

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

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 JULY 2014**

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The Board of Directors (the “**Board**”) of Xpress Holdings Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the Company’s unaudited results for the fourth quarter and full year ended 31 July 2014 released on 29 November 2014. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 5 December 2014 (each, a “**SGX Query**”), as follows:

**SGX Query 1**

We note that the Group is in a negative working capital position as at 31 July 2014 and has negative cash flows from operating activities of \$593,000 for the 12 months ended 31 July 2014. In this regard, please explain whether the Group is able to meet its short-term obligations as and when they fall due, and to provide reasons for your views.

**Company’s Response to SGX Query 1**

Due to the challenging business environment and shrinking business volume, the Group does at times slip into negative working capital problem. However, the Group is generally able to meet the payment obligations as and when they fall due. The Group is negotiating to bring in an investor to raise more capital to effectively address this issue. The Company had announced on 5 December 2014 that it had signed a Memorandum of Understanding (“MOU”) with Mr. Ma Wei Dong to subscribe 1,100,000,000 new ordinary shares of the Company at an issue price of S\$0.007 per subscription share, for an aggregate consideration of S\$7.7 million.

Each subscription share will come with two free detachable warrants on the basis of 2 free warrants for every one subscription share. When the proposed subscription is completed and if all the warrants are fully exercised by the investor or nominee, the Company will receive over S\$23 million in aggregate from the investor or his nominee.

The proposed subscription agreement is targeted to be signed within 30 calendar days from the date of signing the MOU. The Group has managed to secure a loan from the investor of an amount RMB10 million (est. S\$2 million) of which RMB5 million has been received. The loan will be utilised towards the settlement of the total subscription consideration upon the completion of the share subscription.

## **SGX Query 2**

It is stated on page 12 of the announced financial results, “This one-off provision was mainly due to impairment of goodwill (S\$64.48 million)..”. Accordingly, please disclose:-

- (i) The completion date of the acquisition of Precise Media resulting in the goodwill of S\$64.4 million; and
- (ii) Elaboration of the basis for the impairment of goodwill recognized including and not limited to the management’s decision to defocus on PMG’s current commercial print business and reconcile this to the commentary disclosed in paragraph 10 of the announced financial results.

## **Company’s Response to SGX Query 2**

- (i) The completion of the acquisition of Precise Media (PMG) was in the financial year ended 31 July 2006.
- (ii) An impairment loss is recognised for the amount by which the cash-generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

The recoverable amount of the PMG cash-generating unit for a 5-year period is determined on a value-in-use basis using financial budgets approved by the management.

The Group’s initial plan to purchase PMG was to make use of its vast geographical network to expand its traditional commercial print business. The impairment charge of S\$64.4 million resulted from a decline in the value-in-use of the cash-generating unit as cash flow projections were reduced.

The decline in cash flow projection for the cash generating unit was due to the rapidly changing trends in the overall print industry and the rise of new media, traditional commercial printing business are facing immense pressure to transform to cope with the uncertain business conditions facing the industry.

Furthermore, in view of the difficult business conditions in PRC, efforts to recover the outstanding debts have been unsatisfactory. As a result, impairment of trade receivables is made. This also affects the valuation of goodwill.

The Group has embarked on its new business initiative, 8-8 Biz Butler centres (result announcement dated 29 November 2014, Section 10), focusing on small volume and high-speed digital solutions as well as a full range of office support services to expand its business portfolio and customer base. This is in contrast to PMG’s business setup which is dedicated to commercial clients such as publishers and advertising houses. The 8-8 Biz Butler business concept is targeted at busy business professionals.

### **SGX Query 3**

It is stated on page 13 of the announced financial results, "The trade and other receivables of S\$43.4 million are mainly trade receivables from PRC customers...These receivables have been outstanding for more than 1 year, with many of them more than 2 years. Despite strenuous efforts to recover the debts including installment payment plans, results have been unsatisfactory. In view of the difficult trading conditions in the PRC, the Board considers it prudent to provide for the receivables."

Please disclose the following:-

- (i) When the sales were made;
- (ii) Nature of these sales from which these trade receivable arise;
- (iii) Amounts and details on these other receivables for which an impairment loss has been recognized; and
- (iv) Whether the Group continues to trade with the relevant PRC customers for which an impairment loss of S\$43.4 million has been recognized for amounts owing by them. If yes, please provide an explanation.

### **Company's Response to SGX Query 3**

- (i) The sales were made during the period from December 2009 to January 2013.
- (ii) These sales came from printing services rendered to the customers.
- (iii) In prior financial years, the Group disposed of 10% of its equity interest unquoted investment in a PRC company. As at 31 July 2014, the remaining sales proceeds from the buyer of the shares amounted to \$4.3 million. The Group has not been successful in recovering the \$4.3 million from the buyer of the shares, and has considered it not probable to collect the debt. Accordingly, this debt has been written off.

As at 31 July 2014, the Group holds 9.9% equity interest in the same PRC company as described in the announcement dated 29 November 2014 (Section 8). The investee was supposed to seek a public listing in China but it has so far not materialised.

- (iv) The Group has ceased trading with those PRC customers for which an impairment loss of S\$43.4 million has been recognised for amounts owing by them. The Group has been vigorously following up on the outstanding debts due and we will only trade with them if they not only prepay the full contract sum before work commences and also resolve the outstanding debts..

### **SGX Query 4**

It is stated on page 13 of the announced financial results, "The project has been put on hold by the publisher and the Group is still in negotiation with the publisher.... The deposit for machinery of S\$3.2 million relates to a deposit paid for a custom-built printing cum gluing machine for the project as described in the commentary on prepaid paper above. An impairment loss is accordingly recognized."

Please disclose whether:-

- (i) The Group has entered into any definitive agreement in relation to the project;
- (ii) The Group has any recourse against the contractual party of the project given that the project has been put on hold;
- (iii) Amount of deposit received by the Group in relation to the project to date and whether the contractual party has been making the progressive payment in accordance with the contract, if applicable;
- (iv) The Group has recognized any revenue or receivables on the project;
- (v) There are any outstanding obligations &/or commitments by the Group in relation to the project, including any arrangements with the publisher, builder of the custom-built cum gluing machine; and
- (vi) The Group has already received the specialized customized papers and if there are any alternative uses for these papers.

#### **Company's Response to SGX Query 4**

- (i) Yes, the Group has entered into a joint venture print project contract with the printer and publisher. Under this project, the Group managed the pre-press works including the purchase of specialised customised papers and custom-built printing cum gluing machine whereas the printer managed the print production and post-press works. Both the Group and the printer are also responsible for the marketing and distribution functions and the publisher will only receive a nominal sum from each sales order and a small portion of the printed books.
- (ii) The Group has no recourse against the contractual party of the project which has been put on hold.
- (iii) No deposit has been received by the Group in relation to the project.
- (iv) The Group has not recognised any revenue as the ornamental publishing project has been put on hold by the publisher.
- (v) There are no outstanding obligations or commitments by the Group in relation to the project.
- (vi) There are no alternative uses for these papers as the paper quality and colour was specially ordered for this project. The Management will continue with its unrelenting effort to recover the costs and is seeking alternative use of these papers.

By Order of the Board

**XPRESS HOLDINGS LTD**

Fong Kah Kuen  
Non-Executive Director  
11 December 2014