



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

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 APRIL 2021

The Board of Directors ("**Board**") of XMH Holdings Ltd ("**Company**") and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") with respect to the Company's Annual Report for the financial year ended 30 April 2021 ("**FY2021**") ("**Annual Report**").

Any defined term used shall have the same meaning ascribed thereto in the Annual Report, unless otherwise defined herein.

SGX Query 1: Listing Rule 716 provides, inter alia, that an issuer may appoint different auditing firms for its subsidiaries or significant associated companies, provided that the Board and Audit Committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer. In this regard, we note that the Company has disclosed on page 113 of the Annual Report that its subsidiaries are audited by Johan Malonda Mustika & Rekan of Indonesia and Thein Htay & Associates Audit Firm of Myanmar. Please confirm that the Board and Audit Committee are satisfied that these appointments would not compromise the standard and effectiveness of the Company's audit and the basis for their assessment.

Company's response:

Rule 716 of the Listing Manual provides that an issuer may appoint different auditing firms for its subsidiaries or significant associated companies (*referred to in Rule 715(1)*) provided that, *among others*, the issuer's board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer. Rule 715(1) provides that an issuer must engage the same auditing firm *based in Singapore* to audit its accounts, and its *Singapore-incorporated* subsidiaries and significant associated companies. Rule 715(2) provides that an issuer must engage a suitable auditing firm for its *significant foreign-incorporated subsidiaries* and associated companies. As per the Company's previous responses to similar queries from SGX-ST, the Company's foreign-incorporated subsidiaries audited by Johan Malonda Mustika & Rekan, Indonesia and Thein Htay & Associates Audit Firm, Myanmar are not significant foreign-incorporated subsidiaries, and this remains true for FY2021.

Nonetheless, the Board and the Audit Committee ("**AC**") are satisfied that the aforesaid appointments would not compromise the standard and effectiveness of the Company's audit as no materially adverse issues, which may compromise the standard and effectiveness of the Company's audit, were encountered by the Company's finance team when working with Johan Malonda Mustika & Rekan, Indonesia and Thein Htay & Associates Audit Firm, Myanmar since their appointment in the financial years ended 30 April 2016 and 30 April 2019 respectively.

As disclosed on page 43 of the Annual Report, it has been disclosed that 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.

SGX Query 2: Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please provide the Audit Committee's comments accordingly and where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

Company's response:

The Company has disclosed on page 40 and 44 of the Annual Report the following:-

- (a) During FY2021, 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 the current business environment.
- (b) 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 FY2021, the AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.
- (c) In respect of FY2021, 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.

Taking into consideration the above and following the AC's review of the adequacy, effectiveness, independence, scope and results of the internal audit function of the Company, the AC is satisfied that the internal audit function is independent, effective and adequately resourced in respect of FY2021.

As disclosed on page 44 of the Annual Report, Nexia TS Risk Advisory Pte. Ltd. ("**Nexia**"), the Company's internal auditor, 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, and the audit work carried out by Nexia 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.

In addition to the above, the Company wishes to add that the engagement director of the internal auditor, has more than 20 years of experience in audit and assurance, internal audit, risk advisory and corporate governance review. The engagement director is a Fellow Chartered Accountant of Singapore and a Certified Internal Auditor. The engagement director is supported by a manager, a senior internal auditor and two junior internal auditors for this engagement client and the members of the engagement team also have the relevant academic qualifications, professional certifications and internal audit experience. The current clients of the engagement director include companies mainly listed on the SGX-ST in the manufacturing, hospitality, construction and oil and gas industries.

SGX Query 3: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2021 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company’s response:

Principle 2 of the 2018 Code states that: “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”.

As discussed on pages 27 and 28 of the Annual Report, whilst the Company does not have a written Board diversity policy for FY2021:

- (a) the Board consists of professionals from various disciplines;
- (b) the Nominating Committee (“**NC**”) conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of and informed decision-making by the Board;
- (c) 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, and has a 20% female representation;
- (d) the NC will periodically review the competencies of the directors to ensure effective governance of the Company and contribution to the Board and, to address the dynamic business environment, will recommend the Board to consider the appointment of new directors with the relevant skillset, expertise, experience and knowledge as and when necessary; and
- (e) the NC also 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; in respect of FY2021, the NC considers the Board size to be appropriate for the current scope and nature of the Group’s operations and the requirements of the business, and that the composition of the Board achieves diversity of skills, knowledge, experience, age and gender.

The aforesaid measures are undertaken with the objective of facilitating robust engagement and effective decision-making by the Board, and to ensure an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

SGX Query 4: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2021 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation

Company’s response:

Provision 8.1 of the 2018 Code requires that the company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

The Company has disclosed the following in its Annual Report on pages 37 and 38:

- (a) names and remuneration breakdown of individual directors (including the Chairman and Managing Director, Mr Tan Tin Yeow, who was redesignated from Chairman and CEO to Chairman and Managing Director with effect from 8 September 2016) in bands of S\$250,000; and
- (b) names and remuneration breakdown of the top three key management personnel (who are not directors or the Chairman and Managing Director) in bands of S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

The policies and practices adopted by the Company in relation to remuneration, and the relationships between remuneration and performance in relation to the executive directors and key management personnel are set out on pages 36 and 37 of the Annual Report.

As mentioned on pages 36 to 39 of the Annual Report, the remuneration of individual executive directors and key management personnel comprises fixed components and variable wage components. The fixed component comprises salary plus other benefits. The variable component is performance-related and is linked to individual performance and the Group’s performance. In determining the actual quantum of the variable component of remuneration, the Remuneration Committee (“**RC**”) of the Company takes into account the extent to which the performance conditions have been met. The Company would like to add that the assessment of the performance of its executive directors and key management personnel is also based on a balanced approach, comprising both financial and non-financial metrics that promote commitment, performance and loyalty to the Group.

As mentioned on page 36 of the Annual Report, the independent directors are paid directors’ fees that are appropriate to their level of contribution, taking into account factors such as frequency of meetings, efforts and time spent, and their responsibilities, and are subject to the approval of the shareholders.

As explained on page 38 of the Annual Report, the Board is aware of the requirement in the Code on disclosure of remuneration in absolute amounts and has noted the requirements under Listing Rule 710 to

make full 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 as, after due consideration of the pros and the cons of the disclosure requirements, the Board is of the view that full disclosure of the total remuneration of individual directors may be prejudicial to the Group's business interests, as such information is confidential and sensitive in nature and hamper its ability to retain and nurture its talent pool. The Board is of the view that the disclosure in bands provides a sufficient overview of the remuneration received by the directors, in the interest of maintaining good morale and strong team spirit within the Group, while maintaining the confidentiality of their remuneration matters. Moreover, information on the amounts paid to directors of the Company is summarily provided in Note 28 to the Financial Statements of the Financial Report in the Annual Report.

The Company had also explained on page 38 of the Annual Report that it had only identified three key management personnel (who are not directors or the Chairman and Managing Director) and have disclosed in bands the remuneration of all such key management personnel. Given the sensitivity of remuneration matters of its employees, the Company had also explained that the current disclosure is in the interest of maintaining good morale and a strong team spirit within the Group, and allowing employees to maintain some degree of personal confidentiality on remuneration matters.

Taking into account the reasons for the deviation on disclosure on the remuneration of the directors and key management personnel, the disclosure of the remuneration of directors and key management personnel in bands in the Annual Report, and the disclosures on Company's remuneration policies and practices, the Board believes that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, procedure for setting remuneration and the relationships between remuneration, performance and value creation, consistent with Principle 8 of the 2018 Code.

For and on behalf of the Board

Tan Tin Yeow

Chairman and Managing Director

18 August 2021