

**XPRESS HOLDINGS LTD**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 199902058Z)

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**JOINT VENTURE WITH  
SHENG SHIONG GROUP LTD. AND KUNMING LUCHEN GROUP CO., LTD.**

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## **1. INTRODUCTION**

- 1.1 The Board of Directors ("**Board**") of Xpress Holdings Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that iSmart Investments Pte Ltd ("**ISI**"), a wholly owned subsidiary of the Company, has on 27 May 2016, entered into a joint venture agreement ("**Agreement**") in relation to a proposed joint venture ("**Proposed Joint Venture**") with Sheng Shiong Group Ltd. ("**SSGL**") and Kunming LuChen Group Co., Ltd. ("**Kunming LuChen**") to operate supermarkets in the People's Republic of China ("**PRC**"). ISI entered into the Agreement by entering into a novation agreement with SSGL, Kunming LuChen and Mr. Tan Ling San, pursuant to which ISI agrees to adhere to and be bound by all of the terms and conditions of the Agreement dated 27 December 2014 ("**Novation Agreement**").
- 1.2 Pursuant to the Novation Agreement, Mr. Tan Ling San will novate all his rights and obligations pursuant to the Agreement to ISI to, amongst others, subscribe for 10% of the equity interest in Sheng Siong (China) Supermarket Co., Ltd. ("**Joint Venture Company**") for a cash consideration of US\$1 million.
- 1.3 Pursuant to the Agreement, the Joint Venture Company will be incorporated under the laws of the PRC for the purposes of the Proposed Joint Venture.

## **2. DETAILS OF THE PROPOSED JOINT VENTURE**

### **2.1 Capital**

The Joint Venture Company will have a registered capital of US\$10 million. SSGL, Kunming LuChen and ISI (each a "**Party**", and collectively, the "**Parties**") have agreed to contribute in the following proportions to the Joint Venture Company:

- (a) SSGL will subscribe for 60% of the equity interest in the Joint Venture Company for a cash consideration of US\$6 million;
- (b) Kunming LuChen will subscribe for 30% of the equity interest in the Joint Venture Company for a cash consideration of US\$3 million; and
- (c) ISI will subscribe for 10% of the equity interest in the Joint Venture Company for a cash consideration of US\$1 million.

The capital contributions are to be provided by the Parties within 90 days of the issue of the Joint Venture Company's business licence, or such earlier date as may be decided by the Joint Venture Company's board of directors, after taking into account the capital requirements of the Joint Venture Company.

### **2.2 Reserved Matters**

Certain matters require unanimous approval of all of the directors of the Joint Venture Company. These matters include, but not limited to: (i) amendments to the articles of association of the Joint Venture Company, (ii) changes to the registered capital of the Joint Venture Company, (iii) suspension, dissolution or liquidation of the Joint Venture Company, (iv) merger by the Joint Venture Company with one or more entities, (v) division of the Joint Venture Company into two or more entities, (vi) the Joint Venture Company carrying out any

action which is not on arm's length commercial terms, or not in the ordinary course of business or (vii) the Joint Venture Company making any fundamental changes to its trade or business.

### **2.3 Legal Representative**

The chairman of the Joint Venture Company's board of directors shall be the Joint Venture Company's legal representative, failing which, the deputy chairman or such other director as appointed by the Joint Venture Company's board of directors, shall serve as the Joint Venture Company's legal representative.

### **2.4 Term of the Joint Venture Company**

The Joint Venture Company shall have a term of 40 years commencing from the date of its business licence. If the Parties intend to extend the term of the Joint Venture Company, the Parties have to submit an extension application to the relevant PRC authorities at least 12 months prior to the expiry of the Joint Venture Company's term, and shall comply with the applicable laws, rules and regulations at the relevant time.

### **2.5 Profits**

The profits of the Joint Venture Company shall be allocated in accordance with the equity interest held by the Parties.

### **2.6 Termination**

Any Party may terminate the Agreement by providing notice in writing to the other Parties in any of the following situations: (i) if the other Party has committed a serious breach of the Agreement which has not been cured within 90 days of one Party notifying the Party in breach, (ii) if the Joint Venture Company is unable to operate effectively due to a force majeure event which has lasted for 6 months and which is likely to continue in the foreseeable future, (iii) if the Joint Venture Company has suffered losses for five consecutive years, (iv) if the Parties are unable to achieve the objectives for the operation of the Joint Venture Company and there is no prospect for the Joint Venture Company's future development, or (v) any other situation prescribed by PRC law and/or under the Agreement.

The Agreement may also be terminated if all Parties agree in writing to such termination.

### **2.7 Governing law and dispute resolution**

The Agreement is governed by PRC law. Any dispute arising out of or in connection with the Agreement shall be referred to and finally resolved by arbitration in Singapore in accordance with the Arbitration Rules of the Singapore International Arbitration Centre.

## **3. RATIONALE FOR THE PROPOSED JOINT VENTURE**

The Board views this as a rare opportunity for the Company to own a stake in the China supermarket business run by a reputable Singapore-based supermarket chain operator and that the Joint Venture Company can reap the same success that SSGL has achieved in Singapore. Therefore, the Board believes that the investment will contribute positively to the Group's future investment cash flow return which is in line with the Group's intention of making selective investments with the view to broadening the Group's revenue streams and facilitating sustainable profits moving forward.

As the Company's Executive Chairman, Mr. Ma Wei Dong, will be serving as a Director on the Joint Venture Company's board of directors, the investment will be accounted for as an associated company of the Group. The Group will equity account for the results of the Joint Venture Company that will reflect the Group's share of the associate's profit or loss which is more reflective of the attributable results of the associate rather than the distributions received from it.

## **4. INTERESTED PERSON TRANSACTION**

### **4.1 The Proposed Joint Venture as an Interested Person Transaction**

Kunming Luchen is a limited liability company registered in the PRC. Ms. Ma Wei Juan has more than a 39% interest in Kunming LuChen. Ms. Ma Wei Juan is a sister of Mr. Ma Wei Dong, Executive Chairman and controlling shareholder of the Company. Accordingly, Kunming LuChen falls within the definition of “interested person” under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”), and the Proposed Joint Venture is an interested person transaction under Chapter 9 of the Listing Manual.

### **4.2 Net Tangible Assets**

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 July 2015, the net tangible assets of the Group was approximately S\$8.6 million. The investment of US\$1 million (equivalent to approximately S\$1.38 million based on the exchange rate of US\$1.00 : S\$1.38) by the Company in the Proposed Joint Venture exceeds 5% of the Group’s latest audited net tangible assets.

### **4.3 Exemption under Rule 916(2) of the Listing Manual**

Pursuant to Rule 916(2) of the Listing Manual, approval of shareholders of the Company is not required for an investment in a joint venture with an interested person if:

- (a) the risks and rewards are in proportion to the equity of each joint venture partner;
- (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
- (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

The audit committee of the Company has reviewed the terms of the Proposed Joint Venture and is of the view that:

- (a) the risks and rewards of the Proposed Joint Venture are in proportion to the equity of each joint venture partner; and
- (b) the terms of the Proposed Joint Venture are not prejudicial to the interests of the Company and its minority shareholders.

Kunming LuChen does not have an existing equity interest in the Joint Venture Company, prior to the participation by the Company, through ISI, in the Proposed Joint Venture.

As the Proposed Joint Venture satisfies the conditions set out in Rule 916(2) of the Listing Manual, approval of shareholders of the Company will not be required pursuant to Rule 906 of the Listing Manual as a result of the investment by the Company, through ISI, in the Proposed Joint Venture exceeding 5% of the latest audited net tangible assets of the Group.

### **4.4 Total Value of all the Interested Person Transactions**

As at the date of this announcement, save for the Proposed Joint Venture, the Company has not entered into any interested person transactions as defined in Chapter 9 of the Listing Manual for the current financial year ending 31 July 2016.

**5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL**

Based on the latest announced unaudited financial statements of the Group for the 6 months ended 31 January 2016, the applicable relative figures of the investment by the Company in the Proposed Joint Venture computed on the bases set out in Rule 1006 of the Listing Manual is less than 5%. Accordingly, the investment by the Company in the Proposed Joint Venture constitutes a non-discloseable transaction under Chapter 10 of the Listing Manual.

**6. VALUE OF ASSETS ACQUIRED**

The Company will be investing in the Joint Venture Company, which will be incorporated under the laws of the PRC for the purposes of the Proposed Joint Venture, and will have an interest in 10% of the equity interest in the Joint Venture Company.

**7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in this announcement, none of the other Directors or substantial shareholders of the Company has any interest, directly or indirectly, in the Proposed Joint Venture other than through their respective shareholdings in the Company.

**8. FURTHER ANNOUNCEMENTS**

The Company will release further announcement(s) to keep shareholders of the Company informed, as and when there are further updates or developments in due course.

**By Order of the Board**

Lim Huan Chiang  
Executive Director and Chief Executive Officer  
27 May 2016