SEE HUP SENG LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197502208Z)

PROPOSED ACQUISITION OF HETAT HOLDINGS PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of See Hup Seng Limited (the "**Company**") wishes to announce that the Company has entered into a conditional sale and purchase agreement dated 12 September 2013 (the "**Agreement**") with Ng Han Kok (the "**Vendor**"), pursuant to which the Company has agreed to acquire the entire issued and paid-up share capital of Hetat Holdings Pte. Ltd. ("**Hetat Holdings**") for the consideration of S$42,400,000 (the "**Acquisition**").

2. INFORMATION ON HETAT HOLDINGS

Hetat Holdings is incorporated in Singapore, and has an issued and paid-up share capital of S$500,000 comprising 500,000 ordinary shares. The Vendor is the founder and sole shareholder of Hetat Holdings. Hetat Holdings and its subsidiaries (the "**Hetat Group**") are principally engaged in the business of designing, engineering and construction of steel, aluminium and glass structures and the supply of labour to fabricate and install modules for oil-rigs. The Hetat Group has a track record of 10 years in the construction industry and is currently undertaking projects in Singapore, Malaysia and Mongolia.

As at 31 July 2013, the Hetat Group has an order book of approximately S$50 million. The net book value and net tangible assets of the Hetat Group as at 31 July 2013 is approximately S$7.1 million.

3. PRINCIPAL TERMS OF ACQUISITION

3.1 Consideration

Subject to the terms and conditions of the Agreement, the Company has agreed to purchase and the Vendor has agreed to sell 500,000 ordinary shares representing the entire issued and paid-up share capital of Hetat Holdings, free from any charge, pledge, lien or other encumbrances, and together with all rights, benefits and entitlements attaching thereto, for the consideration of S$42,400,000 (the "**Consideration**").

The Consideration was determined at arm's length and on a willing-buyer willing-seller basis, calculated based on approximately 7.7 times of the 2013 Target NPAT of Hetat Holdings (as defined below), and shall be payable by the Company to the Vendor in the manner as follows:

(a) on the date of completion of the Acquisition (the "**Completion Date**"),

  (i) the payment of S$10,000,000 in cash; and

  (ii) the payment of S$10,600,000 of the Consideration via the issuance of 42,519,053 new ordinary shares in the capital of the Company (the "**Consideration Shares**") at the issue price of S$0.2493 (the "**Issue Price**"),

(b) on the date falling 14 business days after the Completion Date, the payment of S$21,800,000 in cash (the "**Second Cash Consideration**"), subject to the escrow arrangement set out in paragraphs 3.2 and 8.3 below.

The Issue Price represents a 10% discount to the volume-weighted average price of S$0.2769 (the "**VWAP**") for trades done on the shares of the Company (the "**Shares**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 6 September 2013, which is the preceding full market day of trading of the Shares up to the time the Agreement was entered into, and on 9 September 2013.

3.2 Profit Guarantee

The Vendor has guaranteed that the consolidated net operating profits after tax of the Hetat Group for the 12 months ending 31 December 2013[1] and the 12 months ending 31 December 2014[2] (the "**2014 NPAT**") shall be at least S$5,500,000 (the "**2013 NPAT Guarantee**") and S$6,300,000 (the "**2014 NPAT Guarantee**") respectively (collectively, the "**Profit Guarantee**").

The 2013 NPAT Guarantee will be secured by S$4 million in cash ("**First Escrow Cash**") and 50% of the Consideration Shares ("**First Escrow Shares**"), both of which will be held in escrow by the Escrow Agent as a safeguard. The $4 million cash amount is the amount held back from the payment of the Second Cash Consideration to the Vendor.

The 2014 NPAT Guarantee will be secured by an additional S$4 million in cash ("**Second Escrow Cash**") and the remaining 50% of the Consideration Shares ("**Second Escrow Shares**"), both of which will be held in escrow by the Escrow Agent as a safeguard. The second $4 million cash amount is the additional amount held back from the payment of the Second Cash Consideration to the Vendor.

3.3 VALUATION OF PROPERTY

One of the main assets of the Hetat Group is a steel fabrication plant of approximately 190,000 square feet located in Tuas, Singapore. The Hetat Group is currently leasing the land on which the steel fabrication plant is situated from JTC Corporation.

The Company will be appointing an independent property valuer to appraise the value of such land and the buildings sited thereon (the "**Hetat Property**") on an "as-is" basis, such valuation to be carried out: (i) based on the remaining lease tenure of approximately six (6) years; and (ii) based on the assumption that Hetat Group obtained a lease extension to the current leasehold term granted by JTC Corporation in respect of the Hetat Property by a minimum of 22 years from the date of issue of the lease extension (the "**Appraisal Value**").

The Vendor has undertaken to procure that Hetat Holdings use its best endeavours to obtain an extension of the leasehold term in respect of the Hetat Property (the "**Hetat Property Extension**") within the period of 18 months from the Completion Date or such later date as may be mutually agreed between the Parties in writing ("**Hetat Property Extension Deadline**"). Further, the Vendor shall procure that Hetat Holdings makes the application for the Hetat Property Extension within 12 months from the Completion Date.

[1] Excluding exceptional items and non-controlling interests, as reflected in the audited consolidated profit and loss accounts of the Hetat Group for the twelve months ending 31 December 2013.

[2] Excluding exceptional items and non-controlling interests, as reflected in the audited consolidated profit and loss accounts of the Hetat Group for the twelve months ending 31 December 2014.

If JTC Corporation does not approve the Hetat Property Extension by the Hetat Property Extension Deadline, the Company and the Vendor shall, within 10 business days from the date of JTC Corporation's response, jointly appoint an independent property valuer ("**Property Valuer**") to appraise the value of the Hetat Property on an "as-is" basis based on the then remaining leasehold term of the Hetat Property without the Hetat Property Extension (the "**Second Appraisal Value**"), such appraisal to be carried out at the cost of the Vendor and the Company in equal proportion.

In the event that Second Appraisal Value is lower than S$13,000,000, the Vendor shall, within 10 Business Days from the final determination of the Second Appraisal Value by the Property Valuer, pay the Company an amount equivalent to half of the shortfall of the Second Appraisal Value from S$13,000,000 ("**Vendor Guarantee**"), as illustrated by the formula below:

Vendor Guarantee = (S$13,000,000 – Second Appraisal Value) / 2

3.4 MORATORIUM

The Vendor undertakes that for an initial period of one (1) year ("**Initial Moratorium Period**") commencing from the date of allotment and issue of the Consideration Shares, it shall not sell, realize, transfer or otherwise dispose of any part of the Consideration Shares. For the period of one (1) year subsequent to the Initial Moratorium Period, the Vendor also undertakes not to sell, realize, transfer or otherwise dispose of fifty per cent (50)% of Consideration Shares during such period.

3.5 Conditions Precedent

Completion of the Acquisition (the "**Completion**") is conditional on, *inter alia*, the following:

(a) the specific approval of the shareholders of the Company (the "**Shareholders**") having been obtained for the proposed Acquisition and the issue of the Consideration Shares and the Subscription Shares (as defined below) at an extraordinary general meeting to be convened;

(b) the results of the due diligence review conducted in respect of the Hetat Group being satisfactory to the Company;

(c) the appointment of the Escrow Agent and the entry into an escrow agreement between the Escrow Agent, the Company and the Vendor;

(d) satisfactory completion of all regulatory requirements, including the receipt of all necessary approvals from the relevant authorities and compliance with all applicable laws and rules of the SGX-ST;

(e) the receipt of approval-in-principle from the SGX-ST for the listing and quotation of the Consideration Shares and the Subscription Shares;

(f) the NAV[3] and the cash and cash equivalents (the "**Cash Position**") of the Hetat Group as at the Pre-Completion Date (as defined below) being not less than S$4,550,000 and

[3] NAV means the net asset value (excluding any revaluation surplus arising from the Hetat Property) less the retained earnings in respect of the accumulated net profit after tax for the period from 1 January 2013 up to the Pre-Completion Date (or the Completion Date, as the case may be) of the Hetat Group, which includes, without limiting the generality of the foregoing, the Cash Position of the Hetat Group.

S$3,290,000 respectively, and such NAV and Cash Position having been satisfactorily verified by the Company or its professional advisers;

(g) the Appraisal Value being no less than S$13,000,000;

(h) completion of the internal restructuring of the Hetat Group for the purpose of achieving the target NAV and Cash Position of not less than S$4,550,000 and S$3,290,000 respectively under paragraph 3.5(f), which internal restructuring shall include divestment of certain properties and equipment but provided that the Vendor shall consult the Company prior to divesting any property and/or equipment with a net book value (as recorded in the accounts of the Hetat Group) exceeding S$50,000;

(i) Hetat Holdings being the legal and beneficial owner of (i) the entire issued and paid-up share capital of Hetat Global Mongolia LLC, Hetat Engineering & Construction Sdn. Bhd., Hetat Pte. Ltd. and Xiang Tong (Shanghai) International Trading Pte Co., Ltd and (ii) the remaining share capital of Hetat Marine Offshore Pte. Ltd. after it allots up to 49% of its enlarged share capital to third party investors;

(j) the Vendor having entered into a service agreement for the appointment of the Vendor as the chief executive officer of the Hetat Group for an initial period of three (3) years commencing from Completion Date, on terms mutually agreeable to the Vendor and the Company;

(k) the Company having received a report from its financial adviser confirming that the financial adviser is of the view that the proposed Acquisition on the terms of the Agreement is on normal commercial terms and is not prejudicial to the interest of the Company and its Shareholders;

(l) the Company having received a report from Hetat Holdings' auditors (the choice of auditors to be mutually agreed between the parties) confirming that they have reviewed the bases and assumptions, accounting policies and calculations for the Profit Guarantee, and stating their opinion on the same;

(m) there being no decrease in the NAV and the Cash Position as at the Completion Date from the NAV and the Cash Position as at the Pre-Completion Date;

(n) the Vendor having delivered the disclosure letter to the Company, and the contents of the disclosure letter being reasonably satisfactory to the Company; and

(o) the Company being satisfied that there are no material differences in the accounting standards, practices and policies between the Hetat Group and the Company and its subsidiaries (the "**Group**").

In this announcement, "**Pre-Completion Date**" means a date falling on the last day of:

(i) in the case of the Completion Date falling on or after the 15th day of a calendar month, the calendar month immediately preceding the Completion Date; and

(ii) in the case of the Completion Date falling before the 15th day of a calendar month, the calendar month that is two (2) months preceding the Completion Date;

In the event that the above conditions are not satisfied or waived on or before the date falling 180 days from the date hereof (or such other date as the Company and the Vendor may mutually agree in writing), the Agreement shall lapse and cease to have effect, and each party shall not have any claim against the other, save in respect of any accrued rights or liabilities under the Agreement.

3.6 Service Agreement

The Vendor shall be entitled to be appointed as a director to the board of directors of the Company after Completion, provided that such appointment shall be subject to the consent of the nominating committee of the Company. As disclosed in paragraph 3.5(j) above, a condition precedent to Completion is the entry into by the Vendor into a service agreement for the appointment of the Vendor as the chief executive officer of the Hetat Group for an initial period of three (3) years commencing from Completion Date, on terms mutually agreeable to the Vendor and the Company.

4. RATIONALE AND BENEFITS

The Company is a leading provider of corrosion prevention services in Singapore and strategic value added distributor of petroleum-derived products in the Asia Pacific region. In addition to providing corrosion prevention ("**CP**") services to the marine, oil and gas, construction and infrastructure industries, the Group also operates a refined petroleum ("**RP**") business that offers comprehensive supply chain management of refined petroleum products to diverse end-user industries including vehicular, agriculture, coating, pharmaceutical, consumer, plastics, construction, engineering, marine and electronics industries.

The proposed Acquisition represents a good opportunity for the Group to diversify its existing operation and to expand its product offerings to its existing customers of the CP business to include those relating to designing, engineering and construction of steel, aluminium and glass structures.

Hetat Holdings is a profitable company with a proven track record of 10 years in the construction industry. The audited consolidated revenue of the Hetat Group for the last three financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 were approximately S$20.0 million, S$32.0 million and S$32.2 million respectively. The audited consolidated profit after tax of the Hetat Group for the last three financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 were approximately S$3.2 million, S$3.5 million and S$4.0 million respectively. Given the foregoing, the Board believes that the completion of the proposed Acquisition will contribute positively to the future earnings of the Company and enhance shareholder value in the long term.

5. SOURCE OF FUNDS

The Company has entered into a subscription agreement to issue new ordinary shares for an aggregate consideration of S$36,023,850 (the "**Subscription Shares**"). The Company intends to use the proceeds from the issuance of the Subscription Shares to finance the cash portion of the Consideration payable to the Vendor. Further details of the issue of the Subscription Shares can be found in the Company's announcement dated today in relation to the same.

6. FINANCIAL EFFECTS OF ACQUISITION

The pro forma financial effects of the proposed Acquisition, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2012, are set out below. The pro forma financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Group after completion of the proposed Acquisition.

Earnings per Share

Assuming that the proposed Acquisition had been effected on 1 January 2012, the effect on the earnings per share (the "**EPS**") of the Company will be as follows:

	Before Acquisition	**After Acquisition**
Profit after tax and minority interest (S$'000)	5,206	7,343
Weighted average number of shares	427,197,229	469,716,282
EPS (cents)	1.22	1.56

Net Tangible Assets

Assuming that the proposed Acquisition had been effected on 31 December 2012, the effect on the net tangible assets (the "**NTA**") per share of the Company will be as follows:

	Before Acquisition	**After Acquisition**
NTA (S$'000)	73,551	44,429
Number of shares	421,442,125	463,961,178
NTA per share (cents)	17.45	9.58

7. MAJOR TRANSACTION

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2012, the relative figures in respect of the proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST, are as follows:

Bases in Rule 1006

(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable
(b)	Net profits[4] attributable to Hetat Holdings of approximately S$2,426,097, compared with net profits of the Group of approximately S$6,282,000	38.6%
(c)	Consideration of S$42,400,000, compared with the Company's market capitalisation[5] of approximately S$116,697,324 as at 9 September 2013, being the market day immediately preceding the date of the Agreement	36.3%
(d)	42,519,053 Consideration Shares issued as consideration for the Acquisition, compared with 438,542,125 Shares previously in issue (inclusive of treasury shares of 17,100,000 treasury shares)	9.7%

As the relative figures as computed on the above bases exceeds 20% but is less than 100%, the proposed Acquisition constitutes a "major transaction" within the meaning of Chapter 10 of the Listing Manual, and pursuant to Rule 1010, it must be made conditional upon approval by Shareholders in general meeting.

8. RULE 1013 OF THE LISTING MANUAL

4 "Net profits" means profit or loss before income tax, minority interests and extraordinary items.

5 "Market capitalisation" is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on the full trading day of 6 September 2013 preceding the date of the Agreement and on 9 September 2013.

This section sets out the information required to be disclosed under Rule 1013 of the Listing Manual in connection with the Profit Guarantee.

8.1 Views of the Board

The Board is of the view that the Profit Guarantee helps to safeguard the interests of Shareholders, having taken into account, *inter alia*, the following factors:

(a) the terms and rationale of the proposed Acquisition, the proposed escrow arrangement (as described in paragraph 3.2 above) and the mechanism agreed by the Vendor and the Company to compensate the Company in the event that the Profit Guarantee is not satisfied (as described in paragraph 8.3 below);

(b) based on the information available to the Company, the Hetat Group has been profitable since inception and its bottomline has been growing year on year since 2009;

(c) the proforma net profit of the Hetat Group of approximately S$2.0 million for the six months ended 30 June 2013; and

(d) the Hetat Group's order book of approximately S$50 million as at 31 July 2013.

8.2 Commercial Bases And Principal Assumptions Upon Which The Quantum Of The Profit Guarantee Is Based

The principal commercial bases upon which the quantum of the Profit Guarantee is based would include, *inter alia*, the following:

(a) the Hetat Group is currently engaged in the business of designing, engineering and construction of steel, aluminium and glass structures, and the supply of labour to fabricate and install modules for oil-rigs. With strong business relationships of its key recurring customers, it is likely to continue to be awarded with new contracts. Along with current contracts on hand and potential contracts from tenders and other awards, it is likely that the revenue of Hetat Group will to grow in the future;

(b) the Hetat Group has a profitable track record, with net profit after tax of approximately S$4.0 million as recorded in pro-forma accounts of the Hetat Group for the financial year ended 31 December 2012); and

(c) following the completion of the proposed Acquisition, Hetat Group will become a subsidiary of a listed group. This is likely to enhance the profile of Hetat Group in the markets that the Hetat Group operates in, which includes Singapore, Mongolia and Malaysia, and lead to more favourable perceptions of the Hetat Group by potential new customers.

The following are the principal assumptions underlying the Profit Guarantee:

(i) there being no material changes in the existing political, economic, legal and social conditions, and regulatory and fiscal measures in the countries in which the Hetat Group operates;

(ii) the contracts with the Hetat Group's customers and suppliers remain intact and will be renewed as and when they expire either with existing customers or with new customers;

(iii) there will be no material loss of major customers, partners and suppliers which are essential for the operations of the Hetat Group;

(iv) operating expenses will either remain constant or that there will be a corresponding increase in revenue when operating expenses increase; and

(v) there will be no material changes in the key personnel of the Hetat Group.

8.3 Manner and Amount of Compensation and Safeguards

In the event that the 2013 NPAT Guarantee is not met, the shortfall between the actual profit for the calendar year 2013 and the 2013 NPAT Guarantee will be refunded to the Company in the manner summarily set out below, save that the first million deficit shall be on a dollar for dollar basis and the subsequent deficit amounts shall be on a multiple of 2x.

(a) the First Escrow Cash will first be used to refund the Company;

(b) if the First Escrow Cash is insufficient, the Vendor will be given notice to make up the difference;

(c) if the Vendor fails to make up the difference, the Company will be entitled to have the necessary amount of First Escrow Shares sold and such proceeds of sale used to make up the difference;

(d) if the proceeds of the sale of the First Escrow Shares is not sufficient to make up the difference, the Vendor will be given a second notice to make up the difference.

In the event that the 2014 NPAT Guarantee is not met, the shortfall between the actual profit for the calendar year 2014 and the 2014 NPAT Guarantee will be refunded to the Company in the manner summarily set out below, save that the first million deficit shall be on a dollar for dollar basis and the subsequent deficit amounts shall be on a multiple of 2x.

(i) the Second Escrow Cash will first be used to refund the Company;

(ii) if the Second Escrow Cash is insufficient, the Vendor will be given notice to make up the difference;

(iii) if the Vendor fails to make up the difference, the Company will be entitled to have the necessary amount of Second Escrow Shares sold and such proceeds of sale used to make up the difference; and

(iv) if the proceeds of the sale of the Second Escrow Shares is not sufficient to make up the difference, the Vendor will be given a second notice to make up the difference.

8.4 Appointment of Financial Adviser

The Company has appointed Tata Capital Markets Pte. Ltd. (the "**Financial Adviser**") as its financial adviser in relation to the proposed Acquisition. As required under Rule 1013(2)(b) of the Listing Manual, the Financial Adviser will be providing its views on whether the proposed Acquisition is on normal commercial terms and is not prejudicial to the interest of the Company and Shareholders, in the circular to be despatched to Shareholders.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above, none of the Directors or the controlling shareholders of the Company have any interest, direct or indirect, in the proposed Acquisition.

10. DESPATCH OF SHAREHOLDERS CIRCULAR

The Company will in due course despatch to the shareholders a circular containing, *inter alia*, information relating to the proposed Acquisition and seeking the approval of the shareholders for the same at an extraordinary general meeting to be convened.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection at the registered office of the Company during normal business hours for a period of three (3) months from the date of this announcement.

12. DIRECTORS' RESPONSIBILITY STATEMENT

12.1 The Directors (including those who may have been delegated detailed supervision of the Acquisition) have individually and collectively reviewed and approved the issue of this announcement, and have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement (save in respect of information pertaining to the Hetat Group) are fair and accurate in all material aspects and that no material facts have been omitted from this announcement which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly.

12.2 Where any information contained in this announcement (save in respect of information pertaining to the Hetat Group) has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

BY ORDER OF THE BOARD

Goh Koon Seng
Executive Director
12 September 2013