

FREIGHT LINKS EXPRESS HOLDINGS LIMITED
(Company Registration Number 198600061G)

Investment in Yongxing Coal Co., Ltd in Huaping County, Lijiang City, Yunnan Province, People's Republic Of China

1. INTRODUCTION

Freight Links Express Holdings Limited (the "**Company**") is pleased to announce that it has on 28 January 2011 entered into a Investment Agreement (the "**Agreement**") with Yongxing Coal Co., Ltd ("Yongxing"), and with its controlling shareholder, Mr Mao Kai, whereunder the Company will invest up to RMB 90.0 million (approximately S\$17.6 million) in Yongxing by way of a convertible loan (the "**Convertible Loan**"). The Convertible Loan, which will be converted at the Company's option into ordinary shares in Yongxing, giving the Company a 23.94% stake in Yongxing ("**Transaction**").

2. INFORMATION ON YONGXING

Yongxing was established in May 1998, with a registered capital of RMB 10.9 million. It is principally engaged in coal mining and related sales and logistics operations. It has five coal mines in operations in the mining zone of Lijiang and the sixth is due to commence operations in 2011. Yongxing has yearly supply contracts with its customers the largest is a state-owned enterprise. Mr Mao Kai beneficially owns 97.82% of the shareholding of Yongxing.

3. RATIONALE

The Directors of the Company are of the view that:

- (i) The investment enables a joint cooperation between the Company and Yongxing which is mutually beneficial.
- (ii) The investment presents another opportunity for the Company to expand its logistics business into the PRC. It represents an excellent synergistic opportunity to maximise the strengths of the Company in logistics and strategically enter into an industry that offers extensive growth potential. This Transaction will contribute to increased group turnover and earnings, further enhancing shareholder value.
- (iii) With the increase in the global demand for coal energy, the coal industry is poised for tremendous growth for many years to come. China takes the lead as the largest coal producing country and the 3rd largest exporters in the world. Yongxing which currently holds numerous mines within the strategic location of Huaping region has the advantage of reaping coals which are in demand. With this investment, the Company would be strongly positioned to capitalise on the tremendous potential that the rapidly growing Chinese economy offers.
- (iv) Yongxing has a good track record in coal mining logistics business.

4. TERMS OF THE AGREEMENT

4.1 Convertible Loan

Under the terms of the Agreement, the Company will invest up to RMB 90.0 million (approximately S\$17.6 million) by way of a Convertible Loan subject to all applicable conditions being met. The total investment amount will be funded internally.

4.2 Convertible Loan Terms

Some of the key terms of the Convertible Loan are as follows:-

- (i) **Conversion.** The Company is entitled to convert the Convertible Loan to such number of ordinary shares in accordance with the terms of the Agreement;
- (ii) **Redemption.** Yongxing shall be obliged, at the option of the Company, to redeem all the Convertible Loan. The redemption amount payable by Yongxing upon redemption shall be RMB 90.0 million, including interest at 18% per annum;
- (iii) the Company will receive a share charge duly executed by Mr Mao Kai in accordance with the terms of the Agreement;
- (iv) Upon the Agreement being entered into, the Company will be entitled to nominate 1 director to Yongxing's board.

5. CHAPTER 10 OF THE SGX-ST LISTING MANUAL

The relative figures for the proposed investment computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual, are as follows:-

Rule 1006	Bases	Computation
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the assets acquired, compared with the Group's net profits	S\$4.36 million/ S\$17.31 million = 25.2%
(c)	Aggregate value of consideration given, compared with the Company's market capitalization as of 28 January 2011	S\$17.6 million/ S\$155.6 million = 11.3%

(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
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Based on the above and Listing Rule 1014(2), the proposed Investment is a discloseable transaction under Chapter 10 of the Listing Manual. Additional information is set out hereafter:-

- 5.1 The Convertible Loan, when issued, will not give the holder thereof the right to participate in the assets of the Yongxing until the conversion of the Convertible Loan occurs in accordance with its terms.

Based on the draft financial statements of the Yongxing Group for the financial year ended 31 December 2009 and assuming that upon conversion of the Convertible Loan:-

- (i) the net tangible asset value of 23.94% equity stake in the Yongxing ("NTA") amount to approximately S\$7.5 million and the total investment amount of S\$17.6 million represents 134.7% premium over the NTA; and
- (ii) the net profit attributable to the 23.94% equity stake in the Yongxing amount to approximately S\$4.2 million.

- 5.2 For illustrative purposes only, based on draft financial statements of the Yongxing for the financial year ended 31 December 2009, assuming upon conversion of the Convertible Loan, the financial effects of the proposed investment on the FLEH Group would be as follows:-

- (i) Net tangible assets ("NTA")

Assuming that the proposed investment had been completed on 30 April 2010, the effect of the proposed investment on the consolidated NTA of the Company would be as follows:

	Before Investment	After Investment
No. of issued shares of the Company as at 30 April 2010	2,131,492,885	2,131,492,885
Consolidated NTA (S\$'000)	144,298	134,423
NTA per share (S\$ cents)	6.77	6.30

- (ii) Earnings per Share ("EPS")

Assuming that the proposed investment had been completed on 1 May 2009, the effect of the proposed investment on the EPS of the Company

would be as follows:-

	Before Investment	After Investment
Weighted average number of shares of the Company in financial year 2010	2,129,301,104	2,129,301,104
Profit after income tax and minority interests (S\$'000)	13,851	18,001
EPS (S\$ cents)	0.65	0.85

6. DIRECTORS' INTERESTS

None of the Directors of the Company has any interest, direct or indirect, in the Transaction.

7. DOCUMENT FOR INSPECTION

A copy of the Investment Agreement will be available for inspection at the Company's registered office at 51 Penjuru Road #04-00 Freight Links Express Logisticcentre Singapore 609143 for a period of three months during normal business hours from the date of this announcement.

By Order of the Board

Eric Khua
Executive Director & CEO
Singapore, 31 January 2011