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## **XPRESS GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 185)

### **PROPOSED ASSET TRANSACTION MAJOR AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING OF SHARES**

On 14 February, 2008, the Company entered into the Agreement with SingXpress, under which the Company has agreed to procure the sale of, and SingXpress has agreed to purchase of the entire issued and paid-up share capital of each of SSRPL and SIPL and 60% of the issued and paid-up capital of AFT and the benefits of the Sale Loan at a consideration of S\$35,936,624 (approximately HK\$197,651,000) to be satisfied by the issue and allotment of XG Consideration Shares at the Issue Price.

The Asset Transaction constitutes a major transaction for the Company pursuant to Chapter 14 of the Listing Rules. Mr. Lee, a substantial shareholder of AFT who holds 40% equity interest in AFT, is a controller of the Group. Accordingly, the Asset Transaction also constitutes a connected transaction for the Company under Listing Rule 14A.13(1)(b)(i). The Stock Exchange has ruled that the Asset Transaction constitute a spin-off for the purpose of Practice Note 15 of the Listing Rules. The Company may apply for the decision to be reviewed.

**Shareholders should note that if the final decision of the Stock Exchange remains unchanged, the Company may assess whether it can comply with the requirements of Practice Note 15 and may or may not proceed with the Asset Transaction and/or the potential spin-off or may amend with the terms of the Agreement. Shareholders are therefore urged to exercise caution when dealing in the securities of the Company. Further announcement(s) will be made as and when appropriate in respect of any material developments relating to the Asset Transaction.**

In the event the Company decided to proceed with the Asset Transaction, the Company will comply with Chapter 14 and 14A of the Listing Rules and a circular will be despatched to the shareholders as soon as practicable and the Asset Transaction would need to be approved by the shareholders of the Company.

Trading in the securities of the Company was suspended with effect from 9:30 a.m. on 15 February, 2008 at the request of the Company pending the publication of this announcement. Application has been made by the Company for the resumption of trading of securities of the Company with effect from 9:30 a.m. on 29 February, 2008.

## THE AGREEMENT

### Date

14 February, 2008

### Parties

1. The Company; and
2. SingXpress Ltd

Pursuant to the Agreement, the Company has agreed to procure the sale of, and SingXpress has agreed to purchase of the entire issued and paid-up share capital of each of SSRPL and SIPL and 60% of the issued and paid-up capital of AFT and the benefits of the Sale Loan at a consideration of S\$35,936,624 (approximately HK\$197,651,000).

### Consideration

The total consideration for the Asset Transaction consists of (i) S\$23,874,911 (equivalent to approximately HK\$131,312,000), which represents the consideration for the Target Property Shares; and (ii) S\$1,000,000 (equivalent to approximately HK\$5,500,000), which represents the consideration for the Target AFT Shares and (iii) S\$11,061,713 (equivalent to approximately HK\$60,839,000), which represents the principal of the Sale Loan outstanding as at the date of the Agreement.

The consideration has been determined after arm's length negotiation and will be satisfied by the issue and allotment of XG Consideration Shares at the Issue Price.

The Issue Price shall be the issue price as at the Completion Date, taking into account any volume-weighted variation in the issued share capital of SingXpress (whether by way of a capitalisation of profits or reserves or rights issue or reduction, sub-division, consolidation or distribution or otherwise whatsoever) between the date of the Agreement and the Completion Date but excluding the Lee Consideration Shares. The number of XG Consideration Shares to be issued and allotted is determined in accordance with the formula set out below pursuant to the Agreement and based on 272,003,000 issued shares as at the date of Agreement and the agreed Issue Price of S\$0.04:

$$\text{Issue Price} = \frac{(272,003,000 \times \text{S\$}0.04) + (\text{number of New SingXpress Shares} \times \text{weighted average issue price of the New SingXpress Shares})}{\text{number of issued share capital of SingXpress as at the Completion Date}}$$

New SingXpress Shares = the number of new shares issued by SingXpress in its issued share capital between the date of the Agreement and the Completion Date.

Pursuant to the Agreement, on completion of the Asset Transaction, the Company shall deliver to SingXpress an irrevocable instruction from the respective holding company of SSRPL, SIPL and AFT directing the issue and allotment of the XG Consideration Shares to XCL. The XG Consideration Shares, when issued and allotted, shall rank pari passu in all respects with the then existing shares of SingXpress save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the XG Consideration Shares.

There are four tranches of XG Consideration Shares to be issued to the Company for the acquisition of Target AFT Shares. Save for the first tranche which will be issued after the Completion Date, the number of XG Consideration Shares to be issued in the remaining three tranches will be issued according to a performance formula over the next 3 years by SingXpress at the end of the relevant financial years subject to the net profit before tax targets (“NPBT Targets”) being met. However if NPBT Targets did not reach the level stipulated then payment is adjusted on an agreed formula with zero payment if NPBT Targets below S\$0.5 million, S\$1 million and S\$1.5 million for FY2008, FY2009 and FY2010 respectively.

The Company has agreed to receive up to S\$35,936,624 (approximately HK\$197,651,000) as the total consideration payable in two portions as follows:–

- (i) The first portion (“First Portion Consideration Shares”) being the number of XG Consideration Shares based on the Issue Price and the consideration of S\$34,936,624 (approximately HK\$192,151,000), payable in respect of the Sale Loan and the Target Property Shares shall be allotted and issued on the Completion Date. The second portion (“Second Portion Consideration Shares”) being the number of XG Consideration Shares based on the Issue Price and the consideration of S\$1,000,000, (approximately HK\$5,500,000) payable in respect of Target AFT Shares shall be divided and payable in up to four equal tranches.
- (ii) Each tranche of the Second Portion Consideration Shares shall be allotted and issued by SingXpress by reference to each of financial year ended 31 March 2007, 31 March 2008, 31 March 2009 and 31 March 2010 respectively if AFT achieves or exceeds the specified net profit before taxation targets for the years 2008, 2009 and 2010 for S\$500,000, S\$1,000,000 and S\$1,500,000 respectively (“NPBT Targets”). Therefore, if the NPBT Targets for any of those years is not met, the maximum number of XG Consideration Shares will not be issued to the Company and the total consideration payable pursuant to the Agreement will be reduced accordingly. For illustration purpose only, assuming that the Issue Price is S\$0.04 and the NPBT Targets are not met, the Company will only receive 6,250,000 XG Consideration Shares in respect of Target AFT Shares,

For illustration purpose only, assuming that there is no new shares of SingXpress will be issued before Completion, the issue price per XG Consideration Share is S\$0.04, there is no premium over the weighted average price of the Shares of S\$0.04 for trades done on the Catalist for the full market day immediately prior to the date of the announcement of SingXpress on 14 February, 2008.

The consideration was arrived at on a willing buyer-willing seller basis, taking into account of various factors including the net asset value of the Target Companies and the carrying amount of the properties held by SSRPL and SIPL of S\$40.9 million (approximately HK\$225.2 million) as at 30 September 2007, the fair value of the Sale Loan and the valuation of the properties held by SSRPL and SIPL of S\$52.1 (approximately HK\$286.6 million), as valued by GSK Global Pte Ltd as at the Appraisal Date. GSK Global Pte Ltd is an independent valuer jointly commissioned by the Company and SingXpress to perform the valuation based on the open market value of the properties.

## **Conditions**

Completion of the Asset Transaction is conditional, among other things, on the following conditions precedent being fulfilled (or waived) on or before 31 July, 2008, or such later date as may be agreed by the Company and SingXpress:

- (i) all necessary approvals from regulatory authorities including approvals from the Stock Exchange, and SGX-ST having been obtained in respect of the Asset Transaction, if necessary;
- (ii) all necessary approvals by the shareholders of SingXpress in general meeting in respect of the Asset Transaction (including approvals for issue and allotment of Consideration Shares) in a manner as required by the SGX-ST having been obtained;
- (iii) all necessary approvals by the shareholders of the Company in general meeting in respect of the Asset Transaction in a manner as required by the Stock Exchange or under the Listing Rules having been obtained;
- (iv) listing of and permission to deal in the XG Consideration Shares having been granted by the SGX-ST;
- (v) SingXpress being satisfied with the results of a financial, legal and operational due diligence review of the Target Companies and the Sale Loan;
- (vi) the granting of the Whitewash Waiver by the Securities Industry Council;
- (vii) the Whitewash Resolution having been passed by the Independent Shareholders by way of a poll at the SingXpress EGM; and
- (viii) all other conditions of the Whitewash Waiver having been complied with.

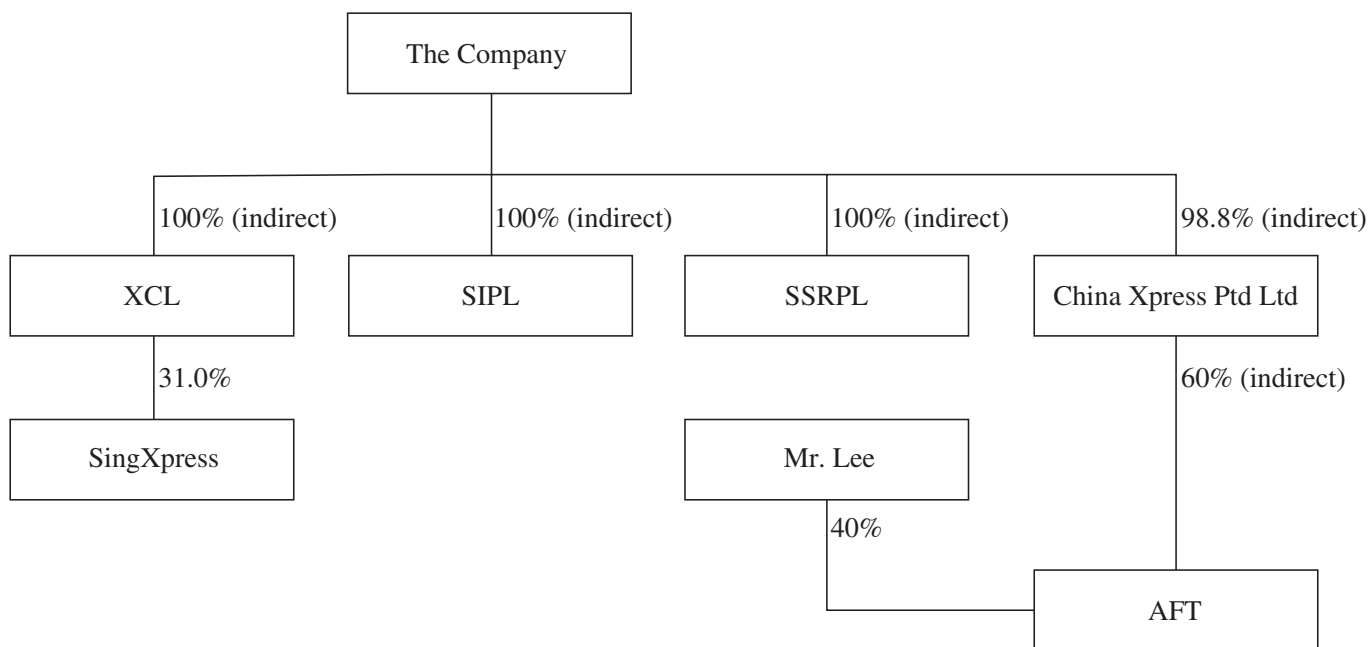
## **Lee Acquisition**

On 14 February, 2008, SingXpress has entered into an agreement with Mr. Lee, pursuant to which Mr. Lee agreed to sale of, and SingXpress has agreed to purchase of 40% of the issued and paid-up capital of AFT at a consideration of S\$2,000,000 (approximately HK\$11,000,000). The consideration will be satisfied by the issue and allotment of Lee Consideration Shares at the issue price equal to the Issue Price. There are four tranches of Lee Consideration Shares to be issued to Mr. Lee on the same manner with the Second Portion Consideration Shares as mentioned above. The consideration for the Target AFT Shares under the Asset Transaction and the consideration for 40% of the issued and paid-up capital under the Lee Acquisition are separately negotiated. Lee Acquisition is subject to, among other things, the completion of the Asset Transaction.

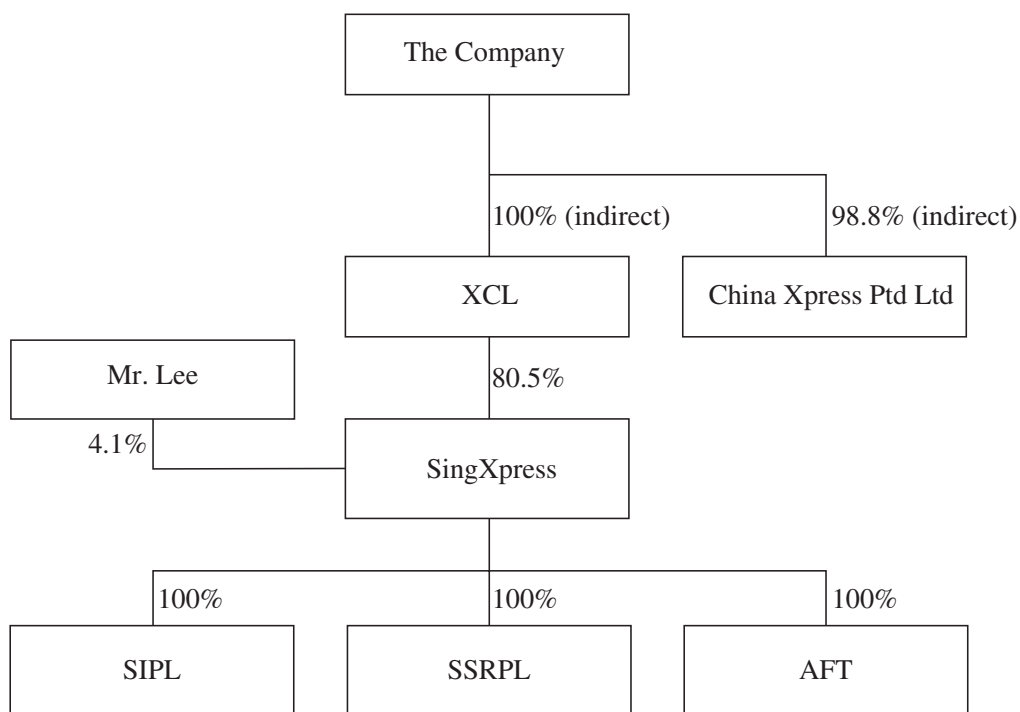
## Simplified Shareholding Structure

The following diagrams illustrate the group structure of each of the Company and SingXpress before and after the Asset Transaction and Lee Acquisition:

**As at the date of this Announcement:**



**After completion of Asset Transaction and Lee Acquisition:**



The Group's interest in SingXpress will be decreased from approximately 80.5% to 80.2% should the NPBT Targets are not met, in which case only the First Portion Consideration Shares and the first tranche of the Second Portion Consideration Shares will be issued and allotted.

## INFORMATION OF SSRPL, SIPL AND AFT

SSRPL and SIPL are indirect wholly-owned subsidiaries of the Company whose principal business activity is property investment holding, the principal assets of which are their direct interests in the Properties. Save as stated in the Agreement, the Properties are free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances. Particulars of the Properties are as follows:

Property	Area (sq. ft.)	Usage	Particulars of occupancy	Attributable interest
<i>Property interests held by SSRPL for investment</i>				
i. No. 239 Arcadia Road, #03-04 The Arcadia, Singapore 289845.	6,566	Residential	Leased	100%
ii. No. 237 Arcadia Road, #05-01 The Arcadia, Singapore 289844.	3,757	Residential	Leased	100%
iii. 19 small-office-home-office units (#02-04, 04-02, 04-04, 07-03, 09-03, 09-04, 11-02, 11-03, 11-04, 13-02, 13-03, 13-04, 15-02, 15-03, 15-04, 17-02, 17-03, 17-04 and 19-02) and 1 retail unit (#01-03) situated at 883 North Bridge Road #02-04, Singapore 198785	18,205	Commercial/ residential	Under construction	100%
<i>Property interests held by SIPL for investment</i>				
iv. 200 Jalan Sultan #08-01 Textile Centre, Singapore	39,310	Commercial	Vacant	100%

AFT is a Singapore company whose principal business activity is travel related services which focuses on corporate travel for small and medium enterprises, government statutory boards, multi-national corporations and global companies' leisure travel. These include land packages and tours, "MICE" (Meetings – Incentives – Conventions – Exhibitions) and whole agent airline ticketing businesses.

A summary of the unaudited combined results of SSRPL and SIPL for each of the three years ended 31 March, 2005, 2006 and 2007 and for the six months ended 30 September, 2007 is set out below.

	For the year ended			Six months
	31 March			ended
	2005	2006	2007	30 September
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Profit/(loss) before taxation	(6)	(1,595)	8,799	58,493
Profit/(loss) after taxation	(6)	(1,595)	15,296	47,834
Net asset value	(22)	(28)	22,149	69,988

A summary of the results of AFT for each of the three years ended 31 March, 2005, 2006 and 2007 and for the six months ended 30 September, 2007 is set out below.

	For the year ended			Six months
	31 March			ended
	2005	2006	2007	30 September
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Profit/(loss) before taxation	(6,023)	(4,142)	(550)	61
Profit/(loss) after taxation	(6,023)	(4,142)	(550)	61
Net asset value	(6,903)	(2,756)	6,061	6,122

## INFORMATION OF SINGXPRESS

SingXpress is engaged in securities investments and travel and hospitality business. As at the date of this announcement, XCL has interest in 84,236,000 Shares representing about 30.97% of the existing issued share capital of SingXpress and is accounted for as an associate company of the Group. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, SingXpress is third party independent of and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates as defined in the Listing Rules.

For the financial year ended 31 December 2006, the audited revenue of SingXpress was approximately S\$8,637,000 (approximately HK\$47,504,000) and the audited net profit before and after tax of SingXpress were approximately S\$802,000 (approximately HK\$4,411,000) and S\$802,000 (approximately HK\$4,411,000) respectively and the net asset value of SingXpress as at 31 December 2006 was S\$6,968,000 (approximately HK\$38,324,000). For the financial year ended 31 December 2005, the audited revenue of SingXpress was approximately S\$16,696,000 (approximately HK\$91,828,000) and the audited net loss before and after tax of SingXpress were approximately S\$3,763,000 (approximately HK\$20,697,000) and S\$3,612,000 (approximately HK\$19,866,000) respectively and the net asset value of SingXpress as at 31 December 2005 was S\$7,648,000 (approximately HK\$42,064,000).



## REASONS FOR THE ASSET TRANSACTION

The Group is engaged in property investment, financial services and securities investments, including corporate finance, consumer finance, travel related services, hotel operation and credit card.

The Directors consider that the Asset Transaction provides SingXpress with an opportunity to diversify its business into property investment and enable SingXpress to further enlarge its asset base and share capital and also the income base. Upon completion of the Asset Transaction and Lee Acquisition, the Target Companies will become wholly owned subsidiaries of SingXpress. Upon completion of the Asset Transaction and Lee Acquisition, the Group's interest in SingXpress will be increased to approximately 80.5% and SingXpress will become a subsidiary of the Company and its result, assets and liabilities will be consolidated into the financial statements of the Group. The Directors believe that the Asset Transaction would increase its economies of scale in its travel business and to leverage on branding of the Group. In addition, it will make the Group the major shareholder of a new listed vehicle in Singapore and consolidate the majority of the Company's Singapore assets under one listed subsidiary.

Upon Completion, SingXpress will be accounted for as a consolidated subsidiary of the Company and SingXpress will be fully consolidated in the Group's financial statements and will no longer be an associated company of the Company. SSRPL, SIPL and AFT will continue to be subsidiaries of the Company. The Company's interests in SSRPL and SIPL will be effectively reduced from 100% to approximately 80.5% and the interest in AFT will be effectively reduced from 60% to approximately 48.3% which represents the Company's interests in SingXpress upon Completion. Subject to the review by the auditors, the Company will record a gain on the disposal of approximately HK\$63 million, calculated as the excess of the fair value of interests in the Target Companies and Sale Loan given up over the corresponding carrying amounts by reference to the fair value of the Target Companies and Sale Loan according to the valuation reports as at the Appraisal Date and related carrying amounts in the unaudited financial statements of the Company as at the same date.

## LISTING RULES IMPLICATIONS

The Asset Transaction constitutes a major transaction for the Company pursuant to Chapter 14 of the Listing Rules. Mr. Lee, a substantial shareholder of AFT who holds 40% equity interest in AFT, is a controller of the Group. Accordingly, the Asset Transaction also constitutes a connected transaction for the Company under Listing Rule 14A.13(1)(b)(i). The Stock Exchange has ruled that the Asset Transaction constitute a spin-off for the purpose of Practice Note 15 of the Listing Rules. The Company may apply for the decision regarding the spin-off to be reviewed.

**Shareholders should note that if the final decision of the Stock Exchange remains unchanged, the Company may assess whether it can comply with the requirements of Practice Note 15 and may or may not proceed with the Asset Transaction and/or the potential spin-off or may amend with the terms of the Agreement. Shareholders are therefore urged to exercise caution when dealing in the securities of the Company. Further announcement(s) will be made as and when appropriate in respect of any material developments relating to the Asset Transaction.**



In the event the Company decided to proceed with the Asset Transaction, the Company will comply with Chapter 14 and 14A of the Listing Rules and a circular will be despatched to the shareholders as soon as practicable and the Asset Transaction would need to be approved by the shareholders of the Company.

The directors of the Company consider that the terms and conditions of the Asset Transaction are on normal commercial terms and are fair and reasonable and are in the interest of the Company and the shareholders of the Company as a whole.

## **RESUMPTION OF TRADING IN SECURITIES**

Trading in the securities of the Company was suspended with effect from 9:30 a.m. on 15 February, 2008 at the request of the Company pending the publication of this announcement. Application has been made by the Company for the resumption of trading of securities of the Company with effect from 9:30 a.m. on 29 February, 2008.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“AFT”	Anglo-French Travel Pte Ltd, a company incorporated in Singapore with limited liability which is an indirect 60% owned subsidiary of the Company
“Agreement”	The sale and purchase agreement date 14 February, 2008 entered into by the Company and SingXpress, the details of which are set out in the section headed “The Agreement” in this announcement
“Appraisal Date”	30 September 2007
“Asset Transaction”	the proposed transaction contemplated pursuant to the terms of the Agreement
“associate”	has the meaning defined in Chapter 1 of the Listing Rules
“Board”	the board of Directors
“Company”	Xpress Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Asset Transaction

“Completion Date”	the date of completion of the Asset Transaction, being a date to be specified and in any event, no later than three months from the date of the completion of the conditions precedent under the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	shareholders of SingXpress other than XCL, its associates and parties acting in concert with them
“Issue Price”	the price at which new SingXpress shares will be issued pursuant to the Agreement, the initial issue price being S\$0.04 per share, subject to adjustments
“Lee Acquisition”	The proposed transaction contemplated pursuant to the terms of the sale and purchase agreement date 14 February, 2008 entered into by Mr. Lee and SingXpress, the details of which are set out in the section headed “Lee Acquisition” in this announcement
“Lee Consideration Shares”	new SingXpress shares to be issued by SingXpress as the consideration for the Lee Acquisition at an issue price equal to Issue Price
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lee”	Mr. Lee Liat Cheng, beneficially interested in 40% of the issued share capital of AFT and is a director of AFT
“Properties”	The properties described under the paragraph titled “Information of SSRPL, SIPL and AFT” of this announcement. These Properties are currently held by SSRPL and SIPL
“Sale Loan”	A total amount of S\$11,061,713 which is outstanding, repayable and owing by SSRPL and SIPL to the Company as at the date of the Agreement in respect of non-interest bearing loans made available by the Company to SSRPL and SIPL
“Share(s)”	share(s) in the share capital of the SingXpress
“Shareholder(s)”	shareholder(s) of the Company

“SGX-ST”	Singapore Exchange Securities Trading Limited
“SIPL”	SingXpress International Pte Ltd, a company incorporated in Singapore with limited liability which is an indirect wholly owned subsidiary of the Company
“SingXpress”	SingXpress Ltd, a company incorporated in Singapore with limited liability, the shares of which are listed on the SGX-ST
“SingXpress EGM”	the extraordinary general meeting of SingXpress to be convened for the purposes of considering, among other things, the Asset Transaction
“SSRPL”	Singapore Service Residences Pte Ltd, a company incorporated in Singapore with limited liability which is an indirect wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	SSRPL, SIPL and AFT and Target Company shall mean any one of the Target Companies
“Target AFT Shares”	The 60% of the issued and paid-up capital of AFT
“Target Property Shares”	The entire issued and paid-up share capital of each of SSRPL and SIPL
“Whitewash Resolution”	the resolution to be approved by way of a poll by a majority of the Independent Shareholders present and voting at the SingXpress EGM to waive their rights to receive a general offer for SingXpress from any or all of the Company and its concert parties pursuant to Rule 14 of the Singapore Code and the Whitewash Waiver
“Whitewash Waiver”	the waiver granted by the Securities Industry Council of the requirement for XCL to make a mandatory general offer to the other shareholders of SingXpress to acquire their Shares under Rule 14 of the Singapore Code on Take-overs and Mergers, arising from the acquisition by the Company of XG Consideration Shares, issued pursuant to the Asset Transaction, subject to the satisfaction of any conditions as may be imposed by the Securities Industry Council
“XCL”	Xpress Credit Limited, an indirect wholly owned subsidiary of the Company

“XG Consideration Shares”	new SingXpress shares to be issued by SingXpress as the consideration for the Asset Transaction at the Issue Price
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	per cent.

By Order of the Board  
**Xpress Group Limited**  
**Chan Tong Wan**  
*Managing Director*

Hong Kong SAR, 29 February, 2008

*As at the date of this announcement, the Board comprises of the executive directors Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow, Ms. Chan Sook Jin, Mary-ann, Mr. Chan Tung Moe and non-executive director Mr. Fong Kwok Jen as well as independent non-executive directors Mr. Wong Dor Luk, Peter, Mr. Joao Paulo Da Roza and Ms. Chian Yat Ping.*