



XMH HOLDINGS LTD.
(Incorporated in Singapore)
(Company Registration No.: 201010562M)

CLARIFICATION ON THE ANNOUNCEMENT OF UNAUDITED FULL YEAR RESULTS ENDED 30 APRIL 2020

The Board of Directors (“**Board**”) of XMH Holdings Ltd. (“**Company**” and together with its subsidiaries, “**Group**”) refers to the announcement released by the Company of its Unaudited Full Year Financial Statements for the financial year ended 30 April 2020 (“**Results Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 27 July 2020 (Announcement Reference: SG200727OTHRHU4R).

The Board wishes to provide the additional information in response to the SGX-ST’s queries as follows: -

Query 1:

Please explain the background for the “one-off compensation charge of approximately S\$0.46 million” disclosed in page 18 of the Financial Statements.

Company’s Response to Query 1:

This relates to a non-recurring cost recovery which was recorded in the financial year ended 30 April 2019. The cost recovery arose from a project that was delayed for a significant period due to the customer’s site constraint. As such, it was mutually agreed with the customer for the Group to recover and be compensated for the cost of cables and standby generators as well as the storage for the undelivered generators and other accessories.

Query 2:

With regard to the line item “administrative expenses” on page 19 of the financial statements, please: -

- (i) provide the rationale for aborting the gas generator set rental business and provide a breakdown of the costs incurred; and
- (ii) provide the basis and nature of the “goodwill” which has been impaired.

Company’s Response to Query 2:

- (i) In the process of setting up a new business together with an Indonesian business partner to lease out generator sets to Independent Power Plant Project, the Group performed viability and market studies in Myanmar and Indonesia and further

committed to a single purchase of 7 used generator sets and the related accessories amounting to S\$1.2m from an unrelated third party. The Group had subsequently aborted this project due to the lack of cooperation from the Indonesian business partner that in turn increased the business risk significantly. Accordingly, the plan for the new business was aborted, the cooperation with the Indonesian business partner was terminated and the contract to purchase these used generators was deemed to be onerous as the Group had no intention to take physical delivery and was hence charged to the profit and loss account.

- (ii) The goodwill arose from the acquisition of Mech Power Generator Pte Ltd (“**MPG Group**”) in the financial year ended 30 April 2014. MPG Group’s core business is the production and sale of generator sets. In accordance with SFRS(I) 1-36, the Group is required to perform an impairment assessment on goodwill annually. The assessment is based on the recoverable amount of the Cash-Generating Unit to which the goodwill has been allocated. As at 30 April 2020, the recoverable amount determined was lower than the carrying value of goodwill arising mainly from the poor economic outlook and poorer than expected performance. Consequently, the difference between the recoverable amount and the carrying value of goodwill was recorded as an impairment of goodwill.

BY ORDER OF THE BOARD

Tan Tin Yeow
Chairman and Managing Director
3 August 2020