



XMH HOLDINGS LTD.

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

MEMORANDUM OF UNDERSTANDING (“MOU”) IN RESPECT OF THE PROPOSED ACQUISITION OF Z-POWER AUTOMATION PTE. LTD. (“ZP”)

The Board of Directors of XMH Holdings Ltd. (the “Company”) wishes to announce that the Company has entered into a non-binding MOU with BH Global Corporation Limited, Ang Cheng Siew, See Hoon, Tang Hing Yiu, Tai Mui Foong (collectively, the “Vendors”) and ZP for the proposed acquisition of 80% of the entire issued and paid-up share capital, consisting of 2,146,668 ordinary shares, of ZP (“Proposed Acquisition”).

ZP 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.

ZP 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, ZP is the sales & technical centre 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. ZP is also the authorised distributor for the Valcom marine automation products for the Singapore and Vietnam markets. ZP was appointed by Lilaas AS of Norway as the service agent for their maritime control levers and joysticks. The aforesaid information relating to ZP is based on information provided by and/or representations made by ZP. The directors of the Company have not conducted an independent review or verification of the accuracy of the aforesaid statements and information.

Under the terms of the non-binding MOU, the purchase consideration of S\$13.2 million for the 80% shareholding in ZP will be paid to the Vendors in two tranches. The first tranche of S\$10.56 million will be paid shortly after the completion of the Proposed Acquisition, and the second tranche of S\$2.64 million will be paid around the 1st year of the completion of the Proposed Acquisition. The purchase consideration was determined on a willing-buyer willing-seller basis after taking into consideration, *amongst others*, the agreed valuation of ZP and the book value of ZP.

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

- (i) 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 ZP’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.

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

Save for their shareholdings in the Company, none of the directors and controlling shareholders of the Company has any interests, direct or indirect, in the Proposed Acquisition.

Shareholders are advised to exercise caution in trading their shares. The Proposed Acquisition will be subject to the execution of the sale and purchase agreement and the conditions therein. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be proceeded or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments to the Proposed Acquisition and/or disclose further details as required under the SGX-ST Listing Manual.

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.

By Order of the Board

Tan Tin Yeow
Chairman and CEO
20 August 2014