

SKY ONE HOLDINGS LIMITED
(Company Registration Number 198602949M)
(Incorporated in the Republic of Singapore)

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
SKYONE SSI LOGISTICS (HK) LIMITED**

1.0 Introduction

- 1.1 The Board of Directors (the “**Board**” or “**Directors**”) of Sky One Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 24 June 2011 in relation to the framework agreement (the “**Framework Agreement**”) entered into between the shareholders of Special Speed International Logistics Ltd (北京特讯国际物流有限公司) (“**SSI**”) and Sky One Network (Holding) Ltd, a wholly-owned subsidiary of the Company.
- 1.2 Pursuant to the terms of the Framework Agreement, the shareholders of SSI have incorporated a company in Hong Kong, named Skyone SSI Logistics (HK) Limited (the “**HK Company**”). The HK Company owns the entire registered capital of a wholly foreign owned enterprise in Shanghai, named 天腾国际货运代理(上海)有限公司 (the “**Shanghai WFOE**”), which was newly incorporated to carry out international logistics business in the People’s Republic of China (“**PRC**”). In order to carry out its intended business, the Shanghai WFOE has purchased from SSI certain assets comprising (a) properties, plant and equipment; (b) inventories; and (c) labour contracts, customer contracts, supplier contracts, licenses, lease contracts and insurance policies (the “**Logistics Assets**”).
- 1.3 The unaudited net book value of the Logistics Assets as at 30 September 2011 was approximately RMB627,000. This related to the value of the properties, plant and equipment as well as the inventories. No value was attributed to the labour contracts, customer contracts, supplier contracts, licenses, lease contracts and insurance policies.
- 1.4 It is intended that the Shanghai WFOE carries out its business as a continuation of the business that is currently carried out by SSI, and that SSI shall cease operations in due course.

2.0 Proposed Acquisition

The Board is pleased to announce that Sky One Network (Holding) Ltd (the “**Purchaser**”) and the shareholders of the HK Company (the “**Vendors**”) have, on 29 December 2011, entered into:-

- (a) a share sale and purchase agreement (the “**SPA**”) pursuant to which the Purchaser has agreed to purchase, and the Vendors have agreed to sell, the entire issued share capital of the HK Company (the “**Sale Shares**”) with the objective of combining the business of the Group’s Airfreight Division with the business of the HK Company (the “**Combined Business**”); and
- (b) a shareholders’ agreement to regulate the relationship between the shareholders of the Combined Business, setting out the basis on which the business affairs of the Combined Business and its subsidiaries will be managed and controlled, as well as to provide for their rights and duties *inter se* (the “**Shareholders’ Agreement**”)

(collectively, the “**Proposed Acquisition**”).

3.0 Consideration for the Proposed Acquisition

3.1 The consideration for the Proposed Acquisition is approximately HK\$12.6 million (the “**Consideration**”), comprising:-

(a) HK\$10.0 million in cash (the “**Cash Consideration**”); and

(b) 2,450,000 existing shares in Sky One International Freight Limited (“**SOIFL**”), a wholly-owned subsidiary of the Purchaser (the “**Consideration Shares**”). The Consideration Shares, representing 49% shareholding interest in SOIFL, are not listed and have a net asset value of approximately HK\$1.06 each, based on SOIFL’s unaudited balance sheet as at 30 September 2011.

3.2 The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendors, on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the prospects of the Combined Business and the profit generating potential of the Logistics Assets.

3.3 The Consideration shall be paid or satisfied as follows:-

(a) the Cash Consideration will be paid by the Purchaser to the Vendors in two (2) tranches as follows:-

(i) the first tranche amounting to HK\$6.0 million shall be payable within fourteen (14) days from the date of completion of the Proposed Acquisition; and

(ii) the second tranche amounting to HK\$4.0 million shall be payable within six (6) months from the date of completion of the Proposed Acquisition.

(b) the Consideration Shares will be transferred from the Purchaser to the Vendors within fourteen (14) days from the date of completion of the Proposed Acquisition.

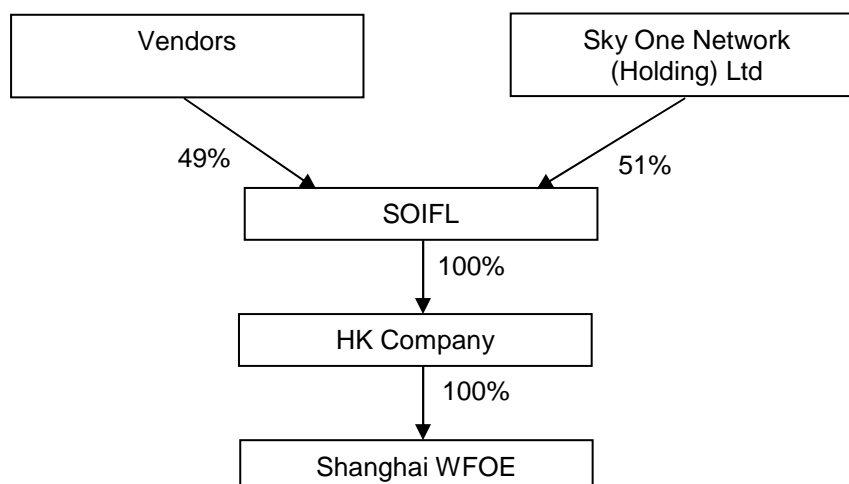
The Cash Consideration will be paid entirely out of the Group’s internally generated funds.

4.0 Shareholding Structure after the Completion of the Proposed Acquisition

The acquisition of the Logistics Assets and the transfer of the Consideration Shares (the latter being, a partial disposal of interest in the Company’s subsidiary, SOIFL) are to be effected as a single transaction and is essentially a merging of assets, with the Purchaser retaining majority control in SOIFL.

After the completion of the Proposed Acquisition and the transfer of the Consideration Shares to the Vendors, the Purchaser’s interest in SOIFL will be reduced from 100% to 51% with the remaining 49% held by the Vendors.

It is the intention of the Purchaser to nominate SOIFL to hold the entire issued share capital of the HK Company. As such, the shareholding structure of the HK Company upon completion of the Proposed Acquisition will be as follows:-



5.0 Conditions Precedent

Completion of the Proposed Acquisition shall be conditional upon, among others:-

- (a) the Purchaser being satisfied on or before 31 December 2011 with the results of a financial, legal and operational due diligence review of the HK Company, the Shanghai WFOE and the Logistics Assets;
- (b) the passing of requisite resolutions of the board of the Purchaser in respect of the transactions contemplated by the SPA; and
- (c) the shareholders of the Company having approved the terms of the SPA and the ancillary documents to and transactions contemplated by the SPA in an extraordinary general meeting to be convened (if required by the listing rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)).

6.0 Undertakings

6.1 Under the terms of the SPA, the Vendors have undertaken to the Purchaser that:-

- (a) they shall take all steps necessary to procure the commencement of the application or procedure for the deregistration of SSI and in any event to cease SSI’s business within two (2) years from the date of completion of the Proposed Acquisition or on such other date as the Purchaser may agree;
- (b) the profits before tax of the Shanghai WFOE’s business on a pro-forma basis for the twelve-month period commencing from 1 April 2011 shall be no less than HK\$8.4 million (as shown in Shanghai WFOE’s management accounts save for manifest error) (the “**Vendors Profit Undertaking**”). In case of any shortfall, the provisions of Section 6.3 below will apply. For the purpose of calculating the profits before tax of the Shanghai WFOE’s business, expenses in relation to audit, information technology systems, software licence renewal, accounting systems and accounting personnel for the twelve-month period commencing from 1 April 2011 shall be capped at RMB600,000; and

- (c) they shall use RMB1.0 million from the first tranche of the Cash Consideration towards paying for the registered capital of the Shanghai WFOE, which shall in turn be used to acquire the Logistics Assets.
- 6.2 The Purchaser has undertaken that the profits before tax of SOIFL for the twelve-month period commencing from 1 April 2011 shall be no less than HK\$5.0 million (as shown in SOIFL's management accounts save for manifest error) (the "**Purchaser Profit Undertaking**"). In case of any shortfall, the provisions of Section 6.3 below will apply.
- 6.3 The parties agree that if any of the guaranteed profits in Sections 6.1(b) and 6.2 are not achieved, the party providing the guarantee (the "**Defaulting Party**") shall pay an amount equivalent to the shortfall (the "**Shortfall Amount**") to the other party within thirty (30) days of the relevant management accounts being issued. In default of such payment, the Shortfall Amount shall be deducted from the Defaulting Party's share of dividends which may be declared and paid by SOIFL.
- 6.4 The Vendors Profit Undertaking was arrived at after arm's length negotiations between the Purchaser and the Vendors on a willing-buyer, willing-seller basis after taking into consideration, *inter alia*, the historical financial performances of SSI and the assumption that SSI's future performances would follow general market trends.

The Board is of the view that the Vendors Profit Undertaking is reasonable and achievable after taking into consideration the historical financial performances of SSI. This was done after the Company had commissioned both external accountants and internal staff familiar with SSI's industry to conduct due diligence on SSI's management accounts and business processes. The Board notes that there is a reciprocal undertaking by the Purchaser as disclosed in Section 6.2 above and the manner of settlement of any shortfall in the undertakings by each of the Vendors and the Purchaser is disclosed in Section 6.3 above.

The Board is of the view that no further safeguards as to the Vendors Profit Undertaking are required, after taking into consideration:-

- (i) the financial performance of SSI for the financial half year ended 30 September 2011;
- (ii) the fact that the Vendors will remain significant shareholders of the Combined Business; and
- (iii) in the event of default of the payment of the Shortfall Amount by the Vendors, the Shortfall Amount shall be deducted from the Vendors' share of dividends which may be declared and paid by SOIFL.

7.0 Shareholders' Agreement

On 29 December 2011, the Vendors and the Purchaser entered into a Shareholders' Agreement in relation to the management of SOIFL, the HK Company and the Shanghai WFOE to establish, *inter alia*, that:-

- (a) The board of directors of each of SOIFL, the HK Company and the Shanghai WFOE shall consist of seven (7) members. The Vendors shall be entitled to jointly appoint and remove three (3) directors and the Purchaser shall be entitled to appoint and remove four (4) directors. The chairman of each board shall be any one (1) of the directors appointed by the Purchaser. The Purchaser will also be entitled to appoint the legal representative and supervisor of the Shanghai WFOE.

- (b) If a shareholder intends to sell any of his shares in SOIFL to a third party, all other shareholders shall have the first right of refusal to purchase such shares (on a pro-rata basis).
- (c) The initial operating capital of the Shanghai WFOE shall be provided as follows:-
 - (i) the Purchaser will provide an interest-free loan to the Vendors in the sum of the Hong Kong Dollars equivalent to RMB2,940,000 (the "**Loan**") which shall be applied towards a shareholder's loan by the Vendors to the HK Company;
 - (ii) the Purchaser will further provide an interest-free shareholder's loan of the Hong Kong Dollars equivalent to RMB3,060,000 to the HK Company;
 - (iii) the HK Company will apply the aforesaid loans from both the Vendors and the Purchaser towards the payment of the registered capital of the Shanghai WFOE;
 - (iv) the Loan shall be repaid by the Vendors to the Purchaser only from the dividends to be distributed by SOIFL to the Vendors. If no such dividend is distributed by SOIFL to the Vendors in any year, the Loan to the extent not paid, shall remain not be repayable for that year; and
 - (v) there are no fixed repayment schedules for the loans from both the Vendors and the Purchaser to the HK Company.
- (d) Any further capital required by SOIFL shall be provided by subscription for further shares or by loan capital to be provided by all the shareholders of SOIFL on a pro-rata basis. Subscription for further shares shall be approved by special resolutions, i.e. approved by shareholders representing 75% or above voting power. If any shareholder fails to provide his share of the funding, the other shareholders may, at their discretion, provide such funding and, in the case of share subscription, increase their shareholdings in SOIFL.
- (e) The undertakings as described in Sections 6.1(b), 6.2 and 6.3 of this announcement.
- (f) Any profits in excess of the Vendors Profit Undertaking and the Purchaser Profit Undertaking will be declared and paid as special dividends to the party providing the undertaking.
- (g) After deducting expenses for fulfilling the local and group financial audit requirements, provisions for statutory reserves and tax on profits, cash reserves to ensure continued liquidity of SOIFL, the HK Company and the Shanghai WFOE and other requirements under the applicable laws and regulations, all the net profits of SOIFL, the HK Company and the Shanghai WFOE at the end of each financial year shall be declared as dividends at a general meeting or directors meeting (as the case may be).

8.0 Rationale for the Proposed Acquisition

The Directors believe that the Proposed Acquisition is a synergistic fit to the existing business of the Group. Currently, the business of SSI (as embodied in its Logistics Assets) does not have any operations in Hong Kong while the Group does not have a presence in the PRC. The Proposed Acquisition would allow the Group to tap into SSI's well-established customer network and extend its geographical presence and service reach beyond Hong Kong into other major cities in the PRC. The Directors believe that an extensive network will increase the Group's delivery capabilities and enable it to attract overseas' freight agents with handling

requirement in multiple cities, which will in turn enable the Group to attract more regional customers, thus creating synergy for business growth.

SSI has almost 20 years of proven track record in the industry and has a well-established client base. In particular, SSI has extensive experience in the handling of specialized logistics services such as packaging, exhibition, fine art and removal. These specialized and value-added services typically deliver higher gross margins than traditional air/ocean freight forwarding. The Company plans to leverage on SSI's expertise and to extend such services to Hong Kong and the PRC.

9.0 Relative Figures under Rule 1006 of the Listing Manual Section B: Rules of Catalyst of the SGX-ST (the "Catalist Rules") in relation to the Proposed Acquisition

The following relative figures under Rule 1006 of the Catalyst Rules in relation to the Proposed Acquisition were computed based on:-

- (a) the latest announced unaudited consolidated financial statements of the Group for the 6-month period from 1 April 2011 to 30 September 2011; and
- (b) the unaudited management accounts of SSI for the 6-month period from 1 April 2011 to 30 September 2011. The management accounts of SSI had been used as a close proxy of the financial performance of the Logistics Assets as the Logistics Assets comprise properties, plant and equipment, inventories as well as labour contracts, customer contracts, supplier contracts, licenses, lease contracts and insurance policies for SSI's business.

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	Not applicable
Rule 1006(b)	The net profits ⁽¹⁾ attributable to the assets acquired of, compared with the group's net profits.	(74.38)% ⁽²⁾
Rule 1006(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	5.93% ⁽³⁾
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
Rule 1006(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group's proven and probable reserves.	Not applicable

Notes:-

- (1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the unaudited net profits of SSI of HK\$4,504,000 and the Group's unaudited net losses of HK\$6,055,000.
- (3) Based on the Consideration of approximately HK\$12,597,000 (comprising the Cash Consideration of HK\$10.0 million and the unaudited net asset value of 49% of SOIFL as at 30 September 2011) and the market capitalisation of the Company as at 28 December 2011 of approximately HK\$212,483,000 (assuming an exchange rate of S\$1:HK\$6).

As the relative figure computed on the basis set out in Rule 1006(c) of the Catalist Rules exceeds 5% but does not exceed 75%, the Proposed Acquisition constitutes a “disclosable transaction” within the meaning of Rule 1010 (read together with Rule 1006) of the Catalist Rules. Accordingly, the Proposed Acquisition is not subject to shareholders’ approval.

10.0 Relative Figures under Rule 1006 of the Catalist Rules in relation to the transfer of shares of SOIFL to the Vendors pursuant to the Proposed Acquisition

The transfer of 2,450,000 existing shares of SOIFL to the Vendors as partial satisfaction of the Consideration constitutes a partial disposal of interest by the Company in its subsidiary, SOIFL. The relative figures under Rule 1006 of the Catalist Rules in relation to the Partial Disposal were computed based on:-

- (a) the latest announced unaudited consolidated financial statements of the Group for the 6-month period from 1 April 2011 to 30 September 2011; and
- (b) the unaudited management accounts of SOIFL for the 6-month period from 1 April 2011 to 30 September 2011.

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group’s net asset value.	4.54%
Rule 1006(b)	The net profits ⁽¹⁾ attributable to the assets disposed of, compared with the group’s net profits.	(4.01)% ⁽²⁾
Rule 1006(c)	The aggregate value of the consideration received, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares.	1.22% ⁽³⁾
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
Rule 1006(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group’s proven and probable reserves.	Not applicable

Notes:-

- (1) “Net profits” means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the unaudited net profits of HK\$243,000 attributable to 49% of SOIFL and the Group’s unaudited net losses of HK\$6,055,000.
- (3) Based on the value of approximately HK\$2,597,000 attributed to the 49% interest in SOIFL and the market capitalisation of the Company as at 28 December 2011 of approximately HK\$212,483,000 (assuming an exchange rate of S\$1:HK\$6).

As the relative figures computed on the bases set out in Rules 1006(a) and (c) of the Catalist Rules do not exceed 5%, the Partial Disposal constitutes a “non-disclosable transaction” within the meaning of Rule 1008 (read together with Rule 1006) of the Catalist Rules. Accordingly, the Partial Disposal is not subject to shareholders’ approval.

11.0 Financial Effects

The financial effects of the Proposed Acquisition on the Group set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Acquisition.

The financial effects set out below have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2011 (“**FY2011**”) and the unaudited management accounts of SSI for the same period, as well as the following key assumptions:-

- (i) The financial performance of SSI is a close proxy of the financial performance of the Logistics Assets;
- (ii) The net book value of the property, plant and equipment as well as the inventories of the Logistics Assets is assumed to be zero as they comprise mainly packaging material, office equipment and furnishings which are relatively insignificant;
- (iii) Chinese Yuan (“RMB”) denominated items are translated to Hong Kong Dollar (“HK\$”) at RMB1.00 to HK\$1.20;
- (iv) The effect of the Proposed Acquisition on the earnings per share (“**EPS**”) of the Group shown below is based on the assumption that the Proposed Acquisition had been effected on 1 April 2010;
- (v) The effect of the Proposed Acquisition on the net tangible assets (“**NTA**”) per share of the Group shown below is based on the assumption that the Proposed Acquisition had been effected on 31 March 2011;
- (vi) NTA is defined as total assets less total liabilities excluding intangible assets, goodwill and minority interests;
- (vii) The Cash Consideration is assumed to be paid in one lump sum on 31 March 2011; and
- (viii) Professional and financing fees for the Proposed Acquisition are assumed to be negligible.

11.1 EPS

The effects of the Proposed Acquisition on the EPS of the Group for FY2011 are as follows:-

	Earnings attributable to shareholders (HK\$'000)	Weighted average number of shares ('000)	EPS (HK cents)
Before the Proposed Acquisition	1,637	243,200	0.67
After the Proposed Acquisition	4,175	243,200	1.72

11.2 NTA per share

The effects of the Proposed Acquisition on the NTA per share of the Group for FY2011 are as follows:-

	NTA (HK\$'000)	Number of shares ('000)	NTA per share (HK cents)
Before the Proposed Acquisition	39,800	243,200	16.37
After the Proposed Acquisition	26,015	243,200	10.70

12.0 **Interests of Directors and Controlling Shareholders**

None of the Directors has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholding interests in the Company (if any). To the best of the Directors' knowledge, there are no controlling shareholders of the Company who have any interest, direct or indirect, in the Proposed Acquisition.

13.0 **Service Contracts**

No person will be appointed to the Board in connection with the Proposed Acquisition and no service contracts in relation thereto will be entered into by the Company.

14.0 **Cautionary Statement**

Shareholders and potential investors should note that the Proposed Acquisition is subject to, *inter alia*, the fulfillment of the conditions of the SPA and the Shareholders' Agreement, and are therefore advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

15.0 **Directors' Responsibility Statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

16.0 Documents Available for Inspection

A copy of the SPA and the Shareholders' Agreement are available for inspection during normal office hours at the Company's registered office at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721 for a period of three (3) months from the date of this announcement.

By Order of the Board

Dicky Suen Yiu Chung
Chief Executive Officer
Date: 4 January 2012

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Collins Stewart Pte. Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Alex Tan, Managing Director, Corporate Finance, Collins Stewart Pte. Limited at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.