

CIRCULAR DATED 14 NOVEMBER 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by XMH Holdings Ltd. (“Company”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company (“Shares”) held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular with the Notice of the Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of the Extraordinary General Meeting and the attached Proxy Form to be sent to the purchaser or transferee.

If you have sold or transferred all your Shares which are not deposited with the CDP, you should immediately forward this Circular with the Notice of the Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



XMH HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Registration No: 201010562M)

CIRCULAR TO SHAREHOLDERS

in relation to

**THE RATIFICATION OF THE COMPANY’S DISPOSAL OF
ITS 80% SHAREHOLDING INTEREST IN Z-POWER AUTOMATION PTE. LTD.**

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	27 November 2019 at 11.30 a.m.
Date and time of Extraordinary General Meeting	:	29 November 2019 at 11.30 a.m.
Place of Extraordinary General Meeting	:	55 Tuas Crescent #07-01 Singapore 638743

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

"1QFY2020"	:	Three-month financial period ended 31 July 2019.
"Associate"	:	This term shall have the same meaning ascribed to it in the SGX-ST Listing Manual, as amended from time to time.
"Board"	:	The Board of Directors of the Company as at the date of this Circular.
"Business Day"	:	A day on which commercial banks are open for business in Singapore (excluding Saturdays, Sundays and public holidays).
"CDP"	:	The Central Depository (Pte) Limited.
"Circular"	:	This Circular to Shareholders dated 14 November 2019.
"Companies Act"	:	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time.
"Company"	:	XMH Holdings Ltd..
"Completion"	:	The completion of the Disposal in accordance with the SPA.
"Completion Date"	:	8 October 2019, being the date of Completion.
"Consideration"	:	The aggregate amount of S\$1.00, being the consideration for the Disposal pursuant to the SPA.
"Control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company.
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total voting Shares; or (b) in fact exercises Control over the Company.
"Directors"	:	The directors of the Company as at the date of this Circular.
"Disposal"	:	The disposal by the Company of its 80% shareholding interest in ZPA to the Purchaser pursuant to the terms and conditions of the SPA.

DEFINITIONS

“EGM”	:	Extraordinary General Meeting of the Company, notice of which is set out on pages 18 to 19 of this Circular.
“FY”	:	Financial year ended or ending 30 April as the case may be.
“Group”	:	The Company and its subsidiaries as at the date of this Circular, and shall, where the context admits, include ZPA.
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 1 November 2019.
“Listing Manual”	:	The listing manual of the SGX-ST, as amended or modified from time to time.
“LPS”	:	Loss per Share.
“Market Day”	:	A day on which the SGX-ST is open for trading in securities.
“NTA”	:	Net tangible assets.
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular.
“Purchaser”	:	Goo Koh Chai.
“Sale Shares”	:	2,946,668 ordinary shares representing approximately 80% of the total issued and paid-up ordinary share capital of ZPA.
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“Shareholders”	:	Registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with the Shares.
“Share(s)”	:	Ordinary share(s) in the share capital of the Company.
“SPA”	:	The Sale and Purchase Agreement dated 27 September 2019 entered into between the Company and the Purchaser in relation to the Disposal.

DEFINITIONS

“Substantial Shareholder”	:	A person (including a corporation) who has an interest (direct or indirect) in voting Shares, and the total votes attached to those Shares, is not less than 5% of the total votes attached to all the voting Shares.
“S\$” or “SGD” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore.
“Undertaking Shareholders”	:	Tan Tin Yeow, Tan Guat Lian, Tan Seng Hee and Tan Tum Beng collectively, who have given undertakings to vote in favour of the Disposal at the EGM and to continue to own collectively more than 50% of the issued Shares of the Company before and up to the date of the EGM, further details of which can be found in paragraph 7 of this Circular.
“Waiver”	:	The waiver from the SGX-ST from having to comply strictly with Rule 1014(2) of the Listing Manual and the approval from the SGX-ST to ratify the Disposal after Completion, further details of which can be found in paragraph 7 of this Circular.
“ZPA”	:	Z-Power Automation Pte. Ltd..
“%” or “per cent.”	:	Per centum or percentage.

The expressions **“Depositor”** and **“Depository Register”** shall have the respective meanings ascribed to them respectively in Section 81SF of the SFA.

The term **“subsidiary”** shall have the meaning ascribed to it by Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and the neuter genders and *vice versa*. References to persons shall, where applicable, include firms, corporations and other entities.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Circular to Shares being allotted to a person includes allotment to CDP for the account of that person.

DEFINITIONS

Any discrepancies in this Circular between the listed amounts and the totals thereof and/or the respective percentages are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

LETTER TO SHAREHOLDERS

XMH HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Registration No: 201010562M)

Directors:

Tan Tin Yeow	Chairman and Managing Director
Tan Guat Lian	Executive Director
Hong Pian Tee	Lead Independent Director
Ng Sey Ming	Independent Director
Khoo Song Koon	Independent Director

Registered Office:

55 Tuas Crescent
#07-01
Singapore 638743

Date: 14 November 2019

To: The Shareholders of XMH Holdings Ltd.

Dear Shareholder,

RATIFICATION OF THE COMPANY'S DISPOSAL OF ITS 80% SHAREHOLDING INTEREST IN Z-POWER AUTOMATION PTE. LTD.

1. INTRODUCTION

1.1 Disposal

The Company had on 27 September 2019 entered into the SPA with Goo Koh Chai, the Purchaser, pursuant to which the Company agreed to sell its 80% shareholding interest in the issued and paid-up share capital of ZPA to the Purchaser at the Consideration of S\$1.00.

1.2 Completion

The Disposal was completed on 8 October 2019 and accordingly, the Sale Shares were transferred to the Purchaser in accordance with the terms of the SPA.

1.3 EGM

The Board proposes to convene the EGM to be held at 55 Tuas Crescent, #07-01, Singapore 638743 on 29 November 2019 to seek Shareholders' ratification of the Disposal.

The purpose of this Circular is to provide Shareholders with relevant information relating to the Disposal and to seek Shareholders' ratification of the Disposal at the forthcoming EGM.

LETTER TO SHAREHOLDERS

2. INFORMATION ON ZPA AND THE PURCHASER

2.1 Information on ZPA

2.1.1 ZPA is a private company incorporated in Singapore and is principally engaged in the business of design engineering and manufacturing of switchboards, distribution panels, motor control centres, shipboard cable installations, alarm monitoring, control systems and other related automation works for marine vessels. The Company acquired its 80% shareholding interest in ZPA from BH Global Corporation Limited, Ang Cheng Siew, See Hoon, Tang Hing Yiu, Tai Mui Foong in March 2015.

2.1.2 The remaining shareholders of ZPA are Ang Cheng Siew, See Hoon, Tang Hing Yiu and Goo Yu Guang, with each shareholder holding a 5% shareholding interest in ZPA. Save for Goo Yu Guang who is the son of the Purchaser, the remaining shareholders of ZPA are not related to the Purchaser. Further information on ZPA can be found in paragraph 3.2 of this Circular.

2.1.3 The past inter-company transactions between ZPA and the Group are set out below:

Nature of Transactions	FY2017	FY2018	FY2019	1QFY2020
Rental of office premises by ZPA	S\$831,336	S\$616,269	S\$721,009	S\$145,506
Management fees paid by ZPA	S\$348,000	S\$312,000	S\$312,000	S\$78,000
Miscellaneous ⁽¹⁾	S\$4,393	S\$546	–	–
Purchases ⁽²⁾	–	–	S\$675,293	–
Sales ⁽³⁾	S\$115,871	S\$176,839	S\$175,177	S\$5,387

Notes:

(1) These comprised general expenses (mainly relating to fuel costs of motor vehicle, utilities and cleaning services and product exhibitions and shows) charged to ZPA.

(2) ZPA purchased spare parts from the Group comprising mainly distribution systems and measuring and monitoring devices under the Siemens brand (for which the Group is a licensed distributor).

(3) ZPA sold switchboards and distribution panels to the Group as part of the Group's overall product sales to its customers.

2.2 Information on the Purchaser

2.2.1 The Purchaser is a businessman with various investment interests. The Purchaser is a director of Inter Power Engineering Pte Ltd ("**IPE Singapore**"). The Purchaser is also a director and owns approximately 18% of IPE Automation Sdn. Bhd. ("**IPE SB**"). As mentioned above, Goo Yu Guang is the son of the Purchaser and holds a 5% shareholding interest in ZPA. He is also a 40% shareholder and director of IPE Singapore.

2.2.2 To the best of the Directors' knowledge, IPE Singapore and its related entities engage in the business of manufacturing and selling switchboards, control panels, consoles for use in commercial buildings, industrial plant equipment as well as factory equipment. In early 2018, IPE SB acquired ZPA's 50% stake in Z-Power Automation Vietnam Co. Ltd. ("**ZPA Vietnam**") to become the 100% parent company of ZPA Vietnam.

LETTER TO SHAREHOLDERS

- 2.2.3 ZPA had in the past engaged IPE Singapore as a sub-contractor for some of the projects undertaken by ZPA, wherein IPE Singapore fabricated and supplied metal and steel sheets for ZPA's production of its switchboards. For FY2017, FY2018 and FY2019, the aggregate value of such sub-contract works amounted to approximately S\$1.5 million each year, representing approximately 26.1%, 16.4% and 13.7% of ZPA's total purchases for FY2017, FY2018 and FY2019 respectively.
- 2.2.4 Save for such sub-contract works and the aforesaid disposal of ZPA Vietnam to IPE SB, the Group does not have any other business or commercial dealings with IPE Singapore and IPE SB.
- 2.2.5 The Purchaser is not related to the Directors and Controlling Shareholders of the Company or their respective Associates.

3. INFORMATION ON THE DISPOSAL

3.1 Background

On 29 September 2019, the Company announced that it had entered into the SPA on 27 September 2019 with the Purchaser in relation to the Disposal. The Company obtained the Waiver from the SGX-ST on 4 October 2019 and completed the Disposal on 8 October 2019.

3.2 Rationale for the Disposal

- 3.2.1 ZPA's business contributed approximately 16.4%, 18.6%, 13.8% and 16.2% to the Group's total revenue for FY2017, FY2018, FY2019 and 1QFY2020 respectively. As at 31 July 2019, the unaudited net tangible assets of ZPA amounted to approximately S\$1.9 million based on the consolidated financial statements of the Group. Losses of ZPA for FY2017, FY2018, FY2019 and 1QFY2020 amounted to S\$3.2 million, S\$1.8 million, S\$3.8 million and S\$0.8 million respectively, representing approximately 308.9%, 31.9%, 67.6% and 26.0% of the Group's total losses for FY2017, FY2018, FY2019 and 1QFY2020 respectively.

Impairment losses on the cost of investment in ZPA incurred by the Company for the last three financial years were as follows:

FY2019: S\$7,638,523

FY2018: S\$3,600,000

FY2017: S\$2,361,477

During the aforesaid respective financial years, the Company performed annual impairment tests on the Group's subsidiaries which showed indicators of impairment. ZPA, being loss making in the aforesaid respective financial years, was included. Impairment loss was computed for the aforesaid respective financial years as the shortfall of the carrying amount over its recoverable amount derived from the discounted cashflow projections over a period of five years in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 1-36. The main parameters used in the discounted cashflows include the projected future cashflows, the discount factor and the terminal growth rate. The Board has ascertained that the said methodology used was in accordance with SFRS(I) 1-36 and has further obtained reasonable assurance that the

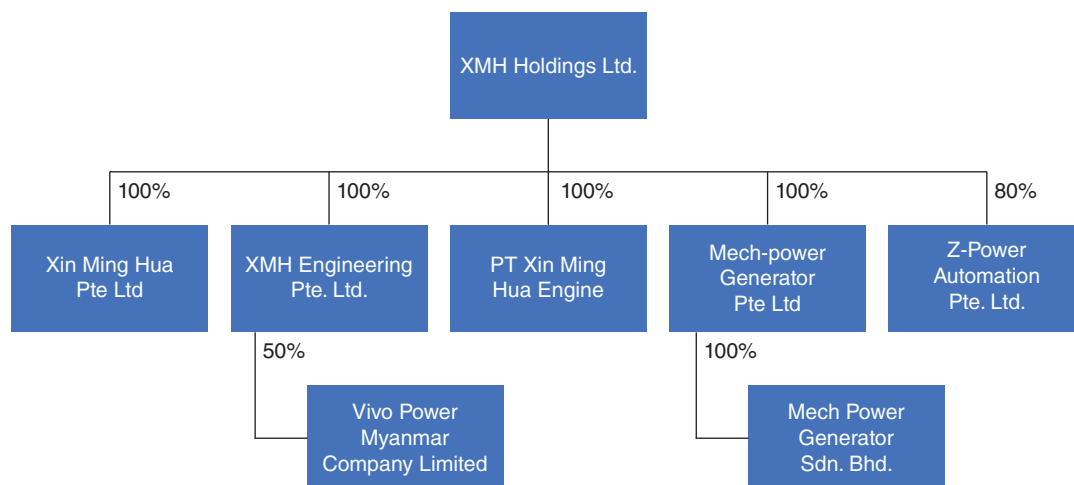
LETTER TO SHAREHOLDERS

projected future cash flows used were based on the approved budget of ZPA's management team and the discount factor and terminal growth rate were consistent with industry data.

There are no impairment losses recorded in the books of ZPA.

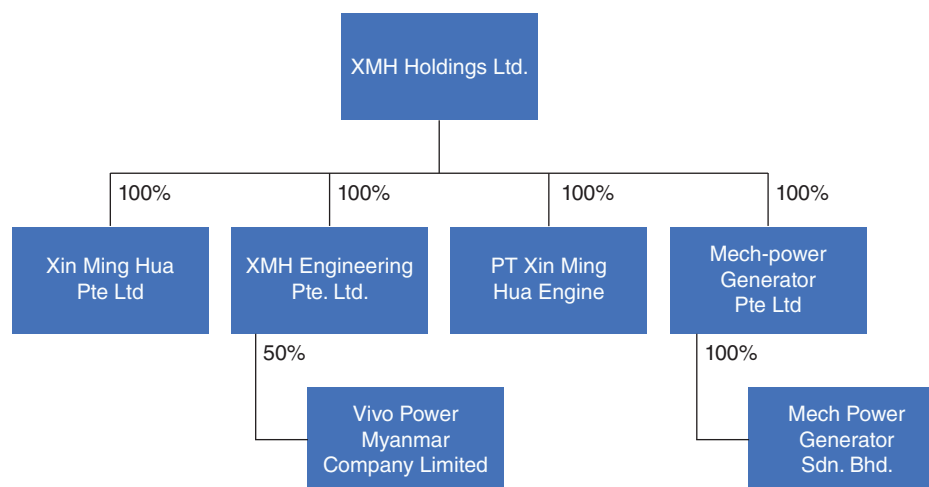
- 3.2.2 Based on the unaudited consolidated financial statements of the Group for 1QFY2020, (i) the book value of the Sale Shares amounted to approximately S\$1.55 million and (ii) the net loss attributable to the Sale Shares amounted to approximately S\$0.51 million. The open market value of the Sale Shares is not available as the Sale Shares are not publicly traded. No valuation of the Sale Shares was commissioned.
- 3.2.3 The Group disposed its stake in Z-Power Automation Vietnam Co. Ltd. in early 2018 after taking into consideration the decline in the marine and offshore industry resulting in a lack of viable projects. Notwithstanding various cost-cutting measures and streamlining of business operations, ZPA has been incurring continued losses over the last three consecutive financial years. The outlook of ZPA is also unlikely to show prospect of a turnaround. The Company is of the view that the Disposal will help the Company mitigate further losses and will also enable the Company to focus on its core business of providing diesel engine, propulsion and power generating solutions to customers in the marine and industrial sectors. The Disposal was carried out as part of the Group's continuing efforts to rationalize its business and operations to improve its financial performance.
- 3.2.4 As disclosed in the Company's announcement on 6 October 2019 in respect of the grant of the Waiver, there is no material change in the risk profile of the Group following completion of the Disposal, on the basis of (i) ZPA's aforesaid revenue contributions to the Group, (ii) ZPA's net tangible asset as compared to the Group's as well as (iii) the respective scope of business – the Group's core business is in the provision of diesel engine, propulsion and power generating solutions whilst ZPA manufactures and supplies marine switchboards, control panels and remote-control systems.
- 3.2.5 The Group structure before and after the Disposal are as follows:

Before Disposal



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After Disposal



4. PRINCIPAL TERMS OF THE DISPOSAL

4.1 Consideration

4.1.1 The Consideration of S\$1.00 was arrived at on a willing buyer and willing seller basis and taking into account the financial information of ZPA referred to in paragraph 3.2 above. As mentioned above, the open market value of the Sale Shares is not available as the Sale Shares are not publicly traded. No valuation of the Sale Shares was commissioned.

4.1.2 As part of Completion, the Purchaser has delivered the following to the Company:

- (a) a cashier's order in favour of the Company for a sum of S\$388,000;
- (b) a cheque in favour of the Company for a sum of S\$150,000 dated 12 October 2019; and
- (c) a cheque in favour of the Company for a sum of S\$150,000 dated 12 November 2019;

as full and final settlement of the aggregate amount of approximately S\$1.3 million owing by ZPA to the Group ("**Amounts Owing**"). If any cheque is dishonored or not cleared, the Purchaser shall be immediately liable to pay the full face value of such cheque to the Company. Upon full receipt of the aforesaid amount of S\$688,000 in the Company's bank account, the remaining amount of approximately S\$624,000 of the Amounts Owing will be waived by the Company.

4.2 Conditions Precedent

Under the SPA, Completion is conditional upon the following conditions precedent being fulfilled:

- (a) the approval of the SGX-ST that the Company can proceed to obtain Shareholders' approval to ratify the Disposal after Completion; and
- (b) all pre-emption rights by each of the remaining 20% shareholders of ZPA being obtained.

The above conditions precedent were satisfied and Completion occurred on 8 October 2019.

LETTER TO SHAREHOLDERS

4.3 Other Material Terms

Pursuant to the terms and conditions of the SPA:

- (a) the Purchaser shall, within two months after the Completion Date (“**Discharge Deadline**”), procure the discharge and release of any and all corporate guarantees and all forms of securities provided by the Company and/or its subsidiaries in connection with ZPA’s indebtedness (“**Securities**”); and
- (b) the Purchaser has irrevocably undertaken to fully indemnify the Company against any losses in connection with or arising from the Securities (“**Indemnity**”).

As at the date of this Circular, based on its dealings and interactions with the Purchaser in connection with the Disposal, the management of the Company is not aware of any reason to cause it to believe that the Purchaser does not have the financial ability to indemnify the Company against any losses arising from the Securities.

The aforesaid Securities comprise the following:

- (i) A mortgage over the Company’s building at 55 Tuas Crescent Singapore 638743 (“**Building**”) in favour of DBS Bank Ltd dated 11 September 2018 in respect of bank facilities granted to the Group (which includes facilities granted to ZPA) (“**Facilities**”).
- (ii) Assignment of rental proceeds from the leasing of premises within the Building in favour of DBS Bank Ltd dated 11 September 2018 as a security for the Facilities.
- (iii) Corporate guarantee by the Company in favour of DBS Bank Ltd dated 5 April 2017 in respect of bank facilities granted to ZPA.
- (iv) Corporate guarantee by the Company in favour of United Overseas Bank Ltd dated 16 October 2015 in respect of bank facilities granted to ZPA.

With effect from Completion Date, ZPA has been unable to make any further drawdown on all the aforesaid facilities.

As at the Latest Practicable Date, approximately S\$480,000 of the Facilities have been utilised by ZPA (“**ZPA Indebtedness**”). The Purchaser will provide other securities to secure the repayment of the ZPA Indebtedness so that the securities listed in sub-paragraphs (i) and (ii) above will only be applicable to the Facilities granted to the Group (not including ZPA) going forward. In respect of the bank facilities referred to in sub-paragraphs (iii) and (iv) above, as at the Latest Practicable Date, the outstanding indebtedness are approximately S\$600,000 and S\$940,000 respectively. The Purchaser will provide the banks with other securities to replace and procure the discharge and release of the corporate guarantees provided by the Company. As at the Last Practicable Date, the Securities have not been discharged and released. However, arrangements with both banks are underway to procure the aforesaid discharge and release of Securities, including but not limited to replacing the Securities with the Purchaser’s personal guarantee and/or pledge of cash deposits. The Company will update Shareholders accordingly in this regard. In the event the aforesaid arrangements cannot be put in place before the Discharge Deadline, the Company will, *amongst others*, seek legal redress available under the SPA and the Indemnity.

LETTER TO SHAREHOLDERS

5. USE OF PROCEEDS AND LOSS ON DISPOSAL

- 5.1 As the Consideration is nominal, it is not meaningful to discuss the use of proceeds from the Disposal.
- 5.2 The total loss on disposal based on 1QFY2020 unaudited financial statement of ZPA is approximately S\$2.2 million, arising from loss on disposal of approximately S\$1.55 million and the aforesaid waiver of the approximately S\$624,000 balance of the Amounts Owing.
- 5.3 As disclosed above, the Consideration is a nominal amount of S\$1.00. The book value of the Sale Shares as at 31 July 2019 is approximately S\$1.55 million. Accordingly, the deficit of the proceeds over the book value of the Sale Shares is approximately S\$1.55 million.

6. FINANCIAL EFFECTS OF THE DISPOSAL

The pro forma financial effects of the Disposal are presented for illustrative purposes only and are not intended to reflect the actual future financial position of the Group following Completion of the Disposal. Such pro forma financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 April 2019 and based on the following assumptions:

- (a) the financial effects of the Disposal on the NTA per share of the Company are computed assuming that the Disposal was completed on 30 April 2019;
- (b) the financial effects of the Disposal on the LPS of the Company are computed assuming that the Disposal was completed on 1 May 2018;
- (c) the total number of issued Shares in the Company as at the date of this Circular is 109,282,221 (excluding shares held as treasury shares and subsidiary holding); and
- (d) transactional costs incurred for the Disposal are assumed to be insignificant and as such, have not been taken in account in the computation of the financial effects.

6.1 NTA

The effect of the Disposal on the NTA per share of the Group for FY2019 is as follows:

	Before Completion	After Completion
NTA per share (Cents) (inclusive of minority interests)	52.24	48.84

6.2 LPS

The effect of the Disposal on the LPS of the Group for FY2019 is as follows:

	Before Completion	After Completion
LPS (Cents)	(3.04)	(3.10)

LETTER TO SHAREHOLDERS

7. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

7.1 Chapter 10 of the Listing Manual governs the continuing listing obligations of listed companies in respect of acquisitions and disposals.

Under Rule 1014 of the Listing Manual, if any of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, such a transaction is classified as a “major transaction” and requires the approval of shareholders.

The relative figures as computed on the bases as set out in Rule 1006 of the Listing Manual, based on the Company’s latest announced unaudited consolidated financial statements of the Group for the 1QFY2020, are as follows:

Rule 1006 Bases	The Group (S\$'000)	80% of ZPA (S\$'000)	Relative Figures
(a) The net asset value of the assets to be disposed of compared with the Company’s net asset value	55,529	1,549	3%
(b) The net loss attributable to the asset disposed compared with the Company’s net loss	(2,060)	(536)	26% ¹
(c) The aggregate value of the consideration given or received compared with the Company’s market capitalisation on 19 September 2019, being the last market day on which the Company’s Shares were traded preceding the date of the SPA	16,829 ²	0.001	Not meaningful
(d) The number of equity securities issued by the Company as consideration for the proposed acquisition, as compared with the number of equity securities previously in issue		Not applicable	
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Company’s proved and probable reserves		Not applicable	

Notes:

- (1) Net profit/loss is defined to be profit or loss before income tax and after non-controlling interest items.
- (2) The market capitalisation is determined by multiplying the number of Shares in issue (i.e. 109,282,221) by the weighted average price (i.e. S\$0.154) of such Shares transacted on 19 September 2019, being the last market day on which the Shares were traded preceding the date of executing the SPA.

7.2 As the relative figures computed on the basis set out in Rule 1006(b) exceeds 20%, the Disposal constitutes a “major transaction” under Rule 1014 of the Listing Manual and accordingly, would be subject to the approval of Shareholders at a general meeting.

LETTER TO SHAREHOLDERS

7.3 As announced on 6 October 2019, the Company applied to the SGX-ST for a waiver from having to comply strictly with Rule 1014(2) of the Listing Manual (which provides that a major transaction must be made conditional upon approval by Shareholders in a general meeting) and for the approval of the SGX-ST to ratify the Disposal after Completion (“**Waiver**”). The grounds of the said application were as follows:

- (i) ZPA would soon require additional injection of funds to support its working capital needs and the Purchaser is willing to provide such financial support upon Completion. If the Disposal were to complete, the Company would not have to continue to provide such support to the working capital needs of ZPA and this would avoid any impairment and further losses for the Group. It is therefore in the best interests of the Group and Shareholders that the Disposal be completed as soon as possible.
- (ii) In view of the current challenging business environment, it is an uphill task to secure a buyer for ZPA. The Company had attempted to seek such potential buyers on four separate occasions in the past. These potential buyers include local and foreign businesses mostly in the similar industry as ZPA. However, such prior attempts were to no avail. Now that a buyer has been secured, the Company hopes to be able to complete the Disposal as soon as possible. It is also the intention of the Purchaser to complete the acquisition of ZPA expeditiously.
- (iii) At the annual general meeting (“**AGM**”) of the Company held on 27 August 2019, in response to Shareholder’s queries about the Company’s plans with regard to the Group’s losses, the Company had briefly shared that a possible option which was being explored involved a possible disposal of ZPA to which Shareholders did not express any objection nor negative response. Subsequent to the AGM, the Company announced its intentions to explore a possible disposal of ZPA.

The Company received a reply from the SGX-ST on 4 October 2019 advising that, based on the Company’s submissions and representations to the SGX-ST, the latter had no objections to the Company’s application for the Waiver, subject to the following conditions:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual of the SGX-ST and if the Waiver conditions have been satisfied. If the Waiver conditions have not been satisfied on the date of the announcement, the Company must make an update announcement when the conditions have all been satisfied;
- (b) submission of a written undertaking from the Company that it will seek Shareholders’ ratification of the Disposal at a general meeting within three months from the date of the said SGX-ST approval of the Waiver;
- (c) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the Constitution of the Company;
- (d) written irrevocable undertakings to the Company from the Undertaking Shareholders who together hold approximately 57.8% of the total issued Shares in the Company as of the date of the aforesaid announcement, to vote in favour of the Disposal at the EGM;

LETTER TO SHAREHOLDERS

- (e) written irrevocable undertakings from the Undertaking Shareholders that they will maintain their interests in the Company, such that they will continue to own more than 50% of the issued Shares of the Company before and up to the date of the EGM; and
- (f) disclosure via SGXNet of the opinion by the Board that there will be no material change in the risk profile of the Company arising from the Disposal and the bases of their opinion in the Company's announcement of the Disposal.

The Company provided the undertaking referred to in condition (b) above and the confirmation in condition (c) above whilst the Undertaking Shareholders provided the undertakings referred to in conditions (d) and (e) above on 4 October 2019. The Company announced the Waiver on 6 October 2019 in satisfaction of the conditions referred to in (a) and (f) above.

As at the date of this Circular, except for the holding of the EGM to ratify the Disposal, all the aforesaid conditions to the Waiver have been met, as announced by the Company on 7 October 2019.

8. SERVICE CONTRACTS

No person will be appointed to the Board, and no service contract will be entered into by the Company, in connection with the Disposal.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 9.1 The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out below:–

Name	Number of Shares			
	Direct Interest	%	Deemed Interest*	%
Directors				
Tan Tin Yeow	45,060,000	41.23	–	–
Tan Guat Lian	6,569,744	6.01	22,500	0.02
Hong Pian Tee	651,750	0.60	–	–
Ng Sey Ming	125,000	0.11	–	–
Khoo Song Koon	–	–	–	–
Substantial Shareholders (other than Directors)				
Tan Tum Beng	8,714,494	7.97	–	–
Credence Capital Fund II (Cayman) Limited	20,917,018	19.14	–	–
TOTAL	82,038,006	75.06	22,500	0.02

Note:

- * Deemed interest pursuant to Section 7 of the Companies Act.

LETTER TO SHAREHOLDERS

- 9.2** None of the Directors or Controlling Shareholders and their respective Associates have any interest, whether direct or indirect, in the Disposal (other than through their respective shareholdings, if any, in the Company).

10. DIRECTORS' RECOMMENDATIONS

Having considered the rationale for and the benefit and circumstances of the Disposal as described above, the Directors are of the view that the Disposal and the terms thereof are in the interests of the Shareholders. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating to the Disposal as set out in the notice of EGM on pages 18 to 19 of this Circular.

Shareholders should read and consider carefully this Circular in its entirety, in particular the rationale for the Disposal and the financial effects of the Disposal, as set out in paragraphs 3.2 and 6 of this Circular. Shareholders who require advice in the context of their specific investments should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

11. EXTRAORDINARY GENERAL MEETING

The EGM, notice set out on pages 18 to 19 of this Circular will be held at 55 Tuas Crescent, #07-01, Singapore 638743 on Friday, 29 November 2019 at 11.30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution relating to the Disposal as set out in the Notice of EGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

12.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and wish to appoint a proxy or proxies to attend and vote at the EGM on their behalf should complete, sign and return the Proxy Form enclosed in this Circular in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the registered office of the Company at 55 Tuas Crescent, #07-01, Singapore 638743, no later than 48 hours before the time fixed for the EGM.

The completion and sending of the Proxy Form by a Shareholder will not preclude him from attending and voting in person at the EGM in place of his proxy if he wishes to do so. In such event, the relevant Proxy Forms will be deemed to be revoked and the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.

12.2 Depositors

A depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register no later than 72 hours before the time fixed for the EGM, as certified by CDP to the Company.

LETTER TO SHAREHOLDERS

13. DIRECTORS' RESPONSIBILITY STATEMENT

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

Where information in this Circular 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 Circular in its proper form and context.

14. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA may be inspected at the registered office of the Company at 55 Tuas Crescent, #07-01, Singapore 638743 during normal business hours from the date of this Circular up to the later of (a) the date of the EGM or (b) the date falling three months from 29 September 2019 (being the date of the Company's announcement in respect of the signing of the SPA and the Disposal).

Yours faithfully

For and on behalf of the Board of Directors of
XMH HOLDINGS LTD.

Tan Tin Yeow
Chairman and Managing Director

14 November 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING



XMH HOLDINGS LTD.

(Company Registration No. 201010562M)
(Incorporated in Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of XMH Holdings Ltd. (the “**Company**”) will be held at 55 Tuas Crescent, #07-01, Singapore 638743 on Friday, 29 November 2019 at 11.30 a.m. for the purpose of considering and, if thought fit, approving, with or without amendment, the following ordinary resolution:

ORDINARY RESOLUTION

RATIFICATION OF THE COMPANY’S DISPOSAL OF ITS 80% SHAREHOLDING INTEREST IN Z-POWER AUTOMATION PTE. LTD.

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular to the shareholders of the Company dated 14 November 2019.

THAT:

- (a) the disposal of the Company’s 80% shareholding interest in the total issued and paid-up share capital of Z-Power Automation Pte. Ltd. upon the terms and conditions of the sale and purchase agreement dated 27 September 2019 (the “**SPA**”) be and is hereby approved, confirmed and ratified;
- (b) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and do all such acts and things (including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as may be required) as they or he may consider necessary, desirable or expedient to give full effect to this ordinary resolution; and
- (c) any acts, matters and things done or performed, and/or documents signed, executed, sealed and/or delivered by any Director in connection with the Disposal, the SPA and this ordinary resolution be and are hereby approved, confirmed and ratified.

By Order of the Board

Tan Tin Yeow
Chairman and Managing Director
Singapore, 14 November 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A Relevant Intermediary* may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).
3. Where a member of the Company appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.
4. If the member is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 55 Tuas Crescent, #07-01, Singapore 638743 not less than forty-eight (48) hours before the time appointed for holding the EGM.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



XMH

XMH HOLDINGS LTD.

(Company Registration No. 201010562M)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

EXTRAORDINARY GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, _____ (Name) _____ (NRIC/Passport No./Co. Registration No.)
of _____ (Address)
being a member/members* of **XMH HOLDINGS LTD.** (the "**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or* (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them*, the Chairman of the Extraordinary General Meeting (the "**Meeting**") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Meeting to be held at 55 Tuas Crescent, #07-01, Singapore 638743 on Friday, 29 November 2019 at 11.30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

No.	Ordinary Resolution	No. of Votes 'For'***	No. of Votes 'Against'**
1.	Ratification of the Company's Disposal of its 80% shareholding interest in Z-Power Automation Pte. Ltd.		

* Delete where inapplicable

** If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total number of Shares held

Signature of Shareholder(s)
and/or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a Relevant Intermediary* entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member who is not a Relevant Intermediary* appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing the proxies.
4. A member who is a Relevant Intermediary* may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 55 Tuas Crescent, #07-01, Singapore 638743 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investor**”) (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 14 November 2019.