



XMH Holdings Ltd.

Sustainability Report 2018

(Incorporated in the Republic of Singapore)

(Company Registration Number: 201010562M)

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ABOUT THIS REPORT



Scope of Report

This is an inaugural stand-alone Sustainability Report (the “Report”) by XMH Holdings Ltd. (the “Company” or “XMH”). The scope and boundaries of the Report are determined with XMH’s stakeholders in mind. XMH Holdings Ltd. recognises that sustainability reporting is critical to our business and long-term value creation. This Report describes the policies, performance and targets for key economic, environmental, social and governance topics of XMH’s major business operations in Singapore, which collectively contributed more than 50% of the group’s revenue for the financial year ended 30 April 2018 (“FY2018”). Unless otherwise stated, this Report covers the period from 1 May 2017 to 30 April 2018, being the same period covered by our FY2018 annual report. XMH will continue to publish the Report annually.

Standard of Report

This Report is prepared in alignment to SGX-ST Listing Rules – Sustainability Reporting Guide and with reference to Global Reporting Initiative (GRI) standards 2016: Core Option and its reporting principles. Please refer to GRI Content Index which summarises our data and information disclosed as per GRI Standards requirement.

Feedback

XMH always welcome feedback from our stakeholders on this Report as we strive to improve on our reporting. For any enquiry, comment and suggestion related to this Report, please contact us at www.xmh.com.sg/XMHH/contact.

MESSAGE FROM THE BOARD

Dear Stakeholders,

We are pleased to present to you XMH's first sustainability report. Since its inception, it is XMH's belief that value creation and sustainability are core to its business and stakeholders. XMH's Board of Directors (the "Board") and management have considered sustainability issues as part of its business strategy formulation and management activities. We set our sights on our long-term growth strategy. We have been working hard to strengthen our foundation amidst aggressive competition in several businesses XMH and its subsidiaries (the "Group") operate in.

In this inaugural Report, we discuss material topics in relation to economic, environmental, social and governance which are identified through on-going engagement with our stakeholders. Please refer to the section "Stakeholder Engagement" on how we continuously interact with our valued stakeholders. This Report also highlights our sustainable practices embedded across XMH's business operations and our commitment to achieve the right balance of business values, sustainable growth, employee relationship and efforts in business compliance and governance.

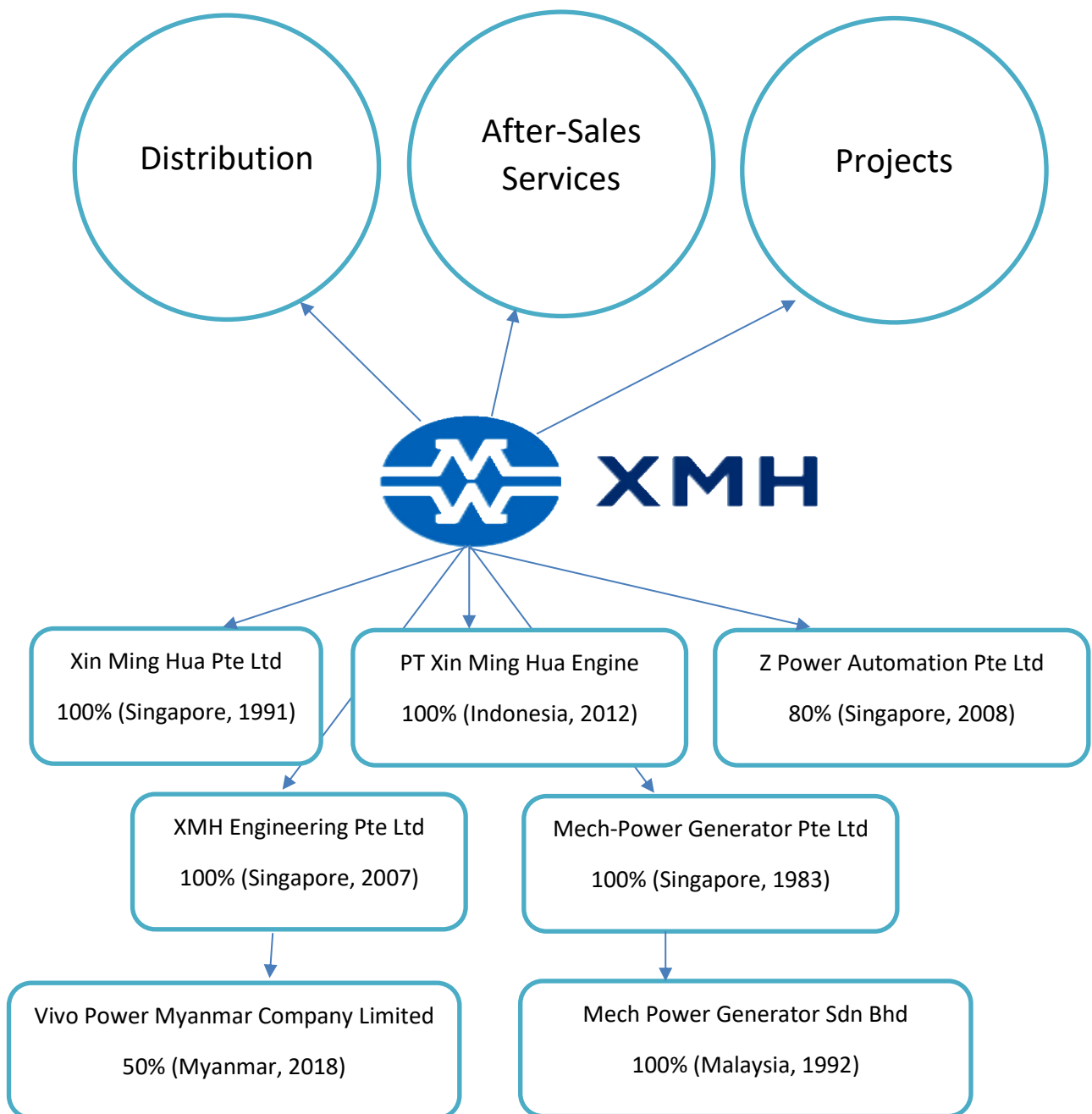
We would like to thank various parties who have contributed to XMH and for partnering us in our sustainability journey. We plan to publish our sustainability report on a yearly basis.

While the Report is our key sustainability document, we encourage our shareholders to read it together with our Annual Report for a complete view on XMH's sustainability approach.

Sincerely,
Board of Directors
XMH Holdings Ltd.

OUR BUSINESS AND VALUES

With XMH's history dating back to 1955, we are now 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. Our business is headquartered in Singapore with main operations in Singapore, Malaysia and Indonesia. Our business activities can be broadly categorised into distribution and provision of value-added products and services; after-sales services, trading and others; and 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 BUSINESS AND VALUES

Our supply chain consists of mainly reputable suppliers 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) or their respective agents or distributors. As XMH continues to advance, we have scaled up the value-chain with the introduction of “AceGen”, an in-house range of power-generating set, 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. In total, there are more than 250 suppliers in our integrated supply chain and the majority of them are located overseas with business presence in Singapore.

Vision

To be Asia’s most trusted partner in power solutions

Mission

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

Company Values

Collaboration for success – Through teamwork and working closely with customers, we deliver the best possible solutions to meet customers’ needs.

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

Belief in people – We believe our staff are capable of performing to expectations and, with nurturing, will have the potential to attain higher standards of excellence.

Strive for progress – We seek to continually improve our level of proficiency and expertise in our scope of work.

Commitment to reliability – We pledge to only deliver optimally dependable solutions that fulfil customers’ requirements.

Resourcefulness for the right solutions – We employ clever and enterprising methods to devise optimal products and/or services suited to meet customers’ needs.

SUSTAINABILITY APPROACH

Sustainability Principles and Governance

XMH believes it is able to better serve the interests of its wider group of stakeholders by integrating its sustainability approach to its business operations, values and beliefs.

The Group's senior management periodically assesses areas where the Group can have the greatest economic, environmental, social and governance impact, as well as areas that are most important to our stakeholders. Senior management is responsible for on-going communication of such assessments to the Board, which is responsible for reviewing and approving XMH's sustainability matters. We evaluate the needs and expectations of our key stakeholder groups that are significant to our Group's value-creation strategy and strive to build mutually beneficial relationships.



SUSTAINABILITY APPROACH

Stakeholder Engagement

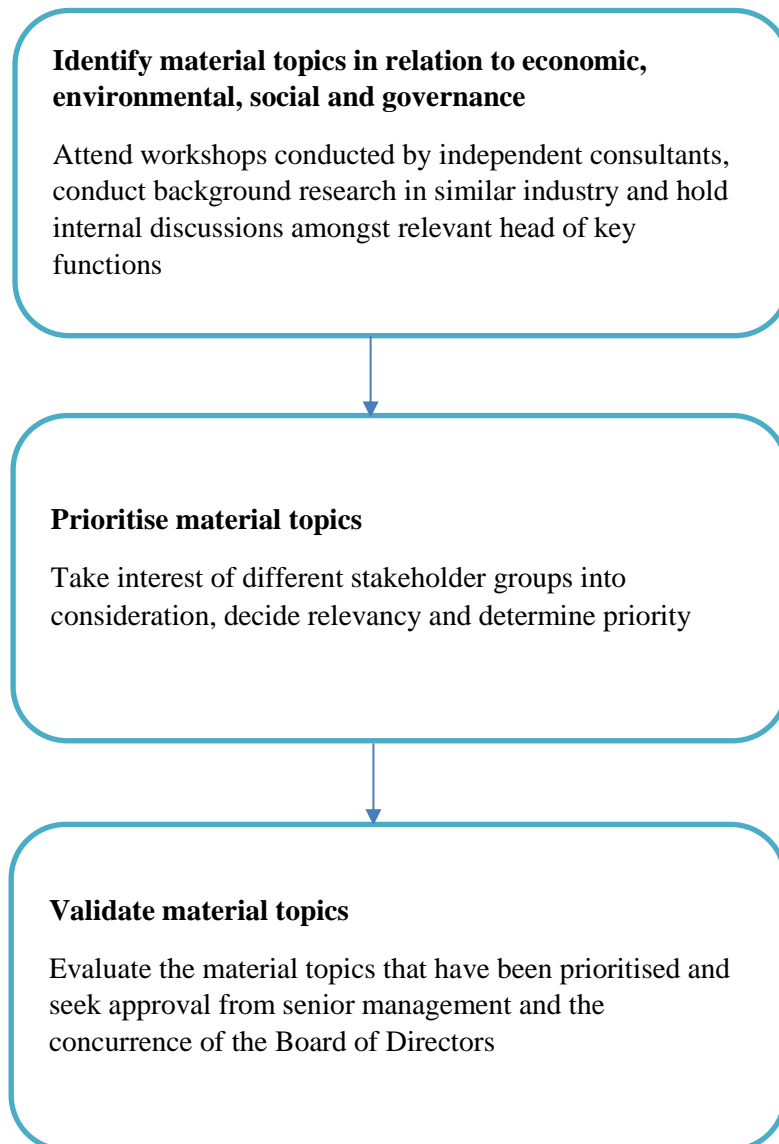
We understand the need to maintain close relationships with our stakeholders to support us in addressing our business and sustainability challenges. Hence, we regularly engage with and consult our diverse groups of key stakeholders. We seek to understand more on our stakeholders' expectations to uncover areas which could be improved on. The feedback arising from our stakeholder engagements, which includes inputs on our sustainability reporting and materiality, has helped us strengthen the approach and relevance of our reporting.

Stakeholders	Engagement Approach	Main Concerns/ Interests
Customers	On-going quotation, proposal meeting, website, site visit	Unrivalled quality of services and products, after sales service, maintain ethical standards
Suppliers	Quotation, periodic discussion and evaluation	Compliance with terms and conditions of purchasing policies and procedures, fair purchasing practices
Employees	Induction and orientation program, annual staff appraisal, internal memo, annual trainings	Staff rights and welfare, personal development, good working environment, fair employment policy
Investors	Annual meetings, circulars to shareholders	Transparency, timely reporting, dialogue at AGM
Business Partners	Frequent discussions and meetings	Partnership for opportunities and growth
Government and Regulators	Periodic discussions with government agencies and departments	Environmental-friendly business approach, compliance with regulations, timely reporting and resolution of issues

SUSTAINABILITY APPROACH

Materiality Assessment Process

We listen to our stakeholders when interacting with them during business activities. Our topics are identified based on impacts in relation to economic, environmental, social and governance, and the degree of influence they have on stakeholders. We take the following steps in our materiality assessment process to identify material topics that are relevant to us.



SUSTAINABILITY APPROACH

Key Topics

Topics	Description	Stakeholders	Reference
Economic Performance	Economic performance, value generation and distribution	Investors, Business Partners, Employees, Suppliers, Government and Regulators	Page 11
Our People and Talent Management	Fair employment practices in aspects of hiring, remuneration, training, promotion, dismissal, work hours, rest periods, benefits and welfare and approach to training and upgrading employee skills, and performance and career development reviews	Employees, Suppliers, Government and Regulators, Business Partners	Page 13
Quality of Sales and Services	Measures and responsibility to ensure standards of service and delivery of products in meeting customers' expectations	Customers, Employees, Business Partners	Page 16
Legal and Compliance	Policies and practice in place to uphold good corporate governance and manage ethical issues such as fraud, corruption, conflicts of interest in the conduct of business activities , including compliance with socioeconomic laws and regulations	Government and Regulators, Investors, Suppliers, Employees, Customers, Business Partners	Page 17

Economic Performance

We operate three major businesses as outlined in Our Business and Values i.e. Distribution, After-Sales Services and Projects. Major areas of concern are price fluctuation in commodities, change in technology, resource scarcity, rising labour costs and competitive environment of those industries that XMH operates in. As a group, we strive to achieve each business unit's respective target revenue and profit, as well as to invest in appropriate capital expenditure to drive organic and long-term growth for our businesses.

We believe in building sustainable business that deliver long term economic value and growth. We also believe that a truly sustainable business not only creates long term value for shareholders, but does so in a way that benefits other stakeholders as well. We contribute towards the local economy in which our businesses operate by creating jobs, purchasing from local suppliers where possible, responsibly paying our taxes and introducing business opportunities for our business partners.

We work closely with management and operation staff to identify and consider sustainability opportunities and risks that may arise. Below are the extracts of Chairman's Message in our prior years' Annual Report. Reading them together provides more clarity on our chain of thoughts, actions and results.

Extracts of Chairman's Message in 2017 Annual Report

Going forward, we hope to continuously assess which overheads and processes remain core and vital so as to streamline costs to achieve a stronger statement of financial position and sustainable growth for the medium to long term.

The Group continues to maintain a prudent stance as it looks out for viable opportunities in the marine sector and energy-related and industrial onshore projects.

Extracts of Chairman's Message in 2018 Annual Report

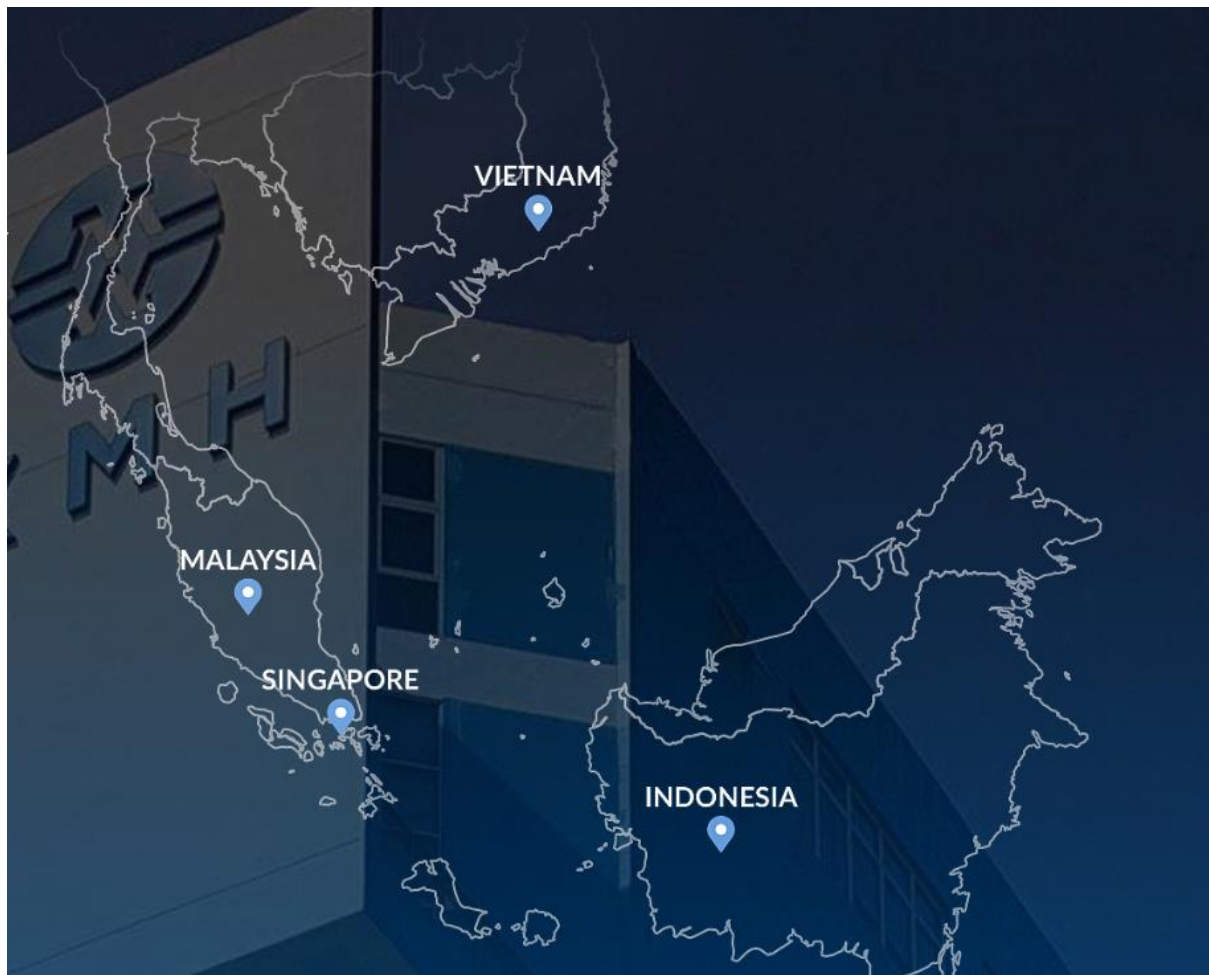
... our total operating expenses continued to decrease, reducing by 8.2% to S\$24.0 million for FY2018 from S\$26.2 million for FY2017.

We diversified further into onshore energy, industrials and other new segments such as utilities, to partly compensate the deficit from softer offshore marine demand.

ECONOMIC

Economic Performance (Cont'd)

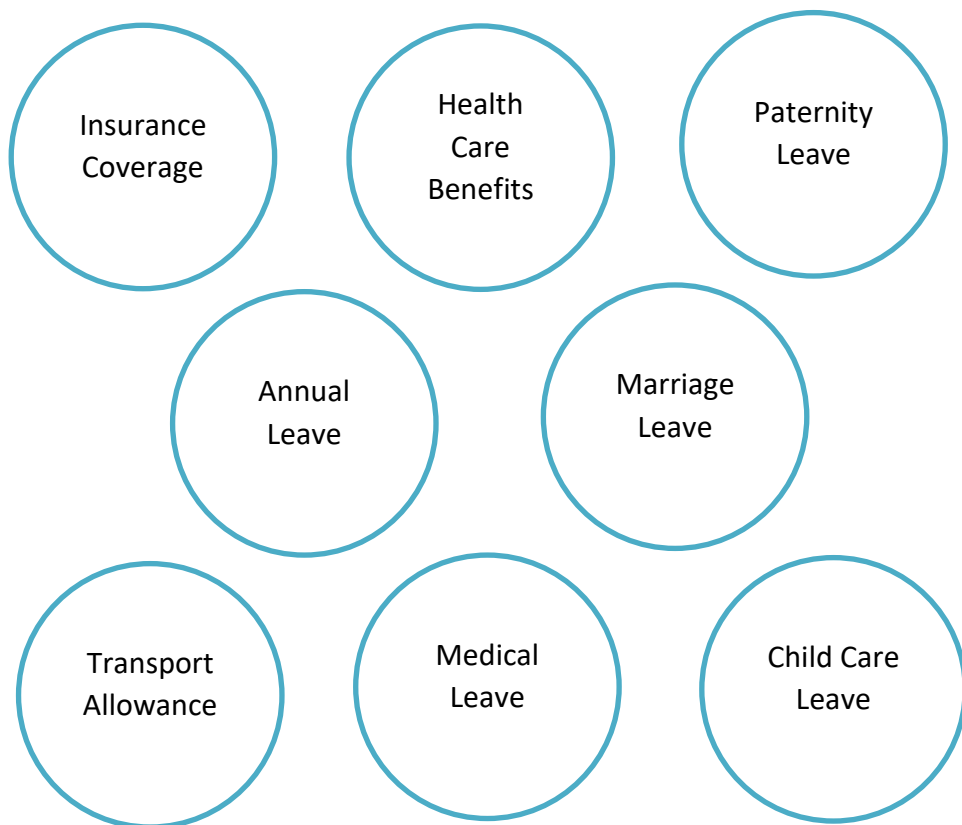
We manage our operations in accordance to our Company's values as well as sustainability principles. Our management team takes a pragmatic approach towards financial management to identify and mitigate risks, undergo internal and external audit of our financial accounts, and continually review our performance against internal benchmarks. Due to our focus on improving operating efficiencies, we achieved positive increase in gross profit margin at 24.4% in FY2018 from 24.2% in FY2017, as well as reduction of administrative expenses at 19.7% in conjunction with the decrease of revenue at 19.2% in FY2018. For more information on XMH's economic performance, please refer to our Annual Report 2018 – Operations and Financial Review (page 13 to 15) and Financial Statements (page 51 to 56).



Our People and Talent Management

XMH values human capital. Employees are the greatest assets of the Company. Hence, their competencies and well-being are important to XMH's business operation and growth. XMH provides full-time employment to more than 200 individuals from diverse backgrounds, illustrated through the various qualifications, experience, nationalities and ages of our employees.

Standard Benefits for All Employees for Operations in Singapore



Our People and Talent Management (Cont'd)

We value diversity because we believe each of our employees play a part in contributing to our business presence, brand and connections with our external stakeholders such as customers and shareholders. We want our business to benefit from the opportunities presented by their diverse experience and perspectives.

To put this approach and values into action, we integrated and centralised our human resource functions of different business units over the years. We uphold these values and beliefs so that we are well-positioned to acquire, retain and develop exceptional talents.

We believe all candidates and employees should be respected and treated fairly. We support equal opportunities for employment and do not tolerate discrimination in any form. We conduct investigation and take necessary action when complaints of discrimination arise.

New Hires by Age Group and Gender

Period	Age Group			Gender	
	Below 30	30 – 50	Above 50	Female	Male
FY2018	29	21	6	11	45
FY2017	11	12	4	7	20

Staff Average Training Hours

	FY2018	FY2017
<i>By Gender</i>		
Male	23	29
Female	27	26
<i>By Employee Category</i>		
Management and above	34	48
Executives	24	30
General Staff	6	4

SOCIAL

Our People and Talent Management (Cont'd)



We offer career development programs for our employees at all levels of the organisation. Our employees receive periodic performance review in accordance with our human resource policy. In FY2018 and FY2017, all our staff received regular performance review in line with the Group's policies ^{N1}.

We encourage on-going and two-way communication between employees and their supervisor(s). We use a variety of tools to disseminate information regularly and proactively seek feedback from employees, during company events and at exit interviews upon they leaving the Company. We trust that establishing these communication channels would help us identify strengths, weaknesses and potential opportunities for the Company to make XMH an even better place to work.

The Company is reviewing ways to establish a more systematic approach to engage employees and encourage regular feedback between employees and their supervisor(s).

N1 - Exclude one of the Singapore operations when the HR function underwent transition.

GOVERNANCE

Quality of Sales and Services

Our service quality to our customers play a vital role for the sustainable success of XMH. Upholding quality of services and products is essential to enable us to retain our existing customer base and attract new customers. We place great emphasis on quality control to ensure consistent quality standards that meets the requirements of our customers. In FY2018, we have no incidence of customers rejecting delivery due to defective or unsatisfactory products.

Our quality control personnel work closely with our production team to ensure that the existing production flow and method achieves the required standards of quality, and that innovation and improvement are continually introduced to our business processes to improve quality standards. We pledge to deliver prompt and optimally dependable solutions that meet the dynamic requirements of our customers. As such, we have established the following quality assurance and control system to ensure consistency in the quality of our services and the products and services that we deliver.

Product Handling and Service Quality Check Procedures

Products purchased/designed/manufactured, including technical specifications and compliance documents, are inspected at various stages. It is our policy to track and keep internal records of all incoming diesel engines, power generating sets and certain related components to allow us to provide timely feedback to our principals and/or suppliers. Outgoing products are checked against order specification and load tested before delivery to our customers, including supervision on installation and commissioning to ensure they meet the requisite performance specifications.

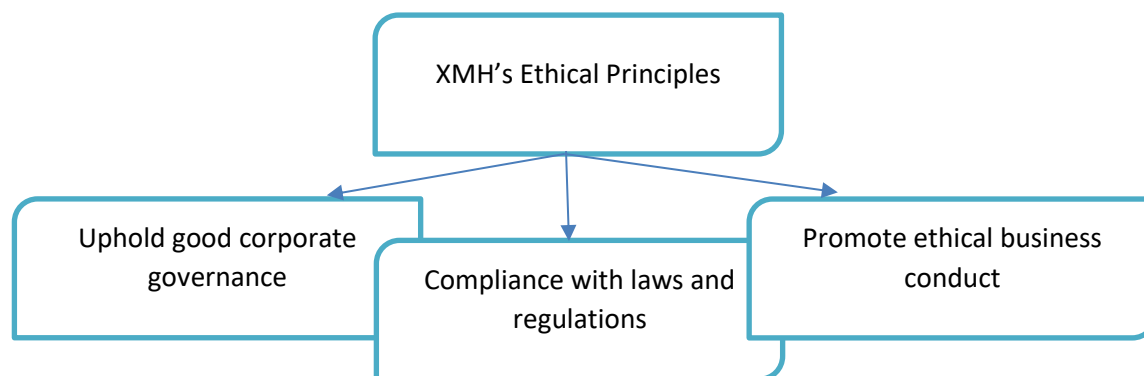
Customer Relationship Management

We believe that feedback from our customers and our timely response is vital for us to remain competitive in this industry. We ensure that our sales and services staff receive adequate training and are equipped with the necessary skills and right attitudes when dealing and negotiating with our customers. We have implemented an ERP system which allows us to track our sales leads and enquiries, customer feedbacks and our follow-up actions.

GOVERNANCE

Legal and Compliance

We conduct our business in strict compliance with all applicable laws and regulations. To demonstrate our Company's values, we adhere to ethical principles in all our dealings with business partners and colleagues.



We recognise the risk of regulatory penalties and resulting loss of reputation arising from non-compliance with relevant legal requirements, including our products. We maintain our commitment to responsible business through a well-established ethical principles and accountability system. We proactively keep abreast of applicable legal requirements in the industries we operate in.

XMH has a whistleblowing policy outlined in our employee handbook to promote ethical business practices. We encourage our employees to raise any concerns relating to any suspected improper business activities. In the event of a reported whistleblowing case, the Audit Committee ensures that an independent investigation is carried out followed by appropriate remedial actions.

XMH believes that strong corporate governance and ethical standards will translate to sound business decisions which underpin our operational and financial performance, and will deliver value to all stakeholders. In FY2018, there was no reported incidents of non-compliance with relevant laws and regulations that could result in either public allegation of non-compliance or penalties.

Area of Concern	FY2018	FY2019
Corporate governance aspects, including corruption	No reported cases of non-compliance	Continue to uphold good governance practice and comply with laws and regulations
Socio-economic aspects		
Environmental aspects		
Product aspects		

GRI CONTENT INDEX

GRI Standard	Disclosure	Notes/ Page Reference
102-1	Name of the organisation	Sustainability Report - page 3
102-2	Activities, brands, products, and services	Sustainability Report - page 5 and 6
102-3	Location of headquarters	Sustainability Report - page 5
102-4	Location of operations	Sustainability Report - page 5
102-5	Ownership and legal form	Annual Report 2018 - page 122
102-6	Markets served	Sustainability Report - page 5
102-7	Scale of the organisation	Sustainability Report - page 5 and 13, Annual Report 2018 - page 6
102-8	Information on employees and other workers	Sustainability Report - page 13
102-9	Supply chain	Sustainability Report - page 6
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Not applicable
102-12	External Initiatives	Not applicable
102-13	Membership of association	Not applicable
102-14	Statement from senior decision-maker	Sustainability Report - page 4
102-16	Values, principles, standards, and norms of behavior	Sustainability Report - page 6
102-18	Governance structure	Sustainability Report - page 7
102-40	List of stakeholder groups	Sustainability Report - page 8
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	Sustainability Report - page 8
102-43	Approach to stakeholder engagement	Sustainability Report - page 8
102-44	Key topics and concerns raised	Sustainability Report - page 9 and 10
102-45	Entities included in the consolidated financial statements	Sustainability Report - page 5
102-46	Defining report content and topic Boundaries	Sustainability Report - page 3
102-47	List of material topics	Sustainability Report - page 10
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	Sustainability Report - page 3
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	Sustainability Report - page 3
102-53	Contact point for questions regarding the report	Sustainability Report - page 3
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report - page 3
102-55	GRI content index	Sustainability Report - page 18
102-56	External assurance	We have not sought external assurance for our sustainability report FY2018 and may consider it in the future.

GRI CONTENT INDEX

GRI Standard	Disclosure	Notes/ Page Reference
103-1	Explanation of the material topic and its Boundary	Sustainability Report - page 3, 11-17
103-2	The management approach and its components	Sustainability Report - page 11-17
103-3	Evaluation of the management approach	Sustainability Report - page 11-17
201-1	Direct economic value generated and distributed	Annual Report 2018 - page 51
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report - page 17
307-1	Non-compliance with environmental laws and regulations	Sustainability Report - page 17
401-1	New employee hires and employee turnover	Sustainability Report - page 14
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report - page 13
404-1	Average hours of training per year per employee	Sustainability Report - page 14
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report - page 14
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Report - page 15
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report - page 17
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report - page 17