

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

**MEMORANDUM OF UNDERSTANDING FOR PROPOSED DISPOSAL OF SUBSIDIARIES AND
SHENZHEN JIAXINGDA PRINTING CO. LTD**

1. INTRODUCTION

The Board of Directors (“**Board**”) of Xpress Holdings Ltd (the “**Company**”, with its subsidiaries, the “**Group**”) wishes to announce that the Company and Xpress Print (Pte) Ltd, its wholly owned subsidiary, have today entered into a non-binding memorandum of understanding (“**Memorandum of Understanding**”) with China Gateway (Greater China) Consultants Limited (“**Purchaser**”), for the disposal of the Company’s entire interest in the issued share capital of Xpress Print (Shenzhen) Co. Ltd, Precise Media Group Limited, Xpress Print (K.L.) Sdn Bhd, Xpress Print (H.K.) Limited (“**Subsidiaries**”) and Shenzhen Jiaxingda Printing Co. Ltd (“**Available-for-sale Financial Asset**”) to the Purchaser (“**Proposed Disposal**”).

2. INFORMATION ON THE SUBSIDIARIES AND SHENZHEN JIAXINGDA PRINTING CO. LTD

Precise Media Group Limited is a wholly owned subsidiary of the Company, incorporated in the British Virgin Islands. It is an investment holding company which has a wholly owned subsidiary incorporated in Hong Kong, Print Planner (Hong Kong) Limited (“**PPHK**”), which is principally involved in the provision of one-stop print related services and printer consultancy services. PPHK wholly owns seven subsidiaries incorporated in the People’s Republic of China (“**PRC**”) located in Shenzhen, Shanghai, Chengdu, Beijing and Shenyang. The seven subsidiaries of PPHK are principally engaged in the provision of pre-press production related technical services, one stop print-related services and printer consultancy services.

Xpress Print (Shenzhen) Co., Ltd (“**XPSZ**”) is a wholly owned subsidiary of the Company, incorporated in the PRC. XPSZ is principally engaged in the business of providing general printing, multimedia and pre-press services in Shenzhen, PRC, and has four branches located in Xiamen, Wuhan, Changsha and Guangzhou. It also holds a 50% stake in Shenzhen Xpress Wisdom Translation Co. Ltd, incorporated in the PRC, which has been dormant for the past 12 months.

Xpress Print (K.L.) Sdn Bhd (“**XPKL**”) and Xpress Print (H.K.) Limited (“**XPHK**”) are incorporated in Malaysia and Hong Kong respectively. They are wholly owned subsidiaries of Xpress Print (Pte) Ltd which is wholly owned by the Company. XPKL principally provides general printing services and XPHK is currently dormant. XPHK was previously involved in the general trading business acting as a reseller of printed products for the Group.

Shenzhen Jiaxingda Printing Co. Ltd is incorporated in the PRC, and is principally engaged in the business of providing large volume print related services. The Company holds 9.9% of the equity interest in Shenzhen Jiaxingda Printing Co. Ltd.

3. INFORMATION ON THE PURCHASER

The Purchaser is incorporated in the British Virgin Islands, and is an investment holding company which has a diversified investment portfolio in media related companies and assets in Asia.

4. RATIONALE OF THE PROPOSED DISPOSAL

4.1 Subsidiaries

Based on the results for the financial year ended 31 July 2015 (“FY2015”), the Group has incurred an operating loss of \$605,000 attributable to the Subsidiaries, as a result of competition from digital media providers and country-specific economic factors, in particular the major market of the Group in the PRC. In the financial year ended 31 July 2014, the Group has also suffered an impairment loss on goodwill of S\$64.5 million that was attributable to the PRC operations.

Over the past two years, the Group’s effort on upgrading the infrastructure to keep up with the digitalisation of the printing industry has mainly been confined to our Singapore operations which remained profitable. This was helped by Singapore being an open economy having an abundance of skilled manpower resources. However, the Group’s foreign operations, particularly in the PRC, faced a shortage of the required skilled labour to effect such a transformation, in addition to keen competition from digital media providers and country-specific economic factors. Consequently, the Group’s operations in these geographical regions have continued to experience declining revenues and sustained losses as reported in the recent previous quarters.

The Group’s only subsidiary in Malaysia, XPKL, also continues to be loss-making owing to the poor state of the Malaysian economy.

The Subsidiaries operate in geographical regions where the printing industry is becoming increasingly competitive amidst a shrinking market and the Group lacks the required manpower and financial resources to cope effectively with the challenges on a large scale. Accordingly, the Board believes that the Proposed Disposal of the loss-making Subsidiaries will allow the Group to streamline its structure, reduce its fixed operating costs and minimise the future losses to the Group. The Proposed Disposal will also enable the Company to free up its resources and capital for allocation to its other profitable operations.

With a leaner organisational structure, the Board and management can allocate more of its time and resources to pursue new business opportunities that will increase the number of revenue streams for the Group and deliver positive value to shareholders.

4.2 Shenzhen Jiaxingda Printing Co. Ltd

The Company’s 9.9% equity interest in Shenzhen Jiaxingda Printing Co. Ltd (“JXD”) was fully impaired in FY2015. Based on JXD’s latest available statutory accounts for the financial year ended 31 December 2014, JXD incurred a net loss and is in a negative equity position. JXD’s management has represented that they are not optimistic about a positive turnaround in the near future and will possibly need further capital funding in the short term. As the Board does not intend to fund any more capital injection into JXD, the Proposed Disposal is viewed as an opportune time to dispose of the investment.

5. FURTHER ANNOUNCEMENTS

As the terms of the Proposed Disposal have not been finalised, the Company will release further announcements to inform shareholders of the Company when there are material developments in respect of the Proposed Disposal.

6. CAUTIONARY STATEMENT

The Company wishes to emphasise that (i) there is no certainty or assurance that the definitive agreement(s) will be entered into; and (ii) the terms of Proposed Disposal in the Memorandum of Understanding is subject to changes in accordance with the terms of the definitive agreement(s). Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

By Order of the Board

Lim Huan Chiang
Executive Director and Chief Executive Officer
21 January 2016