



**XMH HOLDINGS LTD.**

Company No. : 201010562M

(the "Company")

(Incorporated in Singapore)

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**RESPONSE TO QUERIES FROM SGX-ST ON THE COMPANY'S THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT MADE ON 13 MARCH 2012 FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2012 (THE "ANNOUNCEMENT")**

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The Board of Directors of XMH Holdings Ltd. (the "**Company**") wishes to announce the information set out below in response to queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in respect of the Announcement.

**Queries of SGX-ST**

- a) We note that "Inventories" increased 40.3% from S\$18.5m to S\$25.9m, when "Cost of sales" decreased 30.1% from S\$38.0m to S\$26.5m. The Company disclosed that the increase was "due mainly to the re-scheduling of deliveries by customers". In respect of the above, please provide the following information:-
- (i) Nature of the material items contributing to the increase in "Inventories";
  - (ii) Inventory turnover ratio for the current period for the 9 months ended 31 Jan 2012, as compared to the previous period, and elaborate on material variance, if any; and
  - (iii) Directors' views on the risk of inventory obsolescence or diminution in value, and the basis for their views.
- b) The Company disclosed that the decrease in "Revenue" by 32.3% from S\$53.4m to S\$36.1m was due to, *inter alia*, cancellation of order by customer. Please provide further details of the cancellation, including whether the customer is a major customer, the amount of order being cancelled, and the circumstances giving rise to the cancellation.
- c) Paragraph 9 of Appendix 7.2 of the Listing Manual requires the Company to state whether there is any variance between a forecast or prospect statement (previously disclosed to shareholders) and the actual financial results.

Paragraph 9 of Appendix 7.2 is applicable.

As disclosed in its financial results on 13 December 2011, "Given the global economic uncertainty, the Group expects its revenue to trend downwards. Notwithstanding the above, barring any unforeseen circumstances, the Group expects to remain profitable for the financial year ending 30 April 2012 (i.e. FY2012)." Please confirm whether there

is any variance between the prospect statement as previously disclosed and its actual financial results.

- d) Please provide a status update and breakdown on the use of IPO proceeds.

**Company's responses**

- (a) (i) The material items contributing to the increase in "Inventories" comprise mainly diesel engines and gearboxes purchased with confirmed orders.

- (ii) Inventory turnover ratio for: (A) the financial period for the 9 months ended 31 January 2012 ("**9M2012**"); as compared to (B) the financial period for the 9 months ended 31 January 2011 ("**9M2011**") is as follows:

	<b>9M2011</b>	<b>9M2012</b>	<b>Variance (%)</b>
Cost of Sales (S\$'000)	37,961	26,547	(30.1)
Inventories (S\$'000) <sup>(1)</sup>	18,870	22,173	17.5
Inventories Turnover Ratio (Times) <sup>(2)</sup>	0.5	0.8	

Notes:

(1) Average inventories = (opening inventory plus closing inventory)/2.

(2) Inventories turnover ratio = average inventories divided by cost of sales.

Inventory turnover ratio increased by 0.3 times mainly because of the rescheduling of deliveries by our customers citing factors as projects delays.

- (iii) Our Directors are of the view that our risk of inventory obsolescence or diminution in value is low as our inventories such as diesel engines and gearboxes remain in demand.
- (b) The customer in question (the "**Customer**") is based in Singapore, and is not a major customer of the Group in term of revenue for the past 3 years. The value of the two cancelled orders is JPY 770 million (approximately S\$12 million based on an exchange rate of S\$1:JPY0.015), and these were the only orders placed by the Customer. The Customer initiated the cancellation of the orders. We have forfeited the advance deposits from the Customer, and the Customer has no outstanding orders with the Group. Our Executive Directors believe that the cancellation was due to a decline in the general conditions of the marine sector.

- (c) The following prospect statement was stated in the Group's financial results on 13 December 2011 (the "**Prospect Statement**"):

*"Given the global economic uncertainty, the Group expects its revenue to trend downwards. Notwithstanding the above, barring any unforeseen circumstances, the Group expects to remain profitable for the financial year ending 30 April 2012 (i.e. FY2012)."*

The Company confirms that there is no variance between the Prospect Statement as previously disclosed and its actual financial results.

- (d) As at the date of this announcement, the Company had not utilised any of the net proceeds from the initial public offering of its shares. The Company will make announcements on the material disbursements of the net proceeds on SGXNET and provide a status update on the use of the net proceeds in its annual report(s).

**BY ORDER OF THE BOARD**

TAN TIN YEOW  
Chairman and CEO

**20 March 2012**

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United Overseas Bank Limited ("**UOB**") was the manager, underwriter and placement agent for the initial public offering of XMH Holdings Ltd.. UOB assumes no responsibility for the contents of this announcement.

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