

OCEAN SKY INTERNATIONAL LIMITED

(Registration No. 198803225E)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT RELEASED ON 29 FEBRUARY 2016

The Board of Directors (the "Board") of Ocean Sky International Limited (the "Company", together with its subsidiaries (the "Group")) wishes to announce the following in response to queries raised by the Singapore Exchange Securities Trading Limited ("SGX") in respect of the Company's full year financial statement announcement released on 29 February 2016 (the "Results Announcement") :

SGX Queries

We refer to Ocean Sky International Ltd's (the "Company") Financial Results for year ended 31 December 2015 ("FY2015") announced on 29 February 2016.

- (a) Noting that the share of results of associate of US\$0.687 million and is the major contribution to the Company's bottomline, please elaborate on the performance of the associate, to the extent necessary for a reasonable understanding of the group's business and discuss any significant factors that affected the turnover, costs and earnings.
- (b) Please provide a breakdown and quantify the items that contribute to the administrative and operating expenses of US\$2.64 million and disclose the reason for the fair value loss on the investment property.

Company's Responses

- (a) The Group's associate, Ang Tong Seng Brothers Enterprises Pte Ltd ("ATS"), is a civil engineering and construction company that operates primarily in Singapore and provides engineering services such as earthwork, roadwork, drainage work, basement work and structural works involving demolition and underground infrastructure as well as other general building works. Registered with the Building and Construction Authority of Singapore ("BCA"), ATS is currently classified under Grade C3 for General Building category and Grade C1 for Civil Engineering category.

The Company has a 30% ownership interest in ATS.

ATS recorded higher revenue for FY2015 due mainly to higher level of engineering services work performed, which was partially offset by higher labour costs. As a result, the share of results of associate recognised increased 10.5% to US\$0.69 million for FY2015 from US\$0.62 million for FY2014.

For 2016, BCA projected the total construction demand or value of construction contracts to be awarded to be between \$27 billion to \$34 billion, with about 65% to be driven by public sector demand. The demand for civil engineering construction is expected to remain strong beyond 2016 due to major infrastructure works in the pipeline.

The business environment that ATS operates in is expected to remain challenging due to increasing business cost arising from the tight Singapore labour market.

(b) The breakdown of administrative and other operating expenses of US\$2.64 million are as below :

S/N	Description of expenses	Amount (US\$'000)
1	Director and staff remuneration	871
2	Reclassification of cumulative exchange loss from currency translation reserve on winding up of foreign operations	546
3	Fair value loss on investment property	340
4	Professional fees in relation to the proposed acquisition of Link (THM) Holdings Pte Ltd	213
5	Operating lease	133
6	Property tax, including prior years underprovision, of investment property	108
7	Depreciation and amortization of plant and equipment, and computer software	105
8	Directors fee	99
9	Expenses in relation to listing on SGX-ST Main Board, share registrar, investor relations, etc	99
10	Audit fees for the Group	50
11	PIC Cash Payout & Bonus Recovery	27
12	Donations to approved institution of a public character	16
13	Other operating expenses	140
14	Foreign exchange gain, net	(109)
	Total	2,638

In accordance with FRS 40 *Investment Property*, the investment property has been revalued as at 31 December 2015 by an independent professional valuer. The valuation was arrived at using the sales comparison approach whereby sales prices of comparable properties in similar locations were adjusted for differences in key attributes such as property size.

As at 31 December 2015, the fair value of the investment property amounted to approximately US\$10.14 million (2014: US\$10.48 million) and a fair value loss of US\$0.34 million was recognised.

BY ORDER OF THE BOARD

Chia Yau Leong
Company Secretary

23 March 2016