Annual Report 2018

Enduring Headwinds
Awaiting the Upturn

Corporate Social Responsibility

The Group believes that an organisation's success is not measured solely by its business achievements, but also the active role it plays in upholding good corporate practices and its ability to make meaningful contributions to the community that it operates in. With this belief, the Group has:

- contributed to the 8th Tharman Shanmugaratnam Veteran Volleyball Championships charity sport event.
- donated to Handicaps Welfare Association.
- donated to Kwong Wai Shiu Hospital.
- donated to Care For The Elderly Foundation (Singapore).
- donated to Singapore Children's Society.
- donated to Arc Children's Centre.
- donated to the social welfare through UOB Chinese New Year Charity events namely the Business Times Budding Artists Fund.

The Group is committed to its Corporate Social Responsibility ("CSR") efforts and will continue to strive towards developing and enhancing its CSR initiatives in the near future.

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Corporate Profile

XMH Holdings Ltd. ("XMH" or the "Group") began in 1955, as a small machinery repair and maintenance shop in Kitchener Road, and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 26 January 2011. With a history of over 60 years, XMH is a reputable and trusted name as a diesel engine, propulsion and power generating solutions provider to a diverse customer base in the marine and industrial sectors across Asia.

Over the years, the Group has expanded its primary product offerings to include distributorship, agency and dealership rights from prominent names such as Mitsubishi, Akasaka and Kamome (Japan), D-I and Doosan (South Korea), SOLÉ, Korsør, Reintjes, CENTA and Schneider (Europe), Niigata Power Systems (Japan), ABB (Switzerland), Logstrup and BUKH (Denmark), Siemens and MTU (Germany), Taiyo (Japan), SGP (India) and Logan (United States).

The Group continued to advance, scaling up the value-chain with the introduction of "AceGen", its in-house range of power generating sets, and "XMH IPS", a one-stop integrated solution to vessel owners requiring diesel engine (or electricity) driven propeller-based propulsion systems to power its vessels.

Subsequently, the Group successfully acquired **Mech-Power Generator Pte Ltd ("MPG")** and **Z-Power Automation Pte. Ltd. ("ZPA")** which diversified its primary business through added exposure to different markets and expanded its offering to include industrial and commercial applications.

With these acquisitions, **XMH's** business activities can be broadly categorised into:

1) Distribution and provision of value-added products and services;
2) After-sales services, trading and others; and
3) Projects, which comprise the assembly and installation of standby generator sets and provision of related services, and the design and manufacture of marine switchboards, remote control distributor system and marine automation products.

Our Corporate Structure

XMH was listed on the Mainboard of the SGX-ST on 26 January 2011. Since then, two principal subsidiaries, **MPG** and **ZPA**, have been added to the Group.

XMH HOLDINGS LTD.
(Singapore, 2010)

- 100% **Xin Ming Hua Pte Ltd** (Singapore, 1991)
- 100% **XMH Engineering Pte. Ltd.** (Singapore, 2007)
  - 50% **Vivo Power Myanmar Company Limited** (Myanmar, 2018)
- 100% **PT Xin Ming Hua Engine** (Indonesia, 2012)
- 100% **Mech-Power Generator Pte Ltd** (Singapore, 1983)
  - 100% **Mech Power Generator Sdn. Bhd.** (Malaysia, 1992)
- 80% **Z-Power Automation Pte. Ltd.** (Singapore, 2008)

Corporate Profile

Mech-Power

Building Quality To Power The World

MPG's history can be traced back to 1983 and it has grown to become a leading manufacturer in design, assembly, testing, installation, commissioning, sale and service of diesel powered generator sets in Singapore. **MPG** also supplies the power generation industry in the Asia Pacific region.

MPG's suite of services include the design and manufacture of:

- *Generator sets;*
- *Auto Mains Failure / Synchronising control panels and switchboards for emergency generators;*
- *Generator exhaust silencers for industrial / residential / critical applications;*
- *Steel skid base frames for generating sets;*
- *Intake and discharge acoustic attenuation ducts;*
- *Single / double layer steel day tanks from 1,000 litres and above;*
- *Bulk fuel oil storage tanks (single / double layer) constructed to BS EN 12285-1: 2003 standards;*
- *Fuel transfer systems;*
- *Weatherproof / soundproof outdoor enclosures acoustically treated from 60-85 dB; and*
- *Resistive load banks and RTG operator cabins; and supporting equipment, such as auto mains failure.*

In the pursuit of excellence and quality, **MPG** has achieved several key certifications including the ISO 9001-2008 (Quality Management System), the OHSAS 18001:2007 (Occupational Health & Safety Management Systems), and the BizSAFE Level 3 certification from the Workplace Safety and Health Council ("WSH") in Singapore.

ZPA

ZPA is a world class integrator for power, control and system solutions which was incorporated in 2008. With over 45 years of field services, electrical engineering, technology development, **ZPA** has transformed its business from a local switchboard supplier to a leader of complete system integration with strong commercial success in both the marine and energy sectors globally. Through an array of in-house engineering capabilities, **ZPA** creates customised solutions to support its international clientele base across Asia, Australia, Europe and the Middle East. Dedicated to excellence, all **ZPA** products are manufactured to conform to international standards such as IEC and marine class certifications with ABS, Lloyds, GL, BV, DNV, NK and RMRS or as required. **ZPA**'s full suite of services include the design, engineering and manufacture of:

- *Switchboards;*
- *Distribution panels;*
- *Motor control centres;*
- *Shipboard cable installation;*
- *AMS / UMS alarm monitoring and control system for all type of vessels; and*
- *Other related automation works.*

In the pursuit of excellence and quality, **ZPA** has achieved several key certifications, namely, ISO 9001-2008 (Quality Management System), ISO14001:2004 (Environmental Management System), OHSAS 1800:2007 (Quality & Safety Management System), BizSAFE Star (Level of excellent in WSH Management System), Circle of Excellence 2012/2013 (Offshore & Marine Industry) and Singapore Green Building Product Labelling Scheme 2016.

Company Values

Collaboration For Success

Through teamwork and working closely with customers, we deliver the best possible solutions to meet customers' needs.

Strive For Progress

We seek to continually improve our level of proficiency and expertise in our scope of work.

Integrity In All We Do

We adhere to ethical principles in all our dealings with business partners, colleagues and ourselves.

Commitment To Reliability

We pledge to only deliver optimally dependable solutions that fulfill customers' requirements.

Belief In People

We believe our staff are capable of performing to expectations and have the potential to attain higher standards of excellence when nurtured.

Resourcefulness For The Right Solution

We employ clever and enterprising methods to devise optimal products and/or services suited to meet customers' needs.

Vision

To be Asia's most trusted partner in power solutions

Mission

To deliver optimal and reliable solutions to our marine and industrial customers

Corporate Milestones

1950s

- Founded as a small machinery repair and maintenance shop in Kitchener Road by Mr. Tan Tum Beng in 1955.

1960s

- Engaged in the resale of used industrial diesel engines and machinery from suppliers in the United Kingdom.
- Provided engine modification service for customers in the timber industry.

1970s

- Converted from sole proprietorship to partnership – Meng Wah Machinery Work.

1980s

- Became one of the leading suppliers of used industrial and marine diesel engines and related machinery manufactured in Japan.

Products we carry:

MITSUBISHI HEAVY INDUSTRIES ENGINE & TURBOCHARGER, LTD.
AKASAKA DIESELS
DOOSAN
Solé Diesel
REINTJES POWER TRAIN SOLUTIONS
D-I
KAMOME PROPELLER
KORSØR PROPELLER A/S
CENTA
XMH | IPS
AceGen
BUKH
Mech-Power
mtu
ZPA
NIIGATA
Authorized value provider ABB
SIEMENS
logstrup
Life Is On Schneider Electric
Logan Clutch Corporation manufacturers of clutches and brake products

1990s

- Incorporated Xin Ming Hua Pte Ltd on 31 January 1991 following the transfer of business and assets from its original partnership arrangement.
- Began the distribution of a limited range of marine diesel engines and power generating sets under Mitsubishi brand in 1996.
- Secured exclusive distribution rights for SOLÉ brand of marine diesel engines and its genuine spares for certain regions in 1998.

2000s

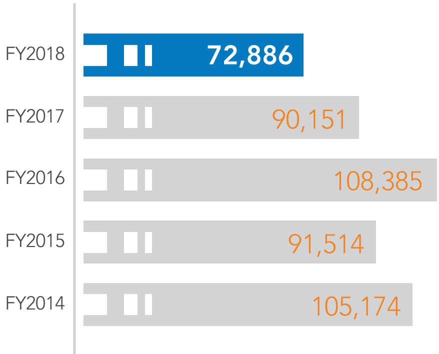
- Progressively secured more distribution rights for products including Akasaka, Hyundai, Doosan, Korsør, Reintjes, D-I and CENTA with some on exclusive basis.
- Developed a range of power generating sets under our in-house brand to offer value-added customisation service.
- Set up China (Shanghai) overseas office in 2006 to support marketing activities in China.
- Established XMH Engineering Pte. Ltd. in 2007 to design and develop XMH IPS, a one-stop integrated solution for the propulsion requirements of marine vessels.

2010s

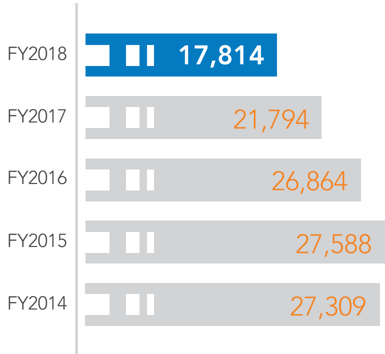
- Signed distributorship agreement between Mitsubishi Heavy Industries Ltd., MHI Engine System Asia Pte Ltd and Xin Ming Hua Pte Ltd on 19 January 2010.
- Listed on the SGX-ST Mainboard on 26 January 2011.
- Set up Vietnam (Ho Chi Minh City) overseas marketing office to support marketing initiatives in Vietnam.
- Secured two new principals – Guangzhou Diesel and Kamome Propeller.
- Set up PT Xin Ming Hua Engine in 2012 to provide after-sales support and to have close proximity and to better serve our customers in Indonesia.
- Established AceGen Pte. Ltd. in 2013 to assembly our in-house "AceGen" brand power generating sets.
- Enhanced our new corporate logo, among others through a rebranding exercise.
- Acquired and successfully integrated Mech-Power Generator Pte Ltd and its subsidiary into the enlarged Group on 7 September 2013.
- Welcomed Credence Capital Fund II as our first major institutional and substantial shareholder.
- Breakthrough into Vietnam with orders for generator sets.
- Acquired 80% shareholdings of Z-Power Automation Pte. Ltd. into the enlarged Group on 4 March 2015.
- Accredited with prestigious ABB Value Provider Certification in June 2015.
- Moved into new office building at Tuas Crescent.
- Completed 4:1 share consolidation exercise on 22 February 2016.
- Set up new outlet under PT Xin Ming Hua Engine on 8 June 2016 in Surabaya, Indonesia.
- Entered into a non-binding memorandum of understanding with Myanmar MarcoPolo Co., Ltd. in relation to the incorporation of a joint venture company in Myanmar.
- Closed down China (Shanghai) overseas office in March 2017.
- Set up new outlet under PT Xin Ming Hua Engine on 8 January 2018 in Samarinda, Indonesia.
- Incorporation of Vivo Power Myanmar Company Limited in Myanmar in February 2018.
- Disposal of shares in Z-Power Automation (Vietnam) Co., Ltd. in February 2018.
- Struck off of wholly-owned subsidiary, AceGen Pte. Ltd. in February 2018.

Financial Highlights

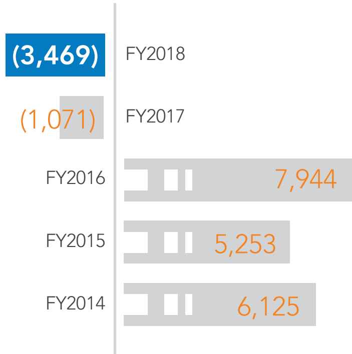
TOTAL REVENUE
($'000)



GROSS PROFIT
($'000)



NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS
($'000)



IN $'000	FY2018	FY2017	FY2016	FY2015	FY2014
REVENUE BY GEOGRAPHICAL					
Singapore	39,647	50,387	66,169	48,509	41,378
Indonesia	15,902	13,222	10,007	30,112	58,385
Vietnam	8,738	21,965	18,730	7,102	2,043
Other Countries	8,599	4,577	13,479	5,791	3,368
REVENUE BY BUSINESS					
Distribution	24,326	32,505	27,309	34,054	60,042
After-Sales Services	7,331	6,216	6,617	9,135	12,871
Projects	41,229	51,430	74,459	48,325	32,261
FINANCIAL POSITION					
Total Assets	156,151	167,341	182,886	154,895	112,782
Total Liabilities	93,196	99,141	110,698	94,526	54,401
Shareholders' Funds	61,610	66,380	69,473	57,615	58,381
Cash and Short-Term Deposits	24,001	25,618	12,843	24,698	36,388
PERFORMANCE INDICATORS					
(Loss)/Earnings per Share (cents)	(3.12)	(0.96)	7.19	4.85[1]	5.88[1]
Net Asset Value per Share (cents)	55.36	59.65	62.43	53.09[1]	52.24[1]

(1) On 22 February 2016, the Company completed a share consolidation for every four existing issued ordinary shares of the Company into one ordinary share. Earnings per share and net asset value per share for the comparative periods have been adjusted for the effects of the share consolidation.

Chairman's Message

On behalf of the Board of Directors of XMH Holdings Ltd. ("XMH" or collectively known as the "Group"), I am pleased to present to you our annual report for the financial year ended 30 April 2018 ("FY2018").

DEAR SHAREHOLDERS,

In FY2018, the Group continued to face headwinds in the form of aggressive competition and weak demand for marine related products. As a result of the challenges faced, the Group reported a 19.2% decrease in revenue to S$72.9 million for FY2018. This was due to lower revenue recorded from our Projects and Distribution business segments. The Group also reported a net loss attributable to owners of the company of S$3.5 million for FY2018, with a basic loss per share of 3.12 Singapore cents.

In spite of the strong competition in several of the industries the Group operates in, we continued to leverage on our expertise as a comprehensive power generating solutions provider to the marine and industrial sectors across Asia. As a result, we managed to secure new contracts spreading across several sectors. The total value of these new contracts secured in the preceding four months ending June 2018 was approximately S$30.0 million, strengthening our order book going into FY2019.

Chairman's Message

BRIGHTER HORIZONS

It has been a difficult couple of years since the collapse of oil and coal prices but our aim has not wavered. We diversified further into onshore energy, industrials and other new segments such as utilities, to partly compensate the deficit from softer offshore marine demand.

Although our profitability has taken a hit, we believe that the offshore marine industry has bottomed out. Brent crude has recovered by 186.2% from its lowest point in early 2016 to about US$79.8 a barrel in 2018.[1] Similarly, Indonesia's benchmark thermal coal price has increased by about 100.0% from a low in early 2016 to about US$101.9 a tonne this year.[1] As prices stabilise, we are beginning to experience more enquiries for our products. Should the underlying factors maintaining these commodity prices remain sound, it could prove beneficial to the Group's businesses in the medium to long term.

If a recovery should surface, it is expected to be gradual as the industry continues to tackle issues surrounding weak demand and oversupply. However, we will continue to work hard to identify resilient segments in our existing markets which are starting to pick up, and to convert more contracts into profit for the Group.

EXPANDING ON OPPORTUNITIES

The supporting infrastructure we have set during the downturn has raised our value proposition and provides us with the necessary tools to take advantage of recovering market sentiments. We are also looking at new opportunities to increase our revenue streams such as the generator set rental market.

Adding to this, we have achieved a leaner operating profile and improved cost efficiencies through better accountability, monitoring, review and control measures. Excluding one-time non-cash impairment of S$2.6 million in relation to intangible assets for FY2017, our total operating expenses continued to decrease, reducing by 8.2% to S$24.0 million for FY2018 from S$26.2 million for FY2017.

With these improvements, we were able to put forward our comprehensive power generating solutions to new and existing markets, clinching major projects onshore in the utilities, data centres, and industrials sectors, as well as projects for marine vessels due to improved sentiments. Our aim is to increase our brand equity in the region and we believe that XMH has the capacity and expertise to pursue further opportunities in countries such as Cambodia, Myanmar, the Philippines and Vietnam.

Progressing past this grim background, we hope to achieve sustainable growth for the medium to long term.

OUTLOOK

The global oil demand and supply balance continues to indicate further declines in inventories as oil prices hold out above US$70.0 a barrel.[1] However, a vessel supply glut remains, keeping competition aggressive and persistent in the near term. Coal prices have also made a recovery as current supply tightness and sustained demand holds steady. Charter rates have increased from its low, with operators and shipbuilders beginning to look for viable opportunities for newbuilds, alongside some budding support from financial institutions. Overall, a continued increase in such activities in the market will bode well for the Group.

Onshore, the Building and Construction Authority of Singapore forecasted that overall value of construction contracts would range from S$26.0 billion to S$31.0 billion for 2018 as compared to preliminary estimate for contracts awarded in 2017 of S$24.5 billion.[1] This rise is anticipated to come from both public and private sector construction demand, inclusive of residential, commercial, industrial and other sectors. A steady improvement in construction demand over the medium term continues to drive the Group's generator set business, strengthening its position in Singapore.

[1] *Bloomberg*

The Group will press forward and convert feasible opportunities into tangible results, having built a strong foundation which will allow it to ride the recovery and increase long-term value for its shareholders.

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A NOTE OF APPRECIATION

On behalf of the management team, we would like to extend our gratitude to the Board of Directors for their insight and advice. I would also like to thank my colleagues, staff and advisors for their understanding and persistence in these tough times.

To our business partners, associates, customers and suppliers, your unwavering support to the Group has been extremely reassuring and we hope that we continue to build on these bonds.

Lastly, our sincere gratitude goes out to our shareholders for their support and trust in the Group. We have outlasted the darkest period of this downturn and we aim to endure the remaining headwinds to ride the upcoming recovery, to rebuild a stronger and enhanced XMH.

MR. TAN TIN YEOW
Chairman and Managing Director

Board of Directors

Mr. Tan Tin Yeow
Chairman and Managing Director

Mr. Tan was appointed as Chairman and CEO on 29 October 2010. He was re-designated as Chairman and Managing Director on 8 September 2016. He bears overall responsibility for the Group as well as strategy formulation, corporate planning, business development and potential acquisition. He was also responsible for establishing the distribution arm and securing the exclusive distributorships for the Group.

Mr. Tan has more than 25 years of experience in the marine and industrial diesel engines industry. Prior to joining the Group, he has worked in Meng Wah Machinery Work, former partnership founded by the Founder, Mr. Tan Tum Beng until 1991. He was also one of the proud recipients of the Rotary-ASME Entrepreneur of the Year in 2007.

Ms. Tan Guat Lian
Executive Director

Ms. Tan was appointed as Executive Director (Human Resource & Administration) on 29 October 2010. She has overall responsibility in managing and overseeing the administrative and human resource departments.

Ms. Tan has contributed commendably to the early development of the Group with key initiatives like setting up various departments including the administrative, logistics, human resource, accounts and IT departments. She has more than 20 years of relevant experience in the Administrative and Human Resource.

Mr. Hong Pian Tee
Lead Independent Director

Mr. Hong was appointed as an Independent Director on 29 October 2010. Prior to retiring from professional practice, he was the managing director of PricewaterhouseCoopers Intrust Limited from 1985 to 1999. Mr. Hong is currently the chairman of Pei Hwa Foundation Limited, a position he has held since 2000, and an independent director of Sinarmas Land Limited, a company listed on the mainboard of the Official List of the SGX-ST. He is also an independent director of Asiaphos Limited, a company listed on the Catalist Board of SGX-ST.

Mr. Hong is a veteran in corporate finance and advisory, with over 26 years of experience in prominent global accounting firms. He previously held independent directorships on the board of mainboard listed companies, Asia Food & Properties Limited, Golden Agri-Resources Ltd, Sin Ghee Huat Corporation Ltd. and Memstar Technology Ltd.

Mr. Chan Heng Toong
Independent Director

Mr. Chan was appointed as an Independent Director on 29 October 2010. He retired from Banking in February 2013, after 33 years in the corporate and investment banking. Currently, is also independent director of Singapore O&G Ltd. and Ayonda Ltd., which are listed on the Catalist Board of SGX-ST.

Mr. Chan assumed key management positions in various established banks including Citibank N.A, American Express Bank (NY), Overseas Union Bank Limited, OUBS (Canada), United Overseas Bank and HL Bank, Singapore. He obtained a Bachelor of Engineering (Honours) from the University of Singapore and MBA (Finance & Transportation) from the University of British Columbia (Vancouver, BC).

Mr. Ng Sey Ming
Independent Director

Mr. Ng was appointed as an Independent Director on 29 October 2010. He is currently a partner in the Banking & Finance practice group in Rajah & Tann Singapore LLP. He is also an independent director of Hong Leong Asia Ltd., a company listed on the SGX-ST. He previously held independent directorships in Hiap Tong Corporation Ltd. and Gaylin Holdings Limited.

After being admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2000, Mr. Ng commenced his legal practice in Rajah & Tann Singapore LLP and was made a partner in 2007. He was admitted as a Solicitor of England and Wales, and an Advocate and Solicitor of the High Court of Malaya in 2007. He obtained a Bachelor of Laws (Honours) from the National University of Singapore in 1999 and is currently a member of the Singapore Academy of Law and the Law Society of Singapore.

Senior Management

Mr. Tan Leong Kim
Chief Financial Officer

Mr. Tan joined the company as Chief Financial Officer on 11 July 2016.

Mr. Tan is responsible for all the Group's financial and corporate functions including corporate finance, financial reporting, treasury management, taxation, compliance, investor relations and IT.

Mr. Tan has more than 15 years of experience in corporate finance as well as tax and treasury management. Prior to joining the Group, Mr. Tan has held senior executive positions such as Senior Vice President Business and Corporate Controller SEA and Chief Financial Officer, ASEAN of Tat Hong Holdings Ltd. ("Tat Hong"). Before Tat Hong, Mr. Tan was an auditor with KPMG.

Mr. Tan is a graduate of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountant.

Mr. Phua Tiang Soon
Operations Director

Mr. Phua joined the company on 4 December 2013 and is responsible for the overall Group's operations, overseeing the procurement, purchasing, production, engineering, and warehousing along with logistics functions. He was with Credence Partners as Vice President, Investment (Portfolio Operations) prior to joining the Group.

Mr. Phua has over 20 years of working experience in the contract manufacturing business covering numerous locations in Asia with various MNCs. His past appointments include General Manager of Celestica Electronics Shanghai Ltd. (formally Omni Electronics Shanghai), Managing Director of CTS Tianjin, Asia Pacific Director of Operations for Electrical Components International, among others. He holds a Bachelor's Degree (1st Class Honors) in Mechanical Engineering from Nanyang Technical University.

Ms. Ong Siok Ling (Wang Shuling)
Administrative Manager

Ms. Ong was appointed as Assistant Administrative Manager on 29 October 2010 and promoted to Administrative Manager on 1 August 2011. She is responsible for overseeing the export department, which handles the Group's shipping documentation and supports the overall logistic planning process.

Prior to joining the Group as administrative assistant in 1998, she worked as customer support assistant in Wing Seng Logistic Pte. Ltd. Over the years, she rose the ranks and was promoted to Administrative Officer and Administrative Executive in 2001 and 2003 respectively. Subsequently, she was promoted in 2005 to Senior Administrative Executive and has assumed the role of Assistant Administrative Manager since 2009.

Operations and Financial Review

FINANCIAL PERFORMANCE

For the financial year ended 30 April 2018 ("FY2018"), the Group's revenue decreased by 19.2% to S$72.9 million year-on-year ("yoy") as it was affected by highly competitive market conditions, customers delay of collection and commencement of projects. This was due mainly to decreases in contributions from the Projects and Distribution businesses of S$10.2 million and S$8.2 million respectively, offset slightly by an increase of revenue from the After-sales business of S$1.1 million.

The Group's gross profit decreased by S$4.0 million or 18.3% yoy to S$17.8 million. The Group's gross profit margin increased marginally from 24.2% for FY2017 to 24.4% for FY2018.

Other income decreased by about S$1.1 million to S$3.0 million for FY2018, due mainly to decreased gain on disposals of fixed assets and club memberships, decreased forfeiture of deposits from customers and absence of write-off of liabilities in FY2018. The decrease was partially offset by an increase in rental income generated from sub-letting part of the factory building.

Excluding the one-time non-cash impairment in FY2017, total operating expenses of the Group decreased by 8.2% yoy to S$24.0 million for FY2018. Administrative expenses decreased by 19.7% yoy to S$18.2 million for FY2018, due mainly to decreases in amortisation of intangible assets, staff costs, legal and professional fees, property tax, share-based payment expense, and an absence of impairment loss on goodwill. Distribution expenses decreased by 5.0% yoy to S$5.8 million for FY2018, as a result of decreases in staff costs and bank charges.

Operations and Financial Review

Net finance costs were approximately S$1.3 million for FY2018 as compared to net finance income of S$1.4 million in FY2017, due mainly to inclusion of net foreign exchange gain of approximately S$1.8 million derived from the transfer of Singapore dollars ("SGD") loans for the existing factory building from a subsidiary (functional currency in Japanese Yen) to the holding company (functional currency in SGD) in FY2017.

Overall, the Group reported a net loss attributable to owners of the company of S$3.5 million for FY2018, with basic loss per share of 3.12 Singapore cents.

FINANCIAL POSITION

Total equity attributable to owners of the Company decreased from S$66.4 million as at 30 April 2017 to S$61.6 million as at 30 April 2018. The decrease in property, plant and equipment of approximately S$4.6 million was due mainly to depreciation charge, offset partially by the acquisition of assets. Intangible assets decreased by approximately S$0.7 million to S$11.1 million as at 30 April 2018, due mainly to amortisation charge during the year. Non-current trade receivables decreased by S$1.6 million to S$0.4 million as at 30 April 2018, this was a result of instalments received in relation to an agreed long-term repayment tenure with a customer. Current trade and other receivables decreased by approximately S$8.8 million to S$14.3 million as at 30 April 2018, due mainly to collections during the year.

Inventories increased by approximately S$2.7 million to S$33.3 million as at 30 April 2018, to cater for anticipated market demand. The Group continues to maintain high standards of inventory control management and conduct regular assessments of its inventory needs relevant to its project planning. Contract work-in-progress increased by approximately S$3.0 million to S$7.3 million as at 30 April 2018, increase in contracts won which is in progress.

Trade and other payables decreased approximately S$5.2 million to S$18.8 million as at 30 April 2018, due mainly to settlements with trade suppliers and decrease in advance payments received.

The Group's loans and borrowings stood at approximately S$73.9 million as at 30 April 2018.

The Group's net asset value per ordinary share was 55.36 Singapore cents as at 30 April 2018.

STATEMENT OF CASH FLOW

Net cash generated from the Group's operating activities was S$0.5 million for FY2018 as compared to S$2.6 million in FY2017. This was due to lower sales generated and increased inventories to cater for anticipated market demand.

The Group used approximately S$0.5 million for investing activities in FY2018 against S$1.2 million generated in FY2017, due mainly to sales proceeds of S$2.1 million generated from the disposal of leasehold property in Sungei Kadut in FY2017.

Net cash used in financing activities was approximately S$0.7 million for FY2018 as compared to net cash generated of S$7.9 million for FY2017 as a result of net increase in payment of revolving credit facility and lower loan drawdowns.

In view of the above, overall net decrease in cash and cash equivalents was approximately S$0.8 million for FY2018 as compared to net cash increase of S$11.7 million in FY2017.

ORDER BOOK

The outstanding order book for the Group stood at approximately S$44.4 million as at 27 July 2018. The Group's order book includes the orders won by MPG and ZPA.

As the Group continues to face headwinds in the face of aggressive competition, it remains determined to strengthen its balance sheet and improve profitability by continuing its order winning momentum and converting opportunities into sales.

GOING FORWARD

The Group will remain steadfast in its aim to build a brighter future for its business partners, staff, shareholders and stakeholders using its diverse experience and competencies.

As the climate of the industries the Group operates in begin to improve, it hopes to achieve new milestones and bolster operations both locally and regionally.

Corporate Information

Board of Directors

Mr. Tan Tin Yeow *(Chairman and Managing Director)*
Ms. Tan Guat Lian *(Executive Director)*
Mr. Hong Pian Tee *(Lead Independent Director, Non-Executive)*
Mr. Chan Heng Toong *(Independent Director, Non-Executive)*
Mr. Ng Sey Ming *(Independent Director, Non-Executive)*

Company Secretary

Ms. Shirley Tan Sey Liy *(ACIS)*

Registered Office

55 Tuas Crescent, #07-01,
Singapore 638743
Telephone: (65) 6368 0188
Facsimile: (65) 6368 0633

Audit Committee

Mr. Hong Pian Tee *(Chairman)*
Mr. Chan Heng Toong *(Member)*
Mr. Ng Sey Ming *(Member)*

Remuneration Committee

Mr. Ng Sey Ming *(Chairman)*
Mr. Hong Pian Tee *(Member)*
Mr. Chan Heng Toong *(Member)*

Nominating Committee

Mr. Chan Heng Toong *(Chairman)*
Mr. Hong Pian Tee *(Member)*
Mr. Ng Sey Ming *(Member)*
Mr. Tan Tin Yeow *(Member)*

Share Registrar

Tricor Barbinder Share Registration Services
(A Division of Tricor Singapore Pte. Ltd.)
80 Robinson Road, #02-00,
Singapore 068898

Independent Auditors

Ernst & Young LLP
Public Accountants and Chartered Accountants Singapore
One Raffles Quay, North Tower, Level 18,
Singapore 048583
Partner-in-charge
Ms. Ho Shyan Yan
(Since financial year ended 30 April 2015)

Principal Bankers

DBS Bank Ltd.
12 Marina Boulevard, Level 43, DBS Asia Central
@ Marina Bay Financial Centre Tower 3,
Singapore 018982

United Overseas Bank Limited
80 Raffles Place, #11-00 UOB Plaza 1,
Singapore 048624

Standard Chartered Bank
8 Marina Boulevard, Level 29
@ Marina Bay Financial Centre Tower 1,
Singapore 018981

Malayan Banking Berhad
2 Battery Road, Maybank Tower,
Singapore 049907

The Hongkong and Shanghai Banking
Corporation Limited
21 Collyer Quay, #07-01 HSBC Building,
Singapore 049320

Investor Relations Consultant

Financial PR Pte Ltd
4 Robinson Road, #04-01,
The House of Eden
Singapore 048543

Corporate Governance Report

The Board of Directors ("**Board**") of XMH Holdings Ltd. ("**Company**") is committed to the highest standard of corporate governance throughout the Company and its subsidiaries ("**Group**") and has always recognised the importance of good governance to enhance corporate performance, accountability, shareholders' value and protection of stakeholders' interests as well as financial performance of the Group. Throughout the financial year ended 30 April 2018 ("**FY2018**"), the Company has complied substantially with the principles and guidelines of the Code of Corporate Governance 2012 ("**Code**").

This report sets out the Company's corporate governance practices and structures that were in place throughout and/or during the financial year or which will be implemented and where appropriate, we have provided explanations for deviation from the Code. The Board confirms that the Group has complied substantially with the principles and guidelines of the Code for FY2018. Where there are deviations from the Code, appropriate explanations have been provided.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board oversees the business and corporate affairs of the Group. The principle functions of the Board are:

- protecting and enhancing long-term value and return to shareholders of the Company ("**Shareholders**") and other stakeholders;
- providing leadership and guidance on corporate strategy, business directions, risk management policy and implementation of corporate objectives, as well as taking into consideration sustainability issues;
- establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- ensuring the effectiveness and integrity of Management;
- setting the Group's values and standards;
- identifying key stakeholder groups and recognising that their perceptions affect the Group's reputation;
- monitoring Management's achievement of the Group's goals;
- conducting periodic reviews of the Group's financial performance, internal controls and reporting compliance;
- approving nominations to the Board and appointment of key executives;
- overseeing the long-term succession planning for senior Management;
- ensuring the Group's compliance with all relevant and applicable laws, regulations, policies, directives and guidelines; and
- assuming responsibility for the corporate governance of the Group.

The Board objectively discharges its duties and responsibilities at all times as fiduciaries in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board has delegated specific responsibilities to three (3) committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). Further information and details on each of the Board Committees are set out below. While the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters still lies with the entire Board. The Board Committees operate within clearly defined terms of reference or scope and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance and effectiveness.

Formal Board meetings are held at least four (4) times a year to approve the quarterly and full year results announcements and to oversee the business affairs of the Group. Board meetings are planned in advance on a yearly basis. This enables the Board to meet on a regular basis without interfering with the Company's operations. The Board may request for further clarification and information from Management on all matters within its purview. Ad-hoc meetings are convened as and when circumstances require. The Company's Constitution provides for meetings of the Board to be conducted by way of telephone conference or other methods of simultaneous communications by electronic means. The Board and Board Committees may also make decisions through circulating resolutions.

The table below sets out the number of Board and Board Committees meetings held during FY2018 and the attendance of each Director at these meetings:

	Board		AC		NC		RC	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
Name of Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr. Tan Tin Yeow	4	4	4	4*	1	1	2	2*
Ms. Tan Guat Lian	4	4	4	3*	1	1*	2	1*
Mr. Hong Pian Tee	4	4	4	4	1	1	2	2
Mr. Chan Heng Toong	4	4	4	4	1	1	2	2
Mr. Ng Sey Ming	4	4	4	4	1	1	2	2

* By invitation

Directors who are unable to attend a Board meeting are provided with the briefing materials and can discuss issues relating to the matters to be discussed at the Board Meeting with the Chairman or the Managing Director ("**MD**") (defined below).

The Board had adopted a set of internal guidelines setting forth matters that require the Board's approval. Matters which are specifically reserved for the full Board for its decision and approval, include, amongst others, matters which involve a conflict of interest of a substantial shareholder or a Director or persons connected to such shareholder or director, material acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, share issuances, declaration of dividends and other returns to Shareholders and matters which require Board approval as specified under the Company's interested person transaction policy.

The Directors are also updated regularly on changes to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") listing rules, risk management, corporate governance, insider trading and key changes in the relevant regulatory requirements, financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or members of the Board Committees.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are regularly circulated to the Board. The Company Secretary regularly informs the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

A formal letter of appointment will be furnished to every newly-appointed Director upon their appointment explaining, amongst others, their roles, obligations, duties and responsibilities as a member of the Board. Newly-appointed Directors receive appropriate training in areas such as accounting, legal and industry-specific training, if required. Appropriate briefings and orientations will be arranged for newly-appointed Directors to acquaint them with background information on the Group's history, mission and values, its business operations, strategic directions, corporate governance practices, key business risks, as well as their duties and responsibilities as a Director. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

The Board values ongoing professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on, and contribute to, the Board. The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of their Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company also provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in the discharge of their duties.

The Management also regularly updates the Directors on the business activities of the Company and the Group during Board meetings.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The present Board comprises five (5) members, three (3) of whom are Independent Directors (including the Chairman of the various Board Committees) and they are able to exercise objective judgement on corporate affairs independently from the Management. As at the date of this report, the composition of the Board and the Board Committees are as follows:

Name of Directors	Board	AC	NC	RC
Mr. Tan Tin Yeow	Chairman and MD	–	Member	–
Ms. Tan Guat Lian	Executive Director	–	–	–
Mr. Hong Pian Tee	Lead Independent Director	Chairman	Member	Member
Mr. Chan Heng Toong	Independent Director	Member	Chairman	Member
Mr. Ng Sey Ming	Independent Director	Member	Member	Chairman

There is presently a strong element of independence on the Board. As the Chairman and MD is not an independent director, the Company has three (3) Independent Directors and is in compliance with the Code's guideline that at least half of the Board should be made up of Independent Directors.

Independent Directors

The NC considers an "independent" Director as one who has no relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his/her independent business judgement in carrying out the functions as an independent director with a view to the best interests of the Company. The criterion of independence is based on the definition set out in the Code. The NC may obtain confirmation from the Independent Directors that he/she is not involved in any of the relationships and/or circumstances as provided for in Guideline 2.3 of the Code.

The independence of a Director will be reviewed at the time of his/her appointment and the NC has reviewed, determined and confirmed the independence of each of the Independent Directors.

There is no Independent Director who has served on the board beyond nine (9) years from the date of his first appointment. The Company is cognisant of the need to progressively refresh the Board and will take this into consideration in its future review of Board composition, as and when deemed necessary.

The NC reviews the size of the Board on an annual basis to ensure that it has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The NC considers the present Board size to be appropriate for the current scope and nature of the Group's operations and the requirements of the business. As Independent Directors make up more than half of the Board, no individual group is able to dominate the Board's decision-making process.

A description of the background of each Director, including directorships they presently hold and those held over the preceding three (3) years in other listed companies and other principal commitments, is presented on pages 23 to 24 of this Annual Report. Each Director has been appointed on the strength of his calibre, experience and stature. Each Director is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategy and the performance of its business. As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business, legal and management, all of which are relevant to the Group.

Independent Directors do not exercise any management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined, and take into account the long-term interests of not only the Shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business, in reviewing the performance of Management in meeting agreed goals and objectives, and in monitoring the reporting of performance. The NC considers its Independent Directors to be of sufficient calibre and their views to be of sufficient weight such that no individual or small group of individuals is able to dominate the Board's decision-making process. The Board has also appointed Mr. Hong Pian Tee as its Lead Independent Director.

The Company co-ordinates informal meeting sessions for Independent Directors to meet without the presence of the Management where necessary to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Managing Director

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr. Tan Tin Yeow currently assumes the roles of both the Chairman and MD. He was re-designated from Chairman and Chief Executive Officer ("**CEO**") to Chairman and MD with effect from 8 September 2016. There is no change in Mr. Tan Tin Yeow's duties and responsibilities in the Group. The Group believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. The Board is of the opinion that it is not necessary to separate the two (2) roles after taking into consideration the size and capabilities of the Board, and the size and operations of the Group.

The Chairman and MD is the most senior executive in the Company and bears executive responsibility for the Company's business, as well as the responsibility for the workings of the Board. The Chairman and MD ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Directors. The Chairman and MD reviews Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information. As a general rule, Board papers are sent to Directors in advance in order for Directors to be adequately prepared for the meeting. The Chairman and MD also ensures that the management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or attend at the relevant time during the Board meetings. The Chairman and MD promotes active engagement and an open dialogue amongst the Directors as well as between the Board and Management. He also encourages constructive relations between Board and Management, and between the Executive and Independent Directors. At the Annual General Meeting ("**AGM**") and other shareholders' meetings, the Chairman and MD ensures constructive dialogue between Shareholders, the Board and Management. The Chairman and MD takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretary and Management.

In accordance with Guideline 3.3 of the Code and to promote a high standard of corporate governance, the Board has appointed Mr. Hong Pian Tee as the Lead Independent Director. Mr. Hong Pian Tee is available to Shareholders where they have concerns and in circumstances where contact through the normal channel of the Chairman and MD or the Chief Financial Officer ("**CFO**") has failed to resolve their concerns or for which such contact is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves at least once annually without the presence of the other Directors, where necessary, especially to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following members:

Mr. Chan Heng Toong (Chairman)
Mr. Tan Tin Yeow
Mr. Hong Pian Tee
Mr. Ng Sey Ming

The NC comprises four (4) directors, a majority of whom are Independent Directors. The Chairman of the NC is an Independent Director who is neither a substantial shareholder of the Company, nor directly associated with a substantial shareholder of the Company.

The terms of reference sets out clearly the principal responsibilities of the NC which include, amongst others:

- making recommendations to the Board on all Board appointments;
- making recommendations to the Board on the re-nomination of Directors annually and at least once every three (3) years for each Director, as required by the Constitution of the Company;
- determining the independence of Directors annually;
- procuring that at least half of the Board shall comprise Independent Directors;
- reviewing training and professional development programmes for the Board; and
- proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

In its search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board members and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps into the resources of the Directors' personal contacts and recommendations of potential candidates, and goes through a short-listing process. If candidates identified through this process are not suitable, executive recruitment agencies will be appointed to assist the NC in the search process. Interviews will be set up with potential candidates for NC members to assess them before a decision is reached. Other important issues considered in the NC's nomination and selection process for new Directors include composition and progressive renewal of the Board.

In its deliberations on the re-election and re-appointment of existing Directors, the NC takes into consideration the relevant Director's competency, commitment, contribution and performance (including, if applicable, his/her contribution and performance as Independent Director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of input and contributions. The Chairman of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his views in this regard. Other important issues considered in the NC's deliberations on the re-election and re-appointment of existing Directors include composition of and progressive renewal of the Board.

Based on its review, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgement on the corporate affairs of the Group independent of the Management.

The NC has recommended to the Board that Mr. Hong Pian Tee and Mr. Chan Heng Toong be nominated for re-election at the forthcoming AGM pursuant to Regulation 89 of the Constitution of the Company. The Board has accepted the NC's recommendation.

Mr. Chan Heng Toong and Mr. Hong Pian Tee, being the chairman and member respectively of the NC, who are retiring at the forthcoming AGM, have abstained from voting on the resolution in respect of their re-election as a Director at the NC meeting.

The Directors due for re-election at the forthcoming AGM have no relationship (including immediate family relationship) with the other Directors, the Company or its 10% shareholders.

The NC has considered and taken the view that it would not be appropriate at this juncture to set a limit on the number of listed directorships that a Director may hold. This is because the organisations in which they hold appointments and the Board Committees on which they serve are of different complexities and nature. The NC determines annually whether each Director with multiple board representations and principal commitments outside of the Group is able to and has been adequately carrying out his or her duties as a Director. The NC also takes into account the attendance of the Directors at Board or Board Committee meetings, results of the assessment of the effectiveness of the Board as a whole, the Board Committees, and the respective Director's actual conduct on the Board and its Board Committees, in making its determination.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple Board representations. As such, the NC is of the view that there is no present need to implement internal guidelines to address competing time commitments. This matter is also reviewed by the NC on an annual basis.

There is no alternate director being appointed to the Board.

The key information regarding Directors such as their academic and professional qualifications, Board Committees they have served on, directorships or chairmanships both present and past held over the preceding three (3) years in other listed companies and other major appointments, whether the appointment is executive or non-executive, is set out below. Information on the shareholdings of the Directors in the Company and its subsidiaries can be found on pages 39 to 45 of the Annual Report.

Mr. Tan Tin Yeow
Chairman and Managing Director

Mr. Tan was appointed as Chairman and CEO on 29 October 2010. Mr. Tan's date of last re-election was 28 August 2015. He was re-designated as Chairman and MD on 8 September 2016. He serves as Chairman of the Board and member of the NC.

Mr. Tan's highest academic qualification is the Singapore Cambridge General Certificate of Education Ordinary Level Examination. Mr. Tan has not held any directorships or chairmanships in the preceding three (3) years in other listed companies.

Ms. Tan Guat Lian
Executive Director

Ms. Tan was appointed as Executive Director (Human Resource & Administration) on 29 October 2010. Ms. Tan's date of last re-election was 25 August 2017. She serves as a member of the Board.

Ms. Tan has a diploma in Human Resource Management from PSB Academy. Ms. Tan has not held any directorships or chairmanships in the preceding three (3) years in other listed companies.

Mr. Hong Pian Tee
Lead Independent Director

Mr. Hong was appointed as an Independent Director on 29 October 2010 and his date of last re-election was 29 August 2016. Mr. Hong serves as Chairman of the AC and member of the Board, NC and RC.

Mr. Hong's highest academic qualification is the Singapore Cambridge General Certificate of Education Ordinary Level Examination. Mr. Hong is also currently an independent director of Sinarmas Land Limited, a company listed on the Mainboard of the Official List of the SGX-ST. He is also an independent director of Asiaphos Limited, a company listed on the Catalist Board of SGX-ST. He is a Director of Pei Hwa Foundation Ltd. Within the past three (3) years, Mr. Hong previously held a directorship in the Mainboard listed companies, Golden Agri-Resources Ltd and Memstar Technology Ltd.

Mr. Chan Heng Toong
Independent Director

Mr. Chan was appointed as an Independent Director on 29 October 2010 and his date of last re-election was 29 August 2016. Mr. Chan serves as Chairman of the NC and member of the Board, AC and RC.

Mr. Chan obtained a Bachelor of Engineering (Honours) from the University of Singapore and MBA (Finance & Transportation) from the University of British Columbia (Vancouver, BC). Mr. Chan is currently an independent director of Singapore O&G Ltd. and Ayonda Ltd. which are listed on the Catalist Board of SGX-ST. He did not hold any past directorships in the preceding three (3) years in other listed companies.

Mr. Ng Sey Ming
Independent Director

Mr. Ng was appointed as an Independent Director on 29 October 2010 and his date of last re-election was 25 August 2017. Mr. Ng serves as Chairman of the RC and member of the Board, AC and NC.

Mr. Ng was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2000 and, as a Solicitor of England and Wales, and an Advocate and Solicitor of the High Court of Malaya, in 2007. He obtained a Bachelor of Laws (Honours) from the National University of Singapore in 1999 and is currently a member of the Singapore Academy of Law and the Law Society of Singapore. Mr. Ng is currently an independent director of Hong Leong Asia Ltd., a company listed on the Mainboard of the SGX-ST. Within the past three (3) years, Mr. Ng previously held directorships in a Mainboard listed company, Gaylin Holdings Limited and a Catalist listed company, Hiap Tong Corporation Ltd.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The Board has implemented a process to be carried out by the NC to assess:

- its effectiveness as a whole;
- effectiveness of its Board Committees; and
- the contributions by each Director to the effectiveness of the Board.

The assessment of the Board and its Board Committees is conducted through a confidential questionnaire, covering areas such as the effectiveness of the Board in its monitoring role, and the effectiveness of the Board Committees, which is completed by each Director individually. Such performance criteria are approved by the Board and they address, amongst others, how the Board has enhanced long-term shareholders' value. The performance criteria does not change unless circumstances deem it necessary, and a decision to change the criteria would have to be justified by the Board.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

The evaluation of individual Directors is done through self-assessment, and in each case through a confidential questionnaire completed by the Directors individually. The assessment parameters for such individual evaluation include both qualitative and quantitative factors such as attendance records, contributions during Board meetings, as well as individual performance of principal functions and fiduciary duties.

The completed questionnaires are collated for the NC's deliberation. The NC then presents the results, conclusions and its recommendations to the Board. The Chairman and MD acts on the results of the performance evaluation, and where appropriate and in consultation with the NC, proposes new members to be appointed to the Board, or seeks the resignation of a Director.

The assessments of the Board, Board Committees and the Directors are carried out once every financial year. Each member of the NC is required to abstain from voting on any resolution in respect of the assessment of his/her performance or re-nomination as a Director.

The NC, having reviewed the overall performance of the Board, Board Committees and the assessment of the individual Director in terms of its role and responsibilities and the conduct of its affairs as a whole for FY2018, is of the view that the performance of the Board as a whole, Board Committees and contributions by each Director has been satisfactory. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors. No external facilitator was used in the evaluation process.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the significance of ensuring that there is complete, adequate and timely flow of information to the Directors from time to time to enable them to make informed decisions and to discharge their duties and responsibilities.

To ensure the Directors have sufficient time to prepare for the relevant meetings, all Directors receive a set of Board papers prior to such meeting. This is generally issued to them at least three (3) days prior to the meeting to enable the Directors to obtain further explanations, where necessary, and includes financial, business and corporate matters of the Group, so as to enable the Directors to be briefed properly and be prepared for the meetings of the Board and Board Committees.

As part of good corporate governance, decision-making on key matters are reserved for resolution at Board meetings rather than simply circulating reports on those matters, in order to facilitate discussion. Key analysts' reports on the Group are forwarded to the Directors on an on-going basis. In addition, the Board receives quarterly management accounts from the Management, which present a balanced and understandable assessment of the Group's performance, position and prospects. Additional information or material requested by the Directors, if any, is also promptly furnished. Any material variance between the projections and actual results are also disclosed and explained to the Board.

The Directors have separate and independent access to the Company Secretary, senior management, including the Chairman and MD, the CFO and other executive officers, as well as the Group's internal and external auditors. Queries by individual Directors on circulated reports are directed to the Management who will respond accordingly. Where relevant, Directors' queries and the Management's responses will be circulated to all Board members for their information.

All Directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary or her representative(s) attends all meetings of the Board and, together with members of the Management, ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary or her representative(s) also attends all meetings of the Board and Board Committees where necessary, and is responsible primarily for the proper maintenance of the records. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board and its Board Committees and between senior management and the Independent Directors, as well as facilitating orientation and assisting with professional development as required.

Under the Constitution of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his/her duties and responsibilities as a Director.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members:

Mr. Ng Sey Ming (Chairman)
Mr. Hong Pian Tee
Mr. Chan Heng Toong

The RC comprises three (3) directors, all of whom are Independent Directors.

The terms of reference sets out clearly the principal responsibilities of the RC which include, amongst others:

- Reviewing and recommending to the Board for endorsement, a comprehensive remuneration policy framework for the computation of Directors' fees of the Board, as well as the remuneration of Executive Directors and key management personnel.

  For Executive Directors and executive officers, the framework covers all aspects of executive remuneration (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind).

- Recommending the specific remuneration packages for each Director and executive officer.

  In framing the Group's remuneration policy as described above, the RC may from time to time refer to market reports on average remuneration.

- Administration of the XMH Share Option Scheme ("**Scheme**").

  The Scheme provides a framework for eligible participant(s), with an opportunity to participate in the equity of the Company, to motivate them towards better performance through increased dedication and loyalty. Further information on the Scheme can be found on pages 82 to 84 of the Annual Report.

- Reviewing remuneration of employees who are immediate family members of a Director or the MD.

  The total remuneration of employees who are related to Directors is reviewed by the RC annually to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

- Reviewing the service agreements of Executive Directors and key management personnel of the Company in the event of termination to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

Although the RC does not currently engage any professional advisers in relation to the remuneration of the Directors, the RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages. More information on the remuneration for the Executive Directors and certain key management personnel can be found below.

The Company adopted the Scheme in 2010. The Executive Directors, Independent Directors and key management personnel are eligible to participate in the Scheme in accordance with the rules for the Scheme.

The Independent Directors receive Directors' fees appropriate to the level of their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. The Independent Directors shall not be over-compensated to the extent that their independence may be compromised. The Directors' fees are endorsed by the RC and recommended by the Board for Shareholders' approval at the AGM of the Company. There are no other share-based compensation schemes in place for Independent Directors save for the Scheme.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Taking into account the confidentiality and sensitivity as well as the competitive pressures in the talent market, the Board has decided to disclose the remuneration of the Directors and key management personnel, in bands with a breakdown of the components in percentage set out in the tables below.

The remuneration paid to or accrued to each individual Director and the MD for FY2018 is as follows:

Remuneration Band and Name of Directors	Salaries[1] %	Bonus %	Directors' Fees %	Share Options %	Benefits -In-Kind[2] %	Total %
Above S$500,000 but below S$750,000						
Mr. Tan Tin Yeow[3]	83	6	–	6	5	100
Above S$250,000 but below S$500,000						
Ms. Tan Guat Lian[3]	78	17	–	5	–	100
Below S$250,000						
Mr. Hong Pian Tee[3]	–	–	100	–	–	100
Mr. Ng Sey Ming[3]	–	–	100	–	–	100
Mr. Chan Heng Toong[3]	–	–	100	–	–	100

Notes:

(1) Salaries also include Central Provident Fund ("**CPF**") contributions, transport allowance and unconsumed leave.
(2) Benefits-in-kind comprises vehicle benefits.
(3) Details of share options granted to the Directors can be found in the "Directors' Statement" section of the Annual Report on pages 39 to 45.

For FY2018, the Company only identified three (3) key management personnel, and the remuneration paid to or accrued to the key management personnel (who are not Directors or the MD) is as follows:

Name of Key Management Personnel	Salaries[1] %	Bonus %	Share Options %	Benefits -In-Kind[2] %	Total %
Above S$250,000 but below S$500,000					
Mr. Phua Tiang Soon	82	14	4	–	100
Mr. Tan Leong Kim	89	9	2	–[3]	100
Below S$250,000					
Ms. Ong Siok Ling	81	11	8	–	100

Notes:

(1) Salaries also include CPF contributions, transport allowance and unconsumed leave.
(2) Benefits-in-kind comprises annual subscription fees.
(3) Percentage is less than 1%.

The fees of Independent Directors are subject to the approval of Shareholders at the AGM.

Immediate Family Member of Directors or Substantial Shareholders

Mr. Tan Tin Yeow, the Chairman and MD and Ms. Tan Guat Lian, the Executive Director (Human Resource and Administration), are siblings. Mr. Tan Fuyuan is the nephew of Mr. Tan Tin Yeow and Ms. Tan Guat Lian and whose remuneration exceeds S$50,000 in FY2018.

Details of remuneration paid to the immediate family member of Directors or substantial shareholders for FY2018 are set out below:

Name of Immediate Family Member	Salaries[1] %	Bonus %	Share Options %	Total %
Above S$250,000 but below S$500,000				
Ms. Tan Guat Lian	78	17	5	100
Above S$50,000 but below S$150,000				
Mr. Tan Fuyuan	84	11	5	100

Note:

(1) Salaries also include CPF contributions, transport allowance and unconsumed leave.

For FY2018, the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the MD) amounted to S$712,000.

There are no termination, retirement or post-employment benefits granted to the Directors, MD and/or key management personnel.

The remuneration received by the Executive Directors and certain key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation is in the form of salary, bonus, share options under the Scheme and others. The variable component is performance-related and is linked to the Group's performance as well as the performance of each individual Executive Director and key management personnel. In determining the actual quantum of the variable component of remuneration, the RC had taken into account the extent to which the performance conditions have been met. The RC is therefore of the view that the remuneration for each individual Executive Director and abovementioned key management personnel was aligned to their individual performance as well as the Group's performance during FY2018.

The Board is aware of the recommendation in the Code and noted the requirements under Listing Rule 1207(12) to disclose in aggregate the total remuneration paid to the top three (3) key management personnel (who are not Directors or the MD) of the Company. After weighing the pros and cons, the Board is of the view that full disclosure of the total remuneration paid would not be in the best interests of the Group as such information is confidential and sensitive in nature and would be prejudicial to the Group's interest and hamper its ability to retain and nurture the Group's talent pool. The Board believes that the disclosure in bands provides a sufficient overview of the remuneration received by the Directors and the top three (3) key management personnel of the Group, while maintaining the confidentiality of their remuneration matters.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports and reports to regulators (if required). Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial results announcements are reviewed carefully by the Board and the AC before being released on the SGXNet. If required, the Group's external auditors' view will be sought.

The Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a quarterly basis. The Board papers are circulated to the Directors prior to any Board meeting to facilitate effective discussion and decision-making.

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the Shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors and the CFO have provided assurance to the Board on the integrity of the Group's financial statements.

The Management also maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group may, from time to time, enter into foreign currency investments with the objectives of (i) improving the returns for the Group's foreign currency deposits and/or (ii) meeting the Group's future foreign currency payment obligations.

In respect of these foreign currency investments, the Group has adopted a formal policy for all engagements in foreign currency investments ("**FCI Policy**"). Further information on the FCI Policy can be found in the Company's prospectus dated 14 January 2011. A Risk Committee has been established to review and verify all foreign currency investments and ensure compliance of the FCI Policy; and reports directly to the AC.

For FY2018, the Risk Committee comprises the following members:

Mr. Tan Tin Yeow (Chairman)
Mr. Tan Leong Kim
Mr. Phua Tiang Soon
Ms. Tan Guat Lian (Appointed on 20 July 2017)
Mr. Mark Tan Ah Hong (resigned as Sales General Manager on 9 June 2017)

Mr. Tan Tin Yeow, the Chairman and MD, is the only person authorised to trade under the terms of the FCI Policy. All trades relating to foreign currency investments shall be presented to the Risk Committee on a monthly basis and reported to the AC on a quarterly basis.

Risk Management

The AC, through the Risk Committee, assists the Board in carrying out the Board's responsibility of overseeing the risk management, framework and policies of the Group. The AC examines the effectiveness of the Group's internal control systems. The assurance mechanisms currently in operation are supplemented by the Group's internal auditors' annual review on the effectiveness of the Group's material internal controls, including financial, operational and compliance controls. Any material non-compliance or failure in internal controls and recommendations for improvements are reported to the AC in a timely fashion. The AC also reviews the effectiveness of the actions taken by the Management based on the recommendations made by the internal and external auditors (as part of the statutory audit) in this respect.

During FY2018, the AC reviewed the adequacy and effectiveness of the Group's internal control procedures and was satisfied that the Group's processes and internal controls are adequate and effective to meet the needs of the Group in its current business environment.

Adequacy of internal controls

The Board is committed to maintaining a robust and effective system of internal controls to safeguard Shareholders' interests and investments, and the Group's assets. The Board recognises the importance of sound internal controls and risk management practices for good corporate governance. The Board acknowledges its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risk management and internal controls and the Board oversees the Management in such design, implementation and monitoring. The Board further notes that the system of risk management and internal controls established by the Company provides reasonable, but not absolute assurance that the Group will not be significantly affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

The internal auditors, Nexia TS Risk Advisory Pte. Ltd., have performed audit procedures to assist the AC and the Board in the evaluation of the internal controls, financial and accounting matters, compliance and information technology controls, business and financial risk management.

Based on the work of the internal auditors, and the management systems in place, nothing material has come to the attention of the Board to suggest that the internal controls of the Group were not adequate or effective in safeguarding the Group's assets and ensuring the integrity of the Group's financial statements. Where significant weaknesses have been identified, the Board upon the recommendation of the AC, has taken steps to ensure that the Management adopts appropriate actions to address and rectify these weaknesses. The Board, together with the Management, then subsequently reviews the outcomes of such actions.

The MD and the CFO have also provided assurance to the Board that:

- the financial records have been properly maintained and the financial statements for FY2018 reflect a true and fair view in all material respects, of the Group's operations and finances; and

- the Group's risk management and internal control systems are operating effectively in all material respects given its current business environment.

Based on the reports submitted by the internal auditors and the various management controls put in place, the Board, with the concurrence of the AC, is of the opinion that the risk management systems and system of internal controls addressing financial, operational, compliance and information technology risks of the Group during the year are adequate and effective to safeguard its assets and ensure the integrity of its financial statements for FY2018.

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises the following members:

Mr. Hong Pian Tee (Chairman)
Mr. Chan Heng Toong
Mr. Ng Sey Ming

All members of the AC, including the Chairman of the AC, are Independent Directors of the Company. Most of the AC members have had many years of experience in accounting, business and financial management. The Board considers that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience, to discharge the duties and responsibilities of the AC.

The AC held four (4) meetings in FY2018. At the invitation of the AC, the Chairman and MD and the CFO attended the meeting. The Group's external auditors were also present at the relevant junctures during the meeting.

The AC assists the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

The AC has terms of reference endorsed by the Board, setting out its duties and responsibilities. The AC is authorised by the Board to investigate any matter within its terms of reference. It is given full access to and has the co-operation of the Management as well as the external auditors and internal auditors.

For FY2018, the AC has performed its functions and responsibilities as set out in the terms of reference, which includes the following:

- reviewing the Group's financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing, in particular, on significant financial reporting issues and judgements, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Rules of the SGX-ST and any other relevant statutory or regulatory requirements;

- reviewing the audit plans and reports of the internal and external auditors, including the results of the internal auditors' review and evaluation of the system of internal accounting controls and external auditors' management letter recommendations;

- reviewing the effectiveness and adequacy of the internal audit function (including a review of the internal accounting and control procedures) and ensuring co-ordination between the external auditors and the Management, reviewing the assistance given by the Management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of the Management where necessary);

- reviewing and considering the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal thereof, and making recommendations to the Board thereafter on the appointment, removal and the terms of engagement;

- reviewing any interested person transactions and potential conflicts of interest (within the definition of the Listing Rules), including any undertakings entered into by any of the Directors in respect of the above;

- reviewing the effectiveness and adequacy of the internal accounting and financial control procedures;

- reviewing the Risk Committee's report on the implementation of the FCI Policy, such report to include a review of the operation of foreign currency investments for compliance with the prevailing control measures and procedures set out in the FCI Policy;

- reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AC should keep the nature and extent of such services under review, seeking to balance between the maintenance of objectivity and obtaining services that are value for money;

- reviewing all whistle-blowing incidents reported and investigated, including ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;

- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company. (For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff);

- ensuring the adequacy of the internal audit function at least annually;

- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

- undertaking such other functions and duties as may be required by the Listing Rules of the SGX-ST, and by amendments made thereto from time to time.

The AC has full access to and the co-operation of the Management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work" performed by external auditors which aims to facilitate the AC in evaluating the external auditors. The AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

The AC makes recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and on the approval of the remuneration and terms of engagement of the external auditors. The AC has recommended to the Board that Messrs Ernst & Young LLP, be nominated for the re-appointment as external auditors of the Company at the forthcoming AGM. The AC has assessed the external auditors of the Company based on factors such as performance, adequacy of resources and experience of their audit engagement partners and audit team assigned to the Group's audit.

The AC has reviewed and is satisfied with the level of co-operation rendered by the Management to the external auditors, the adequacy of scope and quality of their audits, and the independence and objectivity of the external auditors.

The AC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. For FY2018, the AC met once with the external auditors, and once with the internal auditors, without the presence of Management.

Annually, the AC also conducts a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees paid to them. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY2018. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed on page 78 of this Annual Report. The AC remains satisfied that the nature and extent of such non-audit services would not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid or payable by the Group to the external auditors for FY2018 amounted to S$220,000 for audit services and S$5,000 for non-audit services respectively. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Rules in relation to the engagement of its auditor.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements of the group, the AC members are encouraged to participate in relevant training courses, seminars and workshops from time to time. The AC is also kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. As such, the Group undertakes to investigate complaints of suspected fraud in an objective manner and has put in place arrangements by which staff of the Group or third parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Whistle-blowing concerns may be reported in person or in writing via electronic mail. The Group will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. The objective of the whistle-blowing policy is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. The results from the investigation will be reported directly to the Chairman of the AC.

No whistle-blowing concerns were reported for FY2018.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has engaged Nexia TS Risk Advisory Pte. Ltd. as its internal auditor, after approval from the AC was sought. The internal auditor of the Company is a member of the Institute of Internal Auditors Singapore ("**IIA**"), a professional association for internal auditors which has its headquarters in the United States. The audit work carried out by the internal auditors is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA when performing the internal audit.

The Board recognises the importance of sound internal financial controls, operational and compliance controls, and risk management policies (collectively, "**internal controls**") to good corporate governance. The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal auditors report directly to the AC Chairman on audit matters and to the Chairman and MD on administrative matters, and has full access to the documents, records, properties and personnel (including the AC) of the Group. The internal auditors assist the Board in monitoring the risk exposure and internal controls of the Group and the audit plan is submitted to the AC for approval prior to commencement of the internal audit.

In assessing the design and operating effectiveness of internal controls, the Group has in place a system of internal controls to ensure:

- assets of the Group are safeguarded;
- fraud or errors in the accounting records are prevented or detected;
- accuracy and completeness of accounting records are ensured;
- reliable financial information is prepared in a timely manner; and
- compliance with applicable internal policies, laws and regulations relating to the financial reporting process.

The AC has reviewed with the internal auditors their audit plans, their evaluation of the Group's system of internal controls, audit findings and Management's responses to those findings and the effectiveness of material internal controls (including financial, operational and compliance controls and overall risk management of the Group). The AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

The AC is satisfied that the internal audit function is staffed with suitably qualified and experienced professionals with the relevant experience.

The AC reviews the adequacy and effectiveness of the internal audit function of the Company annually.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company believes that Shareholders have the right to be sufficiently informed of changes in the Company or its business that would materially affect the price or value of its shares. To ensure that all Shareholders are treated fairly and equitably, the Company strives to share pertinent information with the investment community in a timely manner to keep them apprised on the latest developments through announcements via SGXNet. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the annual report or circulars sent to all Shareholders. These notices are also advertised in a national newspaper. Such notices will contain the relevant rules and procedures governing the general meetings. All Shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. Shareholders are also informed of the voting procedures at the general meetings. If any Shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two (2) proxies to attend, speak and vote at the AGM.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Group values dialogue with its Shareholders. The Group believes in regular, effective and fair communication with its Shareholders and is committed to hearing Shareholders' views and addressing their concerns where possible. The Group's investor policy is that all Shareholders should be equally informed of all major developments impacting the Group's business and operations in a timely manner. By supplying Shareholders with reliable and timely information, the Company is able to strengthen the relationship with its Shareholders based on trust and accessibility.

The Group has outsourced its investor relations ("**IR**") function to IR service provider, Financial PR Pte Ltd, who focuses on facilitating communication with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors and the public apprised of the Group's corporate developments and financial performance. The contact details of the IR personnel are set out in the "Corporate Information" section of this Annual Report on page 16. The IR personnel have procedures in place for responding to investors' queries as soon as applicable.

The investor relations service provider also acts as a liaison point for the media, public, institutional investors and public Shareholders on corporate information. The Company does not practice selective disclosure. Material and price-sensitive information is published on SGXNet and on the Company's website http://www.xmh.com.sg, and where appropriate, through media releases. Communication is mainly made through:

- Annual reports that are prepared and sent to all Shareholders. The Board ensures that the annual report includes all relevant material information about the Company and the Group, including future developments and other disclosures required by the Companies Act, Chapter 50 of Singapore, the Listing Manual of the SGX-ST and the Singapore Financial Reporting Standards;

- Quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and

- Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGM**"). The notices of AGMs and EGMs are also advertised in a national newspaper.

Shareholders are strongly encouraged to participate at general meetings, which provide a major platform for shareholders to engage and dialogue with the Company directly. To promote better understanding of Shareholders' views, the Board encourages Shareholders to express their views and ask the Board or the Management questions regarding the Group during the Company's general meetings. At these meetings, Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. All Directors, key management staff, the Company's external auditors and lawyers (if necessary) attend the general meetings. General meetings provide excellent opportunities for the Company to understand the views of its Shareholders and address any concerns that they have.

The Group does not have a dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For FY2018, the Board does not recommend any payment of dividends as the Group has not been profitable for the financial year ended 30 April 2017 and 30 April 2018. The Board wishes to conserve cash so as to ensure sufficiency of funds for its operational needs as well as to capitalize on any potential business growth and expansion opportunities that might arise in the near future.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders of the Company are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notices of general meetings are despatched to Shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 or 21 clear calendar days before the meeting depending on the nature of the resolutions proposed. Such notices will also be announced through SGXNet and published in a national newspaper. The Board welcomes questions from Shareholders who wish to raise issues, either informally or formally, before or during the general meetings.

A proxy form will also be despatched with each notice of general meeting to all Shareholders. If any Shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. Pursuant to the Companies (Amendment) Act 2014, a Shareholder who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two (2) proxies to attend, speak and vote at the AGM. As the authentication of Shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Each item of special business included in the notice of the general meetings will be accompanied by an explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

All Directors, key management staff, the Company's external auditors and lawyers (if necessary) attend the general meetings. The respective Chairman of the AC, NC and RC are usually present at such general meetings to address questions relating to the work of their respective Board Committees at general meetings while the external auditors are usually present as well to assist the Board in addressing any relevant queries raised by the Shareholders.

The Company will make available minutes of general meetings, prepared by the Company Secretary, to Shareholders that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, upon their request.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. The Company adopts electronic polling for the resolutions voted upon at its general meetings. The detailed results of each resolution are announced via SGXNet after the general meetings.

(E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Rules, the Company had adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and the period commencing one (1) month before the announcement of the Company's full-year financial results, ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

(F) INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis and do not prejudice the interests of the Group and its minority shareholders.

There was no interested person transaction above $100,000 for FY2018.

(G) MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of any Director or controlling shareholder for FY2018.

Directors' Statement

The directors present their statement to the members together with the audited consolidated financial statements of XMH Holdings Ltd. (the "Company") and its subsidiary corporations (collectively the "Group") and the statement of financial position of the Company for the financial year ended 30 April 2018.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2018 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Tan Tin Yeow
Tan Guat Lian
Hong Pian Tee
Chan Heng Toong
Ng Sey Ming

Arrangements to enable directors to acquire shares and debentures

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiary corporations) as stated below:

Directors' interests in shares and debentures (cont'd)

Name of director and corporation in which interests are held	Direct interest: At the beginning of the financial year	Direct interest: At the end of the financial year	Direct interest: At 21 May 2018	Deemed interest: At the beginning of the financial year	Deemed interest: At the end of the financial year	Deemed interest: At 21 May 2018
The Company						
Tan Tin Yeow						
– ordinary shares	44,857,500	44,857,500	44,857,500	–	–	–
– options to subscribe for ordinary shares at:						
– $0.596 per share between 11 September 2014 and 10 September 2017	147,500	–	–	–	–	–
– $1.292 per share between 5 September 2015 and 4 September 2018	237,500	237,500	237,500	–	–	–
– $0.992 per share between 12 September 2016 and 11 September 2019	350,000	350,000	350,000	–	–	–
– $0.520 per share between 10 September 2017 and 9 September 2020	250,000	250,000	250,000	–	–	–
– $0.310 per share between 7 September 2018 and 6 September 2021	248,500	248,500	248,500	–	–	–
– $0.220 per share between 30 August 2019 and 29 August 2022	–	250,000	250,000	–	–	–
Tan Guat Lian						
– ordinary shares	6,569,744	6,569,744	6,569,744	22,500	22,500	22,500
– options to subscribe for ordinary shares at:						
– $1.292 per share between 5 September 2015 and 4 September 2018	162,500	162,500	162,500	–	–	–
– $0.992 per share between 12 September 2016 and 11 September 2019	162,500	162,500	162,500	–	–	–
– $0.520 per share between 10 September 2017 and 9 September 2020	162,500	162,500	162,500	–	–	–
– $0.310 per share between 7 September 2018 and 6 September 2021	162,500	162,500	162,500	–	–	–
– $0.220 per share between 30 August 2019 and 29 August 2022	–	162,500	162,500	–	–	–

Directors' interests in shares and debentures (cont'd)

	Direct interest		
Name of director and corporation in which interests are held	At the beginning of the financial year	At the end of the financial year	At 21 May 2018
The Company (cont'd)			
Hong Pian Tee			
– ordinary shares	651,750	651,750	651,750
– options to subscribe for ordinary shares at:			
– $1.292 per share between 5 September 2015 and 4 September 2018	30,000	30,000	30,000
– $0.992 per share between 12 September 2016 and 11 September 2019	25,000	25,000	25,000
Chan Heng Toong			
– ordinary shares	125,000	125,000	125,000
– options to subscribe for ordinary shares at:			
– $1.292 per share between 5 September 2015 and 4 September 2018	30,000	30,000	30,000
– $0.992 per share between 12 September 2016 and 11 September 2019	25,000	25,000	25,000
Ng Sey Ming			
– ordinary shares	125,000	125,000	125,000
– options to subscribe for ordinary shares at:			
– $1.292 per share between 5 September 2015 and 4 September 2018	30,000	30,000	30,000
– $0.992 per share between 12 September 2016 and 11 September 2019	25,000	25,000	25,000

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr. Tan Tin Yeow is deemed to have an interest in the shares of all the subsidiary corporations and associate to the extent held by the Company.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations (other than wholly owned subsidiary corporations), either at the beginning or at the end of the financial year.

Share options

The XMH share option scheme (the "Scheme") was approved by shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 5 November 2010. The Scheme applies to executive directors and independent directors of the Company and full-time employees of the Group. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Mr. Ng Sey Ming (Chairman), Mr. Hong Pian Tee and Mr. Chan Heng Toong.

Share options (cont'd)

Other information regarding the Scheme is set out below:

- The exercise price (the "Exercise Price") for each share in respect of which an option is exercisable shall be determined and fixed by the Remuneration Committee and shall be equal to the average of the closing prices of the share for the past five market days immediately preceding the relevant date of grant of the option (the "Market Price").

- The period for the exercise (the "Exercise Period") of an option granted under the Scheme shall be:

  (a) in the case of an option granted at Market Price (the "Market Price Option"), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the Singapore Exchange Securities Trading Limited ("SGX-ST") for such Market Price Option; and

  (b) in the case of an option granted at a discount of up to 20% of the Market Price (the "Incentive Option"), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Options.

Details of all options granted under the Scheme to subscribe for ordinary shares of the Company as at 30 April 2018 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 May 2017	Options granted during the year	Options cancelled/ lapsed	Options outstanding as at 30 April 2018	Exercise period
11/9/2012	$0.596	170,500	–	(170,500)	–	From 11/9/2014 to 10/9/2017
05/9/2013	$1.292	923,750	–	(15,000)	908,750	From 05/9/2015 to 04/9/2018
12/9/2014	$0.992	1,105,000	–	(7,500)	1,097,500	From 12/9/2016 to 11/9/2019
10/9/2015	$0.520	989,500	–	(43,750)	945,750	From 10/9/2017 to 09/9/2020
07/9/2016	$0.310	1,184,250	–	(72,500)	1,111,750	From 07/9/2018 to 06/9/2021
30/8/2017	$0.220	–	1,420,250	(150,000)	1,270,250	From 30/8/2019 to 29/8/2022
		4,373,000	**1,420,250**	**(459,250)**	**5,334,000**	

There were 10,246,000 (2017: 8,825,750) options granted to the directors and employees of the Company and its subsidiary corporations from the commencement of the Scheme until the end of the financial year under review.

Share options (cont'd)

During the financial year:

(a) 1,007,750 (2017: 873,250) options have been granted by the Company to the Group's employees;

(b) No (2017: No) options have been granted by the Company to its directors excluding controlling shareholder and his associates; and

(c) 412,500 (2017: 411,000) options have been granted by the Company to its controlling shareholder and his associates.

Except as disclosed above, there were no unissued shares of the Company or its subsidiary corporations under options granted by the Company as at the end of the financial year.

Details of options granted to directors of the Company under the Scheme are as follows:

Name of director	Aggregate options outstanding as at 1 May 2017	Options granted during the year	Options cancelled/ lapsed	Aggregate options outstanding as at 30 April 2018
Tan Tin Yeow	1,233,500	250,000	(147,500)	1,336,000
Tan Guat Lian	650,000	162,500	–	812,500
Hong Pian Tee	55,000	–	–	55,000
Chan Heng Toong	55,000	–	–	55,000
Ng Sey Ming	55,000	–	–	55,000

Except for Mr. Tan Tin Yeow and Ms. Tan Guat Lian, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Share repurchases

During the financial year, there is no purchase of its own shares by way of market acquisition pursuant to the authority given to the directors under the Share Purchase Mandate approved by the shareholders at the EGM of the Company held on 25 August 2017.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are as follows:

- Hong Pian Tee (Chairman), independent director
- Chan Heng Toong, independent director
- Ng Sey Ming, independent director

The Audit Committee performs the functions specified in Section 201B of the Companies Act, Chapter 50, the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 4 meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and the internal auditor's evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and its subsidiary corporations, Rules 712 and 715 of the SGX-ST Listing Manual have been complied with.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Tan Tin Yeow
Director

Tan Guat Lian
Director

Singapore
27 July 2018

Independent Auditor's Report

To the Members of XMH Holdings Ltd.

For the financial year ended 30 April 2018

Report on the audit of the financial statements

Opinion

We have audited the financial statements of XMH Holdings Ltd. (the "Company") and its subsidiary corporations (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 April 2018, consolidated statement of changes in equity, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 April 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for projects – Revenue recognition and contract work-in-progress

Contract revenue arising from projects contributes to a significant portion to the Group's results for the year at 38% of the Group's total revenue. As at 30 April 2018, the Group has gross amounts due from customers of $7,293,000 and gross amounts due to customers of $11,000 for contract work-in-progress. Project revenue is recognised by reference to the stage of completion of the project activity at the end of each reporting period, when the outcome of a project can be estimated reliably. Significant management judgement and estimates are involved in the determination of the percentage of completion to measure the proportion of contract costs incurred for work performed to date to the estimated total contract costs, which in turn may have a material impact on the amount of contract work-in-progress, contract revenues and costs recognised during the year. Accordingly, we have determined this to be a key audit matter.

For the financial year ended 30 April 2018

Key audit matters (cont'd)

Accounting for projects – Revenue recognition and contract work-in-progress (cont'd)

Our audit procedures included, amongst others, obtaining an understanding of the internal financial controls with respect to the Group's project budgeting, monitoring and approval process. We reviewed the contract terms and conditions for selected significant projects and agreed the estimated contract costs to the management approved budgets. We also assessed management's assumptions used in determining the percentage of completion of the projects and total estimated contract costs by performing computation checks and tracing actual costs incurred to the underlying supporting documents. We further assessed the robustness of the budgets by comparing the budgeted profit margins to the actual profit margins achieved for completed projects during the financial year and subsequent to year end. In addition, we reviewed the contracts for any penalty and liquidated damages clauses and discussed with management regarding any major delay in meeting the expected completion dates and cost overruns which might result in contracts becoming loss-making.

We reviewed the disclosures related to contract revenue and contract work-in-progress arising from projects in Note 2.23 (b) Project revenue, Note 3.1 Judgements made in applying accounting policies and Note 18 Contract work-in-progress.

Goodwill and cost of investment in subsidiary corporations impairment testing

As at 30 April 2018, the carrying amount of goodwill amounted to $9,393,000, representing 6% of the Group's total assets. The goodwill arose from the acquisition of Mech-Power Generator Group ("MPG Group") cash generating unit ("CGU") in financial year 2014.

The Company also has cost of investment in subsidiaries amounting to $25,540,000 as at 30 April 2018. During the year, cost of investment in a loss making subsidiary has been impaired by $3,600,000.

Management prepares value in use calculations to determine the recoverable amount of the CGU for its goodwill and cost of investment impairment testing. Any shortfall of the recoverable value against the carrying amounts of these assets will be recognised as impairment losses. Value in use calculations are based on cash flow forecasts of the CGU. It requires management to make significant judgement and estimates relating to budgeted gross margin, revenue, terminal growth rate and discount rate of the CGU. For these reasons, we have determined this to be a key audit matter.

Our audit procedures included, amongst others, evaluating management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGU's operations, performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for the CGU. Given the complexity of the valuation, we involved our internal valuation specialists to assist us in reviewing the discount rates and terminal growth rates used by management. We also compared the actual revenues and net profits or losses recorded by the CGU against the forecasts prepared in the previous year to evaluate the robustness of management's budgetary process. In addition, we reviewed management's analysis of the sensitivity of the recoverable amounts to changes in the key assumptions.

We reviewed the disclosures related to impairment of goodwill in Note 2.8 (b)(i) Goodwill, Note 3.2 (a) Impairment of goodwill and cost of investment in subsidiary corporations, Note 12 Investment in subsidiary corporations and Note 14 Intangible assets to the financial statements.

For the financial year ended 30 April 2018

Key audit matters (cont'd)

Valuation of inventories

The Group records its inventories at the lower of cost and net realisable value. Where necessary, allowance for inventory obsolescence are provided and write-down are made for damaged, obsolete and slow moving items to adjust the carrying amount of the inventories to their net realisable values.

As at 30 April 2018, the Group's inventories amounted to $33,270,000 with allowance for inventories of $39,000 and inventories written-down of $235,000. The Group has procedures in place to assess impairment of inventories by making reference to the inventory ageing profile and have considered the reusability of the spare parts and raw materials for future productions. Significant management judgement and estimation is involved in assessing the obsolescence of the inventories and estimating the amount of allowance or amount of write-down required. Accordingly, we have identified the valuation of inventories as a key audit matter.

Our audit procedures included, amongst others, testing the amount of allowance for inventory obsolescence by reviewing the nature of the selected inventory and discussing with management their basis for the assessment on the adequacy of allowance for inventory obsolescence. We assessed the reasonableness and the consistency of management's basis and tested the accuracy of the inventory ageing report used to derive the amount of required allowance and write-down. We also tested the net realisable value for selected inventories by comparing the carrying amount to the sale price of comparable products. We further reviewed the disclosures related to inventories in Note 2.16 Inventories, and Note 16 Inventories to the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

For the financial year ended 30 April 2018

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the financial year ended 30 April 2018

Auditor's responsibilities for the audit of the financial statements (cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shyan Yan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

27 July 2018

Consolidated Statement of Comprehensive Income

For the financial year ended 30 April 2018

	Note	2018 $'000	2017 $'000
Revenue	4	**72,886**	90,151
Cost of sales		**(55,072)**	(68,357)
Gross profit		**17,814**	21,794
Other income	5	**3,025**	4,155
Distribution expenses		**(5,789)**	(6,091)
Administrative expenses		**(18,226)**	(22,702)
Results from operating activities		**(3,176)**	(2,844)
Finance income		**292**	2,565
Finance costs		**(1,640)**	(1,201)
Net finance (costs)/income	6	**(1,348)**	1,364
Loss before share of results of an associate		**(4,524)**	(1,480)
Share of results of an associate		**(11)**	(207)
Loss before tax	7	**(4,535)**	(1,687)
Income tax credit/(expense)	8	**591**	(279)
Loss for the year, net of tax		**(3,944)**	(1,966)
Other comprehensive (expenses)/income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of the financial statements of the subsidiary corporations		**(918)**	61
Net changes in the fair value of available-for-sale financial assets		**42**	(90)
Deferred tax arising from fair value change of available-for-sale financial assets		**(7)**	15
Other comprehensive expenses for the year, net of tax		**(883)**	(14)
Total comprehensive expenses for the year		**(4,827)**	(1,980)
Loss for the year attributable to:			
Owners of the Company		**(3,469)**	(1,071)
Non-controlling interests		**(475)**	(895)
		(3,944)	(1,966)
Total comprehensive expenses attributable to:			
Owners of the Company		**(4,352)**	(1,085)
Non-controlling interests		**(475)**	(895)
		(4,827)	(1,980)
Loss per share			
– Basic (cents)	9	**(3.12)**	(0.96)
– Diluted (cents)	9	**(3.11)**	(0.96)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 30 April 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**64,142**	68,707	**58,210**	61,826
Investment in subsidiary corporations	12	**–**	–	**25,540**	29,140
Trade receivables	17	**382**	2,037	**–**	–
Intangible assets	14	**11,094**	11,833	**–**	–
Other financial assets	15	**752**	717	**–**	–
Club memberships		**206**	213	**–**	–
Deferred tax assets	8	**304**	20	**–**	–
		76,880	83,527	**83,750**	90,966
Current assets					
Inventories	16	**33,270**	30,550	**–**	–
Trade and other receivables	17	**14,284**	23,068	**3,222**	12,583
Prepayment		**318**	312	**47**	34
Contract work-in-progress	18	**7,293**	4,254	**–**	–
Cash and short-term deposits	19	**24,001**	25,618	**365**	799
Tax recoverable		**105**	12	**–**	–
		79,271	83,814	**3,634**	13,416
Total assets		**156,151**	167,341	**87,384**	104,382
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	20	**18,819**	24,024	**9,559**	22,707
Loans and borrowings	27	**34,348**	34,821	**2,340**	2,463
Current tax payables		**–**	60	**–**	26
		53,167	58,905	**11,899**	25,196
Net current assets/(liabilities)		**26,104**	24,909	**(8,265)**	(11,780)
Non-current liabilities					
Other payables	20	**142**	260	**453**	572
Loans and borrowings	27	**39,504**	39,228	**38,619**	38,490
Deferred tax liabilities	8	**383**	748	**–**	172
		40,029	40,236	**39,072**	39,234
Total liabilities		**93,196**	99,141	**50,971**	64,430
Equity attributable to owners of the Company					
Share capital	21	**39,780**	39,780	**39,780**	39,780
Reserve for own shares	22	**(2,791)**	(2,791)	**(2,791)**	(2,791)
Other reserves	23	**(6,987)**	(6,242)	**2,175**	2,037
Accumulated profits/(losses)	24	**31,608**	35,633	**(2,751)**	926
		61,610	66,380	**36,413**	39,952
Non-controlling interests		**1,345**	1,820	**–**	–
Total equity		**62,955**	68,200	**36,413**	39,952
Total equity and liabilities		**156,151**	167,341	**87,384**	104,382

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 April 2018

	Attributable to owners of the Company								
	Share capital	Reserve for own shares	Share option reserve	Fair value reserve	Foreign currency translation reserve	Accumulated profits	Total	Non–controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 May 2017	39,780	(2,791)	2,037	–	(8,279)	35,633	66,380	1,820	68,200
Loss for the year	–	–	–	–	–	(3,469)	(3,469)	(475)	(3,944)
Other comprehensive (expenses)/income:									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	–	–	–	–	(918)	–	(918)	–	(918)
Net changes in the fair value of available-for-sale financial assets	–	–	–	42	–	–	42	–	42
Deferred tax arising from available-for-sale financial assets	–	–	–	(7)	–	–	(7)	–	(7)
Other comprehensive income/(expenses) for the year, net of tax	–	–	–	35	(918)	–	(883)	–	(883)
Total comprehensive income/(expenses) for the year	–	–	–	35	(918)	(3,469)	(4,352)	(475)	(4,827)
Contributions by and distributions to owners									
Dividends paid on ordinary shares (Note 25)	–	–	–	–	–	(556)	(556)	–	(556)
Share-based payment transactions	–	–	138	–	–	–	138	–	138
Total transactions with owners in their capacity as owners	–	–	138	–	–	(556)	(418)	–	(418)
At 30 April 2018	39,780	(2,791)	2,175	35	(9,197)	31,608	61,610	1,345	62,955

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 April 2018

	Attributable to owners of the Company								
	Share capital $'000	Reserve for own shares $'000	Share option reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000	Non–controlling interests $'000	Total equity $'000
At 1 May 2016	39,780	(2,791)	1,819	75	(8,340)	38,930	69,473	2,715	72,188
Loss for the year	–	–	–	–	–	(1,071)	(1,071)	(895)	(1,966)
Other comprehensive income/(expenses):									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	–	–	–	–	61	–	61	–	61
Net changes in the fair value of available-for-sale financial assets	–	–	–	(90)	–	–	(90)	–	(90)
Deferred tax arising from available-for-sale financial assets	–	–	–	15	–	–	15	–	15
Other comprehensive (expenses)/income for the year, net of tax	–	–	–	(75)	61	–	(14)	–	(14)
Total comprehensive (expenses)/income for the year	–	–	–	(75)	61	(1,071)	(1,085)	(895)	(1,980)
Contributions by and distributions to owners									
Dividends paid on ordinary shares (Note 25)	–	–	–	–	–	(2,226)	(2,226)	–	(2,226)
Share-based payment transactions	–	–	218	–	–	–	218	–	218
Total transactions with owners in their capacity as owners	–	–	218	–	–	(2,226)	(2,008)	–	(2,008)
At 30 April 2017	39,780	(2,791)	2,037	–	(8,279)	35,633	66,380	1,820	68,200

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 April 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Loss before tax		**(4,535)**	(1,687)
Adjustments for:			
Amortisation of intangible assets	14	**899**	1,177
Depreciation of property, plant and equipment	11	**5,316**	5,406
Share-based payment expenses	7	**138**	218
Interest income	6	**(278)**	(103)
Interest expense	6	**1,385**	1,201
Dividend income from quoted equity securities	6	**(14)**	(29)
Bad debts written-off		**53**	18
Bad debt recovery	17	**–**	(3)
Write-back of allowance for trade receivables	17	**(76)**	(22)
Allowance for impairment loss on:			
– trade and other receivables	17	**626**	293
– quoted equity securities	7	**–**	31
Impairment loss on intangible assets	7	**–**	2,629
Share of results of an associate	13	**11**	207
Gain on disposal of club membership	5	**–**	(45)
Inventories written-down	7,16	**235**	473
Write-back of provision for obsolete inventories	16	**–**	(8)
Gain on disposal of property, plant and equipment	5	**(24)**	(1,234)
Fixed assets written-off		**2**	–
Net unrealised foreign exchange gain		**(1,573)**	(2,432)
Operating cash flows before changes in working capital		**2,165**	6,090
Changes in working capital:			
– (Increase)/decrease in inventories		**(2,955)**	4,310
– Decrease in trade and other receivables		**9,837**	8,054
– (Increase)/decrease in prepayment		**(6)**	57
– Increase in contract work-in-progress		**(3,039)**	(1,825)
– Decrease in trade and other payables		**(5,323)**	(12,458)
Cash generated from operations		**679**	4,228
Tax paid, net		**(225)**	(1,629)
Net cash generated from operating activities		**454**	2,599

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 April 2018

	Note	2018 $'000	2017 $'000
Cash flows from investing activities			
Interest received		**278**	103
Dividends received		**14**	29
Proceeds from sale of property, plant and equipment		**25**	2,052
Acquisition of property, plant and equipment	11	**(670)**	(802)
Purchase of intangible assets	14	**(169)**	(136)
Net cash (used in)/generated from investing activities		**(522)**	1,246
Cash flows from financing activities			
Proceeds from trust receipts		**42,376**	49,985
Proceeds from revolving credit facility		**16,562**	26,433
Proceeds from borrowings		**2,749**	–
Proceeds from finance lease liabilities		**–**	277
Dividends paid	25	**(556)**	(2,226)
Interest paid		**(1,385)**	(1,201)
Repayment of trust receipts		**(43,736)**	(49,314)
Repayment of revolving credit facility		**(14,052)**	(13,931)
Repayment of borrowings		**(2,560)**	(2,059)
Repayment of finance lease liabilities		**(99)**	(98)
Net cash (used in)/generated from financing activities		**(701)**	7,866
Net (decrease)/increase in cash and cash equivalents		**(769)**	11,711
Cash and cash equivalents at 1 May		**24,587**	12,768
Effect of exchange rate fluctuations on cash and cash equivalents		**141**	108
Cash and cash equivalents at 30 April	19	**23,959**	24,587

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

XMH Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's registered office and principal place of business is located at 55 Tuas Crescent, #07-01 Singapore 638743.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary corporations are disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 May 2018.

The Group has performed an assessment of the impact of adopting Singapore Financial Reporting Standards ("SFRS(I)"). Other than the impact on adoption of the SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 will be similar to the impact on adoption of FRS 109, FRS 115 and FRS 116 as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 May 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transaction*	1 January 2018
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Measuring an Associate or Joint Venture at fair value*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over income tax treatments*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group is currently assessing the impact of FRS 109 and plans to adopt the new standards on the required effective date.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in FY2019.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the practical expedients for completed contracts. The Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 May 2017.

The Group is in a business of providing diesel engine, propulsion and power generating solutions provider in the marine and industrial sector. One of the subsidiary has entered into contracts with multiple performance obligations which may have an impact on the timing and amount of revenue recognised based on its performance obligation as at 30 April 2017. The Group is currently quantifying the impact and will reflect accordingly in its financial statements on the effective date.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on the statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expenses and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 May 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary corporations as at the end of the reporting period. The financial statements of the subsidiary corporations used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary corporations are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary corporation are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary corporation, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary corporation, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary corporation at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interests;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill (cont'd)

The Group elects for each individual business combination, whether non-controlling interests in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGUs to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of CGU (or group of CGUs) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interests represents the equity in a subsidiary corporation not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary corporation that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary corporation. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Functional and foreign currency

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Summary of significant accounting policies (cont'd)

2.6 Functional and foreign currency (cont'd)

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary corporations and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of subsidiaries denominated in other currencies are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment and buildings are measured at cost less accumulated depreciation and any accumulated impairment loss.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land and building	-	30 to 33⅓ years
Plant and machinery	-	3 to 10 years
Furniture and fittings and renovations	-	3 to 10 years
Office equipment	-	1 to 10 years
Motor vehicles	-	3 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

(a) Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

(i) Order backlogs and customer relationships

In accordance with FRS 103, order backlogs and customer relationships meet the definition of intangible asset as they are separable. Order backlogs and customer relationships are measured at cost less accumulated amortisation and accumulated impairment loss. The cost of order backlogs and customer relationships are amortised to profit or loss using the straight-line method over the estimated useful life of 2 to 2.5 years and 5 years respectively.

(ii) Intellectual property right

Intellectual property right relates to the products and process of certain power generating sets and auxiliary components. It is measured initially at cost and is amortised on a straight-line basis over the estimated useful life of 6 to 10 years.

Amortisation shall begin when the assets are available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

(iii) Software license

Acquired software license are initially capitalised at cost which include the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of the software beyond its specifications and which can be reliably measured is added to the original cost of the software license.

Subsequent to initial recognition, software license is carried at cost less accumulated amortisation and accumulated impairment loss. The cost of software license is amortised to profit or loss using the straight-line method over the estimated useful life of 3 years.

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets (cont'd)

(b) Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortised. Subsequent to initial recognition, the intangible assets are measured at cost less accumulated impairment loss. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiary corporations represents the excess of the fair value of the consideration transferred in the business combination over the net fair value of the acquiree's identifiable assets and liabilities. Impairment losses are reviewed at the end of each reporting period and adjusted if appropriate.

(ii) Club membership

Club membership was acquired separately. Impairment losses are reviewed at the end of each reporting period and adjusted if appropriate.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.10 Subsidiary corporations

A subsidiary corporation is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary corporations are accounted for at cost less accumulated impairment loss.

2.11 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investment in an associate using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, bank deposits and short-term highly liquid investments that are readily convertible to known amount of cash which are subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and cash equivalents carried in the statement of financial position are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written-off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

(b) Available-for-sale financial assets (cont'd)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.15 Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If progress billings exceed costs incurred plus recognised profits, then the difference is presented as part of trade and other payables in the statement of financial position.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Spare parts and raw materials: purchase costs on a weighted average basis.
- Raw materials (Engine): purchase costs on a specific identification basis.
- Finished goods (Engine): costs of direct materials, labour and an atributable portion of overheads, determined on a specific identification basis.
- Finished goods (Generator set) and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

2. Summary of significant accounting policies (cont'd)

2.17 Provisions (cont'd)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for warranty

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss under "Other income".

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.21 Employee benefits

(a) *Defined contribution plan*

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF") in Singapore and Employees Provident Fund ("EPF") in Malaysia. CPF and EPF contributions are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(c) *Share-based payment transactions*

The XMH share option scheme allows the Group employees and directors to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.22 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when products are received by the customer, however, for international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port.

(b) Project revenue

Project revenue comprises the initial amount of revenue agreed in the contract plus any variations in contract work and claims that can be measured reliably. A variation or a claim is recognised as project revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. The stage of completion is measured by reference to the proportion of the contracts costs incurred to date to the estimated total costs for the contract. Such costs are shown as contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised in profit or loss immediately.

Project revenue (marine equipment) is recognised upon transfer of significant risk and rewards of ownership of the finished goods to the customers, usually on delivery of goods.

2. Summary of significant accounting policies (cont'd)

2.23 Revenue (cont'd)

(c) Service fee

Service fee is recognised in profit or loss as and when services are rendered.

(d) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(e) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted equity securities is normally the ex-dividend date.

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiary corporations and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiary corporations and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiary corporations. In determining the functional currencies of entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Contract work-in-progress and revenue recognition

The Company recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a contract can be estimated reliably.

The stage of completion is determined by dividing the cumulative costs incurred as at end of the reporting period by the total estimated costs for the contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. This method of revenue recognition requires management to prepare cost estimates to complete such contracts. In making such estimates, judgements are required to evaluate contingencies such as potential variance in scheduling, cost of materials, labour costs and productivity, the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. Estimated revenues on contracts include future revenues from claims when such additional revenues can be reliably established. These estimates are based on management's business practices as well as its historical experience.

3. Significant accounting estimates and judgements (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

Contract work-in-progress and revenue recognition (cont'd)

The estimation of total contract costs is based on historical experience and contractual arrangements with suppliers. The estimated total costs for each contract is reviewed on a regular basis by the Group in order to determine the cost to be recognised in profit or loss at each reporting date and to assess whether any allowance for foreseeable loss is required to be set up. Actual costs could differ from the estimates.

The carrying amounts of assets and liabilities arising from contract work-in-progress at the end of each reporting period are disclosed in Note 18 to the financial statements.

A significant increase/decrease in the total contract cost would result in a significant decrease/increase in the profit before tax of the Group.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill and cost of investment in subsidiary corporations

The Group's goodwill and the Company's cost of investments in subsidiaries are subjected to impairment assessment for the financial year ended 30 April 2018. Management assesses goodwill impairment annually. For cost of investment in subsidiaries, management performs an assessment to ascertain whether indicators of impairment are present. For impairment assessments, management uses a discounted cash flow model which involves significant judgement in estimating the recoverable values of these assets. The recoverable amount is most sensitive to the projected revenue, gross margins, terminal growth rate and discount rate used for the discounted cash flow model. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Notes 14 and 12 to the financial statements. The carrying amount of the Group's goodwill and the Company's cost of investment in subsidiary corporations as at 30 April 2018 are $9,393,000 (2017: $9,393,000) and $25,540,000 (2017: $29,140,000) respectively.

(b) Impairment of inventories

The Group assesses at the end of each reporting period whether there is any objective evidence that its inventories are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the inventory ageing profile.

Where there is objective evidence of impairment, significant judgement and estimation is involved as the condition of the inventory may not be fully attributable to the age of the inventory. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 16 to the financial statements.

4. Revenue

	Group	
	2018	2017
	$'000	$'000
Sale of goods	**31,163**	38,369
Revenue from projects	**39,877**	49,569
Service fees	**1,846**	2,213
	72,886	90,151

5. Other income

	Group	
	2018	2017
	$'000	$'000
Forfeited deposits from customers	**890**	1,190
Gain on disposal of property, plant and equipment	**24**	1,234
Gain on disposal of club membership	**–**	45
Grants and rebates	**126**	199
Insurance claims	**1**	1
Write-back of liabilities no longer required	**16**	235
Rental income	**1,641**	1,145
Commission income	**55**	–
Recovery of transportation expense from customers	**122**	93
Bad debt recovery	**–**	3
Scrap sales	**18**	–
Others	**132**	10
	3,025	4,155

6. Finance (costs) and income

	Group 2018 $'000	Group 2017 $'000
Net foreign exchange gain	–	2,433
Dividend income on quoted equity securities	**14**	29
Interest income on bank deposits	**278**	103
Finance income	**292**	2,565
Net foreign exchange loss	**(255)**	–
Interest expense on loans and borrowings	**(1,385)**	(1,201)
Finance costs	**(1,640)**	(1,201)
Net finance (costs)/income recognised in profit or loss	**(1,348)**	1,364

7. Loss before tax

The following items have been included in arriving at loss before tax:

	Group 2018 $'000	Group 2017 $'000
Audit fees paid/payable to:		
– auditor of the Company	**205**	197
– affiliate of auditor of the Company	**15**	23
– other auditors	**7**	6
Non-audit fees paid/payable to:		
– affiliate of auditor of the Company	**5**	3
Staff costs	**13,149**	14,502
Contribution to defined contribution plans included in staff costs	**998**	1,107
Directors' fees	**171**	174
Depreciation of property, plant and equipment	**5,316**	5,406
Inventories written-down	**235**	473
Impairment loss on financial assets:		
– quoted equity securities	–	31
– trade and other receivables	**626**	293
Write-back of allowance for trade receivables	**(76)**	(22)
Share-based payment expense	**138**	218
Operating lease expenses	**201**	230
Amortisation of intangible assets	**899**	1,177
Bad debts written-off	**53**	18
Impairment loss on intangible assets	–	2,629

8. Income tax (credit)/expense

(a) *Major components of income tax (credit)/expense*

The major components of income tax (credit)/expense for the years ended 30 April 2018 and 2017 are:

	Group	
	2018	2017
	$'000	$'000
Current tax expense		
Current year	**42**	102
Under provision in respect of previous years	**16**	130
Deferred tax expense		
Origination and reversal of temporary difference	**(149)**	55
Over provision in respect of previous years	**(500)**	(8)
Income tax (credit)/expense recognised in profit or loss	**(591)**	279

(b) *Relationship between tax (credit)/expense and accounting loss*

A reconciliation between tax (credit)/expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 30 April 2018 and 2017 is as follows:

	Group	
	2018	2017
	$'000	$'000
Loss before tax	**(4,535)**	(1,687)
Tax at applicable corporate tax rate of 17% (2017: 17%)	**(771)**	(287)
Adjustments:		
- Effect of different tax rate in a foreign jurisdiction	**(20)**	12
- Non-deductible expenses	**502**	1,255
- Income not subject to tax	**(78)**	(753)
- Tax incentives and reliefs	**(38)**	(651)
- Benefits from previously unrecognised tax losses	**(77)**	(16)
- (Over)/under provision in respect of previous years	**(484)**	122
- Deferred tax asset not recognised	**423**	630
- Others	**(48)**	(33)
Income tax (credit)/expense recognised in profit or loss	**(591)**	279

8. Income tax (credit)/expense (cont'd)

(b) *Relationship between tax (credit)/expense and accounting loss (cont'd)*

As at 30 April 2018, the Group has unutilised capital allowances and unabsorbed tax losses of approximately $2,690,000 (2017: $12,000) and $3,980,000 (2017: $4,348,000) respectively that are available for offset against future taxable profits of the Companies to which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of unutilised capital allowances and tax losses is subject to agreement of the tax authorities and compliance with certain provisions of tax regulation in Singapore.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 25) for the financial years ended 30 April 2018 and 2017.

(c) *Deferred tax assets/(liabilities)*

Movements in deferred tax of the Group during the year are as follows:

	At 1 May 2017	Recognised in profit or loss	At 30 April 2018
	$'000	$'000	$'000
Deferred tax assets, net			
Provisions	20	(13)	7
Unutilised capital allowances and tax losses	621	(336)	285
Differences in depreciation for tax purposes	(621)	633	12
Total	20	284	304
Deferred tax liabilities, net			
Revaluations to fair value on available-for-sale financial assets	7	(7)	–
Provisions	–	28	28
Differences in depreciation for tax purposes	(328)	247	(81)
Fair value adjustments on acquisition of subsidiary corporations			
- Loans and borrowings	(86)	(23)	(109)
- Intangible assets	(341)	120	(221)
	(427)	97	(330)
Total	(748)	365	(383)

8. Income tax (credit)/expense (cont'd)

(c) Deferred tax assets/(liabilities) (cont'd)

	At 1 May 2016 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	At 30 April 2017 $'000
Deferred tax assets, net				
Provisions	23	(3)	–	20
Unutilised capital allowances	621	–	–	621
Differences in depreciation for tax purposes	(621)	–	–	(621)
Total	23	(3)	–	20
Deferred tax liabilities, net				
Revaluations to fair value on available-for-sale financial assets	(8)	–	15	7
Differences in depreciation for tax purposes	–	(328)	–	(328)
Fair value adjustments on acquisition of subsidiary corporations				
- Loans and borrowings	(102)	16	–	(86)
- Inventories	(54)	54	–	–
- Intangible assets	(555)	214	–	(341)
	(711)	284	–	(427)
Total	(719)	(44)	15	(748)

9. Loss per share

Basic loss per share amounts are calculated by dividing the results from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted loss per share amounts are calculated by dividing the results from operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

9. Loss per share (cont'd)

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the financial years ended 30 April:

	Group	
	2018	**2017**
	$'000	**$'000**
Loss for the year attributable to owners of the Company	**(3,469)**	(1,071)

	No. of shares	
	2018	**2017**
Weighted average number of ordinary shares on issue applicable to basic earnings per share	**111,281,821**	111,281,821
Effect of the potential shares to be issued under the XMH share option scheme	**165,614**	89,923
Weighted average number of ordinary shares (diluted) outstanding during the year	**111,447,435**	111,371,744

4,063,750 (2017: 3,188,750) share options granted to employees under the share option scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the previous financial year, no employees of the Group exercised the options to acquire ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date except as disclosed in Note 33.

10. Share-based payments

The XMH share option scheme (the "Scheme") was approved by shareholders of the Company at an Extraordinary General Meeting held on 5 November 2010. The Scheme applies to executive directors and independent directors of the Company and full-time employees of the Group (the "Participants").

On 5 September 2013, the Company granted 7,755,000 share options (Tranche 3) to eligible Participants under the Scheme. These share options can be exercised between 5 September 2015 and 4 September 2018 (inclusive) at the exercise price of $0.323 per share, which is determined at approximately 20% discount of the Market Price of the Company's shares on the date of grant. After share consolidation of 4 into 1 on 22 February 2016, the modified number of share option granted is 1,938,750 and the modified exercise price is $1.292 per share.

On 12 September 2014, the Company granted 6,850,000 share options (Tranche 4) to eligible Participants under the Scheme. These share options can be exercised between 12 September 2016 and 11 September 2019 (inclusive) at the exercise price of $0.248 per share, which is determined at approximately 20% discount of the Market Price of the Company's shares on the date of grant. After share consolidation of 4 into 1 on 22 February 2016, the modified number of share options granted is 1,712,500 and the modified exercise price is $0.992 per share.

10. Share-based payments (cont'd)

On 10 September 2015, the Company granted 5,142,000 share options (Tranche 5) to eligible Participants under the Scheme. These share options can be exercised between 10 September 2017 and 9 September 2020 (inclusive) at the exercise price of $0.130 per share, which is determined at approximately 20% discount of the Market Price of the Company's shares on the date of grant. After share consolidation of 4 into 1 on 22 February 2016, the modified number of share option granted is 1,285,500 and the modified exercise price is $0.520 per share.

On 7 September 2016, the Company granted 1,284,250 share options (Tranche 6) to eligible participants under the Scheme. These share options can be exercised between 7 September 2018 and 6 September 2021 (inclusive) at the exercise price of $0.310 per share, which is determined at approximately 20% discount of the Market Price of the Company's share on the date of grant.

On 30 August 2017, the Company granted 1,420,250 share options (Tranche 7) to eligible participants under the Scheme. These share options can be exercised between 30 August 2019 and 29 August 2022 (inclusive) at the exercise price of $0.220 per share, which is determined at approximately 20% discount of the Market Price of the Company's share on the date of grant.

Terms and conditions of the Scheme

The Scheme is administered by the Company's Remuneration Committee. Other information regarding the Scheme is set out below:

- The exercise price (the "Exercise Price") for each share in respect of which a Market Price Option is exercisable shall be determined and fixed by the Remuneration Committee and shall be equal to the average of the closing prices of the share for the past five market days immediately preceding the relevant date of grant of the option (the "Market Price"), in the case of an option granted at Market Price.

- The Remuneration Committee may grant options on a yearly basis and any such grants shall be made at least 60 days after the end of the financial year of the Company.

- The period for the exercise (the "Exercise Period") of an option granted under the Scheme shall be:

    (a) in the case of an option granted at Market Price (the "Market Price Option"), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Market Price Option; and

    (b) in the case of an option granted at a discount of up to 20% of the Market Price (the "Incentive Option"), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Option.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these awards.

10. Share-based payments (cont'd)

Disclosure of the Scheme

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2018 $	Number of options 2018 '000	Weighted average exercise price 2017 $	Number of options 2017 '000
Group				
At 1 May	**0.748**	**4,373**	0.892	3,574
Lapsed/cancelled during the year	**0.450**	**(459)**	0.644	(485)
Granted during the year	**0.220**	**1,420**	0.310	1,284
Options outstanding at 30 April	**0.633**	**5,334**	0.748	4,373
Options exercisable at 30 April		**2,952**		2,199

Inputs for measurement of grant date fair values

The grant date fair value of the Scheme was measured based on a Binomial model. Expected volatility is estimated by considering historic average share price volatility. The expected life used in the model has been adjusted, based on management's best estimate, for details of non-transferability, exercise restrictions and behavioural considerations. The inputs used in the measurement of the fair values at grant date of the share-based payment plans granted during the year are as follows:

	Controlling shareholder and his associate	Employees
Fair value of share options and assumptions		
Share price (based on last trading price at grant date)	$0.300	$0.300
Exercise price	$0.220	$0.220
Expected volatility (weighted average volatility)	40%	38%
Option life (expected weighted average life)	3.0 years	3.5 years
Risk-free interest rate (based on government bonds)	1.42%	1.48%
Expected dividend yield	1.67%	1.67%

During the year ended 30 April 2018, the Group recognised share-based payment expenses of $138,000 (2017: $218,000) relating to the share options granted under the Scheme.

11. Property, plant and equipment

	Freehold land $'000	Leasehold land and building $'000	Plant and machinery $'000	Furniture and fittings and renovations $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Group							
Cost:							
As at 1 May 2016	855	63,032	5,402	11,887	1,927	1,678	84,781
Additions	–	41	52	62	112	535	802
Disposals	–	(2,480)	–	(10)	–	(579)	(3,069)
Reclassification to intangible assets (Note 14)	–	–	–	–	(281)	–	(281)
Adjustment *	–	(4,488)	–	–	–	–	(4,488)
Currency translation differences	(58)	2,192	(38)	394	17	28	2,535
As at 30 April 2017 and 1 May 2017	**797**	**58,297**	**5,416**	**12,333**	**1,775**	**1,662**	**80,280**
Additions	**–**	**106**	**336**	**58**	**79**	**91**	**670**
Disposals	**–**	**–**	**(85)**	**(43)**	**(112)**	**(167)**	**(407)**
Written-off	**–**	**–**	**–**	**(4)**	**(3)**	**–**	**(7)**
Currency translation differences	**43**	**124**	**(55)**	**6**	**(20)**	**(12)**	**86**
As at 30 April 2018	**840**	**58,527**	**5,612**	**12,350**	**1,719**	**1,574**	**80,622**
Accumulated depreciation:							
As at 1 May 2016	–	3,180	1,822	877	1,181	1,397	8,457
Depreciation for the year	–	2,107	1,009	1,674	444	172	5,406
Disposals	–	(1,605)	–	(10)	–	(579)	(2,194)
Reclassification to intangible assets (Note 14)	–	–	–	–	(154)	–	(154)
Currency translation differences	–	103	(75)	(6)	7	29	58
As at 30 April 2017 and 1 May 2017	**–**	**3,785**	**2,756**	**2,535**	**1,478**	**1,019**	**11,573**
Depreciation for the year	**–**	**2,096**	**1,213**	**1,673**	**134**	**200**	**5,316**
Disposals	**–**	**–**	**(85)**	**(42)**	**(112)**	**(167)**	**(406)**
Written-off	**–**	**–**	**–**	**(2)**	**(3)**	**–**	**(5)**
Currency translation differences	**–**	**21**	**(1)**	**8**	**(18)**	**(8)**	**2**
As at 30 April 2018	**–**	**5,902**	**3,883**	**4,172**	**1,479**	**1,044**	**16,480**
Net carrying amount:							
As at 30 April 2018	**840**	**52,625**	**1,729**	**8,178**	**240**	**530**	**64,142**
As at 30 April 2017	797	54,512	2,660	9,798	297	643	68,707

11. Property, plant and equipment (cont'd)

	Leasehold land and building $'000	Furniture and fittings and renovations $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Company					
Cost:					
As at 1 May 2016	–	–	–	–	–
Additions	35	43	–	402	480
Transferred from a subsidiary corporation	57,733	10,397	154	–	68,284
Adjustment *	(4,488)	–	–	–	(4,488)
At 30 April 2017 and 1 May 2017	**53,280**	**10,440**	**154**	**402**	**64,276**
Additions	**28**	**14**	**–**	**–**	**42**
As at 30 April 2018	**53,308**	**10,454**	**154**	**402**	**64,318**
Accumulated depreciation:					
As at 1 May 2016	–	–	–	–	–
Depreciation for the year	1,242	1,027	134	47	2,450
At 30 April 2017 and 1 May 2017	**1,242**	**1,027**	**134**	**47**	**2,450**
Depreciation for the year	**2,026**	**1,540**	**12**	**80**	**3,658**
As at 30 April 2018	**3,268**	**2,567**	**146**	**127**	**6,108**
Net carrying amount:					
As at 30 April 2018	**50,040**	**7,887**	**8**	**275**	**58,210**
As at 30 April 2017	52,038	9,413	20	355	61,826

* Price adjustment on the cost of construction for the existing factory building upon final settlement.

Assets pledged as securities

In addition to assets held under finance lease, the Group's land and building with a carrying amount at $53,465,000 (2017: $55,309,000) are mortgaged to secure the Group's bank loans (Note 27).

The carrying amount of motor vehicles held under finance leases is $366,000 (2017: $473,000) at the date of the statement of financial position including motor vehicle held in trust by the Director of the Company with net book value of $275,000 (2017: $355,000).

12. Investment in subsidiary corporations

	Company 2018 $'000	Company 2017 $'000
Unquoted equity investment, at cost	**31,801**	31,801
Accumulated impairment loss	**(6,261)**	(2,661)
	25,540	29,140

12. Investment in subsidiary corporations (cont'd)

Movements in accumulated impairment loss are as follows:

	Company	
	2018	2017
	$'000	$'000
At 1 May	**2,661**	–
Charge for the year	**3,600**	2,661
At 30 April	**6,261**	2,661

During the financial year, the Company recognised an impairment loss of $3,600,000 (2017: $2,661,000) in the profit or loss statement due to the underperformance of a subsidiary. The impairment loss recognised is estimated based on the shortfall of the carrying amount to its recoverable amount derived from the discounted cash flow projections over a period of 5 years. The discount rate applied to the cash flow projections and the forecasted revenue growth rates used to extrapolate cash flows projections beyond the 5 year period are as follows:

	Revenue growth rate *		Discount rate		Terminal growth rate	
	FY2020-FY2023	FY2019-FY2020	2018	2017	2018	2017
	%	%	%	%	%	%
Key assumptions	**5**	**15**	**11**	12	**1**	2

* FY2019 (2017: FY2018) revenue was forecasted based on the secured orders and potential orders estimated from order books as at year end.

(a) Composition of the Group

The details of the subsidiary corporations are as follows:

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2018 %	2017 %
Held by the Company			
(1) Xin Ming Hua Pte Ltd ("XMHPL") Singapore	Supply of engines, general machinery and machinery equipment for marine, agriculture, construction and industrial use including spare parts and after sales-services	**100**	100
(1) XMH Engineering Pte. Ltd. Singapore	Manufacturing and repairing of machinery for mining, quarrying and construction	**100**	100

12. Investment in subsidiary corporations (cont'd)

(a) *Composition of the Group (cont'd)*

	Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2018 %	2017 %
	Held by the Company (cont'd)			
(3)	PT Xin Ming Hua Engine Indonesia	Trading of machinery, spare parts and equipment	**100**	100
(1)	Mech-Power Generator Pte Ltd Singapore	Assembly, sales of generators and related accessories and investment holding	**100**	100
(1)	Z-Power Automation Pte. Ltd. ("ZPA") Singapore	Manufacturing of marine equipment and repair services	**80**	80
*	AceGen Pte. Ltd. Singapore	Assembly works or subcontract works for power generating sets	**–**	100
	Held through Mech-Power Generator Pte Ltd			
(2)	Mech Power Generator Sdn. Bhd. Malaysia	Manufacturers, importers, exporters of generating sets, spare parts, general engineering and other related products	**100**	100
	Held through XMH Engineering Pte. Ltd.			
^	Vivo Power Myanmar Company Limited Myanmar	Manufacturing and/or assembling of generator sets and related power solution products	**50**	–

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by Ernst & Young, Malaysia.

(3) Audited by Johan Malonda Mustika & Rekan, Indonesia.

* Struck off in February 2018.

^ Newly incorporated in February 2018 and was consolidated on the basis that XMH Engineering Pte. Ltd. has the power to direct relevant activities via voting rights and has the ability to use its power to affect the amount of returns of Vivo Power Myanmar Company Limited.

12. Investment in subsidiary corporations (cont'd)

(b) Interest in a subsidiary corporation with material non-controlling interests ("NCI")

The Group has the following subsidiary corporation that has NCI that is material to the Group:

Name of company	Principal place of business	Proportion of ownership held by NCI	Loss allocated to NCI during the reporting period	Accumulated NCI at the end of the reporting period
		%	$'000	$'000
30 April 2018:				
Z-Power Automation Pte. Ltd.	Singapore	20	(475)	1,345
30 April 2017:				
Z-Power Automation Pte. Ltd.	Singapore	20	(895)	1,820

(c) Summarised financial information about a subsidiary corporation with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of a subsidiary corporation with material non-controlling interests are as follows:

Summarised statement of financial position

	2018	2017
	$'000	$'000
Current		
Assets	**11,029**	11,351
Liabilities	**(6,300)**	(6,694)
Net current assets	**4,729**	4,657
Non-current		
Assets	**2,249**	4,858
Liabilities	**(253)**	(418)
Net non-current assets	**1,996**	4,440
Net assets	**6,725**	9,097

12. Investment in subsidiary corporations (cont'd)

(c) Summarised financial information about a subsidiary corporation with material NCI (cont'd)

Summarised statement of comprehensive income

	2018 $'000	2017 $'000
Revenue	**13,573**	14,906
Loss before tax	**(1,806)**	(3,040)
Income tax credit/(expense)	**21**	(124)
	(1,785)	(3,164)
Less: Amortisation of fair value uplift, net of tax	**(588)**	(1,311)
Net loss after tax, representing total comprehensive expenses	**(2,373)**	(4,475)

13. Investment in an associate

	Group	
	2018 $'000	2017 $'000
Z-Power Automation (Vietnam) Co., Ltd.	**–**	–

Movements in investment in an associate are as follows:

	Group	
	2018 $'000	2017 $'000
At 1 May	**–**	207
Share of results of an associate	**–**	(207)
At 30 April	**–**	–

The share of results of an associate recorded in profit or loss statement of $11,000 in FY2018 relates to the expenses incurred in connection with its disposal.

13. Investment in an associate (cont'd)

The details of the associate are as follows:

	Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2018 %	2017 %
	Held through Z-Power Automation Pte. Ltd.			
(1)	Z-Power Automation (Vietnam) Co., Ltd. * Vietnam	Manufacturing of industrial electrical equipment	–	50

(1) Audited by Vietnam Auditing and Evaluation Company Limited.

* The investment in the associate was disposed of in February 2018 at consideration of S$1.00.

The summarised financial information in respect of the associate and a reconciliation with the carrying amount of the investment in the consolidated financial statement are as follows:

Summarised statement of financial position

	2017 $'000
Assets	209
Liabilities	(216)
Net liabilities	(7)
Proportion of Group's ownership	50%
Group's share of net liabilities	(4)
Other adjustments	4
Carrying amount of the investment	–

Summarised statement of comprehensive income

	2017 $'000
Revenue	794
Loss after tax, representing total comprehensive expenses	(458)

14. Intangible assets

	Goodwill $'000	Order backlogs $'000	Customer relation-ships $'000	Intellectual property rights $'000	Software license $'000	Total $'000
Group						
Cost:						
At 1 May 2016	11,754	2,401	3,539	374	–	18,068
Reclassification from property, plant and equipment (Note 11)	–	–	–	–	281	281
Additions	–	–	–	–	136	136
Currency translation differences	–	–	–	4	–	4
At 30 April 2017 and 1 May 2017	**11,754**	**2,401**	**3,539**	**378**	**417**	**18,489**
Additions	**–**	**–**	**–**	**–**	**169**	**169**
Disposal	**–**	**–**	**–**	**–**	**(117)**	**(117)**
Currency translation differences	**–**	**–**	**–**	**(12)**	**–**	**(12)**
At 30 April 2018	**11,754**	**2,401**	**3,539**	**366**	**469**	**18,529**
Accumulated amortisation and impairment loss:						
At 1 May 2016	–	1,790	826	79	–	2,695
Reclassification from property, plant and equipment (Note 11)	–	–	–	–	154	154
Amortisation for the year	–	343	708	37	89	1,177
Impairment loss	2,361	268	–	–	–	2,629
Currency translation differences	–	–	–	1	–	1
At 30 April 2017 and 1 May 2017	**2,361**	**2,401**	**1,534**	**117**	**243**	**6,656**
Amortisation for the year	**–**	**–**	**708**	**47**	**144**	**899**
Disposal	**–**	**–**	**–**	**–**	**(117)**	**(117)**
Currency translation differences	**–**	**–**	**–**	**(3)**	**–**	**(3)**
At 30 April 2018	**2,361**	**2,401**	**2,242**	**161**	**270**	**7,435**
Net carrying amount:						
At 30 April 2018	**9,393**	**–**	**1,297**	**205**	**199**	**11,094**
At 30 April 2017	9,393	–	2,005	261	174	11,833
Remaining useful life as at 30 April 2018 (years)		**–**	**1.8**	**4 to 5**	**1 to 3**	

The Group acquired the entire equity interest of MPG Group on 7 September 2013 and ZPA on 4 March 2015. Intangible assets including goodwill, order backlogs and customer relationships were acquired upon the acquisition of the MPG Group and ZPA in prior years. In FY2017, goodwill attributable to ZPA was fully impaired.

Customer relationships relate to ZPA's customer relationship with its existing customers that resulted in repeat purchase and customer loyalty. The remaining amortisation period is 1 year and 10 months.

14. Intangible assets (cont'd)

The amortisation of intangible assets is included in the "Administrative expenses" line item in profit or loss.

Impairment assessment for CGU containing goodwill

The carrying amount of goodwill of $9,393,000 is attributable to the MPG Group.

The recoverable amount of the MPG Group was determined based on its value in use. The value in use were calculated by discounting the future cash flows to be generated from the continuing use of the CGU.

The value in use was based on discounted cash flow projections over a period of 5 years. The discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5 year period are as follows:

	Revenue growth rate *		Discount rate		Terminal growth rate	
	FY2020-FY2023	FY2019-FY2020	2018	2017	2018	2017
	%	%	%	%	%	%
Key assumptions	**5**	**3 to 5**	**10**	10	**1**	1

* FY2019 (2017: FY2018) revenue was forecasted based on the secured orders and potential orders estimated from order books as at year end.

The values assigned to the key assumptions represent management's assessment of future trends of the industry in which the MPG Group operates and are based on both external sources and internal sources (historical data).

Sensitivity to changes in assumption

With regards to the assessment of value in use for the MPG Group, management believes that no reasonably possible changes in any of the key assumption would cause the carrying value of the unit to materially exceed its recoverable amount.

The carrying amounts of goodwill and intangible assets attributable to each CGU as at 30 April are as follows:

	MPG Group		ZPA		XMHPL	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Goodwill	**9,393**	9,393	**–**	–	**–**	–
Customer relationships	**–**	–	**1,297**	2,005	**–**	–
Software license	**–**	–	**199**	174	**–**	–
Intellectual property rights	**–**	–	**–**	–	**205**	261
	9,393	9,393	**1,496**	2,179	**205**	261

15. Other financial assets

	Group 2018 $'000	Group 2017 $'000
Non-current financial assets		
Available-for-sale financial assets	**752**	717

Available-for-sale financial assets comprise equity securities quoted on the SGX-ST.

During the financial year, there is no impairment loss recognition (2017: $31,000) for quoted equity securities that has prolonged decline in the fair value of the investments below their costs.

The Group's exposure to financial risks related to other financial assets, is disclosed in Note 30.

16. Inventories

	Group 2018 $'000	Group 2017 $'000
Statement of financial position:		
Spare parts (at cost)	**5,305**	5,247
Raw materials (at cost)	**2,729**	2,772
Work-in-progress (at cost)	**7,915**	6,125
Finished goods (at cost or net realisable value)		
– Engines	**15,425**	12,235
– Generator sets	**1,896**	4,171
	33,270	30,550
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**55,072**	68,357
Inclusive of the following charge:		
Inventories written-down	**235**	473
Write-back of allowance for obsolete inventories	**–**	(8)

The reversal of allowance of inventories was made in prior year when the related inventories were sold above their carrying amount in 2017.

17. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables	**12,935**	23,538	**–**	–
Unbilled receivables	**1,116**	766	**–**	–
Retention sum	**153**	600	**–**	–
GST receivables	**601**	194	**–**	–
Amounts due from an associate	**–**	64	**–**	–
Allowance for trade receivables	**(953)**	(542)	**–**	–
	13,852	24,620	**–**	–
Amounts due from subsidiary corporations	**–**	–	**1,169**	8,263
Deposits	**257**	113	**35**	–
Dividend receivable	**–**	–	**1,950**	4,000
Other receivables	**474**	324	**68**	320
Advances to staff	**83**	48	**–**	–
Total trade and other receivables	**14,666**	25,105	**3,222**	12,583
Non-current	**382**	2,037	**–**	–
Current	**14,284**	23,068	**3,222**	12,583
	14,666	25,105	**3,222**	12,583

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables are amounts under a 3-year and a 7-month non-interest bearing instalment repayment plans for a customer with balance of $1,772,000 and $624,000 (2017: $3,477,000 and $nil), respectively, as at 30 April 2018.

Amounts due from an associate are trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Amounts due from subsidiary corporations are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

The advances to staff are unsecured and non-interest bearing, and are repayable on demand.

17. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to $5,170,000 (2017: $10,455,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	Group	
	2018	2017
	$'000	$'000
Trade receivables past due but not impaired:		
- Past due 0 to 30 days	**3,354**	1,215
- Past due 31 to 60 days	**221**	660
- Past due more than 60 days	**1,595**	8,580
	5,170	10,455

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2018	2017
	$'000	$'000
Trade receivables	**1,292**	542
Less: Allowance for trade receivables	**(953)**	(542)
	339	–

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of the customer's creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The Group has not recognised impairment loss on certain trade receivables which are past due at the reporting dates as there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, management believes that there is no further credit provision required in excess of the allowance for impairment loss made.

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

17. Trade and other receivables (cont'd)

Allowance for trade receivables

The Group establishes an allowance for impairment loss that represents its estimate of incurred losses in respect of trade receivables. The component of this allowance is specific loss that relates to individually significant exposures.

The movements in allowances for impairment loss in respect of trade receivables during the year are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Movement in allowance accounts:		
At 1 May	**542**	414
Charge for the year	**626**	293
Utilisation of allowance for trade receivables	**(139)**	(140)
Bad debt recovery	**–**	(3)
Write-back of allowance for trade receivables	**(76)**	(22)
At 30 April	**953**	542

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to loans to customers that have defaulted on payments.

18. Contract work-in-progress

	Group	
	2018	**2017**
	$'000	**$'000**
		(Restated)
Aggregate costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	**64,693**	51,662
Less: Progress billings	**(57,411)**	(47,681)
	7,282	3,981
Presented as:		
Contract work-in-progress	**7,293**	4,254
Excess of progress billings over contract work-in-progress, included in trade and other payables (Note 20)	**(11)**	(273)
	7,282	3,981
Retention sums on contract included in trade receivables	**153**	600

Prior year comparative were restated to reclassify $6,726,000 previously presented in excess of progress billings over contract work-in-progress as these relate to projects with aggregate costs in excess of progress billings. There is no net impact on total contract work-in-progress.

19. Cash and short-term deposits

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Cash at banks and on hand	**13,908**	18,561	**365**	799
Short-term deposits	**10,093**	7,057	**–**	–
	24,001	25,618	**365**	799
Less: Fixed deposits pledged	**(19)**	–	**–**	–
Fixed deposits	**(20)**	(37)	**–**	–
Bank overdrafts (Note 27)	**(3)**	(994)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**23,959**	24,587	**365**	799

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month and one year depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. Interest earned at rates ranging from 0.4% to 3.5% (2017: 0.4% to 5.0%) per annum. Fixed deposits with maturity more than 3 months are excluded from cash and cash equivalents.

The fixed deposits with licensed banks are pledged to bank for bank guarantee facility granted to the Group.

20. Trade and other payables

	Group 2018 $'000	Group 2017 $'000 (Restated)	Company 2018 $'000	Company 2017 $'000
Trade payables	**11,027**	9,038	**–**	70
Accrued operating expenses	**3,034**	8,129	**595**	3,835
Advance deposits	**3,766**	5,624	**–**	–
Excess of progress billings over contract work-in-progress (Note 18)	**11**	273	**–**	–
Amount due to a subsidiary corporation	**–**	–	**8,739**	18,709
Provision for warranty	**54**	202	**–**	–
Other payables	**933**	795	**583**	602
GST payables	**136**	223	**95**	63
Total trade and other payables	**18,961**	24,284	**10,012**	23,279
Non-current	**142**	260	**453**	572
Current	**18,819**	24,024	**9,559**	22,707
	18,961	24,284	**10,012**	23,279

Amount due to a subsidiary corporation is unsecured, non-interest bearing and repayable on demand and are to be settled in cash.

20. Trade and other payables (cont'd)

Provision for warranty

The Group gives warranties ranging from 1 to 2 years on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of the reporting period for expected warranty claims based on the management's estimation of the level of repairs and returns.

Movements in provision for warranty are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
At 1 May	**202**	241
Provision made	**60**	73
Provision utilised	**–**	(4)
Unused amounts reversed	**(208)**	(108)
At 30 April	**54**	202

21. Share capital

	Group and Company			
	2018	**2018**	**2017**	**2017**
	Number of shares	**$'000**	**Number of shares**	**$'000**
Issued and fully paid ordinary shares:				
At 1 May and 30 April	**114,512,571**	**39,780**	114,512,571	39,780

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

22. Reserve for own shares

Reserve for the Company's own shares comprises the cost of the Company's shares held by the Company.

	Group and Company			
	2018	**2018**	**2017**	**2017**
	Number of shares	**$'000**	**Number of shares**	**$'000**
At 1 May and 30 April	**3,230,750**	**2,791**	3,230,750	2,791

The Company did not acquire any shares in the Company during the financial years ended 30 April 2018 and 2017.

23. Other reserves

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Share option reserve	**2,175**	2,037	**2,175**	2,037
Fair value reserve	**35**	–	**–**	–
Foreign currency translation reserve	**(9,197)**	(8,279)	**–**	–
	(6,987)	(6,242)	**2,175**	2,037

Share option reserve

The share option reserve represents the equity-settled share options granted to employees and directors. The reserve is made up of the cumulative value of services received from employees and directors recorded over the vesting period commencing from the grant date of the equity-settled share options.

Fair value reserve

The fair value reserve comprises the cumulative net change, net of tax, in the fair value of available-for-sale financial assets until the investments are de-recognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the subsidiary corporations whose functional currencies are different from that of the Group's presentation currency.

24. Accumulated profits/(losses)

	Company
	$'000
As at 1 May 2016	485
Profit for the year, representing total comprehensive income for the year	2,667
Dividends on ordinary shares	(2,226)
Total transactions with owners in their capacity as owners	(2,226)
As at 30 April 2017 and 1 May 2017	**926**
Loss for the year, representing total comprehensive expense for the year	**(3,121)**
Dividends on ordinary shares	**(556)**
Total transactions with owners in their capacity as owners	**(556)**
As at 30 April 2018	**(2,751)**

25. Dividends

	Group	
	2018	2017
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares		
- Final exempt (one-tier) dividends for 2017: 0.5 cents (2016: 2.0 cents) per share	**556**	2,226
Proposed but not recognised as a liability as at 30 April:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2018: nil (2017: 0.5 cents) per share	**–**	556

26. Commitments

Operating lease commitments - where the Group is a lessor

The Group has entered into commercial property leases on its building. These non-cancellable operating leases have remaining lease terms of between one to three years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2018	2017
	$'000	$'000
Within one year	**1,172**	1,619
Between one and five years	**1,011**	1,890
	2,183	3,509

26. Commitments (cont'd)

Operating lease commitments-where the Group is a lessee

The future minimum lease payables under non-cancellable operating leases in respect of rental of dormitory and equipment contracted for at the statement of financial position date but not recognised as liabilities, are analysed as follows:

	Group	
	2018 $'000	2017 $'000
Within one year	**118**	49
Between one and five years	**86**	129
	204	178

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 30 April 2018 amounted to $201,000 (2017: $230,000).

Finance lease commitments

The Group has finance leases for certain items of motor vehicles.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Future minimum lease payments 2018 $'000	Present value of minimum lease payments 2018 $'000	Future minimum lease payments 2017 $'000	Present value of minimum lease payments 2017 $'000
Group				
Within one year	**117**	**105**	117	103
Between one and five years	**129**	**114**	247	215
Later than five years	**12**	**12**	12	12
Total minimum lease payments	**258**	**231**	376	330
Less: Amounts representing finance charges	**(27)**	**–**	(46)	–
Present value of minimum lease payments	**231**	**231**	330	330

26. Commitments (cont'd)

Finance lease commitments (cont'd)

	Future minimum lease payments 2018 $'000	Present value of minimum lease payments 2018 $'000	Future minimum lease payments 2017 $'000	Present value of minimum lease payments 2017 $'000
Company				
Within one year	**72**	**68**	72	67
Between one and five years	**36**	**36**	108	100
Total minimum lease payments	**108**	**104**	180	167
Less: Amounts representing finance charges	**(4)**	**–**	(13)	–
Present value of minimum lease payments	**104**	**104**	167	167

27. Loans and borrowings

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current liabilities				
Term loans	**39,378**	39,001	**38,583**	38,390
Finance lease liabilities	**126**	227	**36**	100
	39,504	39,228	**38,619**	38,490
Current liabilities				
Bank overdrafts (Note 19)	**3**	994	**–**	–
Trust receipts	**10,352**	11,771	**–**	–
Revolving credit facility	**21,510**	19,457	**–**	–
Term loans	**2,378**	2,496	**2,272**	2,396
Finance lease liabilities	**105**	103	**68**	67
	34,348	34,821	**2,340**	2,463
Total loans and borrowings	**73,852**	74,049	**40,959**	40,953

Certain banking facilities of the Group are secured by the mortgage of the Group's land and building with carrying value of $53,465,000 (2017: $55,309,000) and corporate guarantees provided by the Company.

27. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities are as follows:

Group	2017 $'000	Net cash flows $'000	Non-cash changes: Foreign exchange movement $'000	Non-cash changes: Other $'000	2018 $'000
Trust receipts	11,771	(1,360)	(59)	–	10,352
Revolving credit facility	19,457	2,510	(457)	–	21,510
Term loans					
– current	2,496	(2,560)	5	2,437	2,378
– non-current	39,001	2,749	65	(2,437)	39,378
Finance lease liabilities					
– current	103	(99)	–	101	105
– non-current	227	–	–	(101)	126
Total	**73,055**	**1,240**	**(446)**	**–**	**73,849**

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Financial year of final maturity	Group Carrying amount $'000	Company Carrying amount $'000
2018					
Bank overdrafts	SGD	5.50	2018	3	–
Revolving credit facility	SGD	2.28 – 2.92	2018	5,352	–
Revolving credit facility	JPY	1.00 – 1.50	2018	16,158	–
Trust receipts	AUD	3.13	2018	23	–
Trust receipts	EUR	0.89 – 2.24	2018	5,929	–
Trust receipts	SGD	1.15 – 2.79	2018	1,069	–
Trust receipts	JPY	1.00 – 1.50	2018	3,331	–
Term loans	SGD	1.75	2021-2035	40,855	40,855
Term loans	MYR	5.75	2026-2028	901	–
Finance lease liabilities	SGD	2.78 – 2.99	2019-2023	231	104
				73,852	40,959

27. Loans and borrowings (cont'd)

	Currency	Nominal interest rate %	Financial year of final maturity	Group Carrying amount $'000	Company Carrying amount $'000
2017					
Bank overdrafts	SGD	5.50	2017	994	–
Revolving credit facility	SGD	2.25 – 2.60	2017	7,353	–
Revolving credit facility	JPY	1.00 – 1.45	2017	12,104	–
Trust receipts	USD	1.47 – 2.52	2017	1,114	–
Trust receipts	EUR	1.15 – 1.50	2017	2,091	–
Trust receipts	SGD	1.25 – 2.80	2017	4,482	–
Trust receipts	JPY	0.74 – 1.00	2017	4,038	–
Trust receipts	NOK	2.43	2017	46	–
Term loans	SGD	1.67	2021-2035	40,786	40,786
Term loans	MYR	5.50	2026-2028	711	–
Finance lease liabilities	SGD	2.78 – 2.99	2019-2023	330	167
				74,049	40,953

The weighted average interest rates of borrowings at the end of the reporting period are as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Bank overdrafts	**5.50**	5.50	**–**	–
Trust receipts	**1.23**	1.55	**–**	–
Revolving credit facility	**1.68**	1.71	**–**	–
Terms loans	**1.88**	1.72	**1.75**	1.67
Finance lease liabilities	**2.85**	2.84	**2.78**	2.78

28. Related party disclosures

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Compensation of key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The amounts stated below for key management compensation are for all the executive directors and other key management personnel.

Key management personnel compensation included in staff costs comprises:

	Group	
	2018	**2017**
	$'000	**$'000**
Short-term employee benefits	**1,571**	1,563
Defined contribution plans	**74**	82
Share-based payment	**78**	111
	1,723	1,756
Comprise amounts paid to:		
Directors of the Company	**1,011**	1,058
Other key management personnel	**712**	698
	1,723	1,756

Directors' interests in employee share option plan

During the financial year:

- 412,500 (2017: 411,000) share options were granted to 2 (2017: 2) of the Company's executive directors under the Scheme (Note 10) at an exercise price of $0.22 (2017: $0.31) each.

- No options were exercised by the directors in 2018 and 2017.

At the end of the reporting period, the total number of outstanding share options granted by the Company to the directors under the Scheme amounted to 2,313,500 (2017: 2,048,500). No share options have been granted to the Company's independent directors during the financial year.

29. Segment information

Business segments

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services offered. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies.

For each of the strategic business units, the Group's Chairman and Managing Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

The Group is organised into three reportable segments, namely:

(a) Distribution: Relates to distribution of propulsion engines;

(b) After-sales: Relates to after-sales services provided which includes services/jobs, sales of spare parts and other trading; and

(c) Projects: Relates to manufacturing, sales and commission of power generator sets and the manufacturing of marine equipment and related repair services.

Other operations relate to general corporate activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chairman and Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

29. Segment information (cont'd)

The segment information provided to the Group's Chairman and Managing Director for the reportable segments for the year ended 30 April 2018 are as follows:

	Distribution $'000	After-sales $'000	Projects $'000	Segments total $'000	Others $'000	Elimination $'000	Total $'000	Note
2018								
External revenue	24,326	7,331	41,229	72,886	–	–	72,886	
Inter-segment revenue	766	2,215	–	2,981	2,360	(5,341)	–	A
Total revenue	25,092	9,546	41,229	75,867	2,360	(5,341)	72,886	
Interest income	3	7	91	101	186	(9)	278	B
Dividend income	–	–	–	–	1,964	(1,950)	14	
Gain on disposal of property, plant and equipment	–	–	24	24	–	–	24	
Interest expense	(46)	(66)	(347)	(459)	(899)	(27)	(1,385)	C
Depreciation	(132)	(278)	(553)	(963)	(4,353)	–	(5,316)	
Share of results of an associate	–	–	(11)	(11)	–	–	(11)	
Impairment loss on cost of investment	–	–	–	–	(3,600)	3,600	–	
Other non-cash expenses	(235)	–	–	(235)	(138)	–	(373)	D
Reportable segment profit/(loss) before tax	4,681	(596)	(1,578)	2,507	(7,800)	758	(4,535)	E
Income tax credit							591	
Loss for the year							(3,944)	
Reportable segment assets	18,937	6,530	47,802	73,269	98,804	(15,922)	156,151	F
Capital expenditure	–	167	630	797	42	–	839	
Reportable segment liabilities	9,685	3,958	20,696	34,339	74,939	(16,082)	93,196	G

29. Segment information (cont'd)

	Distribution $'000	After-sales $'000	Projects $'000	Segments total $'000	Others $'000	Elimination $'000	Total $'000	Note
2017								
External revenue	32,505	6,216	51,430	90,151	–	–	90,151	
Inter-segment revenue	544	925	116	1,585	2,652	(4,237)	–	A
Total revenue	33,049	7,141	51,546	91,736	2,652	(4,237)	90,151	
Interest income	–	1	1	2	117	(16)	103	B
Dividend income	–	–	–	–	6,529	(6,500)	29	
Gain on disposal of property, plant and equipment	–	–	38	38	1,196	–	1,234	
Interest expense	–	–	(336)	(336)	(881)	16	(1,201)	C
Depreciation	(2,359)	(48)	(550)	(2,957)	(2,449)	–	(5,406)	
Share of results of an associate	–	–	(207)	(207)	–	–	(207)	
Impairment loss on cost of investment	–	–	–	–	(2,661)	2,661	–	
Other non-cash expenses	(473)	–	–	(473)	(249)	–	(722)	D
Reportable segment profit/(loss) before tax	5,131	(372)	(154)	4,605	1,436	(7,728)	(1,687)	E
Income tax expense							(279)	
Loss for the year							(1,966)	
Reportable segment assets	15,913	6,419	58,898	81,230	120,627	(34,516)	167,341	F
Capital expenditure	–	56	364	420	518	–	938	
Reportable segment liabilities	9,584	1,987	27,109	38,680	95,565	(35,104)	99,141	G

Note	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
A	Inter-segments revenue are eliminated on consolidation.
B	Inter-segments interest income are eliminated on consolidation.
C	Inter-segments interest expenses are eliminated on consolidation and amortisation of fair value adjustment.
D	Other non-cash expenses consist of share-based payments, inventories written-down and impairment of financial assets as presented in the respective notes to the financial statements.

29. Segment information (cont'd)

Note (cont'd) **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

E The following items are added to/(deducted from) segment profit/(loss) to arrive at "loss before tax" presented in the consolidated income statement.

	Group 2018 $'000	Group 2017 $'000
Unrealised profit from unsold stocks	**(203)**	33
Dividend income	**(1,950)**	(6,500)
Amortisation of intangible assets	**(708)**	(1,052)
Amortisation of fair value of inventories	**–**	(260)
Impairment loss on cost of investment	**3,600**	2,661
Interest income	**(9)**	(16)
Impairment loss on intangible assets	**–**	(2,629)
Interest expense	**(27)**	16
Unrealised foreign exchange difference	**(51)**	12
Elimination of intercompany transactions	**106**	7
	758	(7,728)

F Items relating to inter-segment assets are deducted to arrive at total assets reported in the consolidated statement of financial position.

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

	Group 2018 $'000	Group 2017 $'000
Inter-segment liabilities	**16,029**	35,051
Accrual	**53**	53
	16,082	35,104

Geographical information

	Group 2018 $'000	Group 2017 $'000
Revenue from external customers		
Singapore	**39,647**	50,387
Indonesia	**15,902**	13,222
Vietnam	**8,738**	21,965
Other countries	**8,599**	4,577
	72,886	90,151
Non-current assets		
Property, plant and equipment		
Singapore	**60,409**	65,115
Malaysia	**3,637**	3,533
Indonesia	**96**	59
	64,142	68,707

29. Segment information (cont'd)

Major customers

During the financial year, no customer generated revenue of 10% or more of the Group's revenue. In prior year, revenue generated from 2 major customers of the Group's distribution segment amounted to approximately $20,863,000, representing approximately 23% of the Group's revenue.

30. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations. The key financial risks are credit risk, liquidity risk, foreign currency risk and interest rate risk. The management reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risk and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework.

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and quoted equity securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the country in which customers operate, as these factors may have an influence on credit risk.

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

30. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2018 $'000	2018 % of total	2017 $'000	2017 % of total
Group				
By country:				
Singapore	**9,281**	**67**	19,610	80
Indonesia	**1,820**	**13**	1,441	6
Vietnam	**812**	**6**	2,969	12
Other countries	**1,939**	**14**	600	2
	13,852	**100**	24,620	100

At the end of the reporting period, approximately:

- 67.0% (2017: 79.7%) of the Group's trade receivables is attributable to sales transactions with customers domiciled in Singapore; and

- 6.6% (2017: 31.6%) of the Group's trade receivables is attributable to sales transactions with 2 (2017: 2) major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and quoted equity securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Management of credit risk

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors for each transaction with the customer. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be undertaken promptly by the Group. The resultant effects of these measures have kept the Group's exposure to bad debts at an acceptable level.

30. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2018 $'000				2017 $'000			
	One year or less	**One to five years**	**Over five years**	**Total**	**One year or less**	**One to five years**	**Over five years**	**Total**
Group								
Financial assets:								
Trade and other receivables	**13,683**	**433**	**–**	**14,116**	22,874	2,174	–	25,048
Cash and short-term deposits	**24,001**	**–**	**–**	**24,001**	25,618	–	–	25,618
Other financial assets	**–**	**752**	**–**	**752**	–	717	–	717
Total undiscounted financial assets	**37,684**	**1,185**	**–**	**38,869**	48,492	2,891	–	51,383
Financial liabilities:								
Trade and other payables	**14,906**	**142**	**–**	**15,048**	17,904	260	–	18,164
Loans and borrowings	**35,196**	**12,513**	**33,419**	**81,128**	35,553	11,910	33,134	80,597
Total undiscounted financial liabilities	**50,102**	**12,655**	**33,419**	**96,176**	53,457	12,170	33,134	98,761
Total net undiscounted financial liabilities	**(12,418)**	**(11,470)**	**(33,419)**	**(57,307)**	(4,965)	(9,279)	(33,134)	(47,378)

30. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	2018 $'000				2017 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Company								
Financial assets:								
Trade and other receivables	**3,222**	**–**	**–**	**3,222**	12,583	–	–	12,583
Cash and short-term deposits	**365**	**–**	**–**	**365**	799	–	–	799
Total undiscounted financial assets	**3,587**	**–**	**–**	**3,587**	13,382	–	–	13,382
Financial liabilities:								
Trade and other payables	**9,464**	**453**	**–**	**9,917**	22,644	572	–	23,216
Loans and borrowings	**3,106**	**11,698**	**32,997**	**47,801**	3,114	11,088	32,833	47,035
Total undiscounted financial liabilities	**12,570**	**12,151**	**32,997**	**57,718**	25,758	11,660	32,833	70,251
Total net undiscounted financial liabilities	**(8,983)**	**(12,151)**	**(32,997)**	**(54,131)**	(12,376)	(11,660)	(32,833)	(56,869)

The maximum amount of the financial guarantee allocated to the earliest period in which the guarantee would be called.

	2018 $'000				2017 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Company								
Financial guarantee	**31,875**	**45**	**12**	**31,932**	32,231	55	12	32,298

The financial guarantee was provided to the subsidiary corporations for their banking facilities.

30. Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Japanese Yen (JPY) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly SGD, United States Dollars (USD) and Euro (EUR). The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD. The Company does not have any foreign currency denominated balances at the end of the reporting period.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk is as follows:

	SGD $'000	EUR $'000	USD $'000
2018			
Trade and other receivables	**1,672**	**–**	**811**
Cash and cash equivalents	**2,204**	**108**	**25,607**
Loans and borrowings	**(1,353)**	**(5,929)**	**–**
Trade and other payables	**(2,785)**	**(508)**	**(308)**
Net exposure	**(262)**	**(6,329)**	**26,110**
2017			
Trade and other receivables	880	25	2,997
Cash and cash equivalents	2,658	58	15,937
Loans and borrowings	(1,353)	(2,091)	(1,114)
Trade and other payables	(1,105)	(206)	(1,518)
Net exposure	1,080	(2,214)	16,302

30. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

A 5% strengthening of the foreign currencies, as indicated below, against the functional currency of the respective entities at 30 April would have (decreased)/increased in loss before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the financial year 2017:

	(Decrease)/increase in loss before tax	
	2018	**2017**
	$'000	**$'000**
SGD	**(13)**	54
EUR	**(316)**	(111)
USD	**1,306**	815

A weakening of the foreign currencies against the functional currency of the respective entities at 30 April would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's loans and borrowings are at floating rates which are contractually repriced at intervals of less than 6 months from the end of the reporting period.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Carrying amount	
	2018	**2017**
	$'000	**$'000**
Variable rate instruments		
Bank overdrafts	**3**	994
Trust receipts	**10,352**	11,771
Term loans	**41,756**	41,497
Revolving credit facility	**21,510**	19,457
	73,621	73,719
Fixed rate instruments		
Finance lease liabilities	**231**	330

30. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if SGD interest rates had been 100 (2017: 100) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been $736,210 lower/higher (2017: $737,190 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Fair value of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and receivables $'000	Available-for-sale $'000	Total carrying amount $'000
Group			
2018			
Cash and short-term deposits	**24,001**	**–**	**24,001**
Trade and other receivables	**14,065**	**–**	**14,065**
Available-for-sale financial assets: quoted equity securities	**–**	**752**	**752**
	38,066	**752**	**38,818**
2017			
Cash and short-term deposits	25,618	–	25,618
Trade and other receivables	24,911	–	24,911
Available-for-sale financial assets: quoted equity securities	–	717	717
	50,529	717	51,246
Company			
2018			
Cash and short-term deposits	**365**	**–**	**365**
Trade and other receivables	**3,222**	**–**	**3,222**
	3,587	**–**	**3,587**
2017			
Cash and short-term deposits	799	–	799
Trade and other receivables	12,583	–	12,583
	13,382	–	13,382

30. Financial risk management objectives and policies (cont'd)

Fair value of financial instruments (cont'd)

	Other financial liabilities within scope of FRS 39 $'000	Other financial liabilities outside scope of FRS 39 $'000	Total carrying amount $'000
Group			
2018			
Bank overdrafts	**3**	**–**	**3**
Trust receipts	**10,352**	**–**	**10,352**
Revolving credit facility	**21,510**	**–**	**21,510**
Secured bank loans	**41,756**	**–**	**41,756**
Finance lease obligations	**–**	**231**	**231**
Trade and other payables *	**15,048**	**–**	**15,048**
	88,669	**231**	**88,900**
2017			
Bank overdrafts	994	–	994
Trust receipts	11,771	–	11,771
Revolving credit facility	19,457	–	19,457
Secured bank loans	41,497	–	41,497
Finance lease obligations	–	330	330
Trade and other payables *	18,164	–	18,164
	91,883	330	92,213
Company			
2018			
Secured bank loans	**40,855**	**–**	**40,855**
Finance lease obligations	**–**	**104**	**104**
Trade and other payables **	**9,917**	**–**	**9,917**
	50,772	**104**	**50,876**
2017			
Secured bank loans	40,786	–	40,786
Finance lease obligations	–	167	167
Trade and other payables **	23,216	–	23,216
	64,002	167	64,169

* exclude excess of progress billings over contract work-in-progress, advance deposits and GST payables

** excludes GST payables

31. Fair value of assets and liabilities

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2018				
Financial assets				
Available-for-sale financial assets				
– quoted equity securities	**752**	**–**	**–**	**752**
Trade receivables	**–**	**–**	**1,772**	**1,772**
2017				
Financial assets				
Available-for-sale financial assets				
– quoted equity securities	717	–	–	717
Trade receivables	–	–	3,477	3,477

Level 3 fair value measurements

Determination of Level 3 fair value

The fair value disclosed in the table is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

31. Fair value of assets and liabilities (cont'd)

Level 3 fair value measurements (cont'd)

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value $'000	Valuation Techniques	Unobservable inputs	Discount Rate
2018				
Recurring fair value measurements				
Trade receivables	**1,772**	**Discounted cash flow**	**Credit rating**	**5%**
2017				
Recurring fair value measurements				
Trade receivables	3,477	Discounted cash flow	Credit rating	5%

The Group had assessed that any reasonable possible change in the unobservable inputs will not have any material impact to the financial results.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying value are not reasonable approximation of fair value

Fair value information is not disclosed for the following financial instruments of the Group and the Company as at 30 April 2018 and 2017 as the difference between the carrying amounts and their fair values are not significant.

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Finance lease liabilities	**231**	330	**104**	167

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a sound capital position in order to support its business and maximise shareholders' value. The Group is also committed to maintain an efficient mix of debt and equity in order to achieve optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Group manages its capital structure and makes alignment to it, in light of changes in economic conditions.

32. Capital management (cont'd)

To maintain or adjust the capital structure, the Group may align the dividend payment to shareholder, return capital to shareholders or issue new shares.

No changes were made to the objectives, policies or processes for the years ended 30 April 2018 and 2017. Neither the Company nor any of its subsidiary corporations are subject to externally imposed capital requirements.

33. Events occurring after the reporting period

In July 2018, the Company purchased 1,000,200 of its own shares from the open market in cash at share prices ranging from $0.22 to $0.24 per share, resulting in 4,230,950 treasury shares held as at the date of this report.

34. Authorisation of financial statements for issue

The financial statements for the year ended 30 April 2018 were authorised for issue in accordance with a directors' resolution dated 27 July 2018.

Statistics of Shareholdings

As at 17 July 2018

Class of Shares	-	Ordinary share
Number of total issued shares	-	114,512,571
Voting rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	14	1.49	715	0.00
100 - 1,000	173	18.36	112,850	0.10
1,001 - 10,000	463	49.15	2,080,100	1.88
10,001 - 1,000,000	284	30.15	16,978,175	15.37
1,000,001 and above	8	0.85	91,283,981	82.65
Total	**942**	**100.00**	**110,455,821**	**100.00**

Notes:

%: *Based on 110,455,821 shares (excluding shares held as treasury shares and subsidiary holdings) as at 17 July 2018*

* *Treasury Shares as at 17 July 2018 - 4,056,750 shares excluding share buy-back of 47,000 shares on 16 July 2018 owing to current settlement process will only take place on trading date after 3 business days*

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LTD	45,128,375	40.86
2	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	20,917,018	18.94
3	TAN TUM BENG	8,714,494	7.89
4	TAN GUAT LIAN	6,569,744	5.95
5	DBS NOMINEES PTE LTD	3,123,275	2.83
6	CITIBANK NOMS SINGAPORE PTE LTD	2,933,000	2.66
7	TAN SENG HEE	2,814,250	2.55
8	LIM YUE HENG	1,083,825	0.98
9	ONG POH SENG OR TAN SWEE CHIN	782,300	0.71
10	HONG LEONG FINANCE NOMINEES PRIVATE LIMITED	718,175	0.65
11	CIMB SECURITIES (SINGAPORE) PTE LTD	666,375	0.60
12	HONG PIAN TEE	600,000	0.54
13	MAYBANK KIM ENG SECS PTE LTD	550,200	0.50
14	YEE CHOON LYE	425,100	0.38
15	KOK MOO YONG	397,000	0.36
16	YEO SECK KAN	346,750	0.31
17	OCBC NOMINEES SINGAPORE	279,875	0.25
18	UNITED OVERSEAS BANK NOMINEES	272,750	0.25
19	ALL BIG FROZEN FOOD PTE LTD	255,100	0.23
20	TAN CHIN TUAN HENRY	235,750	0.21
Total:		**96,813,356**	**87.65**

Notes:

%: *Based on 110,455,821 shares (excluding shares held as treasury shares and subsidiary holdings) as at 17 July 2018*

* *Treasury Shares as at 17 July 2018 - 4,056,750 shares excluding share buy-back of 47,000 shares on 16 July 2018 owing to current settlement process will only take place on trading date after 3 business days*

Statistics of Shareholdings

As at 17 July 2018

Rule 723 Compliance

Based on the information available to the Company as at 17 July 2018, approximately 23.25% of the issued ordinary shares (excluding treasury shares and subsidiary holdings) of the Company was held by the public and hence it is in compliance with Rule 723 of the Listing Manual of the SGX-ST.

Substantial Shareholders

	Direct Interest		Deemed Interest	
Name of Shareholders	**No. of shares held**	**%[3]**	**No. of shares held**	**%[3]**
Tan Tin Yeow[1]	44,857,500	40.61	–	–
Credence Capital Fund II (Cayman) Limited[2]	20,917,018	18.94	–	–
Tan Tum Beng	8,714,494	7.89	–	–
Tan Guat Lian[1]	6,569,744	5.95	22,500	0.02

Notes:

(1) Mr. Tan Tin Yeow and Ms. Tan Guat Lian together with Mr. Tan Seng Hee had on 29 June 2010 entered into a deed of undertaking ("**Deed of Undertaking**") whereby each of them agreed to first offer any Shares which he/she would like to sell (the "**Selling Party**") to the other parties in equal proportions (as nearly as possible). In the event the other parties decline or is deemed to decline the offer, the Selling Party shall be entitled to sell the Shares to any third party at a price which is not lower than the price offered to the other parties, subject to the terms and conditions set out in the Deed of Undertaking. As at 17 July 2018, Mr. Tan Seng Hee has an interest in 2,814,250 Shares in the Company representing approximately 2.55% of the total issued share capital (excluding any treasury shares and subsidiary holdings).

(2) Credence Capital Fund II (Cayman) Limited has subscribed for 9,012,256 new ordinary shares ("**New Shares**") in the Company on 20 May 2013 and exercised its call option to purchase an aggregate total of 11,904,762 ordinary shares in the Company at the completion of the subscription of New Shares from its substantial shareholders, namely Mr. Tan Tum Beng, Mr. Tan Seng Hee and Ms. Tan Guat Lian. As at 17 July 2018, Credence Capital Fund II (Cayman) Limited now holds approximately 18.94% of the total issued ordinary shares of the Company.

(3) Based on 110,455,821 shares (excluding treasury shares and subsidiary holdings) as at 17 July 2018.

Treasury Shares

As at 17 July 2018, the Company held 4,056,750 treasury shares excluding share buy-back of 47,000 shares on 16 July 2018 owing to current settlement process will only take place on trading date after 3 business days, representing 3.67% of the total issued ordinary shares.

Subsidiary Holdings

As at 17 July 2018, the number of subsidiary holdings held is nil.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of XMH Holdings Ltd. ("**Company**") will be held at 55 Tuas Crescent #07-01 Singapore 638743 on Thursday, 23 August 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 30 April 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$170,600 for the financial year ended 30 April 2018 (2017: S$170,600). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 89 of the Constitution of the Company:

   (a) Mr. Hong Pian Tee **(Resolution 3)**
   (b) Mr. Chan Heng Toong **(Resolution 4)**

   [See Explanatory Note (i)]

4. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

("**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of this Resolution is passed; and

    (c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(Resolution 6)

[See Explanatory Note (ii)]

7. **Authority to issue shares under the XMH Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the XMH Share Option Scheme ("**Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of share options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 6 August 2018

Explanatory Notes:

(i) Mr. Hong Pian Tee will, upon re-election as Director of the Company, remain as the Chairman of Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Mr. Chan Heng Toong will, upon re-election as Director of the Company, remain as the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(iv) Resolution 7 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme (for the entire duration of the Scheme) provided that the aggregate additional shares to be issued pursuant to the Scheme do not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM ("**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. Where a member of the Company appoint two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. If the member is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 55 Tuas Crescent #07-01 Singapore 638743 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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XMH HOLDINGS LTD.
(Company Registration No. 201010562M)
(Incorporated In the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, ______________________ (Name) ________________ (NRIC/Passport No./Co. Registration No.)

of ____ (Address)

being a member/members* of **XMH HOLDINGS LTD.** ("**Company**"), hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at 55 Tuas Crescent #07-01 Singapore 638743, on Thursday, 23 August 2018 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	**Resolutions relating to:**	**No. of Votes 'For'****	**No. of Votes 'Against'****
Ordinary Business			
1	Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 30 April 2018		
2	Approval of Directors' fees amounting to S$170,600 for the financial year ended 30 April 2018		
3	Re-election of Mr. Hong Pian Tee as a Director		
4	Re-election of Mr. Chan Heng Toong as a Director		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise to Directors of the Company to fix their remuneration		
Special Business			
6	Authority to allot and issue new shares		
7	Authority to allot and issue shares under the XMH Share Option Scheme		

* *Delete where inapplicable*
** *If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of ______________ 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
and / or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company who is not a Relevant Intermediary* entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member who is not a Relevant Intermediary* appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 55 Tuas Crescent #07-01 Singapore 638743 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 August 2018.

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XMH

XMH HOLDINGS LTD.

55 Tuas Crescent, #07-01
Singapore 638743