ANNOUNCEMENT

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED VERY
SUBSTANTIAL ACQUISITION OF WENLING XINGHAI OCEAN SHIPPING CO., LTD

1. INTRODUCTION

The Board of Directors (the “Board”) of HISAKA Holdings Ltd. (the “Company”) wishes to announce that the Company has entered into a memorandum of understanding dated 24 May 2012 (the “MOU”) with Mr Yu Rutong and Mr Zhang He, the majority shareholders of Wenling Xinghai Ocean Shipping Co., Ltd (collectively, the “Majority Shareholders”), Sky China Petroleum Services Ltd (“Sky Petrol”) and Premium Sino Finance Limited (“Premium Sino”), in relation to:

(a) the proposed acquisition of a 49% equity interest in Wenling Xinghai Ocean Shipping Co., Ltd (“Xinghai”) by the Company; and

(b) the entry into certain contractual arrangements, pursuant to which the Company will acquire control and all economic interest of Xinghai.

The MOU is not intended to be legally binding on the Company, the Majority Shareholders, Sky Petrol and Premium Sino (collectively, the “Parties”), except for certain provisions relating to costs, confidentiality, exclusivity, the non-binding nature of the terms and governing law.

The Proposed Acquisition (as defined below), if undertaken and completed, is expected to result in a “very substantial acquisition” or “reverse takeover” as referred to in Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

2. INFORMATION ON XINGHAI

Xinghai is incorporated in the People’s Republic of China (the “PRC”), and is a subsidiary of Sky Petrol, a company listed on the Mainboard of the SGX-ST. Xinghai is currently engaged in the business of transporting petroleum products for Petro-chemical companies through its fleet of 7 oil product tankers. It commenced operations in 2003.

Sky Petrol and its substantial shareholder, Premium Sino, own a 95% and 5% equity interest in Tianjin Dagang Shengkang Petroleum Development Co., Ltd (“Shengkang”) respectively, which in turn owns a 49% equity interest in Xinghai. The Majority Shareholders, comprising Mr Yu Rutong, the managing director of Xinghai, and Mr Zhang He, a financial investor, own the remaining 10% and 41% equity interest in Xinghai respectively.

All information in this announcement relating to Xinghai has been provided by Sky Petrol.

3. RATIONALE

Although the Company and its subsidiaries (the “Group”) had been profitable in the last financial year ended 30 September 2011, it had announced a loss for the six months ended 31 March 2012. The Board believes that the core industry sector in which the Group operates, being the semi-conductor sector, remains volatile and challenging. The acquisition of Xinghai represents a good opportunity for the Group to expand and diversify its business and operations, which will
allow it to achieve a more consistent and sustainable financial growth. The existing business of the Group can also benefit from the acquisition as it facilitates entry into the oil and gas sector.

Furthermore, following the issue of the Consideration Shares (as defined below), the Company’s market capitalization will increase substantially, which will potentially widen the investor base, and lead to an overall increase in investors’ interest and trading of the shares of the Company.

4. **PRINCIPAL TERMS**

The principal terms of the MOU are set out below:

4.1 **Pre-Acquisition**

The following transactions (the “**Pre-Acquisition Transactions**”) shall be undertaken prior to the Proposed Acquisition:

(a) the Majority Shareholders and Sky Petrol shall acquire or incorporate a special purpose company (the “**SPC**”) in a jurisdiction outside the PRC, and they shall own a 51% and 49% interest in the issued share capital of the SPC respectively. The SPC shall in turn establish a wholly-owned foreign entity ("**WFOE**") in the PRC.

(b) Xinghai, the WFOE and the Majority Shareholders shall enter into certain contractual arrangements, pursuant to which the WFOE shall acquire the control and all economic interests of Xinghai.

4.2 **Proposed Acquisition**

The Company shall, after the completion of the Pre-Acquisition Transactions, acquire:

(a) the 49% equity interest in Xinghai from Shengkang; and

(b) all the shares in the capital of the SPC (which holds the WFOE) from the Majority Shareholders and Sky Petrol,

for the aggregate consideration of approximately S$192.5 million (the “**Proposed Acquisition**”).

The consideration of S$192.5 million for the Proposed Acquisition (the “**Consideration**”) is agreed upon on a willing-buyer, willing-seller basis, after taking into account Xinghai’s net profit after tax of approximately RMB55.3 million for the financial year ended 31 December 2011 (“**FY2011**”) and its net asset value of approximately RMB266.9 million as at 31 December 2011 (as stated in the unaudited financial statements of Xinghai for FY2011).

4.3 **Consideration Shares**

On completion of the Proposed Acquisition (“**Completion**”), the Consideration shall be satisfied by the issue of new shares in the capital of the Company (the “**Consideration Shares**”) to the Majority Shareholders, Sky Petrol and Premium Sino (collectively, the “**Vendors**”) as follows:

(a) 204,531,000 Consideration Shares to be issued to the Majority Shareholders (and/or their nominees), deemed fully paid-up at the issue price of S$0.48 for each Consideration Share (the “**Issue Price**”), and representing approximately 33.9% of the enlarged issued
share capital of the Company on Completion; and

(b) 196,510,000 Consideration Shares to be issued to Sky Petrol and Premium Sino (and/or their nominees), deemed fully paid-up at the Issue Price, and representing approximately 32.6% of the enlarged issued share capital of the Company on Completion.

The number of Consideration Shares to be issued to each of the Vendors is calculated based on their respective effective equity interest in Xinghai.

The Consideration Shares shall be subject to moratorium for a period of six (6) months beginning from the date of Completion.

4.4 Arrangement Shares

The Company shall also issue such number of new shares in the capital of the Company that is equivalent to approximately 2.8% of the enlarged issued share capital of the Company upon Completion (the “Arrangement Shares”) to Grandale Enterprises Limited ("GEL"), being the arranger, in consideration for the consultancy services provided by GEL in connection with the Proposed Acquisition.

The Arrangement Shares shall be subject to moratorium for a period of six (6) months beginning from the date of Completion.

4.5 Change of Name

The Company may, after Completion, change its name at the discretion of Xinghai to better reflect the new business (the “Change of Name”).

4.6 Appointment of Directors

Upon completion of the Proposed Acquisition:

(a) the Majority Shareholders shall have the right to nominate one (1) representative to the board of directors of the Company; and

(b) Sky Petrol shall have the right to nominate one (1) representative to the board of directors of the Company, save that Sky Petrol may not nominate Mr Liu Qingzeng as its representative.

4.7 Conditions Precedent

The Proposed Acquisition shall be conditional upon, inter alia, the following:

(a) satisfactory financial, business and legal due diligence on Xinghai by the Company;

(b) satisfactory financial, business and legal due diligence on the Company by the Vendors;

(c) completion of the Pre-Acquisition Transactions;

(d) approval of the respective board of directors of Xinghai, the Company and Sky Petrol for the Proposed Acquisition;
(e) the grant by the Securities Industry Council (the “SIC”) of a waiver to the Vendors and their concert parties of their obligation under Rule 14 of the Singapore Code on Takeovers and Mergers (the “Code”) to make a mandatory takeover offer for all the shares of the Company not already held by such Vendors and their concert parties, and from having to comply with the requirements of Rule 14 of the Code, upon Completion (the “Whitewash Waiver”);

(f) the approval of the SGX-ST for the Proposed Acquisition and transactions contemplated thereby, and the listing and quotation of the Consideration Shares and the Arrangement Shares on the SGX-ST;

(g) the approval of the shareholders of the Company (the “Shareholders”) for the Proposed Acquisition, the proposed Change of Name and the resolution in respect of the waiver of the rights of the Shareholders to receive a mandatory takeover offer from the Vendors and their concert parties who would incur an obligation under the Code to make such offer for all the shares of the Company not already owned by such Vendors and their concert parties, as a result of the transactions contemplated by the Proposed Acquisition (the “Whitewash Resolution”);

(h) the approval of the shareholders of Sky Petrol for the Proposed Acquisition;

(i) the Company having a cash balance of at least S$15 million as at the date of Completion;

(j) Mr Liu Qingzeng will not be a controlling shareholder of Sky Petrol immediately prior to Completion; and

(k) such other conditions precedents as may be agreed between the Parties.

4.8 Undertakings

The Vendors shall undertake that Xinghai shall meet the SGX-ST Mainboard listing criteria as at the date of the Definitive Agreements (as defined herein).

The Majority Shareholders shall undertake that the key members of Xinghai’s management team (as may be agreed between the Parties) shall remain for at least two (2) financial years following Completion, on such terms to be agreed.

The Company shall undertake that the key members of its management team (as may be agreed between the Parties) shall remain for at least two (2) financial years following Completion, on such terms to be agreed.

4.9 Definitive Agreements

The Parties shall negotiate in good faith to enter into a sale and purchase agreement and/or such other agreements as may be required in respect of the Proposed Acquisition (the “Definitive Agreements”), along the terms and conditions set out in the MOU.

4.10 Exclusivity Period

The Parties shall deal exclusively with each other for six (6) months from the date of this MOU
and use all commercially reasonable efforts to negotiate and finalize the Definitive Agreements.

4.11 Costs

Each Party shall be responsible for its own professional costs associated with the Proposed Acquisition, save that where the Proposed Acquisition is terminated as a result of any breach of obligations by a Party, the Party in breach shall be responsible for all professional costs associated with the Proposed Acquisition.

5. VERY SUBSTANTIAL ACQUISITION

The Proposed Acquisition is expected to result in a “very substantial acquisition” or “reverse takeover” as referred to in Chapter 10 of the Listing Manual of the SGX-ST. As such, the Proposed Acquisition is conditional upon the approval of the Shareholders and the approval of the SGX-ST.

6. WHITEWASH WAIVER

The issue of the Consideration Shares by the Company is also expected to cause the Vendors and their concert parties to incur an obligation under Rule 14 of the Code to make a mandatory general offer for all the shares of the Company not already held by the Vendors and their concert parties. As such, the Proposed Acquisition will be subject to the grant of the Whitewash Waiver by the SIC and the approval of the Whitewash Resolution by the Shareholders.

7. FINANCIAL ADVISER

Provenance Capital Pte. Ltd. has been appointed as the sole financial adviser of the Company for the Proposed Acquisition.

8. INDEPENDENT FINANCIAL ADVISER

The Company will also be appointing an independent financial adviser to advise the board of directors of the Company in respect of the Whitewash Resolution.

9. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective directorships and shareholdings in the Company.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with requirements of Chapter 10 of the Listing Manual of the SGX-ST, upon the execution of the Definitive Agreements and/or when there are material developments in respect of the Proposed Acquisition.

11. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Definitive Agreements will be entered into, the terms and conditions of the Proposed Acquisition will not differ from that set out in the MOU, or the Proposed Acquisition will be undertaken at all.
Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Jessica Ong Boon Chin
Executive Director
24 May 2012