



XMH HOLDINGS LTD.
(Incorporated in Singapore)
(Company Registration No.: 201010562M)

SALE AND PURCHASE OF SHARES AGREEMENT RELATING TO THE DISPOSAL OF SHARES IN Z-POWER AUTOMATION VIETNAM CO. LTD.

1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**") of XMH Holdings Ltd. ("**Company**", and together with its subsidiaries, "**Group**") wishes to announce that the subsidiary of the Company, Z-Power Automation Pte. Ltd. ("**Z-Power**"), has today entered into a sale and purchase of shares agreement ("**Agreement**") with IPE Automation Sdn. Bhd ("**IPE**") for the proposed disposal of 50% of the issued and paid-up share capital of Z-power Automation Vietnam Co. Ltd. ("**Z-power Vietnam**") ("**Proposed Disposal**").
- 1.2 Z-Power currently owns 50% of the issued and fully paid-up capital ("**Sales Shares**") in the capital of Z-power Vietnam, whilst IPE owns the other 50% stake.
- 1.3 As the Sale Shares represent the entire interest of Z-Power in Z-power Vietnam, Z-Power will cease to have any interest in Z-power Vietnam and Z-power Vietnam will cease to be an associate of the Company following the completion of the Proposed Disposal. As such, this announcement is also made pursuant to Rule 704(18)(c) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**SGX-ST Listing Manual**").

2. BACKGROUND AND RATIONALE FOR THE PROPOSED DISPOSAL

- 2.1 Z-power Vietnam operates in the field of manufacturing electrical industry equipment for the marine industry and was incorporated to procure key projects in the marine and offshore industry with both foreign and local yards.
- 2.2 Based on the management accounts of Z-power Vietnam, the audited net tangible liability of Z-power Vietnam as at 31 May 2017 amounted to S\$33,000. No independent valuation was conducted on Z-power Vietnam for the purposes of the Proposed Disposal.
- 2.3 The Company decided to dispose its stake in Z-power Vietnam after taking into consideration the decline in the marine and offshore industry resulting in a lack of viable projects.

3. SALIENT TERMS OF THE PROPOSED DISPOSAL

3.1 Purchase Consideration and Basis of Purchase Consideration

The aggregate consideration for the Proposed Disposal of Z-Power's 50% stake in Z-power Vietnam is US\$1.00. The purchase consideration was arrived at on a willing buyer-willing seller basis, taking into account the net liability and loss-making position of Z-power Vietnam.

3.2 Conditions Precedent

The Proposed Disposal is subject to the fulfilment of the following conditions precedent, among others:-

- (a) parties obtaining the relevant approvals from the relevant Vietnamese authorities for the completion of the Proposed Disposal; and
- (b) making the relevant filings with the relevant authorities in Vietnam in connection with the Proposed Disposal.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects are presented for illustrative purposes only and are not intended to reflect the actual future financial position of the Company following the completion of the Proposed Disposal.

Such pro forma financial effects have been computed based on the audited consolidated financial statements of the Company for the financial year ended 30 April 2017 ("FY2017") and the audited financial statements of Z-power Vietnam for the five months ended 31 May 2017 based on the following assumptions:

- (a) the financial effects of the Proposed Disposal on the net tangible assets ("NTA") per share of the Company are computed assuming that the Proposed Disposal was completed on 30 April 2017;
- (b) the financial effects of the Proposed Disposal on the loss per share ("LPS") of the Company are computed assuming that the Proposed Disposal was completed on 1 May 2016;
- (c) there was no issuance and allotment of Shares in the Company; and
- (d) transactional costs incurred for the Proposed Disposal are assumed to be insignificant and as such, have not been taken in account in the computation of the financial effects.

4.1 NTA per share

| | Before the Proposed Disposal | After the Proposed Disposal |
|---------------------------|---|--|
| NTA (S\$'000) | 54,547 | 54,547 |
| Number of Shares | 111,281,821 | 111,281,821 |
| NTA per Share (S\$ cents) | 0.49 | 0.49 |

4.2 LPS

| | Before the Proposed Disposal | After the Proposed Disposal |
|--|---|--|
| Loss attributable to owners of the Company (S\$'000) | 1,071 | 1,071 |
| Weighted average number of Shares | 111,371,744 | 111,371,744 |
| LPS (S\$ cents) | 0.96 | 0.96 |

4.3 Gearing

There is no material impact on the gearing ratio of the Company arising from the Proposed Disposal.

5. RELATIVE FIGURES UNDER RULE 1006

| | |
|---|-----------------------|
| Rule 1006(a) | |
| The net asset value of the assets to be disposed of compared with the Company's net asset value ⁽¹⁾⁽³⁾ | -0.05% |
| Rule 1006(b) | |
| The net loss attributable to the assets disposed compared with the Company's net profit ⁽²⁾⁽³⁾ | -62.16% |
| Rule 1006(c) | |
| The aggregate value of the consideration given or received compared with the Company's market capitalisation on 12 February 2018, being the last market day on which the Company's Shares were traded preceding the date of the Agreement | NIL |
| 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 | <i>Not applicable</i> |
| Rule 1006(e) | |
| The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Company's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not an acquisition of such assets. | <i>Not applicable</i> |

Notes:

- (1) Based on the audited financial statements of Z-power Vietnam for the five months ended 31 May 2017 and the Company's latest announced unaudited consolidated financial results for the 6 months ended 31 October 2017, the net liability value of Z-power Vietnam is S\$33,000 compared to the net asset value of the Company of S\$66,809,000.
- (2) Based on the audited financial statements of Z-power Vietnam for the five months ended 31 May 2017 and the Company's latest announced unaudited consolidated financial results for the 6 months ended 31 October 2017, the net loss attributable to Z-power Vietnam of S\$207,000, compared with the Company's net profit after tax attributable to the owner of S\$333,000
- (3) The Company has capped the equity accounting for the Z-power Vietnam as at 30 April 2017. Therefore, any loss suffered and the net liability attributable to Z-power Vietnam since 1 May 2017 will not be equity-accounted for in the Company's consolidated accounts for the financial year ending 30 April 2018 ("FY2018").

Notwithstanding that the relative figure computed under Rule 1006(b) above is a negative figure and exceeds 20%, the Proposed Disposal does not constitute a disposal of the Group's core business or asset. In addition, the Company is disposing a loss-making entity with a net liability position. As such, the requirements under Chapter 10 of the Listing Manual do not apply to the Proposed Disposal and accordingly, the Proposed Disposal does not constitute a major transaction requiring shareholders' approval.

6. FINANCIAL IMPACT ON THE COMPANY

The Proposed Disposal is not expected to have a material impact on the Company's net asset value per share or earnings per share for FY2018.

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholding interests in the Company).

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours of the Company for three (3) months from the date of this announcement at the Company's registered office address at 55 Tuas Crescent #07-01 Singapore 638743.

9. 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 Disposal (and such other transactions as contemplated in the Agreement) and the Group, 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.

10. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares in the Company. The Proposed Disposal is subject to numerous conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed, or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Disposal and other matters contemplated by this announcement. 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 they should take.

BY ORDER OF THE BOARD

Tan Tin Yeow
Chairman and Managing Director
13 February 2018