

## **FREIGHT LINKS EXPRESS HOLDINGS LIMITED**

### **PROPOSED ADDITIONAL INVESTMENT IN CHINA GSD LOGISTICS PTE. LTD.**

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#### **1. INTRODUCTION**

We refer to our announcement dated 15 September 2004 ("Announcement") regarding our investment in China GSD Logistics Pte Ltd ("China GSD") pursuant to a subscription agreement dated 15 September 2004 ("Subscription Agreement") to acquire redeemable cumulative convertible preference shares of S\$1.00 each ("RCCPS") in the capital of China GSD representing a 20.0% shareholding interest on an as converted basis, and our clarification announcement issued on 17 September 2004 ("Supplemental Announcement").

Completion of the Subscription Agreement took place on 13 October 2004 pursuant to which China GSD allotted 3,797 RCCPS to Freight Links Express Holdings Limited (the "Company") in consideration for an aggregate subscription price of US\$4,000,000.

#### **2. PROPOSED ADDITIONAL INVESTMENT**

The Board of Directors of the Company wishes to announce that the Company has today entered into an Investment Agreement ("Investment Agreement") with the same parties as under the Subscription Agreement, namely, China GSD, Huang Weixiong ("Huang"), Shenzhen Gongsuda Logistics (Holdings) Co., Ltd ("Shenzhen Gongsuda") and Shenzhen Gongsuda Logistics Co., Ltd (formerly known as Shenzhen GSD Logistics Co., Ltd) ("GSD (PRC)") to acquire a 16.3% shareholding interest in China GSD ("Proposed Additional Investment"), comprising 2,297 new RCCPS. The said 16.3% shareholding interest to be acquired under the Investment Agreement will be in addition to the 20% RCCPS shareholding interest acquired pursuant to the Subscription Agreement.

On the same day, the Company also entered into a supplemental subscription agreement with China GSD, Huang, Shenzhen Gongsuda and GSD (PRC) ("Supplemental Agreement") by which the parties thereto agreed to amend the Subscription Agreement due to changes in the restructuring exercise contemplated by China GSD for the purpose of its Proposed Listing (as defined below). Under the Subscription Agreement, the restructuring exercise initially involved the purchase of assets of Shenzhen Gongsuda. Following the recent change in PRC laws, China GSD is now permitted to acquire the shares of Shenzhen Gongsuda and its subsidiaries. The parties to the Subscription Agreement have therefore entered into the Supplemental Agreement to reflect the new restructuring exercise involving the acquisition of Shenzhen Gongsuda and its subsidiaries.

#### **3. INFORMATION ON CHINA GSD**

China GSD was incorporated in Singapore on 6 April 2004 under the Companies Act as a private limited company. As at the date hereof, it has an authorised share capital of S\$100,000,000 comprising 100,000,000 ordinary shares of S\$1.00 each ("Ordinary Shares") and an issued and paid-up share capital of S\$15,527 comprising 10,000 Ordinary Shares and 5,527 RCCPS.

China GSD is the proposed holding company for a group of PRC companies and businesses (including Shenzhen Gongsuda) ("Pro forma Group"), which is seeking a listing on the Official List of the SGX-ST ("Proposed Listing").

#### **4. TERMS OF THE INVESTMENT AGREEMENT**

The terms of the Investment Agreement are substantially similar to that of the Subscription Agreement (as amended by the Supplemental Agreement).

The consideration for the 2,297 RCCPS is US\$2,000,000 which will be funded by the Company internally. This is based on the a price earnings ratio of approximately 5.78 times on the estimated consolidated profit after taxation of approximately US\$2.86 million for the financial year ended 31 December 2004 of the Pro forma Group.

Completion for the Investment Agreement will be on 3 June 2005 ("Completion Date").

Under the Investment Agreement, the Company has undertaken that in connection with and prior to the Proposed Listing, a restructuring exercise will be carried out involving China GSD, GSD (PRC) and Shenzhen Gongsuda and its subsidiaries ("Restructuring Exercise"). The Restructuring Exercise will involve several transactions, resulting in the Logistics Business (including the various PRC companies) being acquired by and held, directly or indirectly, by China GSD.

China GSD has undertaken that the proceeds of the RCCPS will be applied towards funding the Restructuring Exercise.

#### **5. TERMS OF THE RCCPS**

The 2,297 new RCCPS, to be issued upon Completion to the Company will have the same rights and privileges as the 3,797 RCCPS allotted to the Company pursuant to the Subscription Agreement. A summary of the key terms of the RCCS was set out in the Announcement and Clarification Announcement.

#### **6. RATIONALE FOR THE PROPOSED ADDITIONAL INVESTMENT**

The recent change in PRC laws, which permits foreign firms to operate logistics business through wholly owned foreign enterprises, created an opportunity for the Company to increase its stake in China GSD. China's logistics spending is projected to increase from about US\$300 billion in 2003 to US\$360 billion in 2005. The Proposed Additional Investment provides a window of opportunity for the Company to participate in the immense growth potential of the logistics market in China.

The proposed Restructuring Exercise will result in an enlarged share capital of China GSD. The Company intends to increase its investment in China GSD to maintain its shareholding of at least 20% in China GSD post IPO.

## 7. RELATIVE FIGURES UNDER CHAPTER 10 (LISTING MANUAL)

The relative figures for the Proposed Investment of US\$6.0 million computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual, are as follows:-

<b>Rule 1006</b>	<b>Bases</b>	<b>Computation</b>
(a)	Net asset value of the asset to be disposed of, compared with the FLEH Group's net asset value	Not applicable
(b)	Net profits attributable to the assets acquired, compared with the FLEH Group's net profits	S\$1.73 million/ S\$5.43 million = 31.86%
(c)	Aggregate value of consideration received, compared with the Company's market capitalisation as of 1 June 2005	S\$9.95 million/ S\$134.52 million = 7.4%
(d)	Number of equity securities issued by the Company as consideration for the Proposed Investment, compared with the number of equity securities previously in issue.	Not applicable

Note: FLEH Group refers to the Company and its subsidiaries

Although the Proposed Investment is a major transaction for the FLEH Group pursuant to Chapter 10 of the Listing Manual, shareholder approval is not required as the only limit breached is Rule 1006(b).

## 8. FINANCIAL EFFECTS

### (a) Earnings

For the purpose of illustration, assuming that the Proposed Investment of US\$6.0 million had been completed on 1 May 2003 and based on the FLEH Group's audited consolidated financial statements for 30 April 2004, the pro forma effects on the consolidated earnings of the FLEH Group are as follows:

	<b>Before Proposed Investment</b>	<b>After Proposed Investment</b>
Profit after tax and minority interests (S\$'000)	<b>4,663</b>	<b>6,389</b>
Earnings per share (cents)	<b>0.67</b>	<b>0.92</b>

**(b) Net Tangible Assets (“NTA”)**

Assuming that the Proposed Investment had been completed on 30 April 2004, the effect of the Proposed Investment on the consolidated NTA of the FLEH Group would be as follows:-

	<b>Before Proposed Investment</b>	<b>After Proposed Investment</b>
Consolidated NTA (S\$'000)	25,434	23,854
NTA per share (S\$ cents)	3.04	2.85

**9. DIRECTORS' INTEREST**

None of the Directors or controlling shareholder of the Company has any interest, direct or indirect, in connection with this Proposed Additional Investment.

**10. INSPECTION**

Copies of the Supplemental Agreement and Investment Agreement are available for inspection for a period of three months from today during normal business hours at the Company's registered office at 51 Penjuru Road #04-00 Freight Links Express Logisticcentre, Singapore 609143.

By Order of the Board

Thomas Woo  
Executive Director and CFO

Singapore  
2 June 2005