

## FREIGHT LINKS EXPRESS HOLDINGS LIMITED

(Company Registration No: 198600061G)

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### (1) THE PROPOSED SUBSCRIPTION OF NEW SHARES IN THE CAPITAL OF SENTOSA CAPITAL (PTE.) LTD. AND (2) THE PROPOSED SUBSCRIPTION OF NEW SHARES IN SENTOSA ASIAN CREDIT OFFSHORE FEEDER FUND LIMITED

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*Capitalised terms which are used in this Announcement but not otherwise defined shall bear the same meaning as ascribed in the attached Circular. Shareholder should read this Announcement in conjunction with the Circular in its entirety, and if Shareholders have any doubts about the contents of this Announcement or the Circular or the action they should take, they should consult their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.*

#### 1. INTRODUCTION

1.1 The Board wishes to inform Shareholders that the Company has today despatched its circular to Shareholders dated 28 February 2011 (the "**Circular**") to convene an extraordinary general meeting to seek the approval of Shareholders for (a) the proposed subscription (the "**SCPL Subscription**") of new shares in the capital of Sentosa Capital (Pte.) Ltd. ("**SCPL**") and (b) the proposed subscription (the "**Feeder Fund Subscription**") of new shares in the capital of Sentosa Asian Credit Offshore Feeder Fund Limited (the "**Feeder Fund**"), and together with the SCPL Subscription, the ("**Proposed Transactions**").

1.2 In connection with the Proposed Transactions, the Company will enter into the following agreements:

- (a) the SCPL Subscription Agreement, whereby the Company would subscribe for 22,500 new ordinary shares in the capital of SCPL (the "**SCPL Shares**"), which represent thirty per cent. (30%) of the enlarged share capital of SCPL following completion of the SCPL Subscription, for a consideration of S\$107,000 (the "**SCPL Consideration**"); and
- (b) the Feeder Fund Subscription Agreement, whereby the Company would subscribe for 300,000 new non-voting redeemable participating shares in the capital of the Feeder Fund (the "**Feeder Fund Shares**") for a consideration of US\$30,000,000 (S\$39,000,000) (the "**Feeder Fund Consideration**").

#### 2. INFORMATION ON SCPL, FEEDER FUND AND MASTER FUND

SCPL is an asset management company incorporated in Singapore in January 2010 and operates as an exempt fund manager pursuant to the Securities and Futures (Licensing and Conduct of Business) Regulations 2002. This means that SCPL may operate as a fund manager in Singapore without a Capital Market Service (Fund Management) Licence. The core business of SCPL is to provide investment management services to clients.

The Feeder Fund is an exempted company incorporated with limited liability in the Cayman Islands on 9 June 2010. It will be registered as a mutual fund with the Cayman Islands Monetary Authority and regulated under the Mutual Funds Law (2009 Revision) of the Cayman Islands. The Feeder Fund will issue shares to investors and invest substantially all of the proceeds it receives in Sentosa Asian Credit Fund Limited (the "**Master Fund**") (also an exempted company incorporated with limited liability in the Cayman Islands on 9 June 2010) in a "master-feeder" arrangement.

SCPL will serve as investment adviser to the Master Fund and has discretionary investment management authority for the Master Fund's investments. During its appointment as advisor, SCPL will manage the acquisition, holding and realization of the Master Fund's investments on a fully discretionary basis, in compliance with the investment objective and strategy of the Master Fund.

### **3. RATIONALE**

- 3.1 The Asian credit market is relatively small compared to Asia's international economic footprint and high growth rate. As Asian central banks and governments issue more bonds to finance their country's growth, the Company believes the growth prospects in the Asian credit markets will have ample room for growth.

The Company therefore views the SCPL Subscription as an opportunity to take advantage of the good prospects in the fast expanding Asian credit markets, utilising the management team's combined experience and technical expertise.

In addition, the Company views the SCPL Subscription as a strategy to broaden the Group's earnings base besides its traditional logistics business. This will allow the Company to have better prospects for profitability in the years ahead and ensure its long-term growth. The SCPL Subscription will enable the Group to participate in profits generated by the Master Fund through its equity stakes in SCPL.

- 3.2 The Company views its participation in the Feeder Fund through the Feeder Fund Subscription as enabling it to more efficiently deploy its capital. With the current interest rate environment low and expected to remain low for some time to come, it is more important for companies to seek ways of enhancing yield by actively managing their treasury operations beyond the traditional fixed deposits and money market instruments. The Company believes this can be achieved by maintaining a balance between maximising returns and taking measured risks.

#### **4. CONSIDERATION**

##### **(a) The SCPL Consideration**

The consideration for the SCPL Subscription shall be S\$107,000, payable in cash on completion of the SCPL Subscription, which will be funded by the Company from internal sources. Such consideration was arrived at after taking into account:

- (i) the pre-investment issued and paid-up capital of SCPL at S\$250,000. S\$107,000 comprises thirty per cent. (30%) of the share capital of SCPL immediately following the SCPL Subscription. The Company has determined that this is the fair value of the SCPL Shares, being the same price per share that the founding shareholders of SCPL have paid for their shares in SCPL;
- (ii) the pre-investment net asset value and net tangible asset of the SCPL Shares of S\$250,000 respectively in FY2010; and
- (iii) the rationale for the Proposed Transactions as set out in paragraph 3 of this Announcement.

##### **(b) The Feeder Fund Consideration**

The consideration for the Feeder Fund Subscription shall be US\$100 (S\$130) for each Feeder Fund Share, and US\$30,000,000 (S\$39,000,000) in the aggregate, which will be funded by the Company from internal sources. The Feeder Fund Consideration shall be payable in cash on completion of the Feeder Fund Subscription.

#### **5. CONDITIONS PRECEDENT**

##### **(a) The SCPL Subscription Agreement**

There are no material conditions precedent attaching to the SCPL Subscription.

##### **(b) The Feeder Fund Subscription Agreement**

There are no material conditions precedent attaching to the Feeder Fund Subscription.

The Company will enter into the SCPL Subscription Agreement and the Feeder Fund Subscription Agreement only if (and after) the approval of Shareholders for the Proposed Transactions has been obtained at the EGM.

#### **6. OTHER SALIENT TERMS**

##### **(a) The SCPL Subscription Agreement**

There are no salient terms in the SCPL Subscription Agreement.

(b) The Feeder Fund Subscription Agreement

The shares subscribed by the Company in the capital of the Feeder Fund will be subject to a two-year lock-up period, provided that the Company shall have the right to redeem a portion of such shares during such two-year period if the net asset value of the Master Fund exceeds certain amounts.

**7. MAJOR TRANSACTION**

The Proposed Transactions constitute a major transaction requiring the approval of Shareholders under Rule 1014 of the Listing Manual as the relative figures computed on the bases set out in Rule 1006(a) and Rule 1006(c) exceed 20%, as set out in the following:

(a) **Net Asset Value Base under Rule 1006(a)**

The Feeder Fund Consideration of US\$30,000,000 (S\$39,000,000) amounts to approximately 26.8% of the Group's audited net asset value as at 30 April 2010.

(b) **Net Profits Base under Rule 1006(b)**

There are no net profits currently attributable to the Proposed Transactions as the Master Fund and SCPL has not commenced operations.

(c) **Market Capitalisation Base under Rule 1006(c)**

The Aggregate Consideration of S\$39,107,000 amounts to approximately 27.1% of the market capitalisation of the Company as at 22 February 2011.

The market capitalisation of the Company as at 22 February 2011 was S\$144,495,050 based on the (i) issued share capital of 2,223,000,782 Shares and (ii) the weighted average share price of 6.5 cents.

(d) **Equity Securities Issued Base under Rule 1006(d)**

Not applicable.

**8. FINANCIAL EFFECTS**

**8.1 Assumptions** – The unaudited proforma financial effects of the Proposed Transactions that are set out in paragraph 8.2 below have been computed using the audited consolidated accounts of the Group for the financial year ended 30 April 2010, on the basis that the Proposed Transactions have taken place.

As these financial effects are based on the Group's audited consolidated accounts for the financial year ended 30 April 2010 and are presented for illustration purposes only, they will not reflect the future financial position of the Group after the Proposed Transactions have taken place in 2011.

8.2 The unaudited proforma financial effects of the Proposed Transactions are set out below:

(a) Profits

There is no net profit attributable to the Proposed Transactions.

(b) Net Tangible Assets

Assuming that completion of the Proposed Transactions had taken place on 30 April 2010, there is no material impact on the consolidated NTA of the Group as at 30 April 2010. The consolidated NTA of the Group as at 30 April 2010 is S\$144,298,000.

(c) Earnings

Assuming that completion of the Proposed Transactions had taken place on 1 May 2009, the effects on the consolidated earnings of the Group are as follows:

FY2010	<b>Before the Proposed Transactions</b>	<b>After the Proposed Transactions</b>
Profit after tax and minority interests (S\$)	13,851,000	14,690,937
Earnings per Share (cents)	0.65	0.69 <sup>(1)</sup>

**Notes:**

- (1) Such increase in earnings per share (cents) is based on assumption that the Master Fund will achieve its overall targeted risk and return objectives, including average assets under management of US\$75.0 million (S\$97.5 million) and projected income stream, less operating and start up expenses.

## 9. DIRECTORS' INTERESTS

None of the Directors or Substantial Shareholders of the Company have any direct or indirect interest in the Proposed Transactions.

## **10. DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at 51 Penjuru Road #04-00 Freight Links Express Logisticentre Singapore 609143, during normal business hours from the date of this Announcement up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual report of the Company for FY2010; and
- (c) the SCPL Subscription Agreement; and
- (d) the Feeder Fund Subscription Agreement.

By Order of the Board  
**Freight Links Express Holdings Limited**

Thomas Woo  
Executive Director  
Chief Investment Officer  
28 February 2011