XMH

# DETERMINED TO DELIVER

ANNUAL REPORT 2020

# 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 positive impact on the society, economy and environment that it operates in. With this belief, the Group has:

- contributed to the 10th Tharman Shanmugaratnam Veteran Volleyball Championships charity sport event.
- donated to POSB PAssion Kids Fund.
- donated to Handicaps Welfare Association.
- donated to Dompet Peduli Korban Kebakaran Sei Berombang.

The Group is committed to its Corporate Social Responsibility ("CSR") efforts and will continue to implement CSR initiatives with consistency and determination because we believe that having a positive impact on societal issues is not a "quick fix" project.

# CONTENTS






# 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, Reintjes and CENTA (Europe), BUKH (Denmark), MTU (Germany), Taiyo (Japan), SGP (India) and OXE (Sweden).

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") which diversified its primary business through added exposure to different markets and expanded its offering to include industrial and commercial applications.

With its acquisition, 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.

# CORPORATE PROFILE

**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 / Synchronizing 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.

# 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.

### 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.

### COMMITMENT TO RELIABILITY

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

### RESOURCEFULNESS FOR THE RIGHT SOLUTION

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

# MISSION

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

# VISION

**To be Asia's most trusted partner in power solutions.**

## BEING POISED FOR

# A NEW START

**In the midst of challenging times, it's vital to focus on leveraging on solid experience in our core capabilities. We are always determined to remain agile and resilient to face and overcome the challenges ahead, and continue to deliver the values through diligent efforts and strategic business plans to shareholders and clients.**

# 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.

## 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.

## 1980s

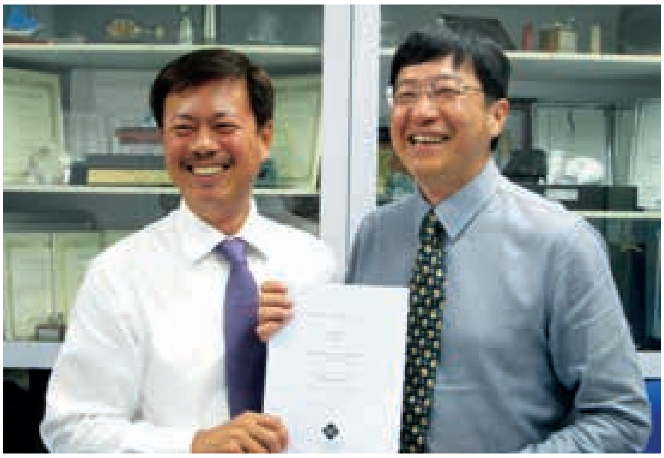
- Became one of the leading suppliers of used industrial and marine diesel engines and related machinery manufactured in Japan.

## 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.



- 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.
- Disposed of Z-Power Automation Pte. Ltd. on 8 October 2019.

# CHAIRMAN'S MESSAGE

**In view of an unpredictable business environment caused by the ongoing COVID-19 pandemic and the changing competitive landscape, we expect business conditions to be even more challenging in FY2021. As such, the Group's priority is to ensure that there is sufficient liquidity to sustain its operations and to ride through this crisis.**

**MR. TAN TIN YEOW**
Chairman and Managing Director

To step up its efforts to improve its operational efficiency and cost control, and to prepare the Group for future opportunities.

*Dear Shareholders,*

On behalf of the Board of Directors of XMH Holdings Ltd. ("XMH" or together with its subsidiaries, collectively referred to as the "Group"), I present to you our annual report for the financial year ended 30 April 2020 ("FY2020").

## OVERVIEW

The Group faced another tough year in FY2020. Business conditions were competitive and challenging and this was further aggravated by the outbreak of COVID-19 pandemic in the fourth quarter of our financial year ended 2020 (Q4FY20). Both our engine distribution and project businesses were affected by our suppliers' delay and also customers' deferment in taking deliveries.

During the financial year, the Group completed the disposal of our loss-making subsidiary, Z-Power Automation Pte. Ltd. and suffered a loss of approximately S$2.8 million.

## FINANCIAL HIGHLIGHTS

Overall, the Group's revenue decreased 19.6% to S$54.0 million in FY2020 as compared to that of FY2019. The lower revenue was attributable to the difficult business environment as highlighted above and resulted in the Group's widening net loss of approximately S$10.9 million in FY2020 as compared to S$3.3 million loss in FY2019.

## OUTLOOK AND STRATEGY

The outbreak of COVID-19 in Q4FY20 has severely disrupted the movements of goods, services and the populace. Countries have taken precautionary measures to prevent and contain the spread of COVID-19. While pending the development of vaccines, uncertainties remain which will result in more challenging conditions for the business communities.

In view of an unpredictable business environment caused by the ongoing COVID-19 pandemic and the changing competitive landscape, we expect business conditions to be even more challenging in FY2021. As such, the Group's priority is to ensure that there is sufficient liquidity to sustain its operations and to ride through this crisis. For our distribution business, the Group will continue to stay vigilant for business opportunities and intensify its engagements with customers from our core business. The Group will continue to focus on the after-sales services where its revenue increased from S$7.4 million in FY2019 to S$9.1 million in FY2020. For our project business, the Group will leverage on its expertise as a one-stop solution provider. The strategy to expand its service team for the project business last year has paid off. The service income has increased from below S$1.0 million in FY2019 to about S$2.3 million in FY2020. The Group will continue to pursue this as it generates regular income. The Group will also continue to step up its efforts to improve its operational efficiency and cost control, and to prepare the Group for future opportunities.

## 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. As for Mr. Ng Sey Ming who will be retiring from the board, we would like to thank him for his services and contributions during his tenure as Independent Director of the Company.

I would like to thank my colleagues, staffs and advisors for their understanding and unwavering support over the past few years. To our business partners, associates, customers and suppliers, your support to the Group has been extremely reassuring and we hope that we continue to build on these bonds.

Lastly, our sincere gratitude goes to our shareholders for your support and trust in the Group. It is with your trust and support that we build the business through ups and downs. We will continue to work hard to strengthen our business and build a more resilient and enhanced XMH.

**MR. TAN TIN YEOW**
Chairman and Managing Director

# OPERATIONS AND FINANCIAL REVIEW

## Financial Performance

For the financial year ended 30 April 2020 ("FY2020"), the Group recorded a revenue of S$54.0 million, a decrease of 19.6% or S$13.2 million as compared to that of FY2019. Both Project and Distribution business segments' revenues decreased by approximately S$9.0 million and S$5.9 million respectively. This was partially offset by increased revenue of approximately S$1.7 million from the After-Sales Services segment. The increase in After-Sales Services was a result of the Group's strategy to expand its After-Sales Services team in FY2019. The decrease for both Project and Distribution segments were mainly due to suppliers' delay in shipment of materials and customers' deferment in taking deliveries over project delays and site constraints. This was further aggravated by the outbreak of the COVID-19 pandemic.

For the financial year ended 30 April 2020 ("FY2020"), the Group recorded a revenue of S$54.0 million, a decrease of 19.6% or S$13.2 million as compared to that of FY2019. Both Project and Distribution business segments' revenues decreased by approximately S$9.0 million and S$5.9 million respectively.

The Group's gross profit decreased by approximately S$4.5 million or 26.4% to S$12.5 million in FY2020 as compared to that of FY2019. Profit margin declined from 25.2% in FY2019 to 23.1% in FY2020. This was due to the write down of approximately S$0.9 million of inventory and lower margins from certain projects completed in 1HFY2020 due to competition.

Other income increased by approximately S$0.02 million from S$2.51 million in FY2019 to S$2.53 million in FY2020. This was due mainly to:

1. Increased rental income of approximately S$0.4 million; and
2. Increased government grants and rebate of approximately S$0.2 million mainly from the Job Support Scheme and property tax rebate.

## Expenses

Total operating expenses increased by S$2.8 million or 13.9% year on year to S$23.3 million for FY2020. This was due mainly to:

1) Provision for onerous contract of approximately S$1.2 million;
2) Net foreign exchange loss of approximately S$1.2 million; and
3) Impairment loss on intangible assets of approximately S$1.0 million.

The increase in operating expenses was partially offset by decreased depreciation charges, staff cost, travelling and marketing expenses of approximately S$1.2 million, S$1.0 million, and S$0.3 million respectively.

Overall, the Group reported a net loss attributable to owners of the Company was S$10.9 million for FY2020 as compared to S$3.3 million of FY2019. The net loss for FY2020 included the loss on disposal of a subsidiary corporation and loss from discontinued operation of approximately S$2.2 million and S$1.1 million respectively.

## Financial Position

Total assets decreased by S$21.3 million from 30 April 2019 to S$130.9 million as at 30 April 2020. Property, plant and equipment decreased by approximately S$9.6 million, mainly due to depreciation charge during the financial year and reclassification of land use rights of approximately S$6.5 million to ROU assets in accordance to SFRS(I) 16 with effect from 1 May 2019. Intangible assets decreased by S$1.7 million to S$8.6 million as at 30 April 2020, due mainly to goodwill impairment and amortisation charge during the financial year. Trade and other receivables decreased by approximately S$4.1 million to S$10.5 million as at 30 April 2020, mainly due to the effect of cessation of consolidation of a subsidiary corporation disposed of and collection during the financial year. Inventories increased by approximately S$2.2 million to S$29.7 million. The increase was due to deferment of customers' deliveries primarily affected by the outbreak of COVID-19 pandemic. As of 30 April 2020, the Group had cash and short-term deposits of S$14.2 million, compared to S$23.6 million a year earlier.

Total liabilities decreased by S$11.9 million from 30 April 2019 to S$82.6 million as at 30 April 2020. Trade and other payables decreased by S$7.3 million to S$15.8 million, mainly due to payment and cessation of consolidation of a subsidiary corporation disposed of during the financial year. Loans and borrowings stood at approximately S$65.4 million as at 30 April 2020, a decrease of approximately S$5.1 million from 30 April 2019. This was mainly due to the repayment of loans and trade facilities.

Total equity attributable to owners of the Group decreased from S$57.1 million as at 30 April 2019 to S$48.2 million as at 30 April 2020.

The Group's net assets value per ordinary share was 44.10 Singapore cents as at 30 April 2020, compared to 52.24 Singapore cents as at 30 April 2019.

## Statement of Cash Flow

Net cash used in the Group's operating activities was S$3.3 million for FY2020 as compared to net cash generated of S$4.9 million in FY2019. This was due to increased payment to trade suppliers and increased inventories. The increase was partially offset by decreased contract assets of approximately S$7.0 million.

The Group generated approximately S$7.3 million in investing activities for FY2020. This was due to withdrawal of structured deposits upon maturity.

The cash used in financing activities was approximately S$6.0 million as compared to S$5.4 million in prior year. This was mainly due to net settlement of trust receipts and repayment of loans.

## Order Book

The order book stood at approximately S$37.6 million as at 28 August 2020. The Group's order book includes the orders won by MPG.

# PRODUCTS WE CARRY

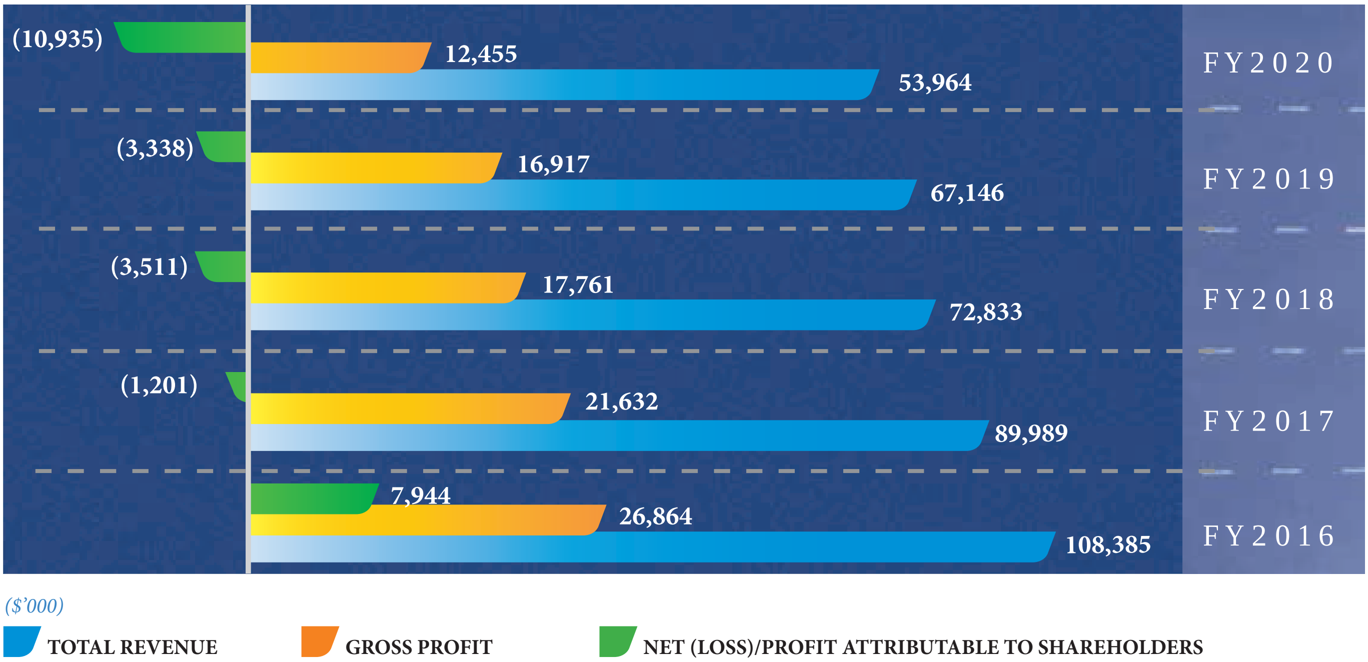
MITSUBISHI HEAVY INDUSTRIES ENGINE & TURBOCHARGER, LTD.
AKASAKA DIESELS
DOOSAN
Solé Diesel
REINTJES POWER TRAIN SOLUTIONS
D-I
KAMOME PROPELLER
SGP
CENTA
XMH | IPS
AceGen
BUKH
TAIYO
Mech-Power
mtu
VOLVO PENTA
mecc alte
LEROY-SOMER
STAMFORD | AvK

# GAINING MOMENTUM TO DRIVE TOWARDS EXCELLENCE

# FINANCIAL HIGHLIGHTS

| IN $'000 | FY2020 | FY2019 (Restated)[1] | FY2018* (Restated)[2] | FY2017* (Restated)[2] | FY2016* |
|---|---|---|---|---|---|
| **REVENUE BY GEOGRAPHICAL** | | | | | |
| Singapore | 21,769 | 34,101 | 40,026 | 50,230 | 66,169 |
| Indonesia | 23,302 | 25,739 | 15,491 | 13,222 | 10,007 |
| Vietnam | 1,492 | 3,673 | 8,739 | 21,965 | 18,730 |
| Other Countries | 7,401 | 3,633 | 8,577 | 4,572 | 13,479 |
| **REVENUE BY BUSINESS** | | | | | |
| Distribution | 21,292 | 27,202 | 24,326 | 32,505 | 27,309 |
| After-Sales Services | 9,146 | 7,406 | 7,331 | 6,216 | 6,617 |
| Projects | 23,526 | 32,538 | 41,176 | 51,268 | 74,459 |
| **FINANCIAL POSITION** | | | | | |
| Total Assets | 130,949 | 152,245 | 155,936 | 167,179 | 182,886 |
| Total Liabilities | 82,593 | 94,510 | 93,196 | 99,141 | 110,698 |
| Shareholders' Funds | 48,191 | 57,089 | 61,438 | 66,250 | 69,473 |
| Cash and Short-Term Deposits | 14,162 | 23,552 | 24,001 | 25,618 | 12,843 |
| **PERFORMANCE INDICATORS** | | | | | |
| (Loss)/Earnings per Share (cents) | | | | | |
| - Continuing Operations | (7.47) | (1.23) | (3.16) | (1.08) | 7.19 |
| - Discontinued Operation | (2.54) | (1.81) | - | - | - |
| Net Asset Value per Share (cents) | 44.10 | 52.24 | 55.21 | 59.53 | 62.43 |

*[1] Restatement for discontinued operation to make FY2019 comparable to FY2020.*
*[2] Restatement upon adoption of SFRS(I) 15.*
** There was no restatement for discontinued operation from FY2016 to FY2018.*



# BOARD OF DIRECTORS

Mr. Tan Tin Yeow

Ms. Tan Guat Lian

Mr. Hong Pian Tee

Mr. Ng Sey Ming

Mr. Khoo Song Koon

**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 and Yanlord Land Group Limited and the Lead Independent Director of Hyflux Ltd, which are listed on the mainboard of the Official List of the 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 several mainboard listed companies viz, Asia Food & Properties Limited (now known as Sinarmas Land Limited), Golden Agri-Resources Ltd, Sin Ghee Huat Corporation Ltd. and Memstar Technology Ltd., and an independent director of AsiaPhos Limited, a company listed on the Catalist Board of SGX-ST.

**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 ("R&T") and a partner in Christopher & Lee Ong, a member of the R&T Asia network of law firms. 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.

**Mr. Khoo Song Koon**
Independent Director

Mr. Khoo was appointed as an Independent Director on 26 June 2019. He is the founder and executive director at JKhoo Consultancy Pte. Ltd. He is also the Lead independent director of Nippecraft Limited and Resources Prima Group Limited, both of which are listed on the Catalist Board of SGX-ST.

Mr. Khoo is currently a member of the Institute of Singapore Chartered Accountants, Certified Public Accountants of Australia and an Associate of the Singapore Institute of Directors.

# 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 Accountants.

**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.

# GROUP 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. ZPA was disposed of on 8 October 2019.


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)

# 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. Ng Sey Ming**
(Independent Director, Non-Executive)

**Mr. Khoo Song Koon**
(Independent Director, Non-Executive)

## COMPANY SECRETARIES

Ms. Siau Kuei Lian (ACS, ACIS)
Ms. Fiona Lim Pei Pei (ACS, ACIS)
(Appointed on 20 December 2019)

## 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. Ng Sey Ming (Member)
Mr. Khoo Song Koon (Member)

## REMUNERATION COMMITTEE

Mr. Ng Sey Ming (Chairman)
Mr. Hong Pian Tee (Member)
Mr. Khoo Song Koon (Member)

## NOMINATING COMMITTEE

Mr. Khoo Song Koon (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
Mr. Adrian Koh Hian Yan
(Since financial year ended
30 April 2020)

## 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

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

# CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**" or "**Directors**") of XMH Holdings Ltd. (the "**Company**") is committed to the highest standard of corporate governance throughout the Company and its subsidiaries (the "**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 2020 ("**FY2020**"), the Company has complied substantially with the principles and provisions of the Code of Corporate Governance 2018 which was issued on 6 August 2018 (the "**Code**") as applied to annual reports of issuers listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") covering financial years commencing from 1 January 2019.

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 deviations from the Code.

The Board confirms that the Group has complied substantially with the principles and provisions of the Code for FY2020. Where there are deviations from the Code, appropriate explanations have been provided.

## (A) BOARD MATTERS

**The Board's Conduct of Affairs**

***Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.***

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 the management of the Company ("**Management**");
- setting the Group's values and standards;
- identifying key stakeholder groups and recognising that their perceptions may 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.

# CORPORATE GOVERNANCE REPORT

The Board objectively discharges its duties and responsibilities at all times as fiduciaries in the interests of the Company, and puts in place a code of conduct and ethics, sets an appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from such discussions and decisions.

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, the "**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 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 which set out, amongst others, their respective compositions, authorities and duties 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, inter alia, approve the 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 Committee meetings held during FY2020 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* | 2 | 2 | 2 | 2* |
| Ms. Tan Guat Lian | 4 | 4 | 4 | 4* | 2 | 2* | 2 | 2* |
| Mr. Hong Pian Tee | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 |
| Mr. Ng Sey Ming | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 |
| Mr. Khoo Song Koon# | 3 | 3 | 3 | 3 | 1 | 1 | 1 | 1 |
| Mr. Chan Heng Toong^ | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

* By invitation
\# Mr. Khoo Song Koon was appointed as Independent Director of the Company on 26 June 2019.
^ Mr. Chan Heng Toong retired as Independent Director of the Company on 27 August 2019.

Directors who are unable to attend a Board meeting are provided with the briefing materials and will be able to discuss issues relating to the Board agenda with the Chairman or the Managing Director ("**MD**").

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's 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.

# CORPORATE GOVERNANCE REPORT

The Directors are updated regularly on changes to the SGX-ST listing rules ("**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 members of the Board or the Board Committees. 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). The Board is also updated on changes in legislation and regulatory compliance by Management, the Company Secretary and external auditors to ensure that the Group complies with the relevant regulatory requirements.

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 recognizes 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 duties and responsibilities. Such seminars as well as other training courses will be arranged and funded by the Company for all Directors.

The details of updates, seminars and training programmes attended by the Directors in FY2020 include, amongst others:-

- Learning Management System for Employers seminar organised by the Singapore National Employers Federation ("**SNEF**");
- Infectious Diseases Education workshop organised by the Health Promotion Board and SNEF;
- ASME Post Budget Convention 2020 organised by the Association of Small and Medium Enterprises;
- Resilience and Opportunities in Covid-19 webinar organised by Singapore Chinese Chamber of Commerce and Industry; and
- Sustainability Reporting: Progress and Challenges forum organised by SGX Academy.

Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such 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. The Company recognises the importance in 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.

# CORPORATE GOVERNANCE REPORT

To ensure that the Directors have sufficient time to prepare for the relevant meetings, all Directors receive a set of board papers prior to such meetings. 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 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 Chief Financial Officer ("**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 his 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 his representative(s) also attends all meetings of the Board and Board Committees where necessary and is responsible primarily for the proper maintenance of the secretarial records. Under the direction of the Chairman, the Company Secretary assists in 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.

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.

**Board Composition and Guidance**

***Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.***

The present Board comprises of 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 judgment 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. Ng Sey Ming | Independent Director | Member | Member | Chairman |
| Mr. Khoo Song Koon# | Independent Director | Member | Chairman | Member |
| Mr. Chan Heng Toong^ | Independent Director | – | – | – |

\# Mr. Khoo Song Koon was appointed as Independent Director of the Company on 26 June 2019.
^ Mr. Chan Heng Toong retired as Independent Director of the Company on 27 August 2019.

# CORPORATE GOVERNANCE REPORT

There is presently a strong and independent element 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 Provision 2.2 of the Code that stipulates that independent directors make up a majority of the Board where the Chairman is not independent. The Board is also comprised of a majority of Non-Executive Directors.

The Company does not have a Board diversity policy but it consists of professionals from various disciplines. The Board conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of the Board. This enables the Board to maintain or enhance balance and diversity within the Board.

The NC will periodically review the competencies of the Directors to ensure effective governance of the Company and contribution to the Board. To address the dynamic business environment, the NC will recommend the Board to consider the appointment of new Director(s) that has/have the relevant skillset, expertise, experience and knowledge as and when it deems necessary. The Board consists of Directors with a diversity of skills, knowledge and experience in accounting, finance, legal, corporate governance, industry knowledge, strategic planning as well as customer-based knowledge and experience. The Board also has a 20% female representation for FY2020.

**Independent Directors**

The NC considers an "independent" Director as one who is independent in conduct, character and judgement, and has no relationship with the Company or its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his/her independent business judgment in 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 Provision 2.1 of the Code.

The independence of a Director will be reviewed at least once annually 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/her first appointment, save for Mr. Hong Pian Tee and Mr. Ng Sey Ming, the Lead Independent Director and the Independent Director respectively.

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 a 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 NC reviews the size of the Board on an annual basis to ensure that it is of an appropriate size, and comprise Directors who as a group provide the appropriate balance and mix of skills, expertise and experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The NC also ensures that the Board collectively possesses the necessary core competencies for effective functioning and informed decision-making. In respect of FY2020, 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.

# CORPORATE GOVERNANCE REPORT

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 29 to 30 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.

The Independent Directors are scheduled to meet regularly, and as warranted, without the presence of Management to discuss concerns or matters such as the effectiveness of Management. The Chairman of such meetings provides feedback to the Board and Chairman as appropriate. The Independent Directors have met at least once without the presence of Management in FY2020.

**Chairman and Chief Executive Officer**

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

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. 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 Provision 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 for which contact through the normal channels of communication with the Chairman and MD, the CFO or the Management are inadequate or inappropriate.

**Board Membership**

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

The NC comprises the following members:
Mr. Khoo Song Koon (Chairman)
Mr. Tan Tin Yeow
Mr. Hong Pian Tee
Mr. Ng Sey Ming

# CORPORATE GOVERNANCE REPORT

The NC comprises four (4) members, three (3) of whom, including the NC Chairman, are independent. 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 Lead Independent Non-Executive Director, Mr. Hong Pian Tee, is a member of the NC.

The NC is scheduled to meet at least once a year and at such other times as may be necessary. In respect of FY2020, two (2) NC meetings were held. The purpose of the meeting was primarily to review the overall performance of the Board and Board Committees, conduct an assessment of individual Directors in terms of their role and responsibilities and confirm matters regarding the re-election of Directors at the forthcoming AGM.

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

- making recommendations to the Board on all Board appointments;
- the review of succession plans for the Chairman and MD, and key management personnel (as defined in the Code);
- 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 its Directors; 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, its Board Committees and the contribution of each Director to the effectiveness of the Board and the Board Committees.

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 for 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 the need for Board diversity and progressive renewal of the Board. The NC will also ensure that new Directors are aware of their duties and obligations.

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.

The NC reviews annually the declarations of independence made by the Company's Independent Directors as defined in the Code. Based on its review for FY2020, the NC is of the view that the Independent Directors of the Company are independent and are able to exercise independent business judgement in the best interest of the Company.

# CORPORATE GOVERNANCE REPORT

The Code recommends that all Directors should be required to submit themselves for re-nomination and re-election at regular intervals. In this regards, the Constitution provides as follows:-

Regulation 89 provides that at each AGM, one-third (1/3) of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to but not less than one-third (1/3), shall retire from office by rotation, provided that no Director holding office as Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. For the avoidance of doubt, each Director (other than a Director holding office as Managing Director) shall retire at least once every three (3) years.

In accordance with the Code and Listing Rule 720(5) of the SGX-ST, all directors of an issuer are required to submit themselves for re-nomination and re-appointment at least once every three (3) years.

Accordingly, Ms. Tan Guat Lian and Mr. Ng Sey Ming are the Directors retiring by rotation at the forthcoming AGM. Ms. Tan Guat Lian has consented for re-appointment following her retirement at the forthcoming AGM. Mr. Ng Sey Ming has informed the Board that he will be retiring as a director at the forthcoming AGM and will not be seeking re-appointment as he has been on the Board for more than nine (9) years. The Board has, with regret, accepted Mr. Ng Sey Ming's decision and records its appreciation to Mr. Ng Sey Ming for his efforts and contributions during his tenure as a Director of the Company.

The NC has reviewed and is satisfied that Ms. Tan Guat Lian, is properly qualified for re-appointment by virtue of her skills, experience and contributions. The NC has recommended to the Board that Ms. Tan Guat Lian 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. Details of the Director seeking re-election are found in Table A set out on pages 44 to 45 of this Annual Report.

Ms. Tan Guat Lian and Mr. Ng. Sey Ming have abstained from deliberation on the matter regarding their individual re-election and retirement as a Director at the NC meeting.

As disclosed in this Annual Report, Ms. Tan Guat Lian, the Executive Director and Mr. Tan Tin Yeow, the Chairman and MD, are siblings.

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 for FY2020.

The key information regarding Directors such as their academic and professional qualifications, Board Committees on which 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 46 to 51 of this Annual Report.

# CORPORATE GOVERNANCE 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 27 August 2019. He was re-designated as Chairman and MD on 8 September 2016. He serves as Chairman of the Board and as a 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 other listed companies in the preceding three (3) years.

**Ms. Tan Guat Lian**
Executive Director

Ms. Tan was appointed as an Executive Director on 29 October 2010 and is in charge of the Human Resource & Administration function. She was last re-elected as a director on 25 August 2017 and due for re-election at the forthcoming AGM.

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 was last re-elected as a director on 23 August 2018. Mr. Hong serves as the Chairman of the AC and as a member of the Board, NC and RC.

Mr. Hong was a partner of PriceWaterhouseCoopers LLP from 1985 to 1999. Mr. Hong is currently an independent director of Sinarmas Land Limited, Yanlord Land Group Limited and the Lead Independent Director of Hyflux Ltd, which are listed on the Mainboard of the Official List of the SGX-ST. He is a Director of Pei Hwa Foundation Ltd. Within the past three (3) years, Mr. Hong previously held directorships in Golden Agri-Resources Ltd and Memstar Technology Ltd., both Mainboard listed companies and AsiaPhos Limited, a company listed on the Catalist Board of SGX-ST.

**Mr. Ng Sey Ming**
Independent Director

Mr. Ng was appointed as an Independent Director on 29 October 2010 and was last re-elected as a director on 25 August 2017, and due for re-election at the forthcoming AGM. However, Mr. Ng Sey Ming has informed the Board that he will be retiring as a director at the forthcoming AGM and will not be seeking re-appointment. Presently, Mr. Ng serves as the Chairman of the RC and as a 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 preceding three (3) years, Mr. Ng was an independent director in Mainboard listed company, Gaylin Holdings Limited.

# CORPORATE GOVERNANCE REPORT

**Mr. Khoo Song Koon**
Independent Director

Mr. Khoo was appointed as an Independent Director on 26 June 2019, and was last re-elected as a director on 27 August 2019. He serves as the Chairman of the NC, and as a member of the Board, AC and RC.

Mr. Khoo is a member of the Institute of Singapore Chartered Accountants, Certified Public Accountants of Australia and an Associate of the Singapore Institute of Directors. He obtained a Bachelor of Accountancy Degree from Nanyang Technological University in Singapore. Mr. Khoo is currently the lead independent director of Nippecraft Limited and Resources Prima Group Limited, 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.

**Board Performance**

***Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

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

- its effectiveness as a whole;
- the effectiveness of its Board Committees; and
- the performance and contributions by the Chairman and 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 as a whole and each of the Board Committees separately, 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 do not change unless circumstances deem it necessary, and a decision to change the criteria would have to be justified by the Board. To-date, no external facilitator has been engaged for the purposes of the Board assessment.

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 the contribution by the Chairman and MD and each individual Director 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 assessment of the effectiveness of the Board as a whole and each of the Board Committees, as well as the contribution by the Chairman and each individual Director is carried out once every financial year (the "**Formal Annual Assessment**"). 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 results of the Formal Annual Assessment for FY2020, is of the view that the effectiveness of the Board as a whole and each of the Board Committees, and contributions by the Chairman and each individual Director has been satisfactory. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors.

## (B) REMUNERATION MATTERS

**Procedures for Developing Remuneration Policies**

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

The RC comprises the following members:

Mr. Ng Sey Ming (Chairman)
Mr. Hong Pian Tee
Mr. Khoo Song Koon

The RC comprises three (3) members, all of whom, including the Chairman, are Independent Directors.

In respect of FY2020, two (2) RC meetings were held. The purpose of the meeting was to review, inter alia, the Directors' fees payable for the financial year in review and to consider matters regarding the remuneration policies of the Company.

The terms of reference set 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, 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 97 to 99 of this 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 no external remuneration consultants were appointed for the financial year under review, the RC has full authority to engage external remuneration consultants as and when the need arises. The expense of such services shall be borne by the Company.

**Level and Mix of Remuneration**

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

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 of the Executive Directors and certain key management personnel can be found below.

The remuneration packages of the Executive Directors and key management personnel consist of fixed and variable wage components. To ensure that the remuneration packages of Executive Directors and key management personnel are consistent and comparable with market practice, the RC regularly compares this fixed component with those of companies in similar industries, while continuing to be mindful of the fact that there is a general correlation between increased remuneration incentives, and improvement in performance. The variable component comprises a variable bonus based on the Group's and individual's performance to link rewards to performance. Bonuses payable to key executives are reviewed by the RC and approved by the Board to ensure the alignment of their interests with the interests of Shareholders and other stakeholders to promote the long-term success of the Company. The remuneration package has included share-based incentive following the adoption of the Scheme in 2010. The Scheme will expire in 2020 and will not be renewed at the forthcoming AGM. The Board in conjunction with the RC may review and reconsider the need for such share-based incentive in due course.

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 Board is of the view that the current remuneration structure for the Executive Directors, Non-Executive Directors and key management personnel are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

As at the date of this Annual Report, the Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors, Independent 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.

# CORPORATE GOVERNANCE REPORT

**Disclosure on Remuneration**

***Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

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 as set out in the tables below.

The remuneration paid to or accrued to each individual Director and the Chairman and MD for FY2020 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 not more than S$750,000** | | | | | | |
| Mr. Tan Tin Yeow[3] | 89 | 7 | – | 1 | 3 | 100 |
| **Above S$250,000 but not more than S$500,000** | | | | | | |
| Ms. Tan Guat Lian[3] | 92 | 7 | – | 1 | – | 100 |
| **S$250,000 and below** | | | | | | |
| Mr. Hong Pian Tee[3] | – | – | 100 | – | – | 100 |
| Mr. Ng Sey Ming[3] | – | – | 100 | – | – | 100 |
| Mr. Khoo Song Koon[4] | – | – | 100 | – | – | 100 |
| Mr. Chan Heng Toong[5] | – | – | 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 46 to 51.
(4) Mr. Khoo Song Koon was appointed as Independent Director of the Company on 26 June 2019.
(5) Mr. Chan Heng Toong retired as Independent Director of the Company on 27 August 2019.

For FY2020, 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 Chairman and MD) is as follows:

| Name of Key Management Personnel | Salaries[1] | Bonus | Share Options | Benefits -In-Kind[2] | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **Above S$250,000 but not more than S$500,000** | | | | | |
| Mr. Phua Tiang Soon | 97 | 2 | 1 | – | 100 |
| Mr. Tan Leong Kim | 97 | 2 | 1 | –[3] | 100 |
| **S$250,000 and below** | | | | | |
| Ms. Ong Siok Ling | 96 | 2 | 2 | – | 100 |

# CORPORATE GOVERNANCE REPORT

**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 forthcoming AGM.

For FY2020, the aggregate total remuneration paid/payable to the abovenamed key management personnel (who are not Directors or the Chairman and MD) amounted to S$666,000.

**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$100,000 in FY2020.

Details of remuneration paid to the immediate family member of Directors, the MD or substantial shareholders for FY2020 are set out below:

| Name of Immediate Family Member | Salaries(1) | Bonus | Share Options | Total |
|---|---|---|---|---|
| | % | % | % | % |
| **Above S$100,000 but not more than S$200,000** | | | | |
| Mr. Tan Fuyuan | 97 | 2 | 1 | 100 |

**Note:**

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

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 FY2020. Their remuneration is made up of fixed and variable components. The fixed component is in the form of salary, bonus, share options under the Scheme, benefits-in-kind 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 variable component of remuneration, the RC had taken into account the extent to which the performance conditions have been met.

The Board is aware of the requirement in the Code on the disclosure of remuneration in absolute amounts and noted the requirements under Listing Rule 710 to make disclosure as recommended in the Code. The Company has decided to disclose the remuneration of each of the Directors in bands of S$250,000 which is a deviation from Provision 8.1 of the Code. 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.

# CORPORATE GOVERNANCE REPORT

## (C) ACCOUNTABILITY AND AUDIT

**Risk Management and Internal Controls**

***Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.***

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, and effectiveness of the system of risk management and internal controls to safeguard Shareholders' interests and the Group's assets. The assurance mechanisms currently in operation are supplemented by the Group's internal auditors' annual review on the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance controls, information technology risks and risks management systems. 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 FY2020, 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 and effectiveness of internal controls**

The Board is committed to maintain 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 for FY2020. 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 Board requires and has received assurance from (i) the Chairman and MD and CFO and (ii) the Chairman and MD and the relevant key management personnel (if any) respectively on the following:

- the financial records have been properly maintained and the financial statements for FY2020 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 adequate and 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 controls, information technology risks and risk management systems of the Group during the year are adequate and effective to safeguard its assets and ensure the integrity of its financial statements for FY2020.

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 FY2020, the Risk Committee comprises the following members:

Mr. Tan Tin Yeow (Chairman)
Mr. Tan Leong Kim
Mr. Phua Tiang Soon
Ms. Tan Guat Lian

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.

**Audit Committee**

***Principle 10: The Board has an Audit Committee which discharges its duties objectively.***

The AC comprises the following members:

Mr. Hong Pian Tee (Chairman)
Mr. Khoo Song Koon
Mr. Ng Sey Ming

The AC comprises three (3) members, all of whom, 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. At least two (2) AC members, including the AC Chairman have recent and relevant accounting or related financial management expertise or experience. 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 does not comprise former partners or directors of the Company's existing audit firm or auditing corporation (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation. The AC held four (4) meetings in FY2020. At the invitation of the AC, the Chairman and MD and the CFO attended the meetings. The Group's external auditors were also present at the relevant junctures during the meeting.

# CORPORATE GOVERNANCE REPORT

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 FY2020, 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 to ensure the integrity of the financial statements and financial information provided by the Group, 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 SGX-ST Listing Rules and any other relevant statutory or regulatory requirements;

- reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance, information technology controls and risk management systems;

- 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 assurances from the MD and CFO on the financial records and financial statements;

- 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: (i) the proposals to Shareholders on the appointment and removal of the external auditors and (ii) the remuneration and terms of engagement of the external auditors;

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

- 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;

# CORPORATE GOVERNANCE REPORT

- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;

- 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);

- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

- meeting with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually in connection with the discharge of its duties and responsibilities;

- 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 SGX-ST Listing Rules (as it may be amended 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.

**External Audit**

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, Messrs Ernst & Young LLP ("**EY**"), 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 EY 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 EY and their audit engagement partner(s) and audit team assigned to the Group's audit.

In appointing auditing firms for the Group, the AC and the Board are satisfied that the appointment of different auditing firms for its overseas subsidiaries will not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company has complied with Rules 712 and 715 of the SGX-ST Listing Rules in relation to the engagement of its auditor.

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 but in any case, at least annually, to review the adequacy of audit engagement, with emphasis on the scope and quality of their audit, independence, objectivity and observations.

For FY2020, the AC met with the external auditors once in the absence of key management personnel, and has been briefed on the key audit matters of the Company for FY2020, The AC has reviewed, and is satisfied with, the measures taken by the Company and the external auditors of the Company to address such key audit matters.

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 FY2020. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed on page 90 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 FY2020 amounted to S$213,000 and S$5,000 for audit services and non-audit services respectively.

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.

**Internal Audit**

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 appointment, termination, evaluation and remuneration 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;
- 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). In respect of FY2020, the AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

# CORPORATE GOVERNANCE REPORT

In respect of FY2020, 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, effectiveness, independence, scope and results of the internal audit function of the Company annually.

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 FY2020.

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

**Shareholder Rights and Conduct of General Meetings**

***Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

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 addendum to annual report/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 effectively in and vote at 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 attend, speak and 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.

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, and where resolutions are "bundled" the Company will explain the reasons and material implications in the notice of the general meeting. For FY2020, there were no "bundled" resolutions. The Company acknowledges that voting by poll on resolutions tabled at general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the SGX-ST Listing Rules 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. 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. The detailed results of each resolution are announced via SGXNet after the general meetings.

# CORPORATE GOVERNANCE REPORT

All Directors, key management personnel, 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. All Directors have attended the AGM and the Extraordinary General Meeting ("**EGM**") which were held on 27 August 2019 and 29 November 2019 respectively.

Minutes of general meetings prepared by the Company Secretary records substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management. The Company currently does not publish its minutes of general meetings on its corporate website. However, the minutes are available to Shareholders upon request.

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.

The Board does not recommend any payment of dividends as the Group has not been profitable for FY2020. The Board wishes to conserve cash so as to ensure sufficiency of funds for its daily business and operational needs as well as to capitalise on any potential business growth and expansion opportunities that might arise in the near future.

**Engagement with Shareholders**

***Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

The Group values dialogue with its Shareholders. The Group does not have a dedicated investor relations team. Other than communicating with Directors and Management at general meetings, the Shareholders may contact the Group's CFO on any investor relations matters at xmh@xmh.com.sg. The Group is committed to hearing Shareholders' views and addressing their concerns where possible. The Group believes 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 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 Management maintains regular contact and communication with the Board by various means including the preparation and circulation of financial statements of the Group to all Board members. 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. 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' views will be sought. 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.

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.

# CORPORATE GOVERNANCE REPORT

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 upon their request or made available on SGXNet or the Company's corporate website. 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;

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

- Notices of explanatory memoranda for AGMs and 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 in 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 personnel, 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 may have.

## (E) MANAGING STAKEHOLDERS RELATIONSHIPS

**Engagement with Stakeholders**

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

The Board adopts an inclusive approach by considering and balancing the needs of material stakeholders, as part of its overall responsibility to secure the long-term future of the Company. The Company continuously seeks to improve communication with its stakeholders via various engagement platforms/communication channels.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups, including engaging with stakeholders via its sustainability reports. Key concerns of stakeholders, and the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the relevant reporting period are announced via its Sustainability Report for such relevant reporting period.

The Sustainability Report for the financial year ended 30 April 2020 ("**Sustainability Report 2020**") will be released in due course. Upon release, stakeholders may access the Sustainability Report 2020 and other relevant announcements such as financial information, corporate announcements, annual reports and the profile of the Group via the Company's website at http://www.xmh.com.sg.

## (F) 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 (3) 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 executive officers 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.

## (G) 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 S$100,000 for FY2020.

## (H) MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of any Director or controlling shareholder for FY2020.

# CORPORATE GOVERNANCE REPORT

**TABLE A**

The key information relating to the director seeking re-election at the forthcoming AGM are as follows:-

| **Name of Director** | **Tan Guat Lian** |
|---|---|
| **Age** | 57 |
| **Country of principal residence** | Singapore |
| **Date of first appointment as director** | 29 October 2010 |
| **Date of last re-election as director** | 25 August 2017. Due for re-election at the AGM to be held on 30 September 2020. |
| **The Board's comments on the Appointment** | The Board of Directors of the Company has accepted and approved the NC's recommendation, who has reviewed and considered Ms. Tan's contribution and performance as the Executive Director of the Company. |
| **Job Title** | Executive Director |
| **Professional qualifications** | Diploma in Human Resource Management from PSB Academy |
| **Shareholding in the Company and the Subsidiaries of the Company (as at 24 August 2020)** | The Company<br>Direct Interest:<br>(i) 6,569,744 ordinary shares<br>(ii) 487,500 share options<br><br>Deemed Interest: 22,500 ordinary shares<br><br>Subsidiaries of the Group:<br>Nil |
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | Ms. Tan and Mr. Tan Tin Yeow, the Chairman and Managing Director are siblings and are the children of Mr. Tan Tum Beng, a substantial shareholder. Mr. Tan Fuyuan, the Senior Manager of Parts Sales is the nephew of Ms. Tan and Mr. Tan Tin Yeow. |
| **Conflict of Interest (including any competing business)** | None |
| **Undertaking (in the format set out in Appendix 7.4.1) under Rule 720(1) has been submitted to the listed issuer** | Yes |

# CORPORATE GOVERNANCE REPORT

| Name of Director | Tan Guat Lian |
|---|---|
| **Other Principal Commitments including Directorships** | **Past (for the last 5 years)**<br>*Directorships*<br>Nil<br><br>*Other Principal Commitments*<br>Nil<br><br>**Present**<br>*Directorships*<br>Xin Ming Hua Pte Ltd<br><br>*Other Principal Commitments*<br>Nil |

**Note:**
The above Director who is seeking re-election had responded negative to items (a) to (k) listed in Appendix 7.4.1 of the Listing Manual of the SGX-ST.

# DIRECTORS' STATEMENT

*for the financial year ended 30 April 2020*

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 2020.

## 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 2020 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
Ng Sey Ming
Khoo Song Koon (Appointed on 26 June 2019)

## 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' STATEMENT

*for the financial year ended 30 April 2020*

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

| | Direct interest | | | Deemed 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 2020** | **At the beginning of the financial year** | **At the end of the financial year** | **At 21 May 2020** |
| **The Company** | | | | | | |
| Tan Tin Yeow | | | | | | |
| – ordinary shares | 45,060,000 | 45,060,000 | 45,060,000 | – | – | – |
| – options to subscribe for ordinary shares at: | | | | | | |
| – $0.992 per share between 12 September 2016 and 11 September 2019 | 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 | 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: | | | | | | |
| – $0.992 per share between 12 September 2016 and 11 September 2019 | 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 | 162,500 | – | – | – |

# DIRECTORS' STATEMENT

*for the financial year ended 30 April 2020*

## 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 2020** |
| **The Company (cont'd)** | | | |
| Hong Pian Tee | | | |
| – ordinary shares | 651,750 | 651,750 | 651,750 |
| – options to subscribe for ordinary shares at: | | | |
| – $0.992 per share between 12 September 2016 and 11 September 2019 | 25,000 | – | – |
| Ng Sey Ming | | | |
| – ordinary shares | 125,000 | 125,000 | 125,000 |
| – options to subscribe for ordinary shares at: | | | |
| – $0.992 per share between 12 September 2016 and 11 September 2019 | 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 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 date of appointment if later, 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. Khoo Song Koon.

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").

**Share options (cont'd)**

- 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 2020 are as follows:

| Date of grant of options | Exercise price per share | Options outstanding as at 1 May 2019 | Options cancelled/ lapsed | Options outstanding as at 30 April 2020 | Exercise period |
|---|---|---|---|---|---|
| 12/9/2014 | $0.992 | 1,047,500 | (1,047,500) | – | From 12/9/2016 to 11/9/2019 |
| 10/9/2015 | $0.520 | 883,250 | (112,500) | 770,750 | From 10/9/2017 to 09/9/2020 |
| 07/9/2016 | $0.310 | 1,061,750 | (117,500) | 944,250 | From 07/9/2018 to 06/9/2021 |
| 30/8/2017 | $0.220 | 1,232,750 | (111,250) | 1,121,500 | From 30/8/2019 to 29/8/2022 |
| | | **4,225,250** | **(1,388,750)** | **2,836,500** | |

There were 10,246,000 (2019: 10,246,000) 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.

During the financial year:

(a) No options have been granted by the Company to the Group's employees;

(b) No options have been granted by the Company to its directors; and

(c) No 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.

# DIRECTORS' STATEMENT

*for the financial year ended 30 April 2020*

## Share options (cont'd)

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 2019 | Options cancelled/ lapsed | Aggregate options outstanding as at 30 April 2020 |
|---|---|---|---|
| Tan Tin Yeow | 1,098,500 | (350,000) | 748,500 |
| Tan Guat Lian | 650,000 | (162,500) | 487,500 |
| Hong Pian Tee | 25,000 | (25,000) | – |
| Chan Heng Toong* | 25,000 | (25,000) | – |
| Ng Sey Ming | 25,000 | (25,000) | – |

* Mr. Chan Heng Toong ceased as a Director of the Company on 27 August 2019.

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 repurchase (2019: 1,999,600) of its own shares by way of market acquisition pursuant to the authority given to the directors under the Share Buyback Mandate approved by the shareholders at the Annual General Meeting of the Company held on 27 August 2019.

## 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
- Khoo Song Koon, independent director
- Ng Sey Ming, independent director

The Audit Committee carried out its functions in accordance with the Section 201B of the Singapore Companies Act, Chapter 50, the SGX-ST Listing Manual and the Code of Corporate Governance. The functions performed and further details are set out in the Corporate Governance Report.

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.

# DIRECTORS' STATEMENT

*for the financial year ended 30 April 2020*

**Audit Committee (cont'd)**

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 re-appointment as auditor.

On behalf of the board of directors:

**Tan Tin Yeow**
*Director*

**Tan Guat Lian**
*Director*

Singapore
28 August 2020

# INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*
*for the financial year ended 30 April 2020*

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of XMH Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 58 to 139, which comprise the statements of financial position of the Group and the Company as at 30 April 2020, the consolidated statement of changes in equity and the consolidated statement of comprehensive income and consolidated cash flow statement 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 and 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 Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2020 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.

**Report on the Audit of the Financial Statements (cont'd)**

**Key audit matters (cont'd)**

***Revenue recognition for projects***

The Group has recognised $23,526,000 of project revenue for the year ended 30 April 2020, representing 44% of the Group's total revenue. Project revenue is recognised over time when performance prior to completion does not create an asset with any alternative use to the Group and it has concluded that it has an enforceable right to payment for performance completed to date.

Management has applied cost-based input method in determining progress for revenue recognition over time as it reflects the Group's efforts incurred up to 30 April 2020 relative to the total inputs expected to be incurred for the satisfaction of the performance obligation. The input method involves the use of significant management estimates, including amongst others, the total estimated project costs and the incurred-costs to date. The onset of COVID-19 pandemic has increased the performance risk of fulfilling these contracts, primarily from the restrictions of movement imposed by the Governments of the respective countries in which the Group operates. Accordingly, we have assessed this to be a key audit matter.

As part of our audit procedures, we obtained an understanding of the management's 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, agreed the total estimated project costs to the management approved budgets and reviewed the project files including the related correspondences. We have performed computation checks, traced actual costs incurred to the underlying supporting documents and extended our testing to actual cost incurred subsequent to year end to assess the reasonableness of the estimated cost to complete for selected projects, reviewed the project files as well as discussed with management on potential delays in meeting delivery date which might result in contracts becoming loss-making.

We also reviewed the disclosures related to contract revenue and contract asset arising from such projects in Note 2.21(b) Project revenue, Note 3.1 Judgements made in applying accounting policies and Note 4 Revenue.

***Impairment assessment of goodwill, property, plant and equipment, and cost of investment in subsidiary corporations***

As at 30 April 2020, the Group recorded goodwill and property, plant and equipment amounting to $8,506,000 and $49,954,000 respectively, representing 6% and 38% of the Group's total assets respectively. The Company recorded cost of investment in subsidiary corporations amounting to $11,297,000 as at 30 April 2020, representing 17% of the Company's total assets. During the year, the Group recorded impairment loss of goodwill amounting to $887,000 and the Company recorded impairment loss for cost of investment in a subsidiary corporation amounting to $7,404,000.

The Group's goodwill arose solely from the acquisition of Mech-Power Generator Group ("MPG Group") cash generating unit ("CGU") in the financial year ended 30 April 2014. The Group's property, plant and equipment comprises mainly the land and building located in Tuas which the Group occupies.

Management has prepared value-in-use calculations in assessing the recoverable amount of the goodwill and cost of investment. The shortfall of the recoverable amount against the carrying amount of the assets is recognised as impairment losses. Value-in-use calculations are based on cash flow forecasts, which requires management to make significant judgement and estimates relating to, amongst others, budgeted gross margin, revenue, terminal growth rate and discount rate relevant to the asset. The impact of COVID-19 pandemic has further elevated the level of estimation uncertainty in making estimates on the budgeted gross margin, revenue and the terminal growth rate.

# INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*
*for the financial year ended 30 April 2020*

**Report on the Audit of the Financial Statements (cont'd)**

**Key audit matters (cont'd)**

***Impairment assessment of goodwill, property, plant and equipment, and cost of investment in subsidiary corporations (cont'd)***

In addition, management has obtained a desktop property valuation from an external valuation firm for the property located in Tuas as at 30 March 2020. The fair value of the property was based on direct market comparison approach which requires valuer and management to make significant judgement and estimates relating to, amongst others, value of transactions of similar properties, the attributes of similar properties transacted and the date of these transactions. Management compared the carrying value of the land and building with the assessed fair value less cost of disposal based on the valuation report and determined that no impairment loss is required.

Given that the assessment of the recoverable amounts of the respective assets entails significant judgement and estimation uncertainty, we have assessed this to be a key audit matter.

Our audit procedures in relation to the recoverable amount of the CGU 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 as well as conditions brought about by the COVID-19 pandemic. We also obtained an understanding of management's planned strategies on revenue growth, budgeted gross margins and cost management initiatives for the CGU. Given the complexity of the valuation and the heightened estimation uncertainty brought about by the COVID-19 pandemic, we involved our internal valuation specialists to assist us in reviewing the discount rate and terminal growth rate used by management. We have compared the actual revenues and results 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 reasonable changes in the key assumptions.

Our audit procedures with respect to the fair value of the property included, amongst other, evaluating the valuation model adopted by the valuer, and review of transactions of similar properties including the attributes of similar properties transacted and the date of these transactions. We also involved our internal valuation specialist to assist us in reviewing the model and basis of valuation adopted by the valuer. Given that the property prices post COVID-19 may not be best represented by pre COVID-19 transactions, we have challenged the basis of using the direct market comparison and the resulting valuation by management's specialist and performed a cross-check of the valuation with alternative model using the income approach.

We reviewed the disclosures related to goodwill in Note 2.8(b) Intangible assets, property, plant and equipment in Note 2.7 Property, plant and equipment, cost of investment in subsidiary corporations in Note 2.10 Subsidiary corporations, impairment of non-financial assets in Note 2.9 Impairment of non-financial assets, Note 3.2(b) Impairment assessment of goodwill, property, plant and equipment, and cost of investment in subsidiary corporations, Note 14 Intangible assets, Note 12 Property, plant and equipment and Note 13 Investment in subsidiary corporations to the financial statements.

***Valuation of inventories***

As at 30 April 2020, the Group's inventories amounted to $29,651,000. 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. During the year, the Group recorded allowance for inventories of $58,000 and inventories written-down of $882,000.

**Report on the Audit of the Financial Statements (cont'd)**

**Key audit matters (cont'd)**

***Valuation of inventories (cont'd)***

The Group has procedures in place to assess allowance for inventories by making reference to the inventory ageing profile and have considered the reusability of the spares 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. Hence, we have identified the valuation of inventories as a key audit matter.

In addressing this area of focus, we have performed, amongst others, the review of management's inventory obsolescence policies and any changes to the policies and controls. We have evaluated the amount of allowance for inventory obsolescence established 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, taking into consideration the conditions brought about by COVID-19 pandemic. Further, we have assessed the reasonableness of management's basis and tested the accuracy of the inventory aging report used to derive the amount of required allowance and write down. We also assessed the net realisable value for selected inventories by comparing the carrying amount to the sale prices of the product or comparable products after year end. For items where there were no sales post year end, we have compared the carrying amount against the recent replacement cost. We further reviewed the disclosures related to inventories in Note 2.14 Inventories, Note 3.2(c) Impairment of inventories and Note 16 Inventories to the financial statements.

***Impairment assessment of receivables and contract assets***

Receivables and contract assets balances were significant to the Group as they represent 15% of the total assets of the consolidated balance sheet. Receivables and contract assets amounted to $10,472,000 and $8,942,000 respectively as at 30 April 2020. During the year, impairment of $120,000 was made. Impairment losses for receivables and contract assets are assessed based on the expected credit loss ("ECL") model under SFRS(I) 9.

As receivables and contract assets contribute a significant part of the Group's working capital, management assesses the collectability and impairment of debtors on a periodic basis. The Group's assessment of ECL is based on its historical credit loss experience, adjusted for current and forward-looking information specific to the debtors or group of debtors based on current economic condition, including impact resulting from the COVID-19 pandemic. In addition, the Group determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. Given the significant management judgement and estimations involved in the impairment assessment, we assessed this to be a key audit matter.

As part of the audit, we obtained an understanding of the management's processes and controls relating to the monitoring of receivables and contract assets. We discussed with management the identified credit deterioration, collection issues, repayment plans, debtors with history or long overdue receivables and reviewed correspondences with the debtors, where available. We also evaluated management's assumptions and inputs used in establishing the provision matrix through analysis of receivables ageing and contract assets, review of historical credit loss experiences and consideration of data and information used by management in determining the forward-looking adjustments based on current economic condition, including potential impact as a result of the COVID-19 pandemic. We requested, on a sample basis, trade receivable confirmations, verified receipts from the customers subsequent to balance sheet date and inquired management on disputed receivables. We assessed the adequacy of the relevant notes disclosure included in Note 2.13 Impairment of financial assets, Note 3.2(a) Expected credit losses of trade and other receivables and contract assets and Note 17 Trade and other receivables to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*
*for the financial year ended 30 April 2020*

## Report on the Audit of the Financial Statements (cont'd)

### 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 SFRS(I), 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.

### 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.

# INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*
*for the financial year ended 30 April 2020*

## Report on the Audit of the Financial Statements (cont'd)

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

- 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.

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 Adrian Koh Hian Yan.

**Ernst & Young LLP**
Public Accountants and
Chartered Accountants
Singapore

28 August 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the financial year ended 30 April 2020*

| | Note | 2020 $'000 | 2019 $'000 (Restated) |
|---|---|---|---|
| *Continuing operations:* | | | |
| **Revenue** | 4 | **53,964** | 67,146 |
| Cost of sales | | **(41,509)** | (50,229) |
| **Gross profit** | | **12,455** | 16,917 |
| Other income | 5 | **2,532** | 2,508 |
| Distribution expenses | | **(4,331)** | (4,515) |
| Administrative expenses | | **(15,931)** | (15,124) |
| (Impairment losses)/write-back of impairment losses on financial assets | | **(168)** | 25 |
| **Results from operating activities** | | **(5,443)** | (189) |
| Finance income | | **98** | 820 |
| Finance costs | | **(2,954)** | (1,657) |
| **Net finance costs** | 6 | **(2,856)** | (837) |
| **Loss before tax from continuing operations** | 7 | **(8,299)** | (1,026) |
| Income tax expense | 8 | **(32)** | (341) |
| **Loss from continuing operations, net of tax** | | **(8,331)** | (1,367) |
| *Discontinued operation:* | | | |
| **Loss from discontinued operation, net of tax** | | **(1,125)** | (2,869) |
| **Loss from disposal of a subsidiary corporation, net of tax** | | **(2,219)** | – |
| **Results from discontinued operation, net of tax** | 9 | **(3,344)** | (2,869) |
| **Loss for the year, net of tax** | | **(11,675)** | (4,236) |
| **Other comprehensive income/(loss)** | | | |
| *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 | | **2,048** | 11 |
| Net changes in the fair value of equity securities | | **–** | (45) |
| Deferred tax arising from fair value change of equity securities | | **–** | 10 |
| **Other comprehensive income/(loss) for the year, net of tax** | | **2,048** | (24) |
| **Total comprehensive loss for the year** | | **(9,627)** | (4,260) |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the financial year ended 30 April 2020*

| | Note | 2020<br>$'000 | 2019<br>$'000<br>(Restated) |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | | |
| Loss from continuing operations | | **(8,161)** | (1,349) |
| Loss from discontinued operation | | **(2,774)** | (1,989) |
| | | **(10,935)** | (3,338) |
| Non-controlling interests | | | |
| Loss from continuing operations | | **(170)** | (18) |
| Loss from discontinued operation | | **(570)** | (880) |
| | | **(740)** | (898) |
| | | **(11,675)** | (4,236) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | | |
| Loss from continuing operations | | **(6,135)** | (1,364) |
| Loss from discontinued operation | | **(2,774)** | (1,989) |
| | | **(8,909)** | (3,353) |
| Non-controlling interests | | | |
| Loss from continuing operations | | **(148)** | (27) |
| Loss from discontinued operation | | **(570)** | (880) |
| | | **(718)** | (907) |
| | | **(9,627)** | (4,260) |
| **Loss per share** | | | |
| – Basic (cents) | | | |
| Loss from continuing operations | 10 | **(7.47)** | (1.23) |
| Loss from discontinued operation | 10 | **(2.54)** | (1.81) |
| – Diluted (cents) | | | |
| Loss from continuing operations | 10 | **(7.47)** | (1.23) |
| Loss from discontinued operation | 10 | **(2.54)** | (1.81) |

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

# STATEMENTS OF FINANCIAL POSITION

*as at 30 April 2020*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | **49,954** | 59,534 | **45,500** | 54,741 |
| Right-of-use assets | 21 | **7,527** | – | **6,184** | – |
| Investment in subsidiary corporations | 13 | **–** | – | **11,297** | 18,701 |
| Intangible assets | 14 | **8,615** | 10,351 | **–** | – |
| Other financial assets | 15 | **425** | 662 | **–** | – |
| Club memberships | | **188** | 206 | **–** | – |
| Deferred tax assets | 8 | **486** | 37 | **–** | – |
| | | **67,195** | 70,790 | **62,981** | 73,442 |
| **Current assets** | | | | | |
| Inventories | 16 | **29,651** | 27,496 | **–** | – |
| Trade and other receivables | 17 | **10,472** | 14,570 | **873** | 1,912 |
| Prepayment | | **472** | 416 | **8** | 38 |
| Contract assets | 4 | **8,942** | 15,389 | **–** | – |
| Cash and short-term deposits | 18 | **14,162** | 23,552 | **1,006** | 792 |
| Tax recoverable | | **55** | 32 | **–** | – |
| | | **63,754** | 81,455 | **1,887** | 2,742 |
| **Total assets** | | **130,949** | 152,245 | **64,868** | 76,184 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 19 | **15,761** | 23,078 | **8,972** | 8,843 |
| Deferred grant income | 20 | **406** | – | **52** | – |
| Contract liabilities | 4 | **222** | 240 | **–** | – |
| Loans and borrowings | 28 | **20,151** | 23,267 | **2,027** | 1,929 |
| Current tax payables | | **20** | 183 | **–** | 52 |
| | | **36,560** | 46,768 | **11,051** | 10,824 |
| **Net current assets/(liabilities)** | | **27,194** | 34,687 | **(9,164)** | (8,082) |
| **Non-current liabilities** | | | | | |
| Other payables | 19 | **196** | 251 | **369** | 562 |
| Loans and borrowings | 28 | **45,243** | 47,250 | **35,102** | 37,160 |
| Deferred tax liabilities | 8 | **594** | 241 | **450** | – |
| | | **46,033** | 47,742 | **35,921** | 37,722 |
| **Total liabilities** | | **82,593** | 94,510 | **46,972** | 48,546 |

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

# STATEMENTS OF FINANCIAL POSITION

*as at 30 April 2020*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2020** | **2019** | **2020** | **2019** |
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 22 | **39,780** | 39,780 | **39,780** | 39,780 |
| Reserve for own shares | 23 | **(3,292)** | (3,292) | **(3,292)** | (3,292) |
| Other reserves | 24 | **(4,859)** | (6,909) | **2,292** | 2,268 |
| Accumulated profits/(losses) | 25 | **16,562** | 27,510 | **(20,884)** | (11,118) |
| | | **48,191** | 57,089 | **17,896** | 27,638 |
| **Non-controlling interests** | | **165** | 646 | **–** | – |
| **Total equity** | | **48,356** | 57,735 | **17,896** | 27,638 |
| **Total equity and liabilities** | | **130,949** | 152,245 | **64,868** | 76,184 |

*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 2020*

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital $'000** | **Reserve for own shares $'000** | **Share option reserve $'000** | **Foreign currency translation reserve $'000** | **Accumulated profits $'000** | **Total $'000** | **Non–controlling interests $'000** | **Total equity $'000** |
| At 1 May 2019 | **39,780** | **(3,292)** | **2,268** | **(9,177)** | **27,510** | **57,089** | **646** | **57,735** |
| Effects on adoption of SFRS(I) 16 | – | – | – | – | **(13)** | **(13)** | **(1)** | **(14)** |
| At 1 May 2019 (Restated) | **39,780** | **(3,292)** | **2,268** | **(9,177)** | **27,497** | **57,076** | **645** | **57,721** |
| Loss for the year from continuing operations | – | – | – | – | **(8,161)** | **(8,161)** | **(170)** | **(8,331)** |
| Loss for the year from discontinued operation | – | – | – | – | **(2,774)** | **(2,774)** | **(570)** | **(3,344)** |
| ***Other comprehensive income:*** | | | | | | | | |
| Exchange differences arising from translation of the financial statements of the subsidiary corporations | – | – | – | **2,026** | – | **2,026** | **22** | **2,048** |
| **Other comprehensive income for the year, net of tax** | – | – | – | **2,026** | – | **2,026** | **22** | **2,048** |
| Total comprehensive income/ (loss) for the year | – | – | – | **2,026** | **(10,935)** | **(8,909)** | **(718)** | **(9,627)** |
| **Changes in ownership interest in subsidiary corporations** | | | | | | | | |
| Subscription of shares of subsidiary corporation | – | – | – | – | – | – | **238** | **238** |
| **Contributions by and distributions to owners** | | | | | | | | |
| Share-based payment transactions | – | – | **24** | – | – | **24** | – | **24** |
| **Total transactions with owners in their capacity as owners** | – | – | **24** | – | – | **24** | – | **24** |
| At 30 April 2020 | **39,780** | **(3,292)** | **2,292** | **(7,151)** | **16,562** | **48,191** | **165** | **48,356** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the financial year ended 30 April 2020*

| | 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 2018 | 39,780 | (2,791) | 2,175 | 35 | (9,197) | 31,608 | 61,610 | 1,345 | 62,955 |
| Effects on adoption of SFRS(I) 15 | – | – | – | – | – | (172) | (172) | (43) | (215) |
| Effects on adoption of SFRS(I) 9 | – | – | – | – | – | (588) | (588) | (51) | (639) |
| At 1 May 2018 (Restated) | 39,780 | (2,791) | 2,175 | 35 | (9,197) | 30,848 | 60,850 | 1,251 | 62,101 |
| Loss for the year from continuing operations | – | – | – | – | – | (1,349) | (1,349) | (18) | (1,367) |
| Loss for the year from discontinued operation | – | – | – | – | – | (1,989) | (1,989) | (880) | (2,869) |
| ***Other comprehensive income/ (loss):*** | | | | | | | | | |
| Exchange differences arising from translation of the financial statements of the subsidiary corporations | – | – | – | – | 20 | – | 20 | (9) | 11 |
| Net changes in the fair value of equity securities | – | – | – | (45) | – | – | (45) | – | (45) |
| Deferred tax arising from fair value change of equity securities | – | – | – | 10 | – | – | 10 | – | 10 |
| **Other comprehensive income/ (loss) for the year, net of tax** | – | – | – | (35) | 20 | – | (15) | (9) | (24) |
| Total comprehensive income/ (loss) for the year | – | – | – | (35) | 20 | (3,338) | (3,353) | (907) | (4,260) |
| **Changes in ownership interest in subsidiary corporations** | | | | | | | | | |
| Subscription of shares of subsidiary corporations | – | – | – | – | – | – | – | 302 | 302 |
| **Contributions by and distributions to owners** | | | | | | | | | |
| Share-based payment transactions | – | – | 93 | – | – | – | 93 | – | 93 |
| Purchase of treasury shares | – | (501) | – | – | – | – | (501) | – | (501) |
| **Total transactions with owners in their capacity as owners** | – | (501) | 93 | – | – | – | (408) | – | (408) |
| At 30 April 2019 | 39,780 | (3,292) | 2,268 | – | (9,177) | 27,510 | 57,089 | 646 | 57,735 |

*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 2020*

| | Note | 2020<br>$'000 | 2019<br>$'000<br>(Restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax from continuing operations | | **(8,299)** | (1,026) |
| Loss before tax from discontinued operation | 9 | **(3,444)** | (3,011) |
| | | **(11,743)** | (4,037) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 14 | **434** | 892 |
| Depreciation of right-of-use assets | | **549** | – |
| Depreciation of property, plant and equipment | 12 | **3,545** | 4,859 |
| Share-based payment expenses | 7 | **24** | 93 |
| Interest income | | **(98)** | (308) |
| Interest expense | | **1,764** | 1,723 |
| Dividend income from quoted equity security | 5 | **(20)** | (25) |
| Bad debts written-off | 7 | **88** | 18 |
| Write-back of allowance for trade and other receivables | | **(78)** | (377) |
| Impairment loss on receivables and contract assets | | **120** | 352 |
| Impairment loss on goodwill | 7 | **887** | – |
| Impairment loss on intangible assets | 7 | **132** | – |
| Impairment loss on club membership | 7 | **36** | – |
| Fair value losses on quoted equity securities | 7 | **237** | 56 |
| Provision for onerous contract | | **700*** | 355 |
| Inventories written-down | | **882** | 276 |
| Provision for stock obsolescence | 16 | **58** | – |
| Gain on disposal of property, plant and equipment | | **(3)** | (62) |
| Loss from disposal of a subsidiary corporation | | **2,269** | – |
| Net unrealised foreign exchange loss | | **1,333** | 70 |
| **Operating cash flows before changes in working capital** | | **1,116** | 3,885 |
| Changes in working capital: | | | |
| - Increase in inventories | | **(7,551)** | (2,639) |
| - Decrease/(increase) in trade and other receivables | | **569** | (595) |
| - Increase in prepayment | | **(98)** | (98) |
| - Decrease/(increase) in contract assets | | **6,515** | (470) |
| - (Decrease)/increase in trade and other payables | | **(4,069)** | 4,322 |
| - Increase in deferred grant income | | **406** | – |
| - (Decrease)/increase in contract liabilities | | **(18)** | 229 |
| **Cash (used in)/generated from operations** | | **(3,130)** | 4,634 |
| Tax (paid)/refund, net | | **(219)** | 242 |
| **Net cash (used in)/generated from operating activities** | | **(3,349)** | 4,876 |

*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 2020*

| | Note | 2020<br>$'000 | 2019<br>$'000<br>(Restated) |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Interest received | | **98** | 308 |
| Dividends received | | **20** | 25 |
| Proceeds from sale of property, plant and equipment | | **3** | 62 |
| Acquisition of property, plant and equipment | 12 | **(617)** | (283) |
| Purchase of intangible assets | 14 | **(32)** | (149) |
| Withdraw/(placement) of structured deposits | 18 | **8,167** | (8,167) |
| Net cash outflows from disposal of a subsidiary | | **(341)** | – |
| **Net cash generated from/(used in) investing activities** | | **7,298** | (8,204) |
| **Cash flows from financing activities** | | | |
| Proceeds from trust receipts | | **28,619** | 40,046 |
| Proceeds from revolving credit facility | | **14,578** | 15,765 |
| Proceeds from borrowings | | **181** | 10,500 |
| Interest paid | | **(1,732)** | (1,723) |
| Repayment of trust receipts | | **(30,805)** | (40,025) |
| Repayment of revolving credit facility | | **(14,320)** | (27,069) |
| Repayment of borrowings | | **(2,448)** | (2,580) |
| Repayment of finance lease liabilities | | **–** | (106) |
| Repayment of principal portion of lease liabilities | | **(326)** | – |
| Purchase of treasury shares | | **–** | (501) |
| Capital injection from non-controlling interests | | **238** | 302 |
| Decrease in fixed deposits | | **21** | – |
| **Net cash used in financing activities** | | **(5,994)** | (5,391) |
| **Net decrease in cash and cash equivalents** | | **(2,045)** | (8,719) |
| Cash and cash equivalents at 1 May | | **15,345** | 23,959 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | **843** | 105 |
| **Cash and cash equivalents at 30 April** | 18 | **14,143** | 15,345 |

* $0.5 million out of the total provision for onerous contract of $1.2 million was paid.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 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 13 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 (International) ("SFRS(I)").

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.

### *2.2 New accounting standards effective on 1 May 2019*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group and the Company have adopted all the new and revised standards that are effective for annual periods beginning on or after 1 May 2019. Except for the adoption of SFRS(I) 16, the adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

**SFRS(I) 16 Leases**

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, INT SFRS(I) 1-15 Operating Leases-Incentives and SFRS(I) 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 May 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

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

### *2.2 New accounting standards effective on 1 May 2019 (cont'd)*

**SFRS(I) 16 Leases (cont'd)**

The effect of adopting SFRS(I) 16 as at 1 May 2019 are as follows:

| | **Increase/ (Decrease) $'000** |
|---|---|
| **Assets** | |
| Property, plant and equipment | (6,454) |
| Right-of-use assets | 6,660 |
| Total assets | 206 |
| **Liabilities** | |
| Loans and borrowings | 220 |
| **Total adjustment on equity:** | |
| Retained earnings | (13) |
| Non-controlling interests | (1) |

The Group has lease contracts for land, buildings, equipment and motor vehicles. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.20 Leases for the accounting policy prior to 1 May 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.20 Leases for the accounting policy prior to 1 May 2019. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

- Leases previously classified as finance leases

  The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 May 2019.

- Leases previously accounted for as operating leases

  The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

### *2.2 New accounting standards effective on 1 May 2019 (cont'd)*

**SFRS(I) 16 Leases (cont'd)**

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The lease liabilities as at 1 May 2019 can be reconciled to the operating lease commitments as of 30 April 2019, as follows:

| | Group $'000 | Company $'000 |
|---|---|---|
| **Assets** | | |
| Operating lease commitments as at 30 April 2019 | 166 | – |
| Weighted average incremental borrowing rate as at 1 May 2019 | 3.7% | – |
| Discounted operating lease commitment as at 1 May 2019 | 144 | – |
| Less: | | |
| Commitments relating to short-term leases | (58) | – |
| Add: | | |
| Commitments relating to leases previously classified as finance leases | 169 | 36 |
| Advance lease payment not included in operating lease commitments as at 30 April 2019 | 134 | – |
| Lease liabilities as at 1 May 2019 | 389 | 36 |

## 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** |
|---|---|
| Amendments to SFRS(I) 16: *Covid-19 Related Rent Concessions* | 1 June 2020 |
| Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current* | 1 January 2023[(1)] |
| Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current-Deferral of Effective Date* | – |
| Amendments to SFRS(I) 3: *Reference Conceptual Framework* | 1 January 2022 |
| Amendments to SFRS(I) 1-16: *Property, Plant and Equipment - Proceeds before Intended Use* | 1 January 2022 |
| Amendments to SFRS(I) 1-37: *Onerous Contracts - Cost of Fulfilling a Contract* | 1 January 2022 |
| Annual Improvements to SFRS(I)s 2018-2020 | 1 January 2022 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | To be determined |

(1) The mandatory effective date of this Amendment had been revised from 1 January 2022 to 1 January 2023 by ASC in July 2020 via Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current- Deferral of Effective Date.

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

### *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 interest even if that results in a deficit balance.

If the Group losses control cover a subsidiary corporation, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, with any resultant gain or loss is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

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

#### *(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.

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 SFRS(I).

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

### *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.

#### *(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:

| | | |
|---|---|---|
| Land use rights | - | 30 years |
| 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.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

### *2.7 Property, plant and equipment (cont'd)*

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.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation.

### *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 SFRS(I) 3, 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 rights*

Intellectual property rights relate 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 5 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.

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

### *2.8 Intangible assets (cont'd)*

*(iii) Software licence*

Acquired software licence 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 licence.

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

(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.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

### *2.9 Impairment of non-financial assets (cont'd)*

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.

### *2.10 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 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*

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income which will not be reclassified subsequently to profit or loss. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

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

### *2.11 Financial instruments (cont'd)*

#### *(a) Financial assets (cont'd)*

*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 for debt instruments is recognised in profit or loss.

#### *(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. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### *2.12 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.

### *2.13 Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

### *2.13 Impairment of financial assets (cont'd)*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *2.14 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 attributable 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.

### *2.15 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)

### *2.15 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.

### *2.16 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".

### *2.17 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 measured higher of the amount of expected credit loss determined in accordance with the policy set in Note 2.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

### *2.18 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.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

### *2.19 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.

### *2.20 Leases*

These accounting policies are applied on and after initial application date of SFRS(I) 16, 1 May 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *(a) As lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets (ROU) representing the right to use the underlying assets.

*(i) Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term of the assets, as follows:

| | | |
|---|---|---|
| Land use rights | - | 30 years |
| Leasehold building | - | 13 months to 5 years |
| Office equipment | - | 2 to 5 years |

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

### *2.20 Leases (cont'd)*

#### *(a) As lessee (cont'd)*

*(i) Right-of-use assets (cont'd)*

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.9 Impairment of non-financial assets.

*(ii) Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Note 28 Interest-bearing loans and borrowings.

*(iii) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

### *2.20 Leases (cont'd)*

#### *(b) As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

These accounting policies are applied on and before initial application date of SFRS(I) 16, 1 May 2019:

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.

#### *(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. Summary of significant accounting policies (cont'd)

### *2.21 Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### *(a) Sale of goods*

Revenue from sale of goods is recognised when the goods are delivered and all criteria for acceptance has been satisfied. An estimated transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised goods and services.

#### *(b) Project revenue*

Revenue is recognised when the control over the work completed has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the performance over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

For contracts where the performance completed has no alternative use to the Group due to contractual restriction and the Group has enforceable rights to payment arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the performance. The measurement of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

Management has determined that input method provides a faithful depiction of the Group's performance in transferring control over the performance to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the performance.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from projects are also adjusted with variations to the contracts claimable from customers, as well as liquidated damages due to delays or other causes, payable to customers.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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

### *2.21 Revenue (cont'd)*

#### *(b) Project revenue (cont'd)*

Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The customer is invoiced on a progressive work certification basis. If the value of the progress work transferred by the Group exceed the billings to customers, a contract asset is recognised. If the billings to customers exceed the value of the goods transferred, a contract liability is recognised.

Revenue from short-term projects and maintenance services is recognised at a point in time when the services are rendered.

#### *(c) Service fee*

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

#### *(d) Finance 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.

### *2.22 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.

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

### *2.22 Taxes (cont'd)*

#### *(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.

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.

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

### *2.22 Taxes (cont'd)*

#### *(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.

### *2.23 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.

### *2.24 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.

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

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

***Revenue recognition for project revenue***

The Group has ongoing contracts at each reporting date with customers for performance obligation.

Project revenue is recognised over time by reference to the Group's progress towards completing the performance. The measurement of progress is determined based on the proportion of contract costs incurred to-date to the estimated total contract costs ("input method"). When it is probable that total contract costs will exceed total revenue, a provision for onerous contract is recognised in the profit or loss immediately. Revenue recognised on these contracts but unbilled to customers are presented as contract assets on the statements of financial position.

Under the input method, estimated total contract costs on each project is a key input that is subject to significant estimation uncertainty. At every reporting date, management re-evaluates, inter alia, the estimated total contract costs by updating the estimated contract costs to be incurred from the reporting date to the completion date of the projects ("costs-to-complete").

In making estimation of the total costs-to-complete, management has applied its past experience of completing similar projects, as well as quotations from and contracts with suppliers and sub-contractors.

### *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) Expected credit losses of trade and other receivables and contract assets***

The Group uses a provision matrix to calculate ECLs for receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions and hence, ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables and contract assets is disclosed in Note 17.

The carrying amount of trade receivables and contract assets as at 30 April 2020 are $5,076,000 (2019: $11,991,000) and $8,942,000 (2019: $15,389,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

### *3.2 Key sources of estimation uncertainty (cont'd)*

#### *(b) Impairment assessment of goodwill, property, plant and equipment, and cost of investment in subsidiary corporations*

The Group's goodwill, property, plant and equipment and the Company's cost of investment in subsidiary corporations are subjected to impairment assessment for the financial year ended 30 April 2020. Management assesses goodwill impairment annually. For Group's property, plant and equipment and the Company's cost of investment in subsidiary corporations, management performs an assessment to ascertain whether indicators of impairment are present. For impairment assessments of goodwill and cost of investment in subsidiary corporations, 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 13 and 14 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 2020 are $8,506,000 (2019: $9,393,000) and $11,297,000 (2019: $18,701,000) respectively.

For impairment assessment of property, plant and equipment, management compared the carrying value of the land and building with the assessed fair value, less cost of disposed based on valuation report. Significant judgements and estimates relating to, amongst others, value of transactions of similar properties, the attributes of similar properties transacted and the date of these transactions. The carrying amount of the Group's and the Company's property, plant and equipment as at 30 April 2020 are $49,954,000 (2019: $59,534,000) and $45,500,000 (2019: $54,741,000) respectively.

#### *(c) Impairment of inventories*

The cost of inventories may not be recoverable if those inventories are damaged, obsolete or if selling prices have declined. The Group assesses the estimates of net realisable value based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. The Group considers factors such as the inventory ageing profile.

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.

#### *(d) Taxes*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The carrying amount of recognised tax losses at 30 April 2020 was $2,650,000 (2019: Nil) and the unrecognised tax losses at 30 April 2020 was $14,170,000 (2019: $10,045,000).

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by $780,000. Further details on taxes are disclosed in Note 8.

## 4. Revenue

### (a) *Disaggregation of revenue*

| Segments | Distribution 2020 $'000 | Distribution 2019 $'000 | After-sales 2020 $'000 | After-sales 2019 $'000 | Projects 2020 $'000 | Projects 2019 $'000 (Restated) | Total revenue 2020 $'000 | Total revenue 2019 $'000 (Restated) |
|---|---|---|---|---|---|---|---|---|
| **Primary geographical markets** | | | | | | | | |
| Singapore | **836** | 158 | **2,309** | 2,489 | **18,624** | 31,454 | **21,769** | 34,101 |
| Indonesia | **18,835** | 22,755 | **4,467** | 2,984 | **–** | – | **23,302** | 25,739 |
| Vietnam | **1,045** | 3,352 | **447** | 321 | **–** | – | **1,492** | 3,673 |
| Other countries | **576** | 937 | **1,923** | 1,612 | **4,902** | 1,084 | **7,401** | 3,633 |
| | **21,292** | 27,202 | **9,146** | 7,406 | **23,526** | 32,538 | **53,964** | 67,146 |
| Timing of transfer of goods and services | | | | | | | | |
| At a point in time | **21,292** | 27,202 | **9,146** | 7,406 | **–** | – | **30,438** | 34,608 |
| Over time | **–** | – | **–** | – | **23,526** | 32,538 | **23,526** | 32,538 |
| | **21,292** | 27,202 | **9,146** | 7,406 | **23,526** | 32,538 | **53,964** | 67,146 |

### (b) *Judgement and methods used in estimating revenue*

(i) *Recognition of revenue from projects over time*

For the revenue arising from projects where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the projects to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the projects.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar projects.

(ii) *Determining transaction price and amounts allocated to sale and commissioning*

For the bundled packages of sale and commissioning, the Group allocates the transaction price to the sale of equipment and commissioning service based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on estimated costs plus margin.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 4. Revenue (cont'd)

### *(c) Contract assets and contract liabilities*

Information about trade receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| Trade receivables (Note 17) | **5,076** | 11,991 |
| Contract assets | **8,942** | 15,389 |
| Contract liabilities | **(222)** | (240) |

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for project work. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for project work.

Contract liabilities are recognised as revenue as the Group performs under the contract.

*(i) Significant changes in contract assets are explained as follows:*

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| Contract assets reclassified to receivables | **(11,054)** | (10,607) |
| Changes in estimate of transaction price | **180** | (123) |
| Impairment loss on contract assets | **(68)** | (61) |

*(ii) Significant changes in contract liabilities are explained as follows:*

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | **240** | 11 |

## 5. Other income

| | Group 2020 $'000 | Group 2019 $'000 (Restated) |
|---|---|---|
| ***Continuing operations:*** | | |
| One-off charge from a customer | **–** | 460 |
| Dividend income on quoted equity security | **20** | 25 |
| Forfeited deposits from customers | **–** | 5 |
| Gain on disposal of property, plant and equipment | **3** | 58 |
| Grants and rebates | **366** | 175 |
| Insurance claims | **144** | 17 |
| Write-back of liabilities no longer required | **–** | 57 |
| Rental income | **1,776** | 1,343 |
| Recovery of transportation expense from customers | **83** | 279 |
| Scrap sales | **9** | 65 |
| Others | **131** | 24 |
| | **2,532** | 2,508 |

## 6. Finance costs

| | Group 2020 $'000 | Group 2019 $'000 (Restated) |
|---|---|---|
| ***Continuing operations:*** | | |
| Net foreign exchange gain | **–** | 562 |
| Interest income on bank deposits | **98** | 258 |
| **Finance income** | **98** | 820 |
| ***Continuing operations:*** | | |
| Net foreign exchange loss | **(1,223)** | – |
| Interest expense on loans and borrowings | **(1,731)** | (1,657) |
| **Finance costs** | **(2,954)** | (1,657) |
| **Net finance costs recognised in profit or loss** | **(2,856)** | (837) |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 7. Loss before tax from continuing operations

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

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| | | **(Restated)** |
| Audit fees paid/payable to: | | |
| - auditor of the Company | **190** | 185 |
| - affiliate of auditor of the Company | **16** | 13 |
| - other auditors | **7** | 7 |
| Non-audit fees paid/payable to: | | |
| – affiliate of auditor of the Company | **5** | 4 |
| Staff costs | **10,256** | 11,112 |
| Contribution to defined contribution plans included in staff costs | **793** | 800 |
| Directors' fees | **160** | 171 |
| Depreciation of property, plant and equipment | **3,493** | 4,647 |
| Provision for onerous contract | **1,200** | – |
| Inventories written-down | **882** | 13 |
| Impairment loss on stock obsolescence | **58** | – |
| Impairment loss on goodwill | **887** | – |
| Impairment loss on intangible assets | **132** | – |
| Impairment loss on club membership | **36** | – |
| Impairment loss on financial assets: | | |
| - trade and other receivables | **52** | 54 |
| - contract assets | **68** | 61 |
| Fair value losses on quoted equity securities | **237** | 56 |
| Share-based payment expenses | **24** | 93 |
| Expenses related to short-term lease | **91** | 188 |
| Amortisation of intangible assets | **99** | 52 |
| Bad debts written-off | **88** | 18 |
| Depreciation of right-of-use assets | **545** | – |

## 8. Income tax expense

### *(a) Major components of income tax expense*

The major components of income tax expense for the years ended 30 April 2020 and 2019 are:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| | | **(Restated)** |
| ***Continuing operations:*** | | |
| *Current income tax* | | |
| Current year | **14** | 145 |
| Under/(over) provision in respect of previous years | **14** | (50) |
| *Deferred income tax* | | |
| Origination and reversal of temporary difference | **9** | (37) |
| (Over)/under provision in respect of previous years | **(5)** | 283 |
| **Income tax expense recognised in profit or loss** | **32** | 341 |
| ***Discontinued operation:*** | | |
| *Current income tax* | | |
| Over provision in respect of previous years | **–** | (21) |
| *Deferred income tax* | | |
| Origination and reversal of temporary difference | **(100)** | (121) |
| Income tax expenses attributable to discontinued operation | **(100)** | (142) |
| Total | **(68)** | 199 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 8. Income tax expense (cont'd)

### *(b) Relationship between tax 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 2020 and 2019 is as follows:

| | **Group** | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| | | **(Restated)** |
| Loss before tax from continuing operations | **(8,299)** | (1,026) |
| Loss before tax from discontinued operation | **(3,444)** | (3,011) |
| Tax at applicable corporate tax rate of 17% (2019: 17%) | **(1,996)** | (686) |
| *Adjustments:* | | |
| - Effect of different tax rate in a foreign jurisdiction | **9** | 11 |
| - Non-deductible expenses | **1,466** | 633 |
| - Income not subject to tax | **(40)** | (114) |
| - Tax incentives and reliefs | **(245)** | (310) |
| - Benefits from previously unrecognised tax losses | **(120)** | (126) |
| - Under provision in respect of previous years | **9** | 212 |
| - Deferred tax asset not recognised | **866** | 567 |
| - Others | **(17)** | 12 |
| Income tax (credit)/expense recognised in profit or loss | **(68)** | 199 |
| Income tax expense recognised in profit or loss | **32** | 341 |
| Income tax credit attributable to discontinued operation | **(100)** | (142) |
| | **(68)** | 199 |

The unutilised tax losses and unabsorbed capital allowances are as follows:

| | **Group** | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| | | **(Restated)** |
| Unutilised tax losses | | |
| - Continuing operations | **1,159** | 649 |
| - Discontinued operation | **9,580** | 8,569 |
| Unutilised capital allowances | | |
| - Continuing operations | **3,431** | 726 |
| Unutilised donations | | |
| - Continuing operations | **–** | 101 |
| | **14,170** | 10,045 |

## 8. Income tax expense (cont'd)

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

As at 30 April 2020, the Group has unutilised capital allowances and unutilised tax losses 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 for the financial years ended 30 April 2020 and 2019 (Note 26).

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

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

| | At 1 May 2019 $'000 | Recognised in profit or loss $'000 | At 30 April 2020 $'000 |
|---|---|---|---|
| **Group** | | | |
| Deferred tax assets, net | | | |
| Provisions | **21** | **–** | **21** |
| Unutilised capital allowances and tax losses | **4** | **450** | **454** |
| Differences in depreciation for tax purposes | **12** | **(1)** | **11** |
| Total | **37** | **449** | **486** |
| Deferred tax liabilities, net | | | |
| Provisions | **45** | **–** | **45** |
| Differences in depreciation for tax purposes | **(84)** | **(462)** | **(546)** |
| Fair value adjustments on acquisition of subsidiary corporations | | | |
| - Loans and borrowings | **(101)** | **8** | **(93)** |
| - Intangible assets | **(101)** | **101** | **–** |
| | **(202)** | **109** | **(93)** |
| Total | **(241)** | **(353)** | **(594)** |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 8. Income tax expense (cont'd)

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

| | At 1 May 2018 $'000 | Recognised in profit or loss $'000 | At 30 April 2019 $'000 |
|---|---|---|---|
| Deferred tax assets, net | | | |
| Provisions | 7 | 14 | 21 |
| Unutilised capital allowances and tax losses | 285 | (281) | 4 |
| Differences in depreciation for tax purposes | 12 | – | 12 |
| Total | 304 | (267) | 37 |
| Deferred tax liabilities, net | | | |
| Provisions | 28 | 17 | 45 |
| Differences in depreciation for tax purposes | (81) | (3) | (84) |
| Fair value adjustments on acquisition of subsidiary corporations | | | |
| - Loans and borrowings | (109) | 8 | (101) |
| - Intangible assets | (221) | 120 | (101) |
| | (330) | 128 | (202) |
| Total | (383) | 142 | (241) |

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

| | At 1 May 2019 $'000 | Recognised in profit or loss $'000 | At 30 April 2020 $'000 |
|---|---|---|---|
| **Company** | | | |
| Deferred tax liabilities, net | | | |
| Differences in depreciation for tax purposes | **–** | **(450)** | **(450)** |
| Total | **–** | **(450)** | **(450)** |

## 9. Discontinued operation

On 29 September 2019, the Group has announced the decision of its Board of Directors to sell its 80% shareholding interest in Z-Power Automation Pte. Ltd. ("ZPA"). The decision is consistent with the Group's strategy to focus on its core business of providing diesel engine, propulsion and power generating solutions to customers in the marine and industrial sector. The disposal was carried out as part of the Group's continuing efforts to rationalise its business and operations to improve its financial performance. On 8 October 2019, the Group has completed the disposal of its 80% interest in ZPA. At 30 April 2020, its results are presented separately on profit or loss as "Loss from discontinued operation, net of tax". The book values of net assets of subsidiary disposed were as follows:

| | **As at 8 October 2019 $'000** |
|---|---|
| Plant and equipment | **216** |
| Right-of-use assets | **13** |
| Intangible assets | **53** |
| Amount due from fellow subsidiary | **30** |
| Trade and other receivables | **2,854** |
| Inventories | **4,456** |
| Cash and short-term deposits | **341** |
| Trade and other payables | **(2,661)** |
| Loans and borrowing | **(2,607)** |
| Amount due to holdings company and fellow subsidiaries | **(1,344)** |
| **Carrying value of net assets** | **1,351** |
| Intangible assets arise from acquisition | **294** |
| Deferred tax liability due to acquisition | **(50)** |
| Amount owing to holdings company and fellow subsidiary waived | **624** |
| Net assets disposed of | **2,219** |
| **Loss on disposal of subsidiary corporation, net of tax** | **(2,219)** |
| Sales proceeds | **–*** |
| Less: Cash and cash equivalents disposed | **(341)** |
| **Net cash outflow on disposal** | **(341)** |

* denotes less than $1,000.

## 9. Discontinued operation (cont'd)

The results of the discontinued operation are presented below:

| | 1 May 2019 to 8 October 2019 $'000 | 1 May 2018 to 30 April 2019 $'000 |
|---|---|---|
| Revenue | **3,169** | 10,724 |
| Finance income | **–** | 51 |
| Other income | **40** | 772 |
| Expenses | **(4,434)** | (14,558) |
| Loss from operation | **(1,225)** | (3,011) |
| Loss on disposal of a subsidiary corporation | **(2,219)** | – |
| Results from discontinued operation | **(3,444)** | (3,011) |
| Income tax credit | **100** | 142 |
| **Loss from discontinued operation, net of tax** | **(3,344)** | (2,869) |

Cash flow statement disclosures

The cash flows attributable to ZPA are as follows:

| | Group | |
|---|---|---|
| | 1 May 2019 to 8 October 2019 $'000 | 1 May 2018 to 30 April 2019 $'000 |
| Operating | **(151)** | (2,103) |
| Investing | **(3)** | (129) |
| Financing | **(314)** | 2,484 |
| **Net cash (outflows)/inflows** | **(468)** | 252 |

## 10. 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.

## 10. 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 | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| Loss for the year attributable to owners of the Company | | |
| - Loss from continuing operations | **(8,161)** | (1,349) |
| - Loss from discontinued operation | **(2,774)** | (1,989) |
| | **(10,935)** | (3,338) |

| | No. of shares | |
|---|---|---|
| | **2020** | **2019** |
| Weighted average number of ordinary shares on issue applicable to basic earnings per share | **109,282,221** | 109,765,278 |
| Effect of the potential shares to be issued under the XMH share option scheme | **–** | – |
| Weighted average number of ordinary shares (diluted) outstanding during the year | **109,282,221** | 109,765,278 |

2,836,500 (2019: 4,225,250) 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 financial year, no employees of the Group had exercised the options to acquire ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## 11. 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

**11. Share-based payments (cont'd)**

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.

## 11. 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 2020 $ | Number of options 2020 '000 | Weighted average exercise price 2019 $ | Number of options 2019 '000 |
|---|---|---|---|---|
| **Group** | | | | |
| At 1 May | **0.497** | **4,225** | 0.633 | 5,334 |
| Lapsed/cancelled during the year | **0.834** | **(1,389)** | 1.154 | (1,109) |
| Options outstanding at 30 April | **0.331** | **2,836** | 0.497 | 4,225 |
| Options exercisable at 30 April | | **2,836** | | 2,993 |

***Inputs for measurement of grant date fair values***

The fair value of the Scheme on grant date 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.

During the financial year ended 30 April 2020, the Group recognised share-based payment expenses of $24,000 (2019: $93,000) relating to the share options granted under the Scheme.

## 12. Property, plant and equipment

| Group | Freehold land $'000 | Building $'000 | Leasehold land $'000 | Plant and machinery $'000 | Furniture and fittings and renovations $'000 | Office equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| At 1 May 2018 | 840 | 51,353 | 7,174 | 5,612 | 12,350 | 1,719 | 1,574 | 80,622 |
| Additions | – | 2 | – | 8 | 27 | 182 | 107 | 326 |
| Disposals | – | – | – | – | (2) | (23) | (330) | (355) |
| Written-off | – | – | – | – | (1) | (5) | – | (6) |
| Currency translation differences | (22) | (65) | – | (17) | (5) | 7 | 1 | (101) |
| At 30 April 2019 | 818 | 51,290 | 7,174 | 5,603 | 12,369 | 1,880 | 1,352 | 80,486 |
| Effects on adoption of SFRS(I) 16 | – | – | (7,174) | – | – | – | – | (7,174) |
| At 1 May 2019 | 818 | 51,290 | – | 5,603 | 12,369 | 1,880 | 1,352 | 73,312 |
| Additions | – | 7 | – | 298 | 152 | 86 | 74 | 617 |
| Disposals | – | – | – | – | (2) | (9) | (75) | (86) |
| Reclassified to intangible assets | – | – | – | – | – | (12) | – | (12) |
| Disposal of a subsidiary corporation | – | – | – | (513) | (492) | (421) | (201) | (1,627) |
| Currency translation differences | (5) | (13) | – | 299 | 7 | 30 | 9 | 327 |
| At 30 April 2020 | 813 | 51,284 | – | 5,687 | 12,034 | 1,554 | 1,159 | 72,531 |
| **Accumulated depreciation:** | | | | | | | | |
| At 1 May 2018 | – | 5,452 | 450 | 3,883 | 4,172 | 1,479 | 1,044 | 16,480 |
| Depreciation for the year | – | 1,829 | 270 | 950 | 1,497 | 123 | 190 | 4,859 |
| Disposals | – | – | – | – | (2) | (20) | (330) | (352) |
| Written-off | – | – | – | – | (1) | (5) | – | (6) |
| Currency translation differences | – | (11) | – | (20) | (5) | 7 | – | (29) |
| At 30 April 2019 | – | 7,270 | 720 | 4,813 | 5,661 | 1,584 | 904 | 20,952 |
| Effects on adoption of SFRS(I) 16 | – | – | (720) | – | – | – | – | (720) |
| At 1 May 2019 | – | 7,270 | – | 4,813 | 5,661 | 1,584 | 904 | 20,232 |
| Depreciation for the year | – | 1,829 | – | 387 | 1,058 | 98 | 173 | 3,545 |
| Disposals | – | – | – | – | (2) | (9) | (75) | (86) |
| Disposal of a subsidiary corporation | – | – | – | (499) | (390) | (321) | (201) | (1,411) |
| Currency translation differences | – | (3) | – | 266 | (2) | 28 | 8 | 297 |
| At 30 April 2020 | – | 9,096 | – | 4,967 | 6,325 | 1,380 | 809 | 22,577 |
| **Net carrying amount:** | | | | | | | | |
| At 30 April 2019 | 818 | 44,020 | 6,454 | 790 | 6,708 | 296 | 448 | 59,534 |
| At 30 April 2020 | 813 | 42,188 | – | 720 | 5,709 | 174 | 350 | 49,954 |

## 12. Property, plant and equipment (cont'd)

| Company | Building $'000 | Leasehold land $'000 | Furniture and fittings and renovations $'000 | Office equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 May 2018 | 46,134 | 7,174 | 10,454 | 154 | 402 | 64,318 |
| Additions | – | – | 21 | 2 | – | 23 |
| Disposals | – | – | (1) | – | – | (1) |
| At 30 April 2019 | **46,134** | **7,174** | **10,474** | **156** | **402** | **64,340** |
| Effects on adoption of SFRS(I) 16 | **–** | **(7,174)** | **–** | **–** | **–** | **(7,174)** |
| At 1 May 2019 | **46,134** | **–** | **10,474** | **156** | **402** | **57,166** |
| Additions | **7** | **–** | **39** | **–** | **–** | **46** |
| Disposals | **–** | **–** | **(2)** | **–** | **–** | **(2)** |
| At 30 April 2020 | **46,141** | **–** | **10,511** | **156** | **402** | **57,210** |
| **Accumulated depreciation:** | | | | | | |
| At 1 May 2018 | 2,818 | 450 | 2,567 | 146 | 127 | 6,108 |
| Depreciation for the year | 1,758 | 270 | 1,376 | 8 | 80 | 3,492 |
| Disposals | – | – | (1) | – | – | (1) |
| At 30 April 2019 | **4,576** | **720** | **3,942** | **154** | **207** | **9,599** |
| Effects on adoption of SFRS(I) 16 | **–** | **(720)** | **–** | **–** | **–** | **(720)** |
| At 1 May 2019 | **4,576** | **–** | **3,942** | **154** | **207** | **8,879** |
| Depreciation for the year | **1,757** | **–** | **993** | **2** | **81** | **2,833** |
| Disposals | **–** | **–** | **(2)** | **–** | **–** | **(2)** |
| At 30 April 2020 | **6,333** | **–** | **4,933** | **156** | **288** | **11,710** |
| **Net carrying amount:** | | | | | | |
| At 30 April 2019 | 41,558 | 6,454 | 6,532 | 2 | 195 | 54,741 |
| At 30 April 2020 | **39,808** | **–** | **5,578** | **–** | **114** | **45,500** |

## 12. Property, plant and equipment (cont'd)

The Group has land use rights over 55 Tuas Crescent, Singapore 638743 where the Group's office resides. The land use rights are not transferable and have a remaining tenure of 23 years (2019: 24 years). With the adoption of SFRS(I) 16, the land use rights were categorised as right-of-use assets from 1 May 2019.

In FY2019, the Group acquire motor vehicle with aggregate cost of $43,000 by means of leasing. The cash outflow of property, plant and equipment amounted to $617,000 (2019: $283,000).

***Assets pledged as securities***

The Group's land and building with a carrying amount at $43,001,000 (2019: $51,292,000) are mortgaged to secure the Group's bank loans (Note 28).

The carrying amount of motor vehicles held under finance leases is $54,000 (2019: $277,000) 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 $114,000 (2019: $195,000).

## 13. Investment in subsidiary corporations

| | Company | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| Unquoted equity investment, at cost | **32,601** | 31,801 |
| Capital injection | **–** | 800 |
| Accumulated impairment loss | **(7,404)** | (13,900) |
| Disposal of a subsidiary corporation | **(13,900)** | – |
| | **11,297** | 18,701 |

Movements in accumulated impairment loss are as follows:

| | Company | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| At 1 May | **13,900** | 6,261 |
| Impairment for the year | **7,404** | 7,639 |
| Disposal of a subsidiary corporation | **(13,900)** | – |
| At 30 April | **7,404** | 13,900 |

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 April 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of investment in subsidiary corporations.

## 13. Investment in subsidiary corporations (cont'd)

During the financial year, the Company recognised an impairment loss of $7,404,000 (2019: $7,639,000) in the profit or loss statement due to the underperformance of a subsidiary corporation. The Company used value-in-use approach to estimate its recoverable amount. 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 years period are as follows:

| | **Revenue growth rate *** | **Post-tax discount rate** | | **Terminal growth rate** | |
|---|---|---|---|---|---|
| | **FY2022-FY2025** | **2020** | **2019** | **2020** | **2019** |
| | % | % | % | % | % |
| Key assumptions | **3 - 17** | **11.5** | 11.0 | **1.7** | 1.0 |

* FY2021 (2019: FY2020) 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** | |
|---|---|---|---|---|
| | | | **2020** | **2019** |
| | | | % | % |
| | ***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 |
| (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 |
| * | Z-Power Automation Pte. Ltd. ("ZPA") (Singapore) | Manufacturing of marine equipment and repair services | – | 80 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 13. 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 2020 % | 2019 % |
|---|---|---|---|---|
| | ***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.*** | | | |
| (4) | Vivo Power Myanmar Company Limited (Myanmar) | Manufacture and/or assemble of transformers, generator sets, power solution products and after sales maintenance services | **50** | 50 |

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

(2) Audited by Ernst & Young PLT, Malaysia.

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

(4) Audited by Thein Htay & Associates Audit Firm, Myanmar.

* Disposed of ZPA on 8 October 2019.

## 14. Intangible assets

| Group | Goodwill | Order backlogs | Customer relation-ships | Intellectual property rights | Software licence | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost:** | | | | | | |
| At 1 May 2018 | 11,754 | 2,401 | 3,539 | 366 | 469 | 18,529 |
| Additions | – | – | – | 122 | 27 | 149 |
| At 30 April 2019 and 1 May 2019 | **11,754** | **2,401** | **3,539** | **488** | **496** | **18,678** |
| Additions | **–** | **–** | **–** | **32** | **–** | **32** |
| Reclassified from property, plant and equipment | **–** | **–** | **–** | **12** | **–** | **12** |
| Disposal of a subsidiary corporation | **(2,361)** | **(2,401)** | **(3,539)** | **–** | **(496)** | **(8,797)** |
| Currency translation differences | **–** | **–** | **–** | **47** | **–** | **47** |
| At 30 April 2020 | **9,393** | **–** | **–** | **579** | **–** | **9,972** |
| **Accumulated amortisation and impairment loss:** | | | | | | |
| At 1 May 2018 | 2,361 | 2,401 | 2,242 | 161 | 270 | 7,435 |
| Amortisation for the year | – | – | 708 | 52 | 132 | 892 |
| At 30 April 2019 and 1 May 2019 | **2,361** | **2,401** | **2,950** | **213** | **402** | **8,327** |
| Amortisation for the year | **–** | **–** | **294** | **99** | **41** | **434** |
| Impairment loss | **887** | **–** | **–** | **132** | **–** | **1,019** |
| Disposal of a subsidiary corporation | **(2,361)** | **(2,401)** | **(3,244)** | **–** | **(443)** | **(8,449)** |
| Currency translation differences | **–** | **–** | **–** | **26** | **–** | **26** |
| At 30 April 2020 | **887** | **–** | **–** | **470** | **–** | **1,357** |
| **Net carrying amount:** | | | | | | |
| At 30 April 2019 | 9,393 | – | 589 | 275 | 94 | 10,351 |
| At 30 April 2020 | **8,506** | **–** | **–** | **109** | **–** | **8,615** |

## 14. Intangible assets (cont'd)

| | Customer relation-ships | Intellectual property rights | Software licence |
|---|---|---|---|
| Remaining useful life as at 30 April 2020 (years) | **–** | **3** | **–** |
| Remaining useful life as at 30 April 2019 (years) | 0.9 | 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. ZPA was disposed of on 8 October 2019.

Customer relationships relate to ZPA's customer relationship with its existing customers that resulted in repeat purchase and customer loyalty. The customer relationship was fully amortised (2019: 10 months).

Previous licence had expired and the Group was still in negotiation for the renewal as at year end. An impairment loss of $132,000 was recognised during the financial year to write-down the carrying amount of intellectual property rights attributable to the distributor segment.

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 $8,506,000 is attributable to the MPG Group as a single CGU.

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 years period are as follows:

| | Revenue growth rate * | Post-tax discount rate | | Terminal growth rate | |
|---|---|---|---|---|---|
| | FY2022-FY2025 | 2020 | 2019 | 2020 | 2019 |
| | % | % | % | % | % |
| Key assumptions | **3 - 17** | **11.5** | 10.0 | **1.7** | 1.0 |

* FY2021 (2019: FY2020) 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).

## 14. Intangible assets (cont'd)

***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 are as follows:

| | MPG Group | | ZPA | | XMHE Group | | XMHPL | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Goodwill | **8,506** | 9,393 | **–** | – | **–** | – | **–** | – |
| Customer relationships | **–** | – | **–** | 589 | **–** | – | **–** | – |
| Software licence | **–** | – | **–** | 94 | **–** | – | **–** | – |
| Intellectual property rights | **–** | – | **–** | – | **39** | – | **70** | 275 |
| | **8,506** | 9,393 | **–** | 683 | **39** | – | **70** | 275 |

## 15. Other financial assets

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| ***Non-current financial assets*** | | |
| ***Fair value through profit or loss*** | | |
| Equity securities (quoted) | **425** | 662 |

## 16. Inventories

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| ***Statement of financial position:*** | | |
| Spare parts (at cost) | **7,107** | 6,829 |
| Raw materials (at cost) | **2,892** | 3,190 |
| Work-in-progress (at cost or net realisable value) | **–** | 1,944 |
| Finished goods (at cost or net realisable value) | | |
| - Engines | **19,652** | 15,513 |
| - Generator sets | **–** | 20 |
| | **29,651** | 27,496 |
| ***Consolidated statement of comprehensive income:*** | | |
| Inventories recognised as an expense in cost of sales | **41,509** | 50,229 |
| Inclusive of the following charge: | | |
| Impairment loss on stock obsolescence | **58** | – |
| Inventories written-down | **882** | 13 |

## 17. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade receivables | **5,338** | 13,048 | **–** | – |
| Retention sum | **76** | 79 | **–** | – |
| GST receivables | **389** | 886 | **–** | – |
| Allowance for trade receivables | **(262)** | (1,057) | **–** | – |
| | **5,541** | 12,956 | **–** | – |
| Amounts due from subsidiary corporations | **–** | – | **276** | 503 |
| Deposits | **3,424** | 599 | **35** | 45 |
| Dividends receivable | **–** | – | **–** | 1,222 |
| Other receivables | **1,619** | 1,069 | **700** | 228 |
| Advances to staff | **26** | 32 | **–** | – |
| Allowance for other receivables | **(138)** | (86) | **(138)** | (86) |
| **Total trade and other receivables** | **10,472** | 14,570 | **873** | 1,912 |
| Add: Cash and short-term deposits | **14,162** | 23,552 | **1,006** | 792 |
| Less: GST receivables | **(389)** | (886) | **–** | – |
| **Total financial assets carried at amortised cost** | **24,245** | 37,236 | **1,879** | 2,704 |
| **Current** | **10,472** | 14,570 | **873** | 1,912 |

## 17. Trade and other receivables (cont'd)

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.

In FY2019, there is trade receivables under a 3-year and a 7-month non-interest bearing instalment repayment plans for a customer with balance of $648,000.

Included in the trade receivables is unsecured, interest-bearing receivables with balance of $225,000 (2019: $205,000).

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

***Expected credit losses***

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

| | | Group | |
|---|---|---|---|
| | **Trade receivables** | **Contract assets** | **Total** |
| | **2020** | **2020** | **2020** |
| | **$'000** | **$'000** | **$'000** |
| Movement in allowance accounts: | | | |
| At 1 May | **1,057** | **156** | **1,213** |
| Charge for the year | **–** | **68** | **68** |
| Write-back of allowance | **(41)** | **–** | **(41)** |
| Write-off of allowance | **(99)** | **–** | **(99)** |
| Disposal of a subsidiary corporation | **(653)** | **–** | **(653)** |
| Currency translation differences | **(2)** | **–** | **(2)** |
| At 30 April | **262** | **224** | **486** |

| | **Trade receivables** | **Contract assets** | **Total** |
|---|---|---|---|
| | **2019** | **2019** | **2019** |
| | **$'000** | **$'000** | **$'000** |
| Movement in allowance accounts: | | | |
| At 1 May | 1,497 | 95 | 1,592 |
| Charge for the year | – | 61 | 61 |
| Write-back of allowance | (50) | – | (50) |
| Utilisation of allowance | (176) | – | (176) |
| Write-off of allowance | (214) | – | (214) |
| At 30 April | 1,057 | 156 | 1,213 |

## 18. Cash and short-term deposits

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash at banks and on hand | **13,643** | 15,345 | **1,006** | 792 |
| Short-term deposits | **519** | 8,207 | **–** | – |
| | **14,162** | 23,552 | **1,006** | 792 |
| Less: | | | | |
| Pledged fixed deposits | **(19)** | (19) | **–** | – |
| Fixed deposits | **–** | (21) | **–** | – |
| Structured deposits | **–** | (8,167) | **–** | – |
| **Cash and cash equivalents in the consolidated statement of cash flows** | **14,143** | 15,345 | **1,006** | 792 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 month and 3 months 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 1.00% to 3.35% (2019: 0.40% to 5.96%) per annum.

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

In FY2019, structured deposits are maintained with a bank are due to mature within the next 2 months with interest rate of approximately 3.0% per annum. These structured deposits have currency-linked features which offer variable returns. These structured deposits are subject to an insignificant risk of changes in value.

## 19. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade payables | **7,739** | 15,578 | **–** | – |
| Accrued operating expenses | **2,580** | 3,309 | **703** | 705 |
| Advance deposits | **4,189** | 2,437 | **–** | – |
| Amount due to a subsidiary corporation | **–** | – | **7,855** | 8,010 |
| Provision for warranty | **–** | 45 | **–** | – |
| Other payables | **1,340** | 1,877 | **694** | 607 |
| GST payables | **109** | 83 | **89** | 83 |
| **Total trade and other payables** | **15,957** | 23,329 | **9,341** | 9,405 |
| Add: Loan and borrowings (Note 28) | **65,394** | 70,517 | **37,129** | 39,089 |
| Less: GST payables | **(109)** | (83) | **(89)** | (83) |
| **Total financial liabilities carried at amortised cost** | **81,242** | 93,763 | **46,381** | 48,411 |

## 19. Trade and other payables (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-current** | **196** | 251 | **369** | 562 |
| **Current** | **15,761** | 23,078 | **8,972** | 8,843 |
| | **15,957** | 23,329 | **9,341** | 9,405 |

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

***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 | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| At 1 May | **45** | 54 |
| Provision made | **–** | 22 |
| Unused amounts reversed | **–** | (31) |
| Disposal of a subsidiary corporation | **(45)** | – |
| At 30 April | **–** | 45 |

## 20. Deferred grant income

| | Group 2020 $'000 | Company 2020 $'000 |
|---|---|---|
| At 1 May | – | – |
| Received during the financial year | **611** | **62** |
| Amortisation | **(205)** | **(10)** |
| At 30 April | **406** | **52** |

Deferred grant income relates to government grants for Jobs Support Scheme ("JSS") announced in Budget 2020, with further enhancement in the Resilience and Solidarity Budgets. The JSS grant was recognised as a grant income, on a systematic basis, over the estimated nine months period of economic uncertainty in calendar year 2020 in which the Group recognises the related salary costs. There are no unfulfilled conditions or contingencies attached to these grants.

## 21. Leases

***Group as lessee***

The Group has lease contracts for leasehold building and office equipment used in its operations. These leases generally have lease terms between 13 months and 5 years, while land use rights' lease terms of 30 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has leases of dormitories and motor vehicles with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' recognition exemptions for these leases.

| | Group | | | |
|---|---|---|---|---|
| | Land use rights $'000 | Leasehold building $'000 | Office equipment $'000 | Total $'000 |
| **Cost** | | | | |
| Recognition on initial application of SFRS(I) 16 at 1 May 2019 | **6,454** | **135** | **71** | **6,660** |
| Additions | – | **1,319** | – | **1,319** |
| Depreciation expenses | **(270)** | **(241)** | **(38)** | **(549)** |
| Disposal of a subsidiary corporation | – | – | **(13)** | **(13)** |
| Currency translation differences | – | **110** | – | **110** |
| As at 30 April 2020 | **6,184** | **1,323** | **20** | **7,527** |

## 21. Leases (cont'd)

***Company as lessee***

The Company has lease contract for land use rights used in its operations. The lease has lease terms of 30 years and the lease payments were made upfront.

| | Company<br>Land use rights<br>$'000 |
|---|---|
| **Cost** | |
| Recognition on initial application of SFRS(I) 16 at 1 May 2019 | **6,454** |
| Depreciation expenses | **(270)** |
| As at 30 April 2020 | **6,184** |

Set out below are the carrying amounts of lease liabilities (included under loans and borrowings) and the movements during the period:

| | Group<br>$'000 |
|---|---|
| Recognition on initial application of SFRS(I) 16 at 1 May 2019 | **389** |
| Additions | **1,448** |
| Payment | **(326)** |
| Accretion of interests | **32** |
| Disposal of a subsidiary corporation | **(41)** |
| Currency translation differences | **(17)** |
| As at 30 April 2020 | **1,485** |
| **Current** | **436** |
| **Non-current** | **1,049** |
| | **1,485** |

The maturity analysis of lease liabilities are disclosed in Note 28.

## 21. Leases (cont'd)

***Group as lessee (cont'd)***

The following are the amounts recognised in profit or loss:

| | Group<br>2020<br>$'000 |
|---|---|
| Depreciation of right-of-use assets | **545** |
| Interest expense on lease liabilities | **32** |
| Expense relating to leases of low-value assets (included in administrative expenses) | **91** |
| Expense relating to leases of low-value assets (included in cost of sales) | **195** |
| Total amount recognised in profit or loss | **863** |

The Group had total cash outflows for lease liabilities of $326,000 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $1,319,000 in 2020.

***Group as 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 | |
|---|---|---|
| | **2020<br>$'000** | **2019<br>$'000** |
| Within one year | **1,701** | 1,430 |
| Between one and five years | **813** | 961 |
| | **2,514** | 2,391 |

## 22. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | **2020** | **2020** | **2019** | **2019** |
| | **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.

## 23. 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 | | | |
|---|---|---|---|---|
| | **2020** | **2020** | **2019** | **2019** |
| | **Number of shares** | **$'000** | **Number of shares** | **$'000** |
| At 1 May | **5,230,350** | **3,292** | 3,230,750 | 2,791 |
| Purchase of treasury shares | **–** | **–** | 1,999,600 | 501 |
| At 30 April | **5,230,350** | **3,292** | 5,230,350 | 3,292 |

## 24. Other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Share option reserve | **2,292** | 2,268 | **2,292** | 2,268 |
| Foreign currency translation reserve | **(7,151)** | (9,177) | **–** | – |
| | **(4,859)** | (6,909) | **2,292** | 2,268 |

***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.

***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.

## 25. Accumulated losses

| | Company $'000 |
|---|---|
| At 1 May 2018 | (2,755) |
| Loss for the year, representing total comprehensive expense for the year | (8,363) |
| **At 30 April 2019 and 1 May 2019** | **(11,118)** |
| Loss for the year, representing total comprehensive expense for the year | **(9,766)** |
| At 30 April 2020 | **(20,884)** |

## 26. Dividends

There are no proposed dividends on ordinary shares both in 2020 and 2019.

## 27. 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 2019 $'000 |
|---|---|
| Within one year | 1,430 |
| Between one and five years | 961 |
| | 2,391 |

***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 2019 $'000 |
|---|---|
| Within one year | 109 |
| Between one and five years | 57 |
| | 166 |

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 30 April 2019 amounted to $199,000.

## 27. Commitments (cont'd)

***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:

| | Group | | Company | |
|---|---|---|---|---|
| | **Future minimum lease payments** | **Present value of minimum lease payments** | **Future minimum lease payments** | **Present value of minimum lease payments** |
| | **2019** | **2019** | **2019** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Within one year | 89 | 78 | 36 | 36 |
| Between one and five years | 98 | 85 | – | – |
| Later than five years | 6 | 6 | – | – |
| Total minimum lease payments | 193 | 169 | 36 | 36 |
| Less: Amounts representing finance charges | (24) | – | – | – |
| Present value of minimum lease payments | 169 | 169 | 36 | 36 |

## 28. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| ***Non-current liabilities*** | | | | |
| Term loans | **44,194** | 47,159 | **35,102** | 37,160 |
| Finance lease liabilities | **–** | 91 | **–** | – |
| Lease liabilities | **1,049** | – | **–** | – |
| | **45,243** | 47,250 | **35,102** | 37,160 |
| ***Current liabilities*** | | | | |
| Trust receipts | **7,177** | 10,378 | **–** | – |
| Revolving credit facility | **9,843** | 10,330 | **–** | – |
| Term loans | **2,695** | 2,481 | **2,027** | 1,893 |
| Finance lease liabilities | **–** | 78 | **–** | 36 |
| Lease liabilities | **436** | – | **–** | – |
| | **20,151** | 23,267 | **2,027** | 1,929 |
| **Total loans and borrowings** | **65,394** | 70,517 | **37,129** | 39,089 |

## 28. Loans and borrowings (cont'd)

Certain banking facilities of the Group are secured by the mortgage of the Group's land and building with carrying value of $43,001,000 (2019: $51,292,000) and corporate guarantees provided by the Company.

During the financial year, the Group breached the covenants of a bank loan. The management obtained a letter of waiver from the bank dated 29 October 2019 stating the bank has provided consent to waive the requirement for the period of 12 months from the date of the audited financial statements for the financial year ended 2020.

In the prior year, one of the subsidiary corporations breached a covenant of a bank loan. Subsequent to financial year end, the management obtained letter of waiver dated in June 2019 stating that the bank has provided consent to waive the requirement with the retrospective effect from 30 April 2019. This outstanding balance was fully settled in June 2019.

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

| | | | | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | **30 April 2019** | **Recognition on initial application of SFRS(I) 16 at 1 May 2019** | **Net cash flows** | **Reclassified as part of disposal group** | **New leases** | **Foreign exchange movement** | **Accretion of interests** | **Other** | **30 April 2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Trust receipts | **10,378** | – | **(2,186)** | **(1,086)** | – | **71** | – | – | **7,177** |
| Revolving credit facility | **10,330** | – | **258** | **(1,000)** | – | **255** | – | – | **9,843** |
| Term loans | | | | | | | | | |
| - current | **2,481** | – | **(2,448)** | **(24)** | – | **(3)** | – | **2,689** | **2,695** |
| - non-current | **47,159** | – | **181** | **(457)** | – | – | – | **(2,689)** | **44,194** |
| Finance lease liabilities | | | | | | | | | |
| - current | **78** | **(78)** | – | – | – | – | – | – | – |
| - non-current | **91** | **(91)** | – | – | – | – | – | – | – |
| Lease liabilities | | | | | | | | | |
| - current | – | **182** | **(326)** | **(40)** | – | **(5)** | – | **625** | **436** |
| - non-current | – | **207** | – | **(1)** | **1,448** | **(12)** | **32** | **(625)** | **1,049** |
| Total | **70,517** | **220** | **(4,521)** | **(2,608)** | **1,448** | **306** | **32** | – | **65,394** |

**28. Loans and borrowings (cont'd)**

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

| Group | 30 April 2018 | Net cash flows | Non-cash changes: Foreign exchange movement | Non-cash changes: Other | 30 April 2019 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trust receipts | 10,352 | 21 | 5 | – | 10,378 |
| Revolving credit facility | 21,510 | (11,304) | 124 | – | 10,330 |
| Term loans | | | | | |
| - current | 2,378 | (2,580) | (2) | 2,685 | 2,481 |
| - non-current | 39,378 | 10,500 | (34) | (2,685) | 47,159 |
| Finance lease liabilities | | | | | |
| - current | 105 | (106) | – | 79 | 78 |
| - non-current | 126 | 44 | – | (79) | 91 |
| Total | 73,849 | (3,425) | 93 | – | 70,517 |

***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 | Company Carrying amount |
|---|---|---|---|---|---|
| | | % | | $'000 | $'000 |
| **2020** | | | | | |
| Revolving credit facility | **SGD** | **2.94 – 2.98** | **2021** | **4,000** | **–** |
| Revolving credit facility | **JPY** | **1.15 – 1.43** | **2021** | **5,144** | **–** |
| Revolving credit facility | **USD** | **3.99 – 5.36** | **2021** | **699** | **–** |
| Trust receipts | **EUR** | **1.15 – 1.50** | **2021** | **5,320** | **–** |
| Trust receipts | **SGD** | **2.25 – 2.40** | **2021** | **1,857** | **–** |
| Term loans | **SGD** | **1.51 – 2.32** | **2035** | **45,956** | **37,129** |
| Term loans | **MYR** | **5.00** | **2027 – 2028** | **750** | **–** |
| Term loans | **USD** | **4.45 – 4.98** | **2020 – 2024** | **183** | **–** |
| Lease liabilities | **SGD** | **2.99** | **2024 – 2026** | **84** | **–** |
| Lease liabilities | **SGD** | **3.70** | **2021** | **49** | **–** |
| Lease liabilities | **MYR** | **3.70** | **2021** | **1** | **–** |
| Lease liabilities | **USD** | **3.70** | **2025** | **1,282** | **–** |
| Lease liabilities | **IDR** | **7.00 – 11.00** | **2022 – 2024** | **69** | **–** |
| | | | | **65,394** | **37,129** |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 28. Loans and borrowings (cont'd)

***Terms and debt repayment schedule (cont'd)***

| | Currency | Nominal interest rate | Financial year of final maturity | Group Carrying amount | Company Carrying amount |
|---|---|---|---|---|---|
| | | % | | $'000 | $'000 |
| **2019** | | | | | |
| Revolving credit facility | SGD | 2.99 – 3.45 | 2020 | 8,613 | – |
| Revolving credit facility | JPY | 1.00 | 2020 | 1,717 | – |
| Trust receipts | EUR | 1.15 – 1.25 | 2020 | 6,005 | – |
| Trust receipts | SGD | 2.93 – 3.23 | 2020 | 1,655 | – |
| Trust receipts | JPY | 1.15 – 1.25 | 2020 | 2,349 | – |
| Trust receipts | USD | 3.71 – 4.10 | 2020 | 369 | – |
| Term loans | SGD | 2.73 – 2.84 | 2035 | 48,832 | 39,053 |
| Term loans | MYR | 5.75 | 2027-2028 | 808 | – |
| Finance lease liabilities | SGD | 2.78 – 2.99 | 2019-2026 | 169 | 36 |
| | | | | 70,517 | 39,089 |

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

| | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| | % | % | % | % |
| Trust receipts | **1.14** | 1.56 | **–** | – |
| Revolving credit facility | **2.18** | 2.80 | **–** | – |
| Term loans | **2.22** | 2.89 | **2.32** | 2.84 |
| Finance lease liabilities | **–** | 2.91 | **–** | 2.78 |
| Lease liabilities | **4.00** | – | **–** | – |

## 29. 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 | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| Short-term employee benefits | **1,692** | 1,788 |
| Defined contribution plans | **62** | 75 |
| Share-based payment | **16** | 59 |
| | **1,770** | 1,922 |
| *Comprise amounts paid to:* | | |
| Directors of the Company | **1,104** | 1,165 |
| Other key management personnel | **666** | 757 |
| | **1,770** | 1,922 |

***Directors' interests in employee share option plan***

During the financial year:

- No share options were granted to the Company's executive directors under the Scheme both in 2020 and 2019 (Note 11).

- No options were exercised by the directors in 2020 and 2019.

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 1,236,000 (2019: 1,823,500). No share options have been granted to the Company's directors during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 30. 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.

## 30. 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 2020 is as follows:

| 2020 | Distribution $'000 | After-sales $'000 | Projects $'000 | Segments total $'000 | Others $'000 | Elimination $'000 | Total $'000 | Note |
|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | | |
| External revenue | 21,292 | 9,146 | 23,526 | 53,964 | – | – | 53,964 | |
| Inter-segment revenue | 4,506 | 2,845 | – | 7,351 | 2,215 | (9,566) | – | A |
| Total revenue | 25,798 | 11,991 | 23,526 | 61,315 | 2,215 | (9,566) | 53,964 | |
| Interest income | – | – | 1 | 1 | 98 | (1) | 98 | B |
| Dividend income | – | – | – | – | 20 | – | 20 | |
| Gain on disposal of property, plant and equipment | – | – | 3 | 3 | – | – | 3 | |
| Interest expense | (38) | (52) | (420) | (510) | (1,189) | (32) | (1,731) | C |
| Depreciation | (42) | (114) | (296) | (452) | (3,586) | – | (4,038) | |
| Amortisation | (91) | – | – | (91) | (8) | – | (99) | |
| Impairment loss on club membership | (3) | (7) | – | (10) | (26) | – | (36) | |
| Impairment loss on goodwill | – | – | (887) | (887) | – | – | (887) | |
| Impairment loss on intangible assets | (132) | – | – | (132) | – | – | (132) | |
| Impairment loss on cost of investment | – | – | – | – | (7,404) | 7,404 | – | |
| Other non-cash expenses | (768) | (278) | (1,260) | (2,306) | (263) | – | (2,569) | D |
| Reportable segment profit/ (loss) before tax | 1,324 | 53 | (1,977) | (600) | (14,343) | 6,644 | (8,299) | E |
| **Discontinued operation** | | | | | | | | |
| Loss on disposal of a subsidiary corporation, net of tax | | | | | | | (2,219) | |
| Loss from discontinued operation – net of tax | | | | | | | (1,125) | |
| Results from discontinued operation, net of tax | | | | | | | (3,344) | |
| Income tax expense | | | | | | | (32) | |
| Loss for the year | | | | | | | (11,675) | |
| Reportable segment assets | 22,242 | 12,272 | 44,620 | 79,134 | 72,009 | (20,194) | 130,949 | F |
| Capital expenditure | – | 5 | 126 | 131 | 518 | – | 649 | |
| Reportable segment liabilities | 6,923 | 5,663 | 25,293 | 37,879 | 56,737 | (12,023) | 82,593 | G |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 30. Segment information (cont'd)

| **2019 (Restated)** | **Distribution $'000** | **After-sales $'000** | **Projects $'000** | **Segments total $'000** | **Others $'000** | **Elimination $'000** | **Total $'000** | **Note** |
|---|---|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | | | |
| External revenue | 27,202 | 7,406 | 32,538 | 67,146 | – | – | 67,146 | |
| Inter-segment revenue | 3,358 | 1,822 | 247 | 5,427 | 2,179 | (7,606) | – | A |
| Total revenue | 30,560 | 9,228 | 32,785 | 72,573 | 2,179 | (7,606) | 67,146 | |
| Interest income | 1 | 1 | 2 | 4 | 260 | (6) | 258 | B |
| Dividend income | – | – | – | – | 1,247 | (1,222) | 25 | |
| Gain on disposal of property, plant and equipment | – | 3 | 58 | 61 | – | (3) | 58 | |
| Interest expense | (43) | (58) | (302) | (403) | (1,214) | (40) | (1,657) | C |
| Depreciation | (85) | (160) | (272) | (517) | (4,135) | 5 | (4,647) | |
| Impairment loss on cost of investment | – | – | – | – | (7,639) | 7,639 | – | |
| Other non-cash expenses | (60) | (13) | (50) | (123) | (149) | – | (272) | D |
| Reportable segment profit/ (loss) before tax | 5,877 | 543 | 1,042 | 7,462 | (13,296) | 4,808 | (1,026) | E |
| **Discontinued operation** | | | | | | | | |
| Loss from discontinued operation, net of tax | | | | | | | (2,869) | |
| Income tax expense | | | | | | | (341) | |
| Loss for the year | | | | | | | (4,236) | |
| Reportable segment assets | 17,977 | 9,567 | 50,664 | 78,208 | 90,340 | (16,303) | 152,245 | F |
| Capital expenditure | 136 | 39 | 209 | 384 | 94 | (3) | 475 | |
| Reportable segment liabilities | 13,359 | 6,845 | 28,092 | 48,296 | 62,570 | (16,356) | 94,510 | G |

**30. Segment information (cont'd)**

**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 fair value losses on quoted equity securities, share-based payments, provision for onerous contract, inventories written-down, provision for stocks obsolescence and impairment loss on financial assets as presented in the respective notes to the 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 | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| | | **(Restated)** |
| Unrealised (profit)/loss from unsold stocks | **(3)** | 75 |
| Dividend income | **–** | (1,222) |
| Impairment loss on cost of investment | **7,404** | 7,639 |
| Interest expense | **(32)** | (40) |
| Interest income | **(1)** | (6) |
| Elimination of intercompany transactions | **163** | (1,638) |
| Impairment loss on intangible assets | **(887)** | – |
| | **6,644** | 4,808 |

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 | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| | | **(Restated)** |
| Inter-segment liabilities | **11,970** | 16,303 |
| Accrual | **53** | 53 |
| | **12,023** | 16,356 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

## 30. Segment information (cont'd)

***Geographical information***

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| | | **(Restated)** |
| *Revenue from external customers* | | |
| Singapore | **21,769** | 34,101 |
| Indonesia | **23,302** | 25,739 |
| Vietnam | **1,492** | 3,673 |
| Other countries | **7,401** | 3,633 |
| | **53,964** | 67,146 |
| *Non-current assets* | | |
| Property, plant and equipment, intangible assets and right-of-use assets | | |
| Singapore | **60,948** | 66,303 |
| Malaysia | **3,343** | 3,442 |
| Indonesia | **131** | 122 |
| Myanmar | **1,674** | 18 |
| | **66,096** | 69,885 |

Non-current assets information presented above consist of property, plant and equipment, intangible assets and right-of-use assets as presented in the consolidated statement of financial position.

*Major customers*

During the financial year, 3 (2019: 2) major customers of the Group's Project segment amounted to approximately $12,309,000 (2019: $17,601,000), representing approximately 23% (2019: 26%) of the Group's revenue.

## 31. 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.

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

***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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information.

To minimise credit risk, the Group has developed and maintained the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment. The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower; or
- A breach of contract, such as a default or past due event; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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

***Credit risk (cont'd)***

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group's current credit risk grading framework comprises the following categories:

| Category | Definition of category | Basis for recognising expected credit loss (ECL) |
|---|---|---|
| I | Counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| II | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| III | There is evidence indicating the asset is credit-impaired (in default). | Lifetime ECL – credit-impaired |
| IV | There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. | Amount is written off |

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

| | Note | Category | 12-month or lifetime ECL | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Trade receivables | **17** | **Note 1** | **Lifetime ECL (simplified)** | **5,338** | **(262)** | **5,076** |
| Other receivables | **17** | **I** | **12-month ECL** | **1,619** | **(138)** | **1,481** |
| Contract assets | **4** | **I** | **Lifetime ECL (simplified)** | **9,166** | **(224)** | **8,942** |
| | | | | | **(624)** | |
| **2019** | | | | | | |
| Trade receivables | 17 | Note 1 | Lifetime ECL (simplified) | 13,048 | (1,057) | 11,991 |
| Other receivables | 17 | I | 12-month ECL | 1,069 | (86) | 983 |
| Contract assets | 4 | I | Lifetime ECL (simplified) | 15,545 | (156) | 15,389 |
| | | | | | (1,299) | |

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

***Credit risk (cont'd)***

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

*Trade receivables (Note 1)*

For trade receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted or appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

| | **Contract assets** | **Trade receivables** | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **Days past due** | | | | |
| | **Not past due** | **Not past due** | **< 30 days** | **31-60 days** | **61-90 days** | **> 90 days** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **2020** | | | | | | | |
| Estimated total gross carrying amount at default | **9,166** | **2,088** | **1,063** | **899** | **801** | **487** | **14,504** |
| ECL | **(224)** | **(90)** | **(27)** | **(23)** | **(20)** | **(102)** | **(486)** |
| **2019** | | | | | | | |
| Estimated total gross carrying amount at default | 15,545 | 5,507 | 3,714 | 1,403 | 453 | 1,971 | 28,593 |
| ECL | (156) | (469) | (55) | (24) | (8) | (501) | (1,213) |

*Financial guarantees*

In assessing ECL for financial guarantees, the Group considers events such as breach of loan covenants, default on instalment payment and concluded that there has been no significant increase in risk that the specified debtor will default on the contract.

## 31. 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:

| | Group | | | |
|---|---|---|---|---|
| | **2020** | **2020** | **2019** | **2019** |
| | **$'000** | **% of total** | **$'000** | **% of total** |
| **By country:** | | | | |
| Singapore | **3,826** | **69** | 9,489 | 73 |
| Indonesia | **1,484** | **26** | 3,171 | 25 |
| Vietnam | **13** | **1** | – | – |
| Other countries | **218** | **4** | 296 | 2 |
| | **5,541** | **100** | 12,956 | 100 |

At the end of the reporting period, approximately:

– 69.0% (2019: 73.2%) of the Group's trade receivable is attributable to sales transactions with customers domiciled in Singapore; and

– 40.8% (2019: 10.2%) of the Group's trade receivable is attributable to sales transactions with 4 (2019: 2) major customers.

*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.

*Loan to the subsidiary corporation*

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

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

***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 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.

| | 2020 | | | |
|---|---|---|---|---|
| | $'000 | | | |
| **Group** | **One year or less** | **One to five years** | **Over five years** | **Total** |
| **Financial assets:** | | | | |
| Trade and other receivables | **10,083** | **–** | **–** | **10,083** |
| Cash and short-term deposits | **14,162** | **–** | **–** | **14,162** |
| Other financial assets | **–** | **425** | **–** | **425** |
| Total undiscounted financial assets | **24,245** | **425** | **–** | **24,670** |
| **Financial liabilities:** | | | | |
| Trade and other payables | **11,463** | **196** | **–** | **11,659** |
| Loans and borrowings | **20,700** | **14,715** | **36,584** | **71,999** |
| Lease liabilities | **485** | **1,112** | **–** | **1,597** |
| Total undiscounted financial liabilities | **32,648** | **16,023** | **36,584** | **85,255** |
| **Total net undiscounted financial liabilities** | **(8,403)** | **(15,598)** | **(36,584)** | **(60,585)** |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 April 2020*

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

***Liquidity risk (cont'd)***

*Analysis of financial instruments by remaining contractual maturities (cont'd)*

| Group | 2019 $'000 One year or less | One to five years | Over five years | Total |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Trade and other receivables | 13,684 | – | – | 13,684 |
| Cash and short-term deposits | 23,552 | – | – | 23,552 |
| Other financial assets | – | 662 | – | 662 |
| Total undiscounted financial assets | 37,236 | 662 | – | 37,898 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 20,558 | 251 | – | 20,809 |
| Loans and borrowings | 24,691 | 15,673 | 42,446 | 82,810 |
| Total undiscounted financial liabilities | 45,249 | 15,924 | 42,446 | 103,619 |
| **Total net undiscounted financial liabilities** | (8,013) | (15,262) | (42,446) | (65,721) |

| Company | 2020 $'000 One year or less | One to five years | Over five years | Total |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Trade and other receivables | **873** | **–** | **–** | **873** |
| Cash and short-term deposits | **1,006** | **–** | **–** | **1,006** |
| Total undiscounted financial assets | **1,879** | **–** | **–** | **1,879** |
| **Financial liabilities:** | | | | |
| Trade and other payables | **8,883** | **369** | **–** | **9,252** |
| Loans and borrowings | **2,867** | **11,467** | **29,873** | **44,207** |
| Total undiscounted financial liabilities | **11,750** | **11,836** | **29,873** | **53,459** |
| **Total net undiscounted financial liabilities** | **(9,871)** | **(11,836)** | **(29,873)** | **(51,580)** |

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

***Liquidity risk (cont'd)***

*Analysis of financial instruments by remaining contractual maturities (cont'd)*

| | | 2019 $'000 | | |
|---|---|---|---|---|
| **Company** | **One year or less** | **One to five years** | **Over five years** | **Total** |
| **Financial assets:** | | | | |
| Trade and other receivables | 1,912 | – | – | 1,912 |
| Cash and short-term deposits | 792 | – | – | 792 |
| Total undiscounted financial assets | 2,704 | – | – | 2,704 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 8,760 | 562 | – | 9,322 |
| Loans and borrowings | 3,015 | 11,915 | 34,014 | 48,944 |
| Total undiscounted financial liabilities | 11,775 | 12,477 | 34,014 | 58,266 |
| **Total net undiscounted financial liabilities** | (9,071) | (12,477) | (34,014) | (55,562) |

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

| | | 2020 $'000 | | |
|---|---|---|---|---|
| **Company** | **One year or less** | **One to five years** | **Over five years** | **Total** |
| Financial guarantee | **6,413** | **36** | **–** | **6,449** |

| | | 2019 $'000 | | |
|---|---|---|---|---|
| **Company** | **One year or less** | **One to five years** | **Over five years** | **Total** |
| Financial guarantee | 12,896 | 47 | – | 12,943 |

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

## 31. 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<br>$'000 | EUR<br>$'000 | USD<br>$'000 |
|---|---|---|---|
| **2020** | | | |
| Trade and other receivables | **1,208** | **2,793** | **225** |
| Cash and short-term deposits | **3,141** | **148** | **571** |
| Loans and borrowings | **(5,686)** | **(5,320)** | **(2,172)** |
| Trade and other payables | **(1,241)** | **(279)** | **(592)** |
| Net exposure | **(2,578)** | **(2,658)** | **(1,968)** |
| **2019** | | | |
| Trade and other receivables | 1,481 | – | 199 |
| Cash and short-term deposits | 1,003 | 2,941 | 10,280 |
| Loans and borrowings | (10,437) | (6,005) | (369) |
| Trade and other payables | (2,735) | (96) | (388) |
| Net exposure | (10,688) | (3,160) | 9,722 |

## 31. 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 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 2020:

| | **(Decrease)/increase in loss before tax** | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| SGD | **(129)** | (534) |
| EUR | **(133)** | (158) |
| USD | **(98)** | 486 |

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** | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| ***Variable rate instruments*** | | |
| Trust receipts | **7,177** | 10,378 |
| Term loans | **46,889** | 49,640 |
| Revolving credit facility | **9,843** | 10,330 |
| Lease liabilities | **1,401** | – |
| | **65,310** | 70,348 |
| ***Fixed rate instruments*** | | |
| Finance lease liabilities | **–** | 169 |
| Lease liabilities | **84** | – |
| | **84** | 169 |

## 31. 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 (2019: 100) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been $653,100 lower/higher (2019: $703,480 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.

## 32. 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.

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

***Fair value hierarchy (cont'd)***

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.

| **Group** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **2020** | | | | |
| **Assets measured at fair value** | | | | |
| Financial assets | | | | |
| Equity securities at fair value through profit or loss (Note 15) | | | | |
| - quoted equity securities | **425** | **–** | **–** | **425** |
| **2019** | | | | |
| **Assets measured at fair value** | | | | |
| Financial assets | | | | |
| Equity securities at fair value through profit or loss (Note 15) | | | | |
| - quoted equity securities | 662 | – | – | 662 |
| Trade receivables | – | – | 648 | 648 |

***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.

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

***Fair value hierarchy (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<br>$'000 | Valuation Techniques | Unobservable inputs | Discount Rate |
|---|---|---|---|---|
| **2020** | | | | |
| ***Recurring fair value measurements*** | | | | |
| Trade receivables | – | Discounted cash flow | Credit rating | 5% |
| **2019** | | | | |
| ***Recurring fair value measurements*** | | | | |
| Trade receivables | 648 | 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 2020 and 2019 as the difference between the carrying amounts and their fair values are not significant.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020**<br>**$'000** | **2019**<br>**$'000** | **2020**<br>**$'000** | **2019**<br>**$'000** |
| Finance lease liabilities | – | 169 | – | 36 |
| Lease liabilities | **84** | – | – | – |
| Total | **84** | 169 | – | 36 |

## 33. 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.

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 2020 and 2019. Neither the Company nor any of its subsidiary corporations are subject to externally imposed capital requirements.

## 34. Events occurring after reporting period

The COVID-19 outbreak and the measures taken to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects and this has impacted the Group's operations and its financial performance subsequent to the financial year end.

The Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures as a circuit breaker from 7 April 2020, to pre-empt the trend of increasing local transmission of COVID-19. Except for those providing essential services and selected economic sectors which are critical for Singapore and the global supply chains, all businesses are required to suspend all in-person activities and activities at the business location. As a result, the Group suspended operations at our business location from 7 April 2020 to 1 June 2020. The onset of the COVID-19 pandemic has heightened the probability of potential supply chain disruptions on the supply side which has an impact on the estimation of the cost-to-complete and the accordingly the total project costs. The performance risk of fulfilling these contracts has increased primarily from the restrictions of movement imposed by the Governments of the respective countries in which the Group operates. A series of measures to curb the COVID-19 outbreak have been and continue to be implemented in countries where the Group has dealings with. This has resulted in delays in shipment of machinery parts from suppliers since March 2020 due to requirements to limit or suspend business operations and border controls implemented round the world.

In view of an unpredictable business environment caused by the ongoing COVID-19 pandemic and the changing competitive landscape, the Group expects business conditions to be challenging in next financial year. The Group applies the fair value model to measure its investment securities. The fair values of these assets in 2020 may be subject to fluctuation due to the COVID-19 outbreak. Additional expected credit losses on receivables and contract assets may need to be recognised due to further decline in the repayment ability of certain debtors. The Group has also considered the impact of COVID-19 in the impairment assessment of the non-financial assets and write down the inventories to net realisable value.

As the situation continues to evolve with significant level of uncertainty, the Group is unable to reasonably estimate the full financial impact of the COVID-19 outbreak. The Group is monitoring the situation closely and to mitigate the financial impact, it is conscientiously managing its cost by adopting an operating cost reduction strategy and conserving liquidity by working with major creditors to align repayment obligations with receivable collections.

## 35. Authorisation of financial statements for issue

The financial statements for the year ended 30 April 2020 were authorised for issue in accordance with a directors' resolution dated 28 August 2020.

# STATISTICS OF SHAREHOLDINGS

*as at 24 August 2020*

| | | |
|---|---|---|
| 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 | 21 | 2.41 | 1,090 | 0.00 |
| 100 - 1,000 | 162 | 18.60 | 104,900 | 0.10 |
| 1,001 - 10,000 | 421 | 48.33 | 1,870,500 | 1.71 |
| 10,001 - 1,000,000 | 259 | 29.74 | 16,860,650 | 15.43 |
| 1,000,001 and above | 8 | 0.92 | 90,445,081 | 82.76 |
| **Total** | **871** | **100.00** | **109,282,221** | **100.00** |

**Note:**

*%: Based on 109,282,221 shares (excluding shares held as treasury shares and subsidiary holdings) as at 24 August 2020*
** Treasury Shares as at 24 August 2020 - 5,230,350 shares*

## TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | RAFFLES NOMINEES (PTE) LTD | 45,108,475 | 41.28 |
| 2 | CREDENCE CAPITAL FUND II (CAYMAN) LIMITED | 20,917,018 | 19.14 |
| 3 | TAN TUM BENG | 8,714,494 | 7.97 |
| 4 | TAN GUAT LIAN | 6,569,744 | 6.01 |
| 5 | CITIBANK NOMS SINGAPORE PTE LTD | 3,165,500 | 2.90 |
| 6 | TAN SENG HEE | 2,814,250 | 2.58 |
| 7 | DBS NOMINEES PTE LTD | 1,958,575 | 1.79 |
| 8 | LIM YUE HENG | 1,197,025 | 1.10 |
| 9 | MAYBANK KIM ENG SECS PTE LTD | 954,600 | 0.87 |
| 10 | SIM GUAN HUAT | 808,225 | 0.74 |
| 11 | ONG POH SENG OR TAN SWEE CHIN | 782,300 | 0.72 |
| 12 | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD | 658,900 | 0.60 |
| 13 | UNITED OVERSEAS BANK NOMINEES | 647,700 | 0.59 |
| 14 | YEE CHOON LYE | 635,400 | 0.58 |
| 15 | HONG PIAN TEE | 600,000 | 0.55 |
| 16 | YEO SECK KAN | 346,750 | 0.32 |
| 17 | KOK MOO YONG | 300,000 | 0.27 |
| 18 | ALL BIG FROZEN FOOD PTE LTD | 266,600 | 0.24 |
| 19 | TAN CHIN TUAN HENRY | 235,750 | 0.22 |
| 20 | OCBC NOMINEES SINGAPORE | 232,625 | 0.21 |
| **Total:** | | **96,913,931** | **88.68** |

**Note:**

*%: Based on 109,282,221 shares (excluding shares held as treasury shares and subsidiary holdings) as at 24 August 2020*
** Treasury Shares as at 24 August 2020 - 5,230,350 shares*

# STATISTICS OF SHAREHOLDINGS

*as at 24 August 2020*

## RULE 723 COMPLIANCE

Based on the information available to the Company as at 24 August 2020, approximately 22.33% 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] | 45,060,000 | 41.23 | – | – |
| Credence Capital Fund II (Cayman) Limited [2] | 20,917,018 | 19.14 | – | – |
| Tan Tum Beng | 8,714,494 | 7.97 | – | – |
| Tan Guat Lian [1] | 6,569,744 | 6.01 | 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 24 August 2020, Mr. Tan Seng Hee has an interest in 2,814,250 Shares in the Company representing approximately 2.58% 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 24 August 2020, Credence Capital Fund II (Cayman) Limited now holds approximately 19.14% of the total issued ordinary shares of the Company (excluding any treasury shares and subsidiary holdings).

(3) Based on 109,282,221 shares (excluding shares held as treasury shares and subsidiary holdings) as at 24 August 2020.

## TREASURY SHARES

As at 24 August 2020, the Company held 5,230,350 treasury shares, representing 4.57% of the total issued ordinary shares.

## SUBSIDIARY HOLDINGS

As at 24 August 2020, 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. (the "**Company**") will be held on Wednesday, 30 September 2020 at 10.00 a.m. via electronic means, for the following purposes:

## AS ORDINARY BUSINESSES

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 2020 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' fees of S$160,123.50 for the financial year ended 30 April 2020 (2019: S$170,600). **Resolution 2**

3. To re-elect Ms. Tan Guat Lian as a Director of the Company, who is retiring pursuant to Regulation 89 of the Constitution of the Company.

   [See Explanatory Notes (i)] **Resolution 3**

4. To note the retirement of Mr. Ng Sey Ming as a Director of the Company.

5. 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 4**

6. To transact any other ordinary business which may properly be transacted at an AGM.

## AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **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 ("SGX-ST")**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the 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 pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of Shares (including Shares to be issued pursuant to 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, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of Listing Manual of the SGX-ST; and

    (c) any subsequent bonus issue, consolidation or subdivision of Shares;

    Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(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.

[See Explanatory Note (ii)] **Resolution 5**

# NOTICE OF ANNUAL GENERAL MEETING

8. **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 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 XMH Share Option Scheme ("**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 6**

9. **Proposed renewal of the Share Buyback Mandate**

That:

(a) for the purposes of the Companies Act, Chapter 50 of Singapore ("**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable,

and is hereby authorised and approved generally and unconditionally ("**Share Buyback Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the Share Buyback is carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the forthcoming AGM is held and the resolution relating to the Share Buyback Mandate is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price;

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (iv)] **Resolution 7**

By Order of the Board

Ms. Siau Kuei Lian
Ms. Fiona Lim Pei Pei
Company Secretaries

Singapore, 8 September 2020

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

(i) Ms. Tan Guat Lian, if re-elected as a Director of the Company, will remain as the Executive Director of the Company. Please refer to Corporate Governance Report on pages 44 to 45 in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(ii) Resolution 5 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 the 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.

(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 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.

(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, whichever is the earlier, to buyback ordinary shares of the Company by way of On-Market Share Buy-Back or Off-Market Share Buy-Back of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Clause 2.3.4 of the Addendum. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share BuyBack Mandate on the audited consolidated financial statement of the Group for the financial year ended 30 April 2020 are set out in greater detail in the Addendum on pages 148 to 172 in the Annual Report 2020.

**Notes:**

1. Pursuant to Part 4 of the COVID-19 (Temporary Measures) Act 2020, a member of the Company (including a Relevant Intermediary*) entitled to vote at the AGM must appoint Chairman of the Meeting to act as proxy and direct the vote at the Meeting. The Chairman of the Meeting, as proxy, need not be a member of the Company.

2. The instrument appointing the Chairman of the Meeting as the proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as a proxy 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 the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

3. Investors who hold shares through Relevant Intermediary*, including under the Central Provident Fund Investment Scheme ("**CPF Investor**") or the Supplementary Retirement Scheme ("**SRS Investor**"), and who wish to appoint the Chairman of the Meeting as their proxy should approach their respective Relevant Intermediary*, including CPF Agent Bank or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 10.00 a.m. on 21 September 2020).

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted (a) by mail to the Registered Office of the Company at 55 Tuas Crescent, #07-01, Singapore 638743; or (b) by email to xmh@xmh.com.sg; or (c) digital submission at https://sg.conveneagm.com/xmhhlagm2020, in either case, by 10.00 a.m. on 28 September 2020 being not less than forty-eight (48) hours before the time appointed for holding the AGM.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore 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 licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, 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**

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to vote at the AGM of the Company and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM of the Company via live audio-visual webcast or audio-only stream, or (c) submitting any question prior to the AGM of the Company, in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration and analysis by the Company (or its agents or service providers) of the instruments appointing the Chairman of the Meeting as proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-visual webcast or audio-only stream to observe the proceedings of the AGM of the Company and providing them with any technical assistance where necessary;

(iii) addressing substantial and relevant questions from members received before the AGM of the Company and if necessary, following up with the relevant members in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

**ADDENDUM DATED 8 SEPTEMBER 2020**

**THIS ADDENDUM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Addendum is circulated to Shareholders (hereinafter defined) of XMH Holdings Ltd. ("**Company**") together with the Company's annual report for the financial year ended 30 April 2020 ("**Annual Report**"). Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval for the renewal of the Share Buyback Mandate (hereinafter defined) to be tabled at the Annual General Meeting to be held on **Wednesday, 30 September 2020** at **10.00 a.m.** via electronic means.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Addendum.

**If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.**

# XMH HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
Company Registration Number 201010562M

## ADDENDUM TO ANNUAL REPORT

## IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

# CONTENTS

## DEFINITIONS

For the purpose of this Addendum, the following definitions have, where appropriate, been used:

"**2019 AGM**" : The annual general meeting of the Company held on 27 August 2019.

"**ACRA**" : The Accounting and Corporate Regulatory Authority of Singapore.

"**Act**" or "**Companies Act**" : The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time.

"**Addendum**" : This Addendum to Shareholders dated 8 September 2020.

"**AGM**" : The annual general meeting of the Company to be convened on 30 September 2020.

"**Annual Report**" : The annual report of the Company for FY2020.

"**Approval Date**" : Has the meaning ascribed to it in Section 2.3.1 (*Maximum number of Shares*) of this Addendum.

"**Associate**" :

(a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object;

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and

(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

"**Average Closing Price**" : Has the meaning ascribed to it in Section 2.3.4 (*Maximum Purchase Price*) of this Addendum.

"**Board**" or "**Board of Directors**" : The Board of Directors of the Company.

"**CDP**" : The Central Depository (Pte) Limited.

"**CEO**" : Chief Executive Officer.

"**Company**" : XMH Holdings Ltd.

"**Constitution**" : The constitution of the Company, previously known as its memorandum and articles of association of the Company currently in force.

## DEFINITIONS

| | | |
|---|---|---|
| "**Controlling Shareholder**" | : | A person who:<br><br>(a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or<br><br>(b) in fact exercises control over the Company. |
| "**Directors**" | : | The directors of the Company for the time being. |
| "**EPS**" | : | Earnings per Share. |
| "**Executive Director**" | : | A director who is a full-time employee of the Company and who performs an executive function. |
| "**FY**" | : | Financial year of the Company ending or ended 30 April as the case may be. |
| "**Group**" | : | The Company and its subsidiaries. |
| "**Latest Practicable Date**" | : | The latest practicable date prior to the printing of this Addendum, being 25 August 2020. |
| "**Listing Manual**" | : | The listing manual of the SGX-ST, as amended, supplemented or modified from time to time. |
| "**Listing Rules**" | : | The listing rules under the Listing Manual. |
| "**Market Day**" | : | A day on which the SGX-ST is open for trading of securities. |
| "**Market Purchase**" | : | Has the meaning ascribed to it in Section 2.3.3 (*Manner of purchase of Shares*) of this Addendum. |
| "**Maximum Price**" | : | Has the meaning ascribed to it in Section 2.3.4 (*Maximum Purchase Price*) of this Addendum. |
| "**MD**" | : | Managing Director. |
| "**Notice of AGM**" | : | The notice of AGM as enclosed with the Annual Report. |
| "**NTA**" | : | Net tangible assets. |
| "**Off-Market Purchase**" | : | Has the meaning ascribed to it in Section 2.3.3 (*Manner of purchase of Shares*) of this Addendum. |
| "**PDPA**" | : | Personal Data Protection Act 2012. |
| "**Proxy Form**" | : | The proxy form in respect of the AGM enclosed with the Annual Report. |

## DEFINITIONS

| | | |
|---|---|---|
| "**Relevant Period**" | : | The period commencing from the date on which the forthcoming AGM is held and the resolution relating to the Share Buyback Mandate is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier. |
| "**SFA**" | : | The Securities and Futures Act, Chapter 289 of Singapore, as amended, supplemented or modified from time to time. |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited. |
| "**Share Buyback**" | : | The buyback of Shares by the Company pursuant to the terms of the Share Buyback Mandate. |
| "**Share Buyback Mandate**" | : | The mandate to enable the Company to purchase or otherwise acquire its Shares, the terms of which are set out in Section 2.3 (*Terms of the Share Buyback Mandate*) of this Addendum. |
| "**Shareholders**" | : | Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register. |
| "**Share(s)**" | : | Ordinary shares in the capital of the Company. |
| "**Substantial Shareholder**" | : | A Shareholder who has an interest directly or indirectly in not less than 5% of the total voting shares in the Company. |
| "**Take-over Code**" | : | The Singapore Code on Take-overs and Mergers, as the same may be amended or modified from time to time. |
| "**S$**", "**$**" and "**cents**" | : | Singapore dollars and cents, respectively. |
| "**%**" or "**per cent**" | : | Per centum or percentage. |

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The terms "**treasury shares**" and "**subsidiary**" shall have the meanings ascribed to them in Sections 4 and 5 of the Companies Act respectively.

The term "**subsidiary holdings**" shall have the same meaning ascribed to it in the Listing Manual, as may be amended or modified from time to time.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Addendum to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, SFA or the Listing Manual or any statutory modification thereof and not otherwise defined in this Addendum shall have the same meaning assigned to it under the Companies Act, SFA or the Listing Manual or such statutory modification thereof, as the case may be.

Any reference to a time of day in this Addendum is made by reference to Singapore time unless otherwise stated.

# DEFINITIONS

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to "**you**", "**your**" and "**yours**" in this Addendum is, as the context so determines, to Shareholders.

The headings in this Addendum are inserted for convenience only and shall not affect the construction of this Addendum.

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## ADDENDUM TO ANNUAL REPORT

# XMH HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
Company Registration Number 201010562M

**Directors:**

| | |
|---|---|
| Tan Tin Yeow | Chairman and Managing Director |
| Tan Guat Lian | Executive Director |
| Hong Pian Tee | Lead Independent Director |
| Khoo Song Koon | Independent Director |
| Ng Sey Ming | Independent Director |

**Registered Office:**

55 Tuas Crescent, #07-01
Singapore 638743

8 September 2020

To: The Shareholders of XMH Holdings Ltd.

Dear Shareholder,

**THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

**1. INTRODUCTION**

**1.1 AGM**

The Board is convening an AGM to be held on 30 September 2020 to seek the approval of Shareholders for, *amongst others*, the renewal of the Share Buyback Mandate.

**1.2 Purpose of Addendum**

The purpose of this Addendum is to provide Shareholders with the relevant information pertaining to the matters set out in Section 1.1 (*AGM*) of this Addendum, and to seek Shareholders' approval for the resolutions in respect thereof to be tabled at the AGM, as set out in the Notice of AGM.

This Addendum has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

**2. THE RENEWAL OF THE SHARE BUYBACK MANDATE**

**2.1 Background**

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by the Companies Act, the Listing Manual, the Constitution and such other laws and regulations as may for the time being be applicable.

The renewal of the Share Buyback Mandate was approved by Shareholders at the 2019 AGM and will, unless renewed, expire on the date of the forthcoming AGM, which is scheduled to be held on 30 September 2020.

## ADDENDUM TO ANNUAL REPORT

Accordingly, the Company is seeking Shareholders' approval for a renewal of the Share Buyback Mandate at the AGM on 30 September 2020. If the proposed renewal of the Share Buyback Mandate is approved, the Share Buyback Mandate will take effect from the date of the forthcoming AGM and continue in force until the date of the next AGM or such date as the next AGM is required by law to be held, unless prior thereto, the Share Buyback is carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting. The Share Buyback Mandate will be put to Shareholders for renewal at each subsequent AGM or EGM of the Company as the case may be.

The Company's share capital presently comprises only one (1) class of shares, namely, the Shares. As at the Latest Practicable Date, the Company has (i) a total issued and paid-up share capital of 114,512,571 Shares, of which 5,230,350 Shares are held as treasury shares, and (ii) a market capitalisation of S$12,252,845.

**2.2 Rationale for the renewal of the Share Buyback Mandate**

The Share Buyback Mandate will give the Company the flexibility to undertake purchases of its issued Shares at any time, subject to market conditions, during the period in which the Share Buyback Mandate is in force.

The Share Buyback Mandate will accord the Company greater flexibility in managing its capital to achieve a more efficient capital structure, and would also allow the Company to enhance its EPS and return on equity on an ongoing basis. Shares purchased or acquired by the Company pursuant to the Share Buyback Mandate can be held as treasury shares.

Furthermore, short-term speculation may at times cause the market price of the Company's Shares to be depressed below the true value of the Company and the Group. The Share Buyback Mandate will provide the Directors with the means to restore investors' confidence and to protect existing shareholders' investments in the Company in a depressed share-price situation through judicious purchases of Shares to enhance the EPS. Shares purchased or acquired by the Company will also enhance the net asset value per Share if the Share purchases and acquisitions are made at a price below the net asset value per Share.

The Directors will act judiciously and will only purchase or acquire Shares pursuant to the Share Buyback Mandate as and when the circumstances permit and only if the Directors are of the view that such purchases are in the best interests of the Company and the Shareholders.

The Directors do not propose to carry out Share Buybacks to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group, taking into account the working capital requirements of the Company or the gearing levels, which in the opinion of the Directors, are from time to time appropriate for the Company.

**2.3 Terms of the Share Buyback Mandate**

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

2.3.1 <u>Maximum number of Shares</u>

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

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The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the issued ordinary share capital of the Company as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved ("**Approval Date**") (unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time).

**For illustrative purposes only**, on the basis of 109,282,221 issued and paid-up Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming (a) no further Shares are issued on or prior to the AGM; and (b) no further Shares are purchased or acquired by the Company on or prior to the AGM, exercise in full of the Share Buyback Mandate would result in the purchase or acquisition of 10,928,222 Shares.

2.3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:

(a) the date on which the next AGM of the Company is held or required by law to be held;

(b) the date on which the Share Buyback is carried out to the full extent mandated; or

(c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in a general meeting.

2.3.3 Manner of purchase of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the SGX-ST's trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one (1) or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

(a) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;

(b) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers are the same, except that there shall be disregarded:

(i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

## ADDENDUM TO ANNUAL REPORT

(ii) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

(iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed Share Buyback;

(d) the consequences, if any, of the Share Buyback by the Company that will arise under the Take-over Code or other applicable take-over rules;

(e) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchase or Off-Market Purchase), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

("**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purpose, "**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period.

**2.4 Status of purchased Shares under the Share Buyback Mandate**

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are not held as treasury shares.

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**2.5 Treasury shares**

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 Maximum holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into a different number of treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employee's share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Pursuant to Rules 704(28) of the Listing Manual, the Company will immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) the number of treasury shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancellation.

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**2.6 Sources of funds for Share Buyback**

The Companies Act permits the Company to purchase its own Shares out of its capital as well as from its distributable profits, provided that:

(a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and

(b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

Further, for the purposes of determining the value of a contingent liability, the Directors or managers of the Company may take into account the following:

(a) the likelihood of the contingency occurring; and

(b) any claim the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company intends to use mainly internal resources and may from time to time utilise external borrowings and/or a combination of both to finance purchases of Shares pursuant to the Share Buyback Mandate.

**2.7 Financial effects of the Share Buyback Mandate**

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *amongst others*, the aggregate number of Shares purchased or acquired, how the Shares are purchased or acquired, the price paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases and whether the Shares purchased or acquired are held as treasury shares or cancelled. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 30 April 2020 are based on the following principal assumptions:

(a) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 May 2019 for the purpose of computing the financial effects on the EPS of the Group and the Company;

(b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 May 2019 for the purpose of computing the financial effects on the Shareholders' equity, NTA per Share and gearing of the Group and the Company; and

(c) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

2.7.1 <u>Purchase or acquisition out of capital or profits</u>

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the issued share capital of the Company will be reduced by the value of the Shares purchased. Where the consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) paid by the Company for the purchase or acquisition of the Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

2.7.2 Information as at the Latest Practicable Date

As at the Latest Practicable Date, the issued and paid-up capital of the Company is S$39,780,419 comprising 109,282,221 Shares (excluding treasury shares and subsidiary holdings).

2.7.3 Financial effects

**For illustration purposes only**, and on the basis of the assumptions set out below, the financial effects of the:

(i) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and held as treasury shares; and

(ii) acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of capital and cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 30 April 2020 are set out in the sections below.

The financial effects of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of purchases made out of profits are similar to that of purchases made out of capital. Therefore, only the financial effects of the acquisition of the Shares pursuant to the Share Buyback Mandate by way of purchases made out of capital are set out in this Addendum.

**Scenario A: Purchases made entirely out of capital and held as treasury shares**

***Market Purchase***

**For illustrative purposes only**, in a Market Purchase, assuming that:

(i) the Maximum Price is S$0.112, which is 5% above the average of the closing market prices of a Share over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date; and

(ii) the Company has 109,282,221 Shares as at the date of the AGM (being the number of Shares at the Latest Practicable Date, assuming no change in the number of Shares on or prior to the date of the AGM and excluding treasury shares and subsidiary holdings), such that not more than 10,928,222 Shares may be purchased or acquired by the Company pursuant to the Share Buyback Mandate,

the maximum amount of funds required for the purchase of up to 10,928,222 Shares under and during the duration of the Share Buyback Mandate, is approximately S$1,223,961.

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On these assumptions, the impact of the Share Buyback by the Company undertaken in accordance with the Share Buyback Mandate on the Group's and the Company's audited financial statements for the financial year ended 30 April 2020 is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **As at 30 April 2020** | **Before the Share Buyback** | **After the Share Buyback** | **Before the Share Buyback** | **After the Share Buyback** |
| Shareholders' Equity (S$'000) | 48,191 | 46,967 | 17,896 | 16,672 |
| NTA (S$'000) | 39,576 | 38,352 | 17,896 | 16,672 |
| Treasury Shares (S$'000) | (3,292) | (4,516) | (3,292) | (4,516) |
| Current Assets (S$'000) | 63,754 | 62,530 | 1,887 | 663 |
| Current Liabilities (S$'000) | 36,560 | 36,560 | 11,051 | 11,051 |
| Working Capital (S$'000) | 27,194 | 25,970 | (9,164) | (10,388) |
| Loans and Borrowings (S$'000) | 65,394 | 65,394 | 37,129 | 37,129 |
| Cash and Short-Term Deposits (1) (S$'000) | 14,162 | 12,938 | 1,006 | (218) |
| Net Loss attributable to Shareholders (S$'000) | (10,935) | (10,935) | (9,766) | (9,766) |
| Number of Shares (2) | 109,282,221 | 98,353,999 | 109,282,221 | 98,353,999 |
| Treasury Shares | 5,230,350 | 16,158,572 | 5,230,350 | 16,158,572 |
| Total Shares | 114,512,571 | 114,512,571 | 114,512,571 | 114,512,571 |
| **Financial Ratios** | | | | |
| NTA per Share (cents) | 36.21 | 38.99 | 16.38 | 16.95 |
| Basic LPS (cents) (3) | (10.01) | (11.12) | (8.94) | (9.93) |
| Current Ratio (times) (4) | 1.74 | 1.71 | 0.17 | 0.06 |
| Gearing Ratio (times) (5) | 1.36 | 1.39 | 2.07 | 2.23 |

**Notes:**

(1) Assuming that the Share Buyback is fully funded by internal resources.

(2) Number of Shares (excludes treasury shares and subsidiary holdings) and Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the AGM.

(3) Basic LPS is computed based on FY2020 net loss attributable to Shareholders divided by the number of Shares.

(4) Current Ratio equals current assets divided by current liabilities.

(5) Gearing Ratio equals loans and borrowings divided by Shareholders' equity.

***Off-Market Purchase***

**For illustrative purposes only**, in an Off-Market Purchase, assuming that:

(i) the Maximum Price is S$0.128, which is 20% above the average of the closing market prices of a Share over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date; and

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(ii) the Company has 109,282,221 Shares as at the date of the AGM (being the number of Shares at the Latest Practicable Date, assuming no change in the number of Shares prior to the date of the AGM and excluding treasury shares and subsidiary holdings), such that not more than 10,928,222 Shares may be purchased or acquired by the Company pursuant to the Share Buyback Mandate,

the maximum amount of funds required for the purchase of up to 10,928,222 Shares under and during the duration of the Share Buyback Mandate, is approximately S$1,398,812.

On these assumptions, the impact of the Share Buyback by the Company undertaken in accordance with the Share Buyback Mandate on the Group's and the Company's audited financial statements for the financial year ended 30 April 2020 is as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| **As at 30 April 2020** | **Before the Share Buyback** | **After the Share Buyback** | **Before the Share Buyback** | **After the Share Buyback** |
| Shareholders' Equity (S$'000) | 48,191 | 46,792 | 17,896 | 16,497 |
| NTA (S$'000) | 39,576 | 38,177 | 17,896 | 16,497 |
| Treasury Shares (S$'000) | (3,292) | (4,691) | (3,292) | (4,691) |
| Current Assets (S$'000) | 63,754 | 62,355 | 1,887 | 488 |
| Current Liabilities (S$'000) | 36,560 | 36,560 | 11,051 | 11,051 |
| Working Capital (S$'000) | 27,194 | 25,795 | (9,164) | (10,563) |
| Loans and Borrowings (S$'000) | 65,394 | 65,394 | 37,129 | 37,129 |
| Cash and Short-Term Deposits [(1)] (S$'000) | 14,162 | 12,763 | 1,006 | (393) |
| Net Loss attributable to Shareholders (S$'000) | (10,935) | (10,935) | (9,766) | (9,766) |
| Number of Shares [(2)] | 109,282,221 | 98,353,999 | 109,282,221 | 98,353,999 |
| Treasury Shares | 5,230,350 | 16,158,572 | 5,230,350 | 16,158,572 |
| Total Shares | 114,512,571 | 114,512,571 | 114,512,571 | 114,512,571 |
| **<u>Financial Ratios</u>** | | | | |
| NTA per Share (cents) | 36.21 | 38.82 | 16.38 | 16.77 |
| Basic LPS (cents) [(3)] | (10.01) | (11.12) | (8.94) | (9.93) |
| Current Ratio (times) [(4)] | 1.74 | 1.71 | 0.17 | 0.04 |
| Gearing Ratio (times) [(5)] | 1.36 | 1.40 | 2.07 | 2.25 |

**Notes:**

(1) Assuming that the Share Buyback is fully funded by internal resources.

(2) Number of Shares (excludes treasury shares and subsidiary holdings) and Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the AGM.

(3) Basic LPS is computed based on FY2020 net loss attributable to Shareholders divided by the number of Shares.

(4) Current Ratio equals current assets divided by current liabilities.

(5) Gearing Ratio equals loans and borrowings divided by Shareholders' equity.

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**Scenario B: Purchases made entirely out of capital and cancelled**

***Market Purchase***

**For illustrative purposes only**, in a Market Purchase, assuming that:

(i) the Maximum Price is S$0.112, which is 5% above the average of the closing market prices of a Share over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date on which transactions in the Shares were recorded; and

(ii) the Company has 109,282,221 Shares as at the date of the AGM (being the number of Shares at the Latest Practicable Date, assuming no change in the number of Shares on or prior to the date of the AGM and excluding treasury shares and subsidiary holdings), such that not more than 10,928,222 Shares may be purchased or acquired by the Company pursuant to the Share Buyback Mandate,

the maximum amount of funds required for the purchase of up to 10,928,222 Shares under and during the duration of the Share Buyback Mandate, is approximately S$1,223,961.

On these assumptions, the impact of the Share Buyback by the Company undertaken in accordance with the Share Buyback Mandate on the Group's and the Company's audited financial statements for the financial year ended 30 April 2020 is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **As at 30 April 2020** | **Before the Share Buyback** | **After the Share Buyback** | **Before the Share Buyback** | **After the Share Buyback** |
| Shareholders' Equity (S$'000) | 48,191 | 46,967 | 17,896 | 16,672 |
| NTA (S$'000) | 39,576 | 38,352 | 17,896 | 16,672 |
| Current Assets (S$'000) | 63,754 | 62,530 | 1,887 | 663 |
| Current Liabilities (S$'000) | 36,560 | 36,560 | 11,051 | 11,051 |
| Working Capital (S$'000) | 27,194 | 25,970 | (9,164) | (10,388) |
| Loans and Borrowings (S$'000) | 65,394 | 65,394 | 37,129 | 37,129 |
| Cash and Short-Term Deposits (1) (S$'000) | 14,162 | 12,938 | 1,006 | (218) |
| Net Loss attributable to Shareholders (S$'000) | (10,935) | (10,935) | (9,766) | (9,766) |
| Number of Shares (2) | 109,282,221 | 98,353,999 | 109,282,221 | 98,353,999 |
| Treasury Shares | 5,230,350 | 5,230,350 | 5,230,350 | 5,230,350 |
| Total Shares | 114,512,571 | 103,584,349 | 114,512,571 | 103,584,349 |
| **Financial Ratios** | | | | |
| NTA per Share (cents) | 36.21 | 38.99 | 16.38 | 16.95 |
| Basic LPS (cents) (3) | (10.01) | (11.12) | (8.94) | (9.93) |
| Current Ratio (times) (4) | 1.74 | 1.71 | 0.17 | 0.06 |
| Gearing Ratio (times) (5) | 1.36 | 1.39 | 2.07 | 2.23 |

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**Notes:**

(1) Assuming that the Share Buyback is fully funded by internal resources.

(2) Number of Shares (excludes treasury shares and subsidiary holdings) and Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the AGM.

(3) Basic LPS is computed based on FY2020 net loss attributable to Shareholders divided by the number of Shares.

(4) Current Ratio equals current assets divided by current liabilities.

(5) Gearing Ratio equals loans and borrowings divided by Shareholders' equity.

***Off-Market Purchase***

For illustrative purposes only, in an Off-Market Purchase, assuming that:

(i) the Maximum Price is S$0.128 which is 20% above the average of the closing market prices of a Share over the five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date on which transactions in the Shares were recorded; and

(ii) the Company has 109,282,221 Shares as at the date of the AGM (being the number of Shares at the Latest Practicable Date, assuming no change in the number of Shares on or prior to the date of the AGM and excluding treasury shares and subsidiary holdings), such that not more than 10,928,222 Shares may be purchased or acquired by the Company pursuant to the Share Buyback Mandate,

the maximum amount of funds required for the purchase of up to 10,928,222 Shares under and during the duration of the Share Buyback Mandate, is approximately S$1,398,812.

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On these assumptions, the impact of the Share Buyback by the Company undertaken in accordance with the Share Buyback Mandate on the Group's and the Company's audited financial statements for the financial year ended 30 April 2020 is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **As at 30 April 2020** | **Before the Share Buyback** | **After the Share Buyback** | **Before the Share Buyback** | **After the Share Buyback** |
| Shareholders' Equity (S$'000) | 48,191 | 46,792 | 17,896 | 16,497 |
| NTA (S$'000) | 39,576 | 38,177 | 17,896 | 16,497 |
| Current Assets (S$'000) | 63,754 | 62,355 | 1,887 | 488 |
| Current Liabilities (S$'000) | 36,560 | 36,560 | 11,051 | 11,051 |
| Working Capital (S$'000) | 27,194 | 25,795 | (9,164) | (10,563) |
| Loans and Borrowings (S$'000) | 65,394 | 65,394 | 37,129 | 37,129 |
| Cash and Short-Term Deposits (1) (S$'000) | 14,162 | 12,763 | 1,006 | (393) |
| Net Loss attributable to Shareholders (S$'000) | (10,935) | (10,935) | (9,766) | (9,766) |
| Number of Shares (2) | 109,282,221 | 98,353,999 | 109,282,221 | 98,353,999 |
| Treasury Shares | 5,230,350 | 5,230,350 | 5,230,350 | 5,230,350 |
| Total Shares | 114,512,571 | 103,584,349 | 114,512,571 | 103,584,349 |
| **<u>Financial Ratios</u>** | | | | |
| NTA per Share (cents) | 36.21 | 38.82 | 16.38 | 16.77 |
| Basic LPS (cents) (3) | (10.01) | (11.12) | (8.94) | (9.93) |
| Current Ratio (times) (4) | 1.74 | 1.71 | 0.17 | 0.04 |
| Gearing Ratio (times) (5) | 1.36 | 1.40 | 2.07 | 2.25 |

**Notes:**

(1) Assuming that the Share Buybacks is fully funded by internal resources.

(2) Number of Shares (excludes treasury shares and subsidiary holdings) and Shares that are cancelled and assumes no change in the number of Shares on or prior to the date of the AGM.

(3) Basic LPS is computed based on FY2020 net loss attributable to Shareholders divided by the number of Shares.

(4) Current Ratio equals current assets divided by current liabilities.

(5) Gearing Ratio equals loans and borrowings divided by Shareholders' equity.

**Shareholders should note that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements for the financial year ended 30 April 2020 and is not necessarily representative of future financial performance.**

**Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.**

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**2.8 Reporting Requirements**

2.8.1 SGX-ST

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

(i) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and

(ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement currently requires the inclusion of details of, *amongst others*, the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable. Such announcement will be made in the form prescribed by the Listing Manual. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company, in a timely fashion, the necessary information which will enable the Company to make the notifications to the SGX-ST.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares comprised in the usage against the total number of issued Shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage.

2.8.2 ACRA

Within 14 days of the passing of a Shareholders' resolution to approve the purchase or acquisition of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 14 days of a purchase or acquisition of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including, *amongst others*, the details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

Within 14 days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Companies Act, the Company shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form as required by ACRA.

**2.9 Take-over obligations**

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

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2.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

2.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *amongst others*, be presumed to be acting in concert:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

A company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of (i) the adviser and persons controlling, controlled by or under the same control as the adviser, and (ii) all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

## ADDENDUM TO ANNUAL REPORT

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to the instructions of that individual, companies controlled by any of the above, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

(a) In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a takeover offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% (one per cent.) in any period of six (6) months.

(b) Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% (one per cent.) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Buyback Mandate.

2.9.4 No obligation to make a general offer

(a) Our Chairman and MD, Mr. Tan Tin Yeow and our Executive Director, Ms. Tan Guat Lian, are siblings (hereinafter collectively referred to as the "**Tan Siblings**").

(b) The Tan Siblings together with Mr. Tan Seng Hee are the children of Mr. Tan Tum Beng, the founder of the Group. As at the Latest Practicable Date, Mr. Tan Tum Beng and Mr. Tan Seng Hee are not employed by any Group company.

(c) As at the Latest Practicable Date, Mr. Tan Tum Beng, Mr. Tan Seng Hee and the Tan Siblings (collectively, the "**Parties**") as a concert group hold an aggregate of 63,180,988 Shares, constituting 57.81% of the voting rights in the Company.

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(d) Assuming that:

(i) the Company undertakes Share Buyback under the Share Buyback Mandate up to the maximum of 10% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) as permitted by the Share Buyback Mandate;

(ii) there is no change in the Parties' shareholdings in the Company between the Latest Practicable Date and the date of the AGM;

(iii) no new Shares are issued following the Shareholders' approval of the renewal of the Share Buyback Mandate at the AGM; and

(iv) the Parties do not sell or otherwise dispose of their shareholdings in the Company,

the voting rights of the Parties as at the date of the AGM and after Share Buyback of 10% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) pursuant to the Share Buyback Mandate, are as follows:

| | **Number of Shares** | | | **Voting rights in the Company (%)** | |
|---|---|---|---|---|---|
| **Parties** | **Direct Interest** | **Deemed Interest** | **Total Interest** | **Before Share Buyback** | **After Share Buyback** |
| Tan Tin Yeow | 45,060,000 | – | 45,060,000 | 41.23 | 45.81 |
| Tan Guat Lian | 6,569,744 | 22,500 | 6,592,244 | 6.03 | 6.70 |
| **Sub-total** | **51,629,744** | **22,500** | **51,652,244** | **47.26** | **52.52** |
| Tan Seng Hee | 2,814,250 | – | 2,814,250 | 2.58 | 2.86 |
| Tan Tum Beng | 8,714,494 | – | 8,714,494 | 7.97 | 8.86 |
| **Total** | **63,158,488** | **22,500** | **63,180,988** | **57.81** | **64.24** |

As the Parties as a concert group hold an aggregate of 63,180,988 Shares, constituting over 50% of the voting rights in the Company, purchases or acquisition of Shares by the Company pursuant to the Share Buyback Mandate will result in an increase in the aggregate voting rights of the Parties, but will not result in any of the Parties incurring an obligation to make a mandatory take-over offer under Rule 14 of the Take-over Code.

In the event the Company undertakes Share Buyback within the Relevant Period of the maximum of 10% of the issued share capital of the Company as permitted by the Share Buyback Mandate, it is not expected that the shareholdings and/or voting rights of any of the other Shareholders will be increased to 30% or more, thereby triggering a requirement for any Shareholder to make a general offer to the other Shareholders under Rule 14 of the Take-over Code.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.**

# ADDENDUM TO ANNUAL REPORT

**2.10 Listing Rules**

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price-sensitive development has occurred or has been the subject of a decision until the price-sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases and/or Off-Market Purchases during the following periods and at all times in compliance with Rule 1207(19) of the Listing Manual:

(a) one (1) month immediately preceding the announcement of the Company's half year and full year results (if the Company does not announce its quarterly results); or

(b) two (2) weeks immediately preceding the announcement of the Company's results for each of the first three (3) quarters of its financial year and one (1) month immediately preceding the announcement of the Company's full year results (if the Company announces its quarterly results).

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its issued shares excluding treasury shares must be held by public shareholders. The "public", as defined under the Listing Manual, are persons other than the directors, CEO, substantial shareholders or controlling shareholders of the company and its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors' shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 24,407,465 Shares, representing 22.33% of the total number of issued Shares, are in the hands of the public.

As at the Latest Practicable Date and assuming the Company undertakes purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Buyback Mandate, the number of Shares in the hands of the public would be reduced to 13,479,243 Shares, representing 13.70% of the reduced total number of issued Shares of the Company. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST.

The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

**2.11 Interested Persons**

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the CEO of the Company or Substantial Shareholder of the Company or any of their associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

# ADDENDUM TO ANNUAL REPORT

## 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

### 3.1 Directors' and Substantial Shareholders' Interests

As at the Latest Practicable Date, the interests of the Directors in the Shares, as extracted from the Register of Directors' shareholdings, and the interest of Substantial Shareholder(s), as extracted from the Register of Substantial Shareholders, are as follows:

| | Number of Shares | | | |
|---|---|---|---|---|
| **Name** | **Direct Interest** | **%** | **Deemed Interest** | **%** |
| ***Directors*** | | | | |
| Tan Tin Yeow [(1)] | 45,060,000 | 41.23 | – | – |
| Tan Guat Lian [(1)] | 6,569,744 | 6.01 | 22,500 | 0.02 |
| Hong Pian Tee | 651,750 | 0.60 | – | – |
| Khoo Song Koon | – | – | – | – |
| Ng Sey Ming | 125,000 | 0.11 | – | – |
| ***Substantial Shareholder(s) (Other than Directors)*** | | | | |
| Tan Tum Beng | 8,714,494 | 7.97 | – | – |
| Credence Capital Fund II (Cayman) Limited | 20,917,018 | 19.14 | – | – |
| ***Total*** | **82,038,006** | **75.06** | **22,500** | **0.02** |

**Note:**

(1) The Tan Siblings 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 ("**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. The obligations of the parties to the Deed of Undertaking will continue to apply as long as they remain as shareholders of the Company, unless otherwise agreed to in writing by the parties thereto. As at the Latest Practicable Date, Mr. Tan Seng Hee has an interest in 2,814,250 Shares in the Company representing approximately 2.58% of the total issued share capital (excluding any treasury shares held by the Company and subsidiary holdings).

Save as disclosed above, none of the Directors and Substantial Shareholders or their respective Associates has any interest, direct or indirect, in the renewal of the Share Buyback Mandate.

### 3.2 Shares purchased by the Company in the 12 months preceding the Latest Practicable Date

The Company has not made any purchases or acquisitions of its issued Shares in the 12 months immediately preceding the Latest Practicable Date.

### 3.3 Limits on shareholdings

The Company does not have any limits on the shareholding of any Shareholder.

## ADDENDUM TO ANNUAL REPORT

**3.4 Shareholders' approval**

For the reasons set out above, the Company is proposing to seek the approval of Shareholders for the renewal of the Share Buyback Mandate, which will be proposed as an Ordinary Resolution ("**Ordinary Resolution**") at the AGM.

**4. DIRECTORS' RECOMMENDATIONS**

**4.1 Proposed renewal of the Share Buyback Mandate**

Save that the Tan Siblings have abstained from making any recommendation in respect of the proposed renewal of the Share Buyback Mandate, the Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of the Ordinary Resolution.

**5. INSPECTION OF DOCUMENTS**

A copy of the following documents may be inspected at the registered office of the Company at 55 Tuas Crescent, #07-01, Singapore 638743, during normal business hours from the date of this Addendum up to and including the date of the AGM:

(a) the Annual Report of the Company for the financial year ended 30 April 2020; and

(b) the Constitution.

**6. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors (including those who may have delegated detailed supervision of the preparation of this Addendum) collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the renewal of the Share Buyback Mandate and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading.

Where information in the Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Addendum in its proper form and context.

Yours faithfully
For and on behalf of the Board of Directors of
**XMH HOLDINGS LTD.**

Mr. Tan Tin Yeow
Chairman and Managing Director

**XMH HOLDINGS LTD.**
(Company Registration No. 201010562M)
(Incorporated In the Republic of Singapore)

**IMPORTANT:**
1. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the Meeting are set out in the Company's announcement which, together with the Notice of Annual General Meeting dated 8 September 2020, have been uploaded on SGXNet. The announcement and the Notice of Annual General Meeting can also be accessed at the Company's corporate website (http://www.xmh.com.sg/XMHH/).
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy at least 7 working days before the Meeting, in which case, SRS investors shall be precluded from attending the Meeting.
3. 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.

## PROXY FORM

*(Please see notes overleaf before completing this Form)*

I/We*, ______________________ (Name) ______________ (NRIC/Passport No./Co. Registration No.*)

of ______________________________________________ (Address)

being a member/members* of **XMH HOLDINGS LTD.** (the "**Company**"), hereby appoint **THE CHAIRMAN OF THE MEETING**, as my/our proxy* to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held on Wednesday, 30 September 2020 at 10.00 a.m. via electronic means, and at any adjournment thereof.

I/We* direct the Chairman of the Meeting, being my/our* proxy, to vote for or against, or to abstain from voting on the Resolutions to be 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 appointment of Chairman of the Meeting as proxy for that Resolution will be treated as invalid.

| No. | Resolutions relating to: | No. of Votes 'For'** | No. of Votes 'Against'** | No. of Votes 'Abstain'** |
|---|---|---|---|---|
| **Ordinary Businesses** | | | | |
| 1 | Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 30 April 2020 | | | |
| 2 | Approval of Directors' fees amounting to S$160,123.50 for the financial year ended 30 April 2020 | | | |
| 3 | Re-election of Ms. Tan Guat Lian as a Director | | | |
| 4 | Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration | | | |
| **Special Businesses** | | | | |
| 5 | Authority to allot and issue new shares | | | |
| 6 | Authority to allot and issue shares under the XMH Share Option Scheme | | | |
| 7 | Proposed renewal of the Share Buyback Mandate | | | |

* *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. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.*

Dated this __________ day of _______________ 2020

| **Total number of Shares held** |
|---|
| |

_______________________________________

*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 the Chairman of the Meeting as proxy shall be deemed to relate to all the Shares held by you.

2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. A member of the Company (including a Relevant Intermediary*) entitled to participate and vote at a meeting of the Company must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting. Specific instructions must be given as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted (a) by mail to the Registered Office of the Company at 55 Tuas Crescent, #07-01, Singapore 638743; or (b) by email to xmh@xmh.com.sg; or (c) digital submission at https://sg.conveneagm.com/xmhhlagm2020, in either case, by 10.00 a.m. on 28 September 2020 being not less than forty-eight (48) hours before the time appointed for holding the Meeting.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy 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.

6. 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, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it was an individual.

Investors who hold shares through Relevant Intermediaries*, including under the CPF Investors or the SRS Investors, and who wish to appoint the Chairman of the Meeting as a proxy should approach their respective Relevant Intermediaries*, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the Meeting (i.e. by 10.00 a.m. on 21 September 2020).

* 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 licence 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 the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as a proxy, the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 September 2020.

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XMH

**XMH HOLDINGS LTD.**

55 Tuas Crescent,
#07-01 Singapore 638743