



XMH HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number 201010562M)

SALE AND PURCHASE AGREEMENT (“SPA”) IN RESPECT OF THE PROPOSED ACQUISITION OF Z-POWER AUTOMATION PTE. LTD. (“ZPA”)

1. The Board of Directors (the “**Board**”) of XMH Holdings Ltd. (the “**Company**” or “**Purchaser**”) refers to its announcement dated 20 August 2014 regarding the memorandum of understanding (“**MOU**”) signed in respect of the Proposed Acquisition and its announcement dated 15 October 2014 regarding the extension of the long stop date of the MOU. Pursuant thereto, the Company wishes to announce that it has on 14 November 2014 executed a sale and purchase agreement (“**SPA**”) with BH Global Corporation Limited (“**BHG**”), Ang Cheng Siew, See Hoon, Tang Hing Yiu, Tai Mui Foong (each a “**Vendor**” and collectively, the “**Vendors**”) and ZPA to acquire an aggregate of 2,146,668 shares in the capital of ZPA representing 80% of the entire issued and paid up share capital of ZPA (“**Sale Shares**”) as at the Completion Date (as defined below) at the Purchase Consideration (defined below) of S\$12,800,000 (the “**Proposed Acquisition**”).

2. Information on Z-Power Automation Pte. Ltd.

ZPA is an ISO certified company incorporated in May 2008. It specialises in the design and manufacture of marine switchboards, remote control distribution systems, motor control centers, shipboard cable installation and other integrated marine automation products.

ZPA is also the appointed agent of Niigata Power System of Japan as their OEM manufacturer for their main engines and propulsion system for marine vessels and provides technical service and maintenance support for their products. In addition, ZPA is the sales & technical representative for IMESA equipment. IMESA s.p.A is an Italian manufacturer of Medium Voltage (MV) and Low Voltage (LV) switchgears for the marine and offshore industries. ZPA is also the authorised distributor for the Valcom marine automation productions for the Singapore and Vietnam markets. ZPA was appointed by Lilaas AS of Norway as the service agent for their maritime control levers and joysticks

As at the date of this announcement, ZPA has an issued and paid-up share capital of S\$1,955,008 comprising 2,683,336 ordinary shares, and the shareholding held by BHG, Ang Cheng Siew, See Hoon, Tang Hing Yiu and Tai Mui Foong are as follows: -

Shareholders	No. of Shares	Percentage Shareholding (%)
BHG	1,610,000	60
Ang Cheng Siew	268,334	10
See Hoon	268,334	10
Tang Hing Yiu	268,334	10

Tai Mui Foong

268,334
2,683,336

10
100

Based on the audited financial statements of ZPA for financial year ended 31 December 2011 (“FY2011”), 31 December 2012 (“FY2012”), 31 December 2013 (“FY2013”) and the unaudited figures for the nine (9) months ended 30 September 2014 (“FP2014”), the net tangible asset value of ZPA was approximately S\$5.7 million, S\$5.8 million, S\$6.5 million and S\$7.4 million respectively. ZPA recorded revenue of approximately S\$12.5 million, S\$16.5 million, S\$21.4 million and S\$14.2 million in FY2011, FY2012, FY2013 and FP2014 respectively. ZPA recorded net profit after tax of approximately S\$1.1 million, \$0.1 million, S\$1.7 million and \$1.4 million in FY2011, FY2012, FY2013 and FP2014 respectively.

3. Salient Terms of the Proposed Acquisition

3.1 Purchase Consideration and Sale Shares

- (a) The aggregate consideration for the sale of the Sale Shares to the Company shall be S\$12.8 million (the “**Purchase Consideration**”), arrived at on a willing-buyer-willing-seller basis after taking into consideration (i) the agreed valuation of ZPA at S\$16.0 million (ii) the book value of ZPA and (iii) the NTA Warranty (as defined below) and (iv) existing order book on hand, business prospect and growth potential.
- (b) The Purchase Consideration shall be fully satisfied in the following manner:

Vendors	Purchase Consideration Payable to Vendors (S\$)
BHG	9,600,000
Ang Cheng Siew	800,000
See Hoon	800,000
Tang Hing Yiu	800,000
Tai Mui Foong	800,000
	12,800,000

- (c) The Purchase Consideration shall be fully paid no later than 15 business days after the Completion Date (as defined below) or such later date as the parties may mutually agree in writing.

(d) The Sale Shares to be acquired pursuant to the Proposed Acquisition are as follows:

Vendors	No. of Sale Shares to be sold	No. of shares in ZPA retained after the Completion Date
BHG	1,610,000 (60%)	Nil
Ang Cheng Siew	134,167 (5%)	134,167 (5%)
See Hoon	134,167 (5%)	134,167 (5%)
Tang Hing Yiu	134,167 (5%)	134,167 (5%)
Tai Mui Foong	134,167 (5%)	134,167 (5%)
Total:	2,146,668 (80%)	536,668 (20%)

3.2 Completion Date

Completion of the Proposed Acquisition shall be not later than ten (10) business days after the date on which the last of the Conditions Precedent is fulfilled or waived (the "**Completion Date**"), in any event not later than three (3) months after the date of the SPA, subject to such extension of time as may be agreed in writing between the parties to the SPA (the "**Completion**").

The parties to the SPA shall use their best endeavours to complete the Proposed Acquisition as soon as practicably possible.

3.3 Conditions Precedent to Completion

Completion of the Proposed Acquisition shall be subject to the satisfaction of all the following conditions precedent *amongst others* on or prior to the Completion Date:-

- (a) if required, the requisite approval of the shareholders of BHG at an extraordinary general meeting having been obtained for the transactions contemplated in this SPA without undue or unreasonable delay;
- (b) the completion of satisfactory legal and financial (including tax) due diligence exercise by the Purchaser on ZPA and its 50% shareholding in Z-Power Automation (Vietnam) Co. Ltd ("**the Group**");
- (c) the purchase and transfer of the Sale Shares upon the terms and conditions of the SPA not being prohibited or restricted by any statute, order, rule, regulation, directive, guideline or request (whether or not having the force of law) promulgated by any legislative, executive or regulatory body or authority of Singapore and any other jurisdictions;

- (d) all approvals and consents from all relevant governmental, statutory, regulatory and other competent authorities in Singapore and any other relevant jurisdictions and any other third parties applicable to the Purchaser and/or any of the Vendors, in respect of the Proposed Acquisition;
- (e) the due execution of a shareholders' agreement between the Vendors (other than BHG) and the Purchaser;
- (f) all necessary bank consents and other consents and other approvals having been obtained by the Group on terms and conditions reasonably acceptable to the Purchaser for the sale and purchase of the Sale Shares;
- (g) there not having been at any time prior to or on Completion the occurrence of any of the following events:-
 - (i) liquidation, bankruptcy or insolvency of any entity within the Group;
 - (ii) termination of substantially all or part of the business of any entity within the Group by resolution of the general meeting of their respective shareholders;
 - (iii) appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of any entity within the Group; or
 - (iv) attachment, sequestration, execution or seizure of substantially all or part of the assets of any entity within the Group,
- (h) the resignation of all nominee directors appointed by BHG on the board of directors of ZPA and nominee directors of the Company on the board of directors of Z-Power Automation (Vietnam) Co. Ltd ("**ZPA Vietnam**") with effect from the Completion Date;
- (i) the renewal of the existing service agreements between each of Ang Cheng Siew, Tang Hing Yiu and See Hoon with ZPA for a fixed period of three (3) years with effect from the Completion Date and thereafter renewable for another three (3) years on terms to be mutually agreed;

3.4 Specific Warranties

Each of the Vendors and ZPA shall provide the usual representations and warranties including but not limited to the following:-

- (a) ZPA has and shall have sufficient working capital for its operations and the cash on hand shall not be less than S\$2.0 million as at the date of this Agreement and the Completion Date as reasonably determined by the Purchaser pursuant to the financial (including tax) due diligence to be conducted by the Purchaser;
- (b) the net tangible asset value ("**NTA**") of ZPA as at the Completion Date shall not be less than S\$7.0 million, as reasonably determined by the Purchaser pursuant to the financial

(including tax) due diligence to be conducted by the Purchaser ("**NTA Warranty**"). If the NTA Warranty is not achieved for whatever reason, the Vendors shall compensate the Purchaser by deducting the full amount of the shortfall between the NTA Warranty and the actual NTA of the Company as reasonably determined by the Purchaser pursuant to the aforesaid financial due diligence as at the Completion Date from the Purchase Consideration. For the avoidance of doubt, if the NTA Warranty is achieved or exceeded, there shall be no adjustment to the Purchase Consideration;

3.5 Right of First Refusal

Save for BHG and the business operations and activities carried out by BHG in the ordinary course of business, each of the Vendors has undertaken and covenanted with the Purchaser that he/it shall not, and shall procure and ensure that his/its affiliates (other than ZPA) shall not, undertake (whether on its own or with any other party), and enter into and/or agree to enter into any agreement, understanding and/or arrangement to undertake, any Business Opportunity in any part of the world unless it/he or, as the case may be, the relevant affiliate first offers such opportunity to ZPA, on the same terms and conditions which he/it or the relevant affiliate is subject to in respect of such Business Opportunity, by giving written notice to the Company of such Business Opportunity and the Vendor or, as the case may be, the relevant Affiliate's intention in respect of the Business Opportunity (the "**Notice of Intention**"). "**Business Opportunity**" means:-

- (a) any proposal to carry out the business of ZPA (whether as an owner and/or in any other capacity) or to divest any of the business and operations of the Vendors and their respective affiliates (other than ZPA) in or into any part of the world which directly competes with the business of ZPA;
- (b) any proposal to acquire any interest in or carry on (whether directly or indirectly, and whether as trustee, agent, shareholder, investor, joint venture partner or in any other capacity) any business in any part of the world in direct competition with the business of ZPA; and/or
- (a) any proposal to expand the business and operations of the Vendors and their respective affiliates (other than ZPA) in or into any part of the world which may directly compete with the business of ZPA.

Save for BHG, each of the Vendors shall procure that the Notice of Intention is given to ZPA promptly upon the Vendors and their respective affiliates (other than the Group) having the intention to enter into any agreement, understanding and/or arrangement to undertake any Business Opportunity. The Notice of Intention shall set out details of the Business Opportunity and the Vendor's or, as the case may be, the relevant affiliate's intention in respect of the Business Opportunity. For the purpose of enabling ZPA to evaluate the Business Opportunity, each of the Vendors shall promptly provide, and shall procure and ensure that their respective affiliates (other than ZPA) shall promptly provide, to ZPA such information relating to the Business Opportunity in each Vendor or, as the case may be, the relevant affiliate's possession and/or control as the Company may reasonably require. If the Purchaser notifies the Vendors in writing within the said 60 calendar days that it wishes to participate in such Business Opportunity, it shall be bound to proceed on the terms and conditions sets out in

the Notice of Intention. The Parties shall work together in good faith to agree on any other terms and procedures necessary for the entry by the Purchaser into the Business Opportunity and its consummation.

3.6 Termination of the SPA

The SPA will be terminated if Completion does not take place on or before three months after the date of the SPA, or such later date as the Parties may mutually agree in writing ("**Long-Stop Date**").

The SPA may be terminated by the Vendors or the Purchaser by written notice to the other party prior to Completion and prior to the Long-Stop Date as follows: -

- (a) at the election of either the Vendors or the Purchaser as the case may be, if the other party has breached any representation, warranty, undertaking or any term whatsoever under the SPA, which breach cannot be or is not cured by the Long-Stop Date; or
- (b) if any of the conditions precedent are not satisfied or are not waived (as the case may be) by the Purchaser or BHG acting for and on behalf of and whose decision in this respect will be binding upon all the Vendors on or before the Long-Stop Date.

4. **Rationale for the Proposed Acquisition**

The Board is of the view that the Proposed Acquisition will provide the following benefits:

- (a) The Company and its subsidiaries ("**XMH Group**") distribute a wide range of marine and industrial diesel engines, propulsion, power generating solutions (including power generating sets) and related components in the marine and industrial sectors. Value-added products and solutions provided by the XMH Group include its in-house brand of "**ACEGEN**" marine and industrial power generating sets.

The Proposed Acquisition will allow the XMH Group to expand its core businesses to include the supply of ZPA's marine switchboards, remote control distribution systems, motor control centers, shipboard cable installation and other integrated marine automation products, as well as the Niigata range of main engines and propulsion systems.

This expansion of its core business would allow the XMH Group to increase its revenue streams and enhance its profit margins.

- (b) The Proposed Acquisition will enable the XMH Group to expand its product range which it is able to offer to its existing customers. The Proposed Acquisition will also allow the XMH Group to tap on the existing clientele and sales network of ZPA to promote the sales of the industrial diesel engines, propulsion and power generating solutions (including power generating sets) of the XMH Group. This would in turn improve the financial performance of the XMH Group as well as enhance the XMH Group's competitiveness in the industry.

- (c) The business of ZPA is profitable. The Proposed Acquisition will therefore provide the Company with the opportunity to acquire a profitable entity and will be earnings accretive with opportunities for growth.

5. Source of Funding

The Company will fund the Purchase Consideration from its internal working capital.

6. Financial Effects of the Proposed Acquisition

The proforma financial effects of the Company after the Proposed Acquisition set out in this announcement below are for illustrative purposes only and do not reflect the actual future financial position of the XMH Group following the Completion of the Proposed Acquisition.

The proforma financial effects of the Proposed Acquisition are based on the following assumptions:

- (a) in the calculation of the NTA and NTA per share, for illustrative purposes, it is assumed that the Proposed Acquisition had been effected on 30 April 2014;
- (b) in the calculation of NTA per share and net assets value (“NAV”) per share, the number of shares is based on the total number of issued shares as at 30 April 2014;
- (c) in the calculation of earnings per share (“EPS”), for illustrative purposes, it is assumed that the Proposed Acquisition had been effected on 1 May 2013;
- (d) in the calculation of EPS, the number of shares is based on the weighted average number of ordinary shares for the financial year ended 30 April 2014;
- (e) the Purchase Consideration of S\$12.8 million is fully paid on Completion; and
- (f) transactional costs incurred for the Proposed Acquisition are assumed to be insignificant and ignored for computational purposes.

	Before proposed Acquisition	After Proposed Acquisition ⁽¹⁾
NTA (S\$'000)	48,140	41,851
NTA per share (S\$ cents)	11.16	9.70
Net Assets Value (“NAV”) (S\$'000)	58,381	58,381
NAV per share (cents)	13.53	13.53
Net profit before tax, MI and extraordinary items (S\$'000)	6,125	7,820
Profit per share based on number of shares in issue (cents)	1.42	1.81

Share capital (\$'000)	35,424	35,424
Share capital (No. of shares)	431,343,661	431,343,661
Gearing Ratio ⁽²⁾	0.25	0.26

Note:

(1) For the purposes of this paragraph 6, the proforma financial effects of the Proposed Acquisition have been prepared with reference to the financial year ended 31 December 2013 of ZPA.

(2) The Gearing Ratio was determined based on total loans and borrowings divided by total equity.

7. Relative Figures under Rule 1006

7.1 The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of SGX-ST (the "**Listing Manual**"), are as follows:-

Rule 1006(a)	
The net asset value of the assets to be disposed of compared with the Company's net asset value	<i>Not applicable</i>
Rule 1006(b)	
The net profits attributable to the assets acquired compared with the Company's net profits ⁽¹⁾	26.9%
Rule 1006(c)	
The aggregate value of the consideration given or received compared with the Company's market capitalisation on 13 November 2013, being the market day preceding the date of the SPA ⁽²⁾	10.5%
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 group'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>

Note:

(1) The audited net profits attributable to ZPA for the 12 months ended 31 December 2013 of S\$1.9 million, compared with the Company's audited net profits S\$7.1 million for financial year ended 30 April 2014.

(2) The aggregate value of the Purchase Consideration given for the Proposed Acquisition is approximately S\$12.8 million, compared to the Company's market capitalisation of S\$121.6 million (based on 434,126,661 shares in issue and the weighted average price of S\$0.28 per Share of the Company on the full market day preceding the date of the SPA, namely 13 November 2014).

Having regard to the above, as one of the relative figures set out above exceeds 20%, the Proposed Acquisition would constitute a major transaction under Rule 1014 of the Listing Manual. However, pursuant to Rule 1014(2) of the Listing Manual, as the Proposed Acquisition is an acquisition of a profitable asset and the only limit breached is Rule 1006(b) of the Listing Manual, shareholders' approval is not required for the Proposed Acquisition.

In addition, the Directors, after making due enquiries, are of the opinion that the Proposed Acquisition does not change the XMH Group's risk profile in accordance with Practice Note 10.1 of the Listing Manual. Please see paragraph 7.2 (*Impact of the Proposed Acquisition on the XMH Group's core business*) below for further details in this regard.

7.2 Impact of the Proposed Acquisition on the XMH Group's core business

- (a) As stated in the paragraph 4 (*Rationale for the Proposed Acquisition*) of this announcement, the Proposed Acquisition is an expansion of the XMH Group's existing core business and is in the interests of shareholders as further elaborated therein.
- (b) The Proposed Acquisition will not materially change the nature and risk profile of the XMH Group and its business operations for the following reasons:
 - (i) Based on the Rule 1006 comparisons in paragraph 7.1 above, the Proposed Acquisition will not increase the scale of the XMH Group's operations significantly, except that the Proposed Acquisition represents an acquisition of a profitable asset.
 - (ii) There will be no new shares issued in relation to the Proposed Acquisition and therefore there is no change in control of the Company arising from the Proposed Acquisition.
 - (iii) The Proposed Acquisition will not have a significant adverse impact on the XMH Group's earnings, working capital and gearing. Please see paragraph 6 (*Financial Effects of the Proposed Acquisition*) above for the financial effects of the Proposed Acquisition.
 - (iv) Geographically, the XMH Group distributes its products and provides its services to its customers worldwide. Although the customers of ZPA are largely based in Asia, its products are distributed to projects and end-users worldwide.

Further, the products and services of both the XMH Group and ZPA are targeted primarily at the marine and offshore market segments. The products supplied by the XMH Group such as diesel engines and power-generating systems are used in marine and industrial applications. Its customers in the marine sector include vessel owners, shipyards and dealers. The products supplied by ZPA, which include power distributions, marine switchboards and system solutions solely for the marine and offshore applications. ZPA's customers also include shipyards and ship owners. Further information of the business of ZPA is set out in paragraph 2 (*Information of Z-Power Automation Pte. Ltd.*) above of this announcement.

- (v) The Proposed Acquisition is not an interested person transactions and as such there is no risk of any conflict of interests nor will there be any prejudice to the interests of the Company and its minority shareholders.

8. Interests of the Directors and Controlling Shareholders

None of the directors nor the controlling shareholders of the Company are interested or have any interest, direct or indirect, in the Proposed Acquisition.

9. Service Agreement

No new director will be appointed to the Board of the Company in connection with the Proposed Acquisition.

10. Trading Caution

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition 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 Acquisition. 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 advisors if they have any doubt about the actions they should take.

11. Documents Available for Inspection

A copy of the SPA is available for inspection during normal business hours at the Company's registered office at 44 Sungei Kadut Avenue, Singapore 729667 for three (3) months after the date of this announcement.

BY ORDER OF THE BOARD

Tan Tin Yeow
Chairman and CEO
17 November 2014