

SEE HUP SENG LIMITED
(Company Registration No. 197502208Z)

PROPOSED SETTLEMENT ARRANGEMENTS

The Board of Directors of the See Hup Seng Limited (the "Company") wishes to announce that on 18 May 2006, the Company had entered into separate settlement agreements (the "Settlement Agreements") with Allinton Engineering & Trading Pte Ltd, Asia Airblast Pte Ltd, Aver Asia (S) Pte Ltd, Cintai (S) Pte Ltd, GI Obuchi Marine and Engineering Services, Hempel (Singapore) Pte Ltd, Jotun (Singapore) Pte Ltd, Pan Marine Blasting Abrasives Pte Ltd, Performance Coatings International Pte Ltd, Red Eagle Marine Services, Richill Industries Pte Ltd, Rotor Auto Electrical Pte Ltd, Seamate Engineering Services, Sin Hoe Heng Pte Ltd, Star-Ray Pte Ltd, Tat Sat Marine and Engineering Services, Trek Investigations & Security Management Services and Y.H.L. Logistics Pte Ltd (collectively "Trade Creditors").

Pursuant to the Settlement Agreements, the Trade Creditors have agreed to a settlement of their respective debts in one of the following manners:-

- (i) by the allotment and issue of ordinary shares in the capital of the Company to the Trade Creditor; or
- (ii) by the allotment and issue of ordinary shares in the capital of the Company and cash repayments in installments.

The Company is proposing to allot and issue the following number of new ordinary shares at an issue price of S\$0.14 for each new ordinary share and cash repayments to each of the Trade Creditors:-

| Name of Trade Creditor | Debt owing (S\$) | Amount to be settled by the issue of new ordinary shares (S\$) | Number of new ordinary shares | Amount to be settled in cash (S\$) |
|--|------------------|--|-------------------------------|------------------------------------|
| Allinton Engineering & Trading Pte Ltd | 18,337.42 | 18,200.00 | 130,000 | 137.42 |
| Asia Airblast Pte Ltd | 23,507.63 | 15,960.00 | 114,000 | 7,547.63 |
| Aver Asia (S) Pte Ltd | 244,188.00 | 122,920 | 878,000 | 121,268.00 |
| Cintai (S) Pte Ltd | 238,700.00 | 238,700.00 | 1,705,000 | - |
| GI Obuchi Marine and Engineering Services | 60,719.60 | 35,980.00 | 257,000 | 24,739.60 |
| Hempel (Singapore) Pte Ltd | 689,689.33 | 344,960 | 2,464,000 | 344,729.33 |
| Jotun (Singapore) Pte Ltd | 124,818.76 | 63,000.00 | 450,000 | 61,818.76 |
| Pan Marine Blasting Abrasive Pte Ltd | 145,100.27 | 72,520.00 | 518,000 | 72,580.27 |
| Performance Coatings International Pte Ltd | 40,830.10 | 40,740.00 | 291,000 | 90.10 |

| Name of Trade Creditor | Debt owing (S\$) | Amount to be settled by the issue of new ordinary shares (S\$) | Number of new ordinary shares | Amount to be settled in cash (S\$) |
|--|---------------------|--|-------------------------------|------------------------------------|
| Red Eagle Marine Services | 288,447.61 | 172,900.00 | 1,235,000 | 115,547.61 |
| Richill Industries Pte Ltd | 266,238.00 | 199,920.00 | 1,428,000 | 66,318.00 |
| Rotor Auto Electrical Pte Ltd | 5,611.20 | 5,600.00 | 40,000 | 11.20 |
| Seamate Engineering Services | 69,353.80 | 19,880.00 | 142,000 | 49,473.80 |
| Sin Hoe Heng Pte Ltd | 79,894.71 | 79,800.00 | 570,000 | 94.71 |
| Star-Ray Pte Ltd | 73,836.31 | 36,960.00 | 264,000 | 36,876.31 |
| Tat Seng Marine & Engineering Services | 352,100.99 | 210,980.00 | 1,507,000 | 141,120.99 |
| Trek Investigations & Security Management Services | 37,450.00 | 37,380.00 | 267,000 | 70.00 |
| Y.H.L. Logistics Pte Ltd | 139,409.35 | 70,000.00 | 500,000 | 69,409.35 |
| Total : | 2,898,233.08 | 1,786,400 | 12,760,000 | 1,111,833.08 |

The allotment and issue of the new ordinary shares to the Trade Creditors shall be conditional and shall only be effective upon the fulfilment of the following conditions:-

- (a) approval of the shareholders at the extraordinary general meeting to be convened to allot and issue the new ordinary shares to the Trade Creditors;
- (b) in-principle approval of the Singapore Exchange Securities Trading Limited ("SGX-ST") being obtained for the listing and quotation of the new ordinary shares on the SGX-ST Dealing and Automated Quotation System; and
- (c) lodgment with and acceptance of the offer information statement, which complies as to form and content with the Sixteenth Schedule of the Securities and Futures (Offers of Investment) (Shares and Debentures) Regulations 2005, by the Monetary Authority of Singapore.

Under the terms of the Settlement Agreements, each of the Trade Creditors has agreed to the following:-

- (a) the Trade Creditors shall not sell, transfer or otherwise dispose of any of the New Shares for a period of six months commencing from the date of issue of the new ordinary shares;
- (b) the Trade Creditors shall not sell, transfer or otherwise dispose of more than fifty per cent of the new ordinary shares during the period commencing from the date falling six months from the date of issue of the new ordinary shares and expiring on the date falling twelve months from the date of issue of the new ordinary shares; and

- (c) the balance new ordinary shares can be sold, transferred or disposed of by the Trade Creditors after twelve months from the date of issue of the new ordinary shares.

The Company also refers to the announcement dated 29 October 2003 in relation to the deeds of settlement (the "Deeds of Settlement") entered between the Company with Thomas Lim Siok Kwee ("Thomas Lim"), the Executive Chairman of the Company, and SHS Holdings (Pte) Ltd ("SHS Holdings").

Pursuant to the Deed of Settlement entered with Thomas Lim, a sum of S\$2,244,726.49 due and owing by the Company to Thomas Lim was settled as follows:-

- (a) S\$1,191,712.50 by set-off against an equivalent amount payable by Thomas Lim to the Company upon the exercise of 10,833,750 warrants at an exercise price of S\$0.11 for each new share; and
- (b) the balance S\$1,053,013.99 was deferred to 29 September 2006. This amount may be converted into new shares of the Company at the option of Thomas Lim at the issue price of S\$0.15 for each new share.

Pursuant to the Deed of Settlement entered with SHS Holdings, a sum of S\$4,043,337.50 due and owing by the Company to SHS Holdings was settled as follows:-

- (a) S\$1,773,337.50 by set-off against an equivalent amount payable by SHS Holdings to the Company upon the exercise of 16,121,250 warrants at an exercise price of S\$0.11 for each new share; and
- (b) the balance S\$2,270,000 was deferred to 29 September 2006. This amount may be converted into new shares of the Company at the option of SHS Holdings at the issue price of S\$0.15 for each new share.

SHS Holdings was subsequently liquidated pursuant to members' voluntary liquidation and on 1 April 2005, the liquidator of SHS Holdings declared a second capital distribution in specie of the SHS Loan to Thomas Lim and Linguafranca Co., Ltd, the shareholders of SHS Holdings, in the proportion of S\$1,796,761.60 and S\$473,238.40 respectively.

On 17 May 2006, Thomas Lim has given notice to the Company to convert part of the loans due to him, amounting to S\$2,849,700 into 18,998,000 new ordinary shares of the Company. The balance loan amounting to S\$75.59 will be repaid by the Company in cash to Thomas Lim.

(the allotment and issue of new shares to the Trade Creditors and Thomas Lim shall collectively be referred to as the proposed "Settlement Arrangements")

An application will be made to the Singapore Exchange Securities Trading Limited for the listing and quotation of 31,758,000 new ordinary shares pursuant to the Settlement Arrangements. An appropriate announcement on the outcome of the application will be made in due course.

The Company has lodged its offer information statement dated 18 May 2006, issued pursuant to Section 277 of the Securities and Futures Act, Chapter 289 of Singapore, and in accordance with the Sixteenth Schedule of the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005, with the Monetary Authority of Singapore today.

The audit committee of the Company is of the view that the allotment and issue of 18,998,000 new ordinary shares to Thomas Lim under the circumstances described above is not prejudicial to the interests of the Company or its minority shareholders and is on normal commercial terms.

A circular containing further information of the Settlement Arrangements and the convening of an extraordinary general meeting for the purpose of seeking shareholders' approval for the proposed allotment and issue of 31,758,000 new ordinary shares pursuant to the Settlement Arrangements will be despatched to shareholders in due course.

Save as disclosed, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Settlement Arrangements.