XMH HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
Company Registration Number 201010562M

PROPOSED ACQUISITION OF JTC LAND

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1 INTRODUCTION

The board of directors (the "**Board**") of the Company (and together with its subsidiaries, the "**Group**") wishes to announce that the Group intends to acquire land to construct new premises to, amongst others, accommodate new assembly and production lines and increase general warehousing capacities (the "**Proposed Acquisition**").

2 DETAILS OF THE PROPOSED ACQUISITION

2.1 The Company's wholly-owned subsidiary, Xin Ming Hua Pte. Ltd. ("**XMH**") has today received a letter of offer from Jurong Town Corporation ("**JTC**") dated 1 February 2013 (the "**Letter of Offer**") and *amongst others* JTC's Schedule of Building Terms (the "**Building Terms**") in respect of the Proposed Acquisition.

Salient details of the Proposed Acquisition and Letter of Offer are set out below:

(a) Land

The land is located at Private Lot A3001874 at Tuas Bay Drive ("**Land**") and has an area of approximately 15,184 square meters. The Land is to be developed to a minimum gross floor area at the gross plot ratio of not less than 2.47 but not more than 2.50.

JTC has granted the licence referred to in sub-paragraph (b) below (the "**Licence**") to carry on building and civil works (comprising the construction and completion of buildings, structures, installations, equipment, fixtures and fittings at the Land) ("**Building Works**"), and to install plant and machinery (collectively with the Building Works referred to as "**Investment Works**") at the Land. JTC will also grant the lease term referred to in sub-paragraph (c) below.

(b) Licence

The Licence will commence on 1 April 2013 ("**Licence Commencement Date**") for a period of three (3) years ("**Licence Term**").

The Licence is granted to XMH for the completion of the Investment Works at the Land for purposes of the authorised use referred to in sub-paragraph (e) below.

(c) Lease Term

JTC will grant to XMH a lease term of 30 years for purposes of the authorised use referred to in sub-paragraph (e) below ("**Lease Term**") (the said lease of Land hereinafter referred to as the "**Lease**") if the Group completes, *amongst others*, the Investment Works of at least S$29 million in value within the Licence Term.

Pursuant to the Letter of Offer, JTC requires that the Investment Works shall comprise Building Works of at least S$20.0 million in value, and plant and machinery of at least S$9.0 million in value. Please refer to paragraph 2.3 (*Consideration for the Proposed Acquisition*) of this Announcement for further information on the estimated costs of the Building Works.

The Lease Term shall have retrospective effect from the Licence Commencement Date upon fulfilment of all conditions of the Letter of Offer.

(d) Land Price

Subject to fulfilment of all conditions precedent, the Group shall pay JTC S$8,138,624.00 (based on a rate of S$536.00 per square metre) for the Land for the Lease Term ("**Land Premium**") by 25 March 2013.

(e) Authorised Use

Pursuant to the relevant guidelines of the Urban Redevelopment Authority, at least 60% of the gross floor area ("**GFA**") should be set aside for industrial/ warehousing activities and ancillary stores, and the remaining GFA can be used for offices, neutral areas, communal facilities and other such practices endorsed in writing by JTC and the relevant governmental and statutory authorities.

Subject to compliance with the aforesaid guidelines, the building to be constructed on the Land shall be used for the conduct of marinisation, assembly and research and development ("**R&D**") activities in respect of engines, power generating sets and propeller-based propulsion systems, as well as for the management of spare parts (in terms of logistics and warehousing) for MHI Engine System Asia Pte. Ltd. in the Asia-Pacific region.

(f) Conditions precedent

Completion of the Proposed Acquisition is conditional upon, *amongst others*, approval by relevant governmental and statutory authorities and the Group's acceptance of the Letter of Offer. Based on the "Schedule of Statutory Controls for Land, Standard Factory and Workshop Customers" provided by JTC ("**Approvals Schedule**"), a brief description of the keys approvals required for the Proposed Acquisition is set out below:

	Relevant authority		**Nature of approval**
1.	Urban Redevelopment Authority	:	Development Planning and Control – Planning permission for the commencement of development works and compliance with master zoning plan.

2.	Building Control Authority	:	Building and Structural Safety – Approvals for building and structural plans, and the issuance of the temporary occupation permit and certificate statutory completion.
3.	Fire Safety and Shelter Department	:	Fire Safety – Approval for fire safety plans, and the issuance of the Fire Safety Certificate prior to the use or occupation of any building.
4.	Central Building Plan Unit, National Environment Agency	:	Environmental Control – Clearance for land use applications, development plans and proposals on environmental matters.
5.	Public Utilities Board	:	Utilities (Water Supply) – Issuance of Certificate of Satisfactory Completion of Water Service Work.
6.	Energy Market Authority	:	Utilities (Electricity and Gas Supply) – Issuance of licences relating to electrical installations and connections.
7.	Civil Aviation Authority of Singapore	:	Permitted Height – Clearance for the height limit on the rooftop.
8.	Infocomm Development Authority	:	Aeronautical Services – Clearance for the height and radius on TX (transmission) station

The Letter of Offer further provides that the Group shall, upon acceptance of the terms therein, engage a Qualified Person (as defined in the Building Control Act (Chapter 29)), who is a registered architect or professional engineer, to assist the Group in obtaining the approvals required for the Proposed Acquisition.

(g) Other terms

(i) In the event that the Group does not complete the Investment Works within the Licence Term, JTC may in its discretion either extend the Licence Term for completion of the Building Works and/or reduce the Lease Term.

(ii) In the event that the Group, subject to JTC's prior written consent, terminates the Licence/Building Terms or surrenders part of the Land, the Group shall pay JTC as liquidated damages: (A) an amount equivalent to one (1) year's prevailing market rent, as determined by JTC; (B) an equivalent of one (1) year's property tax; and (C) S$500 or such other amount of administrative costs as JTC shall determine.

2.2 <u>Acceptance of the Letter of Offer</u>

As at the date of this Announcement, XMH has yet to accept the terms of the Letter of Offer. The Group intends to accept the terms of the Letter of Offer only upon receipt of shareholders' approval for the Proposed Acquisition at an extraordinary general meeting ("**EGM**") to be convened. The deadline for the acceptance of the Letter of Offer is 25 March 2013.

2.3 Consideration for the Proposed Acquisition

Based on the terms of the Letter of Offer, the Land Premium is S$8,138,624.00 (based on a rate of S$536.00 per square metre) for the Land.

The Group's aggregate consideration or cost of investments for the Proposed Acquisition (the "**Consideration**") is currently estimated to be S$68.4 million, comprising: (i) the aforesaid Land Premium, (ii) the estimated costs of the Building Works of S$51.0 million and (iii) the estimated costs acquiring new plant and machinery of S$9.3 million. The Consideration will be satisfied entirely in cash.

The aforesaid estimate of the costs of Building Works is based on preliminary discussions with the relevant third party professionals and consultants and with reference to JTC's Letter of Offer.

2.4 Funding for the Proposed Acquisition

As set out in the Company's prospectus dated 14 January 2011, the Group intends to acquire and develop new premises to increase the size of its work areas as well as to establish an assembly line for our in-house brand of power generating sets. The Group also intends to develop the new premise for our general warehousing needs. S$10.0 million from the net proceeds from the Company's initial public offering has been allocated to partially fund the Proposed Acquisition. The Group intends to finance the remaining costs of the Proposed Acquisition by bank borrowings, its existing working capital and/or proceeds from fund raising exercises (if any) from the equity market.

3 RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is a strategic step towards implementing and achieving the Group's various business expansion plans. It is the Group's intention to acquire and develop new premises to increase the size of its work areas, to accommodate new assembly and production lines and increase general warehousing capacities. The Group will thereby be able to continue to enhance its in-house expertise and capabilities to provide value-added and wider range of products and services to its customers. The Proposed Acquisition is therefore in line with Group's business and expansion plans.

4 APPLICATION OF RULE 1006 OF THE LISTING MANUAL

The Relative Figures in relation to the Proposed Acquisition, based on the latest announced consolidated financial statements of the Group for FY2012, are set out below:

Rule 1006(a)	**Net asset value of the assets to be disposed of**	**Net asset value of the Group**	**Relative Figures**
	Not applicable as this is an acquisition		
Rule 1006(b)	**Net profits attributable to the Proposed Acquisition**	**Net profits of the Group for FY2012**	**Relative Figures**
	Not applicable as there are no profits attributable to the Proposed Acquisition until the Investment Works are completed. The Investment Works are expected to be		

<table>
<tr><td></td><td colspan="3">completed in 2015. As such there are no net profits attributable to the Proposed Acquisition for FY2012.</td></tr>
<tr><td rowspan="2">Rule 1006(c)</td><td>Consideration for the Proposed Acquisition, assuming the Group conducts all the Investment Works</td><td>The Company’s market capitalisation (1)</td><td>Relative Figures</td></tr>
<tr><td>S$68.4 million</td><td>S$102.3 million</td><td>66.9%</td></tr>
<tr><td>Rule 1006(d)</td><td>Maximum number of equity securities issued by the Company as consideration</td><td>Number of the Company’s equity securities previously in issue</td><td>Relative Figures</td></tr>
<tr><td></td><td colspan="3">Not applicable as the Group will pay the Land Premium in cash. As at the date of this Announcement, the Group does not intend to issue equity securities to fund the Proposed Acquisition.</td></tr>
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Note:

(1) The market capitalisation of the Company as at 4 February 2013, being the date of the announcement of the Proposed Acquisition.

As the 20% threshold under Rule 1006(c) of the Listing Manual will be exceeded, the Proposed Acquisition is classified as a “major transaction” and will be subject to the approval of shareholders in general meeting.

5 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1 Net Tangible Assets (“**NTA**”)

The financial effects of the Proposed Acquisition on the Group’s NTA and NTA per share for FY2012, assuming that the Proposed Acquisition had been effected on 30 April 2012 are estimated as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA (S$ ’000)	42,560	38,018(1)
No. of Shares (’000)	386,261	386,261
NTA per share (S$ cents)	11.02	9.84

Notes:

(1) This figure takes into account the depreciation arising from the Proposed Acquisition and the estimated interest costs (assuming that the Group obtains loan financing for 80% of the Consideration or total costs of investment in relation to the Land Premium and Investment Works at an interest rate of 3% per annum).

5.2 Earnings per share ("**EPS**")

The financial effects of the Proposed Acquisition on the Group's EPS for FY2012, assuming the Proposed Acquisition had been completed on 1 May 2011 are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Net profit after tax (S$ '000)	9,514	4,972[(1)]
Weighted average number of shares ('000)	395,650	395,650
Earnings per Share (S$ cents)	2.40	1.26

Note:

(1) This figure takes into account the depreciation arising from the Proposed Acquisition and the estimated interest costs (assuming that the Group obtains loan financing for 80% of the Consideration or total costs of investment in relation to the Land Premium and Investment Works at an interest rate of 3% per annum).

As the Investments Works are expected to be completed in 2015, no income will be generated prior to 2015. As such, the only impact on the Group's earnings for FY2012 will be costs in relation to the Proposed Acquisition, including depreciation and finance costs.

5.3 Gearing [(1)]

Assuming that the Group obtains loan financing for 80% of the Consideration or total costs of investment in relation to the Land Premium and Investment Works at an interest rate of 3% per annum, and finances the remaining expenditure with internal funds, the effect of the Proposed Acquisition on the Group's gearing, assuming the Proposed Acquisition had been completed on 1 May 2011, is as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Proposed Borrowings (S$ '000) [(2)]	Nil	54,720
Shareholders' Funds (S$ '000) [(3)]	42,560	40,918
Debt to Equity Ratio	N.A.	1.34

Notes:

(1) "Gearing" is computed based on the ratio of Proposed Borrowings to Shareholders' Funds.

(2) The expression "Proposed Borrowings" refers to the amounts expressed in Singapore dollars of liabilities (excluding contingent liabilities) arising from borrowings from shareholder(s), financial institution and non-financial institution lenders.

(3) The expression "Shareholders' Funds" refers to the amounts expressed in Singapore dollars represented by the aggregate of the issued and paid-up capital, fair values reserves, translation reserves, reserve for own shares, share option reserves and revenues reserves of the Group.

6 DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN THE PROPOSED ACQUISITION

None of the Directors or Controlling Shareholders (as defined in the SGX-ST Listing Manual) has any interest, direct or indirect, in the Proposed Acquisition.

7 SERVICE AGREEMENTS

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

8 DOCUMENTS FOR INSPECTION

Copies of the Letter of Offer, Building Terms and the Approvals Schedule are available for inspection during normal business hours at the Company's registered office at 44 Sungei Kadut Avenue, Singapore 729667, for a period of three (3) months from the date of this Announcement.

9 CIRCULAR

A circular containing further details of the Proposed Acquisition, and enclosing the notice of EGM to be convened in connection therewith, will be despatched by the Company to shareholders in due course.

As the Proposed Acquisition is subject to, *inter alia*, acceptance of the Letter of Offer by the Company and shareholders' approval, there is presently no assurance or certainty that the Proposed Acquisition will materialise. Subject to applicable regulatory requirements, the Company will keep shareholders updated on material developments on the Proposed Acquisition as and when appropriate. In the meantime, shareholders and other investors are advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and other investors should consult their stockbrokers, bank managers, solicitors, accountants, 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 CEO
4 February 2013