings, whether by way of subscription of capital or cash advances to ETS or in such other manner as may be agreed upon among the Company, GEP and ETS.

On the assumption that ETS does not obtain bank financing for the development of the integrated chemical hub, the Company and GEP shall collectively provide an aggregate amount of S$27 million to ETS. Based on the resultant shareholding of the Company in ETS, the Company shall invest a further amount of S$13.77 million in ETS (the "**Share of Investment**") whether by way of subscription of capital or cash advances to ETS or in such other manner as may be agreed upon among the Company, GEP and ETS.

Accordingly, on the assumption that the Share of Investment forms part of the consideration for the transaction as per paragraph 7 of Practice Note 10.1 of the Listing Manual, the relative figures of the Acquisition computed according to Rule 1006 of the Listing Manual, based on the aggregate of the Purchase Consideration and the Share of Investment, the Acquisition and the Company's latest unaudited consolidated financial statement for its financial year ended 31 December 2011, are as follows:-

		The Acquisition (S$'000)	The Group (S$'000)	%
(a)	Net asset value of the assets to be disposed compared with the Group's net asset value as at 31 December 2011	This basis of computation is not applicable as it only applies to disposal of assets		
(b)	The audited net profit(1) attributable to the assets acquired compared with the Group's unaudited net profit(1) for its financial year ended 31 December 2011	15(2)	7,969	0.2
(c)	Aggregate value of the consideration compared with the Company's market capitalisation as at 8 March 2012(3)	17,850(4)	90,867	19.6
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	This basis of computation is not applicable as the Purchase Consideration and the Share of Investment are to be fully satisfied in cash		

Notes:-

(1) Net profit is defined as profit before income tax, minority interests and extraordinary items.

(2) The unaudited net profit of S$15,000 is based on 51% of the net profit of ETS' continuing business based on its management accounts for its financial year ended 31 December 2011. Based on the management account of ETS for its financial year ended 31 December 2011, ETS recorded a net profit of S$30,000 from its continuing business.

(3) The market capitalisation of the Company was determined by multiplying the number of issued shares, being 422,635,100 ordinary shares (excluding 4,310,000 treasury shares currently held by the Company) by the weighted average price of such shares transacted on 8 March 2012 of S$0.215 per share (being the market day immediately preceding the date of the Agreement).

(4) Based on the aggregate of the Purchase Consideration of S$4.08 million and the Share of Investment of S$13.77 million.

Based on the above computation, the Acquisition is considered to be a discloseable transaction for the purposes of Chapter 10 of the Listing Manual as none of the relative figures exceeds 20%. Accordingly, the Company is not required to obtain shareholders' approval for the Acquisition.

8. Rationale for the Acquisition

The Acquisition, and Further Investment in ETS, will enable the Group to construct and equip the premises at 1 Penjuru Lane that is leased by ETS for the purpose of the Chemical Hub Business.

The development of an integrated chemical hub will enable the Group to scale up its business and strengthen its position in the refined petroleum industry. This move is also in line with the Group's strategy to grow its business in the refined petroleum industry by moving up the supply chain and expanding its customer base.

As the demand for chemical continues to grow in Asia, the Group believes that the integrated chemical hub will provide the platform to capture a larger share of the business opportunities in the refined petroleum industry, and widen the Group's sources of revenue and earnings.

In addition, the Chemical Hub Business is synergistic with the Group's existing business in the distribution of refined petroleum products. The Group will be able to leverage on its existing customer base to offer value-added services in blending and logistics. With enhanced ability to address existing customers' demand for such services, the Group believes this will also improve customers' purchasing volume with its distribution business.

Moreover, the integrated chemical hub will also provide an opportunity for the Group to access new customers, benefiting both the Chemical Hub Business and its existing distribution business.

9. Financial Effects of the Acquisition

For illustration purposes only, based on the latest unaudited consolidated financial statements of the Company for its financial year ended 31 December 2011 and the unaudited accounts of ETS for its financial year ended 31 December 2011 based on its continuing business, the financial effects of the Acquisition on the Group will be as follows:-

(a) *Net Tangible Asset ("**NTA**") per share*

Assuming that the Acquisition has been completed on 31 December 2011, the Acquisition would have the following impact on the NTA per share of the Group:-

	Before the Acquisition	After the Acquisition
NTA (S$'000)	68,235	64,549
Weighted Average Number of shares	411,041,600	411,041,600
NTA per share	16.60 cents	15.70 cents

(b) *Earnings per share ("**EPS**")*

Assuming that the Acquisition has been completed on 1 January 2011, the Acquisition would have the following impact on the EPS of the Group:-

	Before the Acquisition	After the Acquisition
Profit after tax (S$'000)	7,969	7,984
Weighted average number of shares	411,041,600	411,041,600
EPS	1.94 cents	1.94 cents

(c) *Gearing*

Assuming that the Acquisition has been completed on 31 December 2011, the Acquisition would have the following impact on the Group's gearing:-

	Before the Acquisition	After the Acquisition
Total borrowings(1) (S$')	60,849	60,849
Cash and cash equivalents (S$)	42,389	42,477
Shareholders' funds(1) (S$)	77,700	78,094

	Before the Acquisition	After the Acquisition
Gross gearing[(1)] (times)	0.78	0.78
Net gearing[(1)] (times)	0.24	0.24

Note:-

(1) The expression “Total borrowings” means all interest-bearing debts of the Company. The expression “Shareholders’ funds” refers to the aggregate of the paid-up share capital and other reserve and share premium of the Company and excludes minority interests. “Gross gearing” is computed based on the ratio of “Total borrowings” to “Shareholders’ funds” and “Net gearing” is computed based on the ratio of “Total borrowings” less “Cash and cash equivalents” to “Shareholders’ funds”.

10. Representation on the Board of the Company

No persons will be appointed to the Board of the Company in connection with the Acquisition.

11. Interests of Directors and Controlling Shareholders

None of the Directors or controlling or substantial shareholders of the Company has any interest, direct or indirect, in the Acquisition.

12. Documents for Inspection

Copies of the Agreement and the valuation report dated 12 October 2011 issued by CKS will be made available for inspection at the Company’s registered office at 81 Tuas South Street 5 Singapore 637651 during normal business hours for a period of three months from the date of this announcement.

By Order of the Board
See Hup Seng Limited

Thomas Lim Siok Kwee
Executive Chairman
9 March 2012