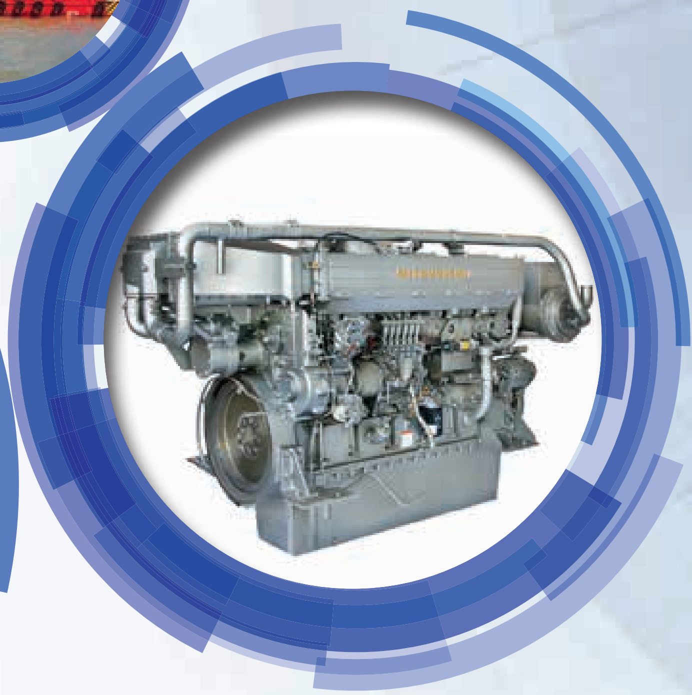
XMH

ANNUAL REPORT 2016

TRANSFORMING
TO CREATE **GROWTH**
AND **VALUE**

CONTENTS



CORPORATE PROFILE

XMH Holdings Ltd. ("XMH" or the "Group") started as a small machinery repair and maintenance shop in Kitchener Road in 1955. With a history of over 60 years, the Group is now a reputable and trusted name as a diesel engine, propulsion and power generating solutions provider 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 reputable brands such as Mitsubishi, Akasaka and Kamome (Japan), Hyundai, D-I and Doosan (South Korea), SOLÉ, Korsør, Reintjes, CENTA (Europe), Guangzhou Diesel (China), Niigata Power Systems (Japan), ABB (Switzerland), Lilaas (Norway), Logstrup (Denmark) and Siemens (Germany).

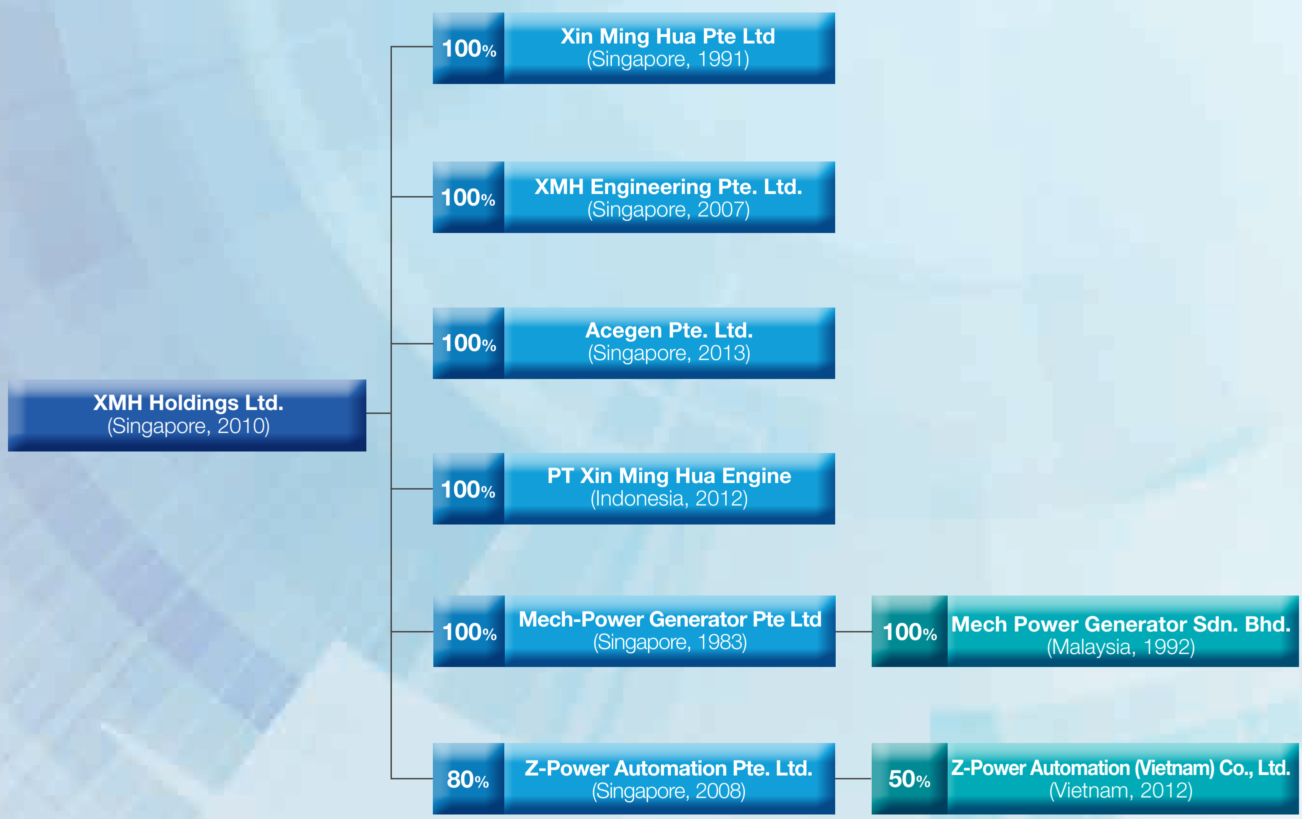
The Group continued to advance, scaling up the value-chain with the introduction of "AceGen", its in-house range of power generating sets, and "XMH IPS", a one-stop integrated solution to vessel owners requiring diesel engine (or electricity) driven propeller-based propulsion systems to power its vessels. These additions enhanced the Group's capabilities in providing customised and comprehensive solutions to its customers' diverse needs.

The acquisition of Mech-Power Generator Pte Ltd and its subsidiary ("MPG") was completed in September 2013. MPG is a leading manufacturer in the sale, assembly, testing, installation, commissioning and maintenance of diesel powered generator sets. Following the acquisition of MPG, in March 2015, the Group also acquired 80% shareholdings in the issued and paid up capital of Z-Power Automation Pte. Ltd. ("ZPA"). ZPA is a leading system integrator for power, control and system solutions, providing the Group with enhanced exposure to new markets and a wider product portfolio.

With these acquisitions, the Group's business activities can be broadly categorised into (i) distribution and provision of value-added products and services; (ii) after-sales services, trading and others; and (iii) projects. Projects comprise assembly and installation of standby generator sets and provision of related services; and design and manufacture of marine switch boards, remote control distribution system and marine automation products.

OUR CORPORATE STRUCTURE

XMH was admitted into the Mainboard of the SGX-ST on 26 January 2011. Since then, two principal subsidiaries have been added to the Group, MPG and ZPA.



CORPORATE PROFILE

The Group seeks continuous growth in its businesses by enlarging its customer and supplier base, expanding its product and service offerings and widening its geographical coverage. Consequently, the Group remains on the lookout for potential acquisitions and joint venture opportunities for strategic expansion into related businesses.

In FY2014, the integration of MPG into the Group was completed, allowing the Group to diversify its primary businesses and expand its offerings to include industrial and commercial applications. Similarly, the Group has also increased its geographical coverage with Singapore as a major revenue contributor, after its traditional Indonesian market.

MPG's history can be traced back to 1983 and it has grown over the years to become one of the leading manufacturers in the design, assembly, sale and service of diesel powered generator sets in Singapore. It has supplied many types of generator systems to the power generation industry in Singapore and the Asia Pacific region.

In FY2015, ZPA was added to the Group. ZPA was established in 2008 and its influence has been steadily growing, due to its innovation, effectiveness and high quality products. Moreover, ZPA's expertise in integrated marine automation products has increased the Group's exposure into different markets. Its synergistic value has provided opportunities of cross selling while enabling the Group to tap on an expanded customer base and offer a wider range of products and solutions.

Building on MPG's order win momentum, the Group looks to further leverage on MPG's strength in industrial and commercial applications, especially in the infocomm and healthcare industries. Additionally, ZPA will also look towards new revenue streams via onshore applications of its product offerings.

Accordingly, XMH is focused on sustaining its drive through new revenue streams. These consist of overcoming geographical boundaries into emerging markets such as Vietnam and new product opportunities.

The Group is delighted to gain this burst of synergy as it enlarges its family, widens its product offerings and magnifies its geographical footprint. While the Group as a whole is currently affected by macro environmental uncertainties, it will focus on deriving the most out of the synergies between its business segments to continue winning orders.

CORPORATE SOCIAL RESPONSIBILITY

The Group believes that an organisation's success is not measured solely by its business achievements, but also the positive role it plays in upholding good corporate practices and its ability to make meaningful contributions to the community that it operates in. With this belief, the Group has:

- contributed to charity sports event such as the 6th Tharman Shanmugaratnam Veteran Volleyball Championship.
- been making yearly donations to the Handicaps Welfare Association of Singapore, an organisation run by people with disabilities for people with disabilities.
- contributed to Singapore Children Society, an organisation that bring relief and happiness to children in need.
- been supportive to National University of Singapore by contributing to its Bursary Fund (NUSEF).

The Group is committed to its Corporate Social Responsibility ("**CSR**") efforts and will continue to strive towards developing and enhancing its CSR initiatives in the near future.

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.

COMMITMENT TO RELIABILITY

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

BELIEF IN PEOPLE

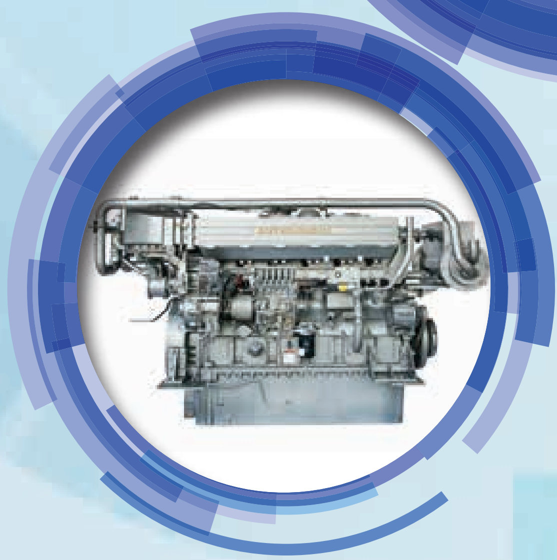
We believe our staff is capable of performing to expectations and has potential to attain higher standards of excellence when nurtured.

RESOURCEFULNESS FOR THE RIGHT SOLUTION

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

VISION

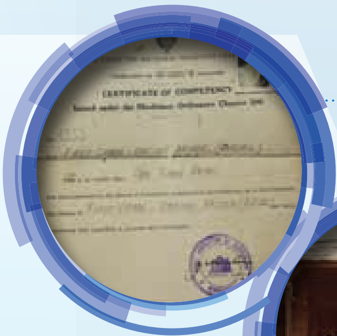
To be Asia's most trusted partner in power solutions

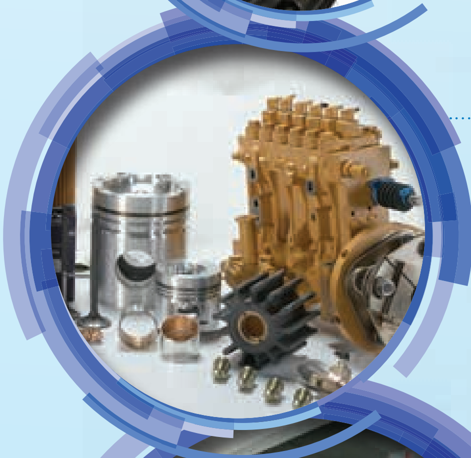


MISSION

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

CORPORATE MILESTONES





1950s

- Founded as a small machinery repair and maintenance shop in Kitchener Road by Mr. Tan Tum Beng in 1955

  Our founder Mr. Tan Tum Beng started a small machinery repair and maintenance shop in Kitchener Road

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 forming a partnership – Meng Wah Machinery Work

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 SOLE brand of marine diesel engines and its genuine spare 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 marketing office in 2006 to support marketing activities there
- 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

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
- Admitted 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
- 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
- Set up PT XMH Engine in 2012 to provide after-sales support and to have close proximity and to better serve our customers in Indonesia
- 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
- Accredited with prestigious ABB Value Provider Certification in June 2015
- Moved into new facilities building in Tuas Crescent
- Completed 4:1 share consolidation exercise on 22 February 2016

Products we carry:

FINANCIAL HIGHLIGHTS

In $'000	FY2016	FY2015	FY2014	FY2013	FY2012
PROFIT AND LOSS					
Total Revenue	108,385	91,514	105,174	97,645	62,249
Gross Profit	26,864	27,588	27,309	22,918	15,656
Net Profit	7,873	5,429	6,125	11,431	9,514
REVENUE BY GEOGRAPHICAL					
Indonesia	10,007	30,112	58,385	69,229	44,208
Singapore	66,169	48,509	41,378	21,166	13,680
Vietnam	18,730	7,102	2,043	–*	–*
Other Countries	13,479	5,791	3,368	7,250	4,361
REVENUE BY BUSINESS					
Distribution	27,309	34,054	60,042	85,796	54,314
After-Sales Services	6,617	9,135	12,871	11,849	7,935
Projects	74,459	48,325	32,261	–	–
BALANCE SHEET					
Total Assets	182,886	154,895	112,782	79,907	89,434
Total Liabilities	110,698	94,526	54,401	35,707	46,874
Shareholders' Funds	69,473	57,615	58,381	44,200	42,560
Cash and Short-Term Deposits	12,843	24,698	36,388	43,687	39,233
PERFORMANCE INDICATORS					
Earnings per Share (cents)	7.19	4.85(1)	5.88(1)	11.84(1)	9.60(1)
Net Asset Value per Share (cents)	62.43	53.09(1)	52.24(1)	45.92(1)	44.08(1)

(1) On 22 February 2016, the Company completed a share consolidation for every four existing issued ordinary shares of the Company into one ordinary share. Earnings per share and net asset value per share for the comparative period had been adjusted for the effects of the share consolidation.

* Figures immaterial

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of XMH Holdings Ltd. ("XMH" or collectively known as the "Group"), I am pleased to present to you our annual report for the financial year ended 30 April 2016 ("FY2016").

FY2016 was a year of transformation and development for the Group. The Group managed to achieve certain milestones in line with its future plans, such as establishing its fully operational Tuas facility in January 2016, and improving its capabilities to deliver a noble set of results. Our diversified business model protected us from some of the tough market conditions faced due to sluggish global economic growth, coupled with low commodity prices and volatility in currency and oil prices. However, the economy on a macro level faced numerous headwinds and setbacks which was reflected in the Group's operations, as the Group experienced prolonged weak demand for marine related products and intensified competition across all business segments.

The Group ended FY2016 with a reasonable set of results despite challenging industry and economic conditions, reporting an 18.4% increase in revenue to S$108.4 million for FY2016. Our "projects" business primarily supported this growth by delivering a 54.1% increase to S$74.5 million. The Group's gross profit margin decreased from 30.1% in FY2015 to 24.8% in FY2016 due mainly to intense competition. However, the Group managed to achieve a net profit margin of 7.3% in FY2016 as compared with 5.9% in FY2015. As such, the Group reported a net profit of S$7.9 million for FY2016 as compared to a net profit of S$5.4 million for FY2015.

CHAIRMAN'S MESSAGE

EFFICIENCIES AND SYNERGIES

We are pleased that our new facility in Tuas has become fully operational in January 2016 and along with it, there has been stronger integration amongst our businesses. We have diversified our business model and overall exposure to the various industries and markets. This has provided us with more cross-selling opportunities which have, and will continue to, serve our expanded customer base well. Our new facility has also increased general warehousing capacities and the level of automation within our business.

We will continue to generate further synergies within the Group and use its strengthened business model and expanded business networks to add to the Group's resilience in the market downturn.

STRATEGY AND PRUDENCE

We have always been committed to strengthening our fundamentals and our regional capabilities. The consolidation of all of our businesses under one roof is a big part of this transformation strategy to achieve more sustainable growth in the future.

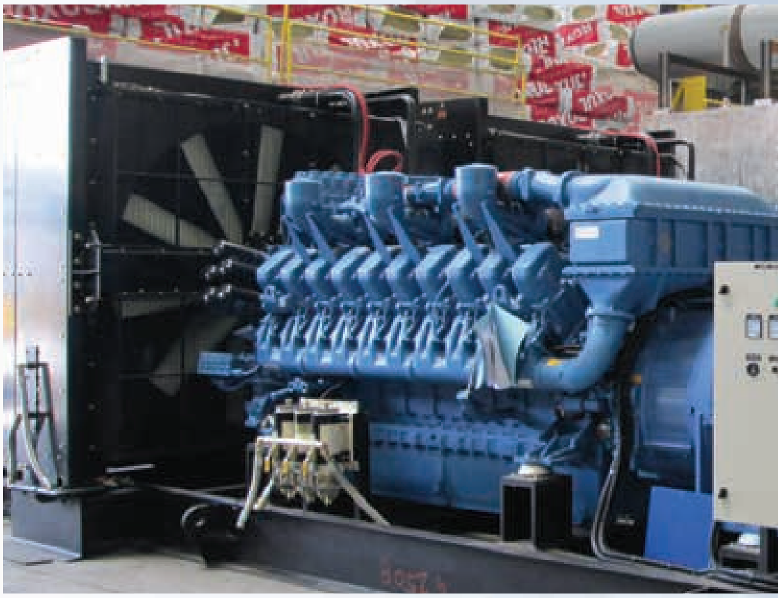
Innovation has been innate in the Group's history and simultaneously, the Group's ability to enhance its revenue streams in the face of adversity. As such, we endeavoured during the year to give more cross-exposure for our businesses to onshore and offshore industries in various countries.

Overall, our efforts have received some positive impact, bolstering our resilience and order book despite weaker global trade growth leading to stiffer competition in the market.

Going forward, the Group will focus on deriving the most out of the synergies between its business segments as well as exercise prudence in our cash to strengthen the Group's fundamentals both operationally and financially.

OUTLOOK

The slackened global economic growth and oil prices will likely be an extended condition. In spite of this, the Group looks towards potential segments that may provide a buffer. One of which is the increasing growth of the importance of data centres, as Singapore's infrastructure and strong government support put it in a prime position to compete as a data centre hub for the region. Furthermore, there has been an increasing demand for fishing vessels which the Group hopes to capitalise on.



Overall, the Group remains in a healthy position, with a strong business framework and the relevant measures in place to remain resilient.

As the road to recovery continues to look progressive, we remain cautious and will stay vigilant to any opportunities that may arise.

DIVIDENDS, GRANT OF OPTIONS AND SHARE CONSOLIDATION

The Group had successfully conducted a share consolidation exercise of four ordinary shares into one, which was made effective on 22 February 2016.

Additionally, on 10 September 2015, The Group made an offer to grant a total number of 5,142,000 share options at an exercise price of S$0.130.

As a token of appreciation to our shareholders for their trust and support, the Group has proposed a total dividend of 2.0 Singapore cents per share for FY2016. This amount translates into a dividend payout ratio of approximately 27.8%. The proposed dividend is subject to the approval of shareholders at the upcoming Annual General Meeting ("**AGM**").

A NOTE OF APPRECIATION

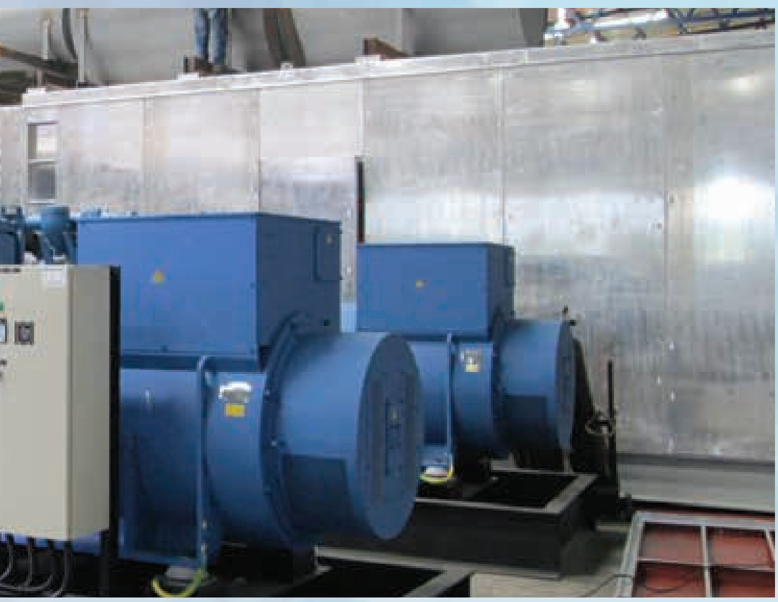
On behalf of the Board of Directors, we would like to extend a warm welcome to those who have joined us this year. For those who have left us to pursue other opportunities, I thank you for your contributions to the Group and wish all of you the best in your future endeavours.

I would like to extend my sincere appreciation to our Board of Directors for their guidance and commitment. I would also like to thank my colleagues and staff for their adaptability and responsiveness during this challenging period.

To our business partners, associates, customers and suppliers, your unwavering support to the Group has been very reassuring and we look forward to the strengthening of these relationships.

Finally, I would like to express my heartfelt gratitude to our shareholders, your support and loyalty has been fundamental to the Group's resilience. We believe that, as a whole, we will emerge better positioned for opportunities that come to light when the market recovers.

MR. TAN TIN YEOW
Chairman and CEO



BOARD OF DIRECTORS

MR. TAN TIN YEOW

Chairman and CEO

Mr. Tan was appointed as Managing Director in 1991 and as Chairman and CEO on 29 October 2010. 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 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 Golden Agri-Resources Ltd and Memstar Technology, both of which are companies listed on the mainboard of the Official List of the SGX-ST. He is also an independent director of Asiaphos Ltd, a company listed on the Catalist Board of 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 mainboard listed companies, Asia Food & Properties Limited and Sin Ghee Huat Corporation Ltd., from 2001 to 2009.

MR. CHAN HENG TOONG
Independent Director

Mr. Chan was appointed as Independent Director on 29 October 2010. He retired from Banking in February 2013, after 33 years in the corporate and investment banking. Currently, is also independent director of Singapore O&G Ltd., was listed on the Catalist Board of SGX-ST.

Mr. Chan assumed key management positions in various established banks including Citibank N.A, American Express Bank (NY), Overseas Union Bank Limited, OUBS (Canada), United Overseas Bank and HL Bank, Singapore. He obtained a Bachelor of Engineering (Honours) from the University of Singapore and MBA (Finance & Transportation) from the University of British Columbia (Vancouver, BC).

MR. NG SEY MING
Independent Director

Mr. Ng was appointed as Independent Director on 29 October 2010. He is currently a partner in the Banking & Finance practice group in Rajah & Tann Singapore LLP. He is also an independent director of Gaylin Holdings Limited which is listed on the SGX-ST.

Mr. Ng commenced his legal practice in Rajah & Tann Singapore LLP in 2000 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 and is currently a member of the Singapore Academy of Law and the Law Society of Singapore.

SENIOR MANAGEMENT

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 VP, 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.

MR. TAN LEONG KIM
Chief Financial Officer

Mr. Tan was appointed 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 Chartered Association of Certified Accountant and member of Institute of Singapore Chartered Accountant.

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.

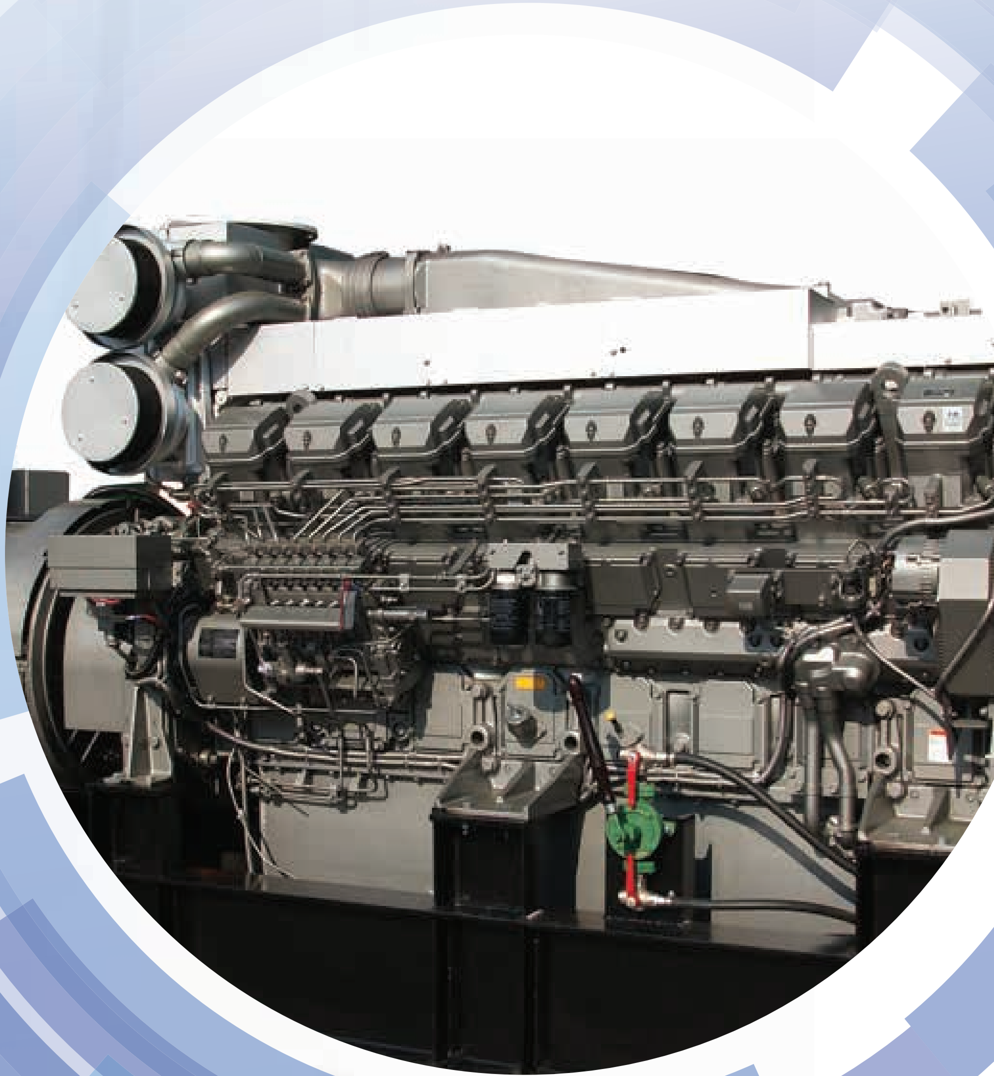
OPERATIONS AND FINANCIAL REVIEW

"Overall, the Group's net profit increased 45.0% to S$7.9 million, with net profit margin improving to 7.3% as compared to 5.9% in FY2015."

FINANCIAL PERFORMANCE

For the financial year ended 30 April 2016 ("**FY2016**"), the Group posted revenue of S$108.4 million, an increase of 18.4% or S$16.9 million. This increase was primarily supported by an increase of S$26.1 million from the "projects" business, following the inclusion of ZPA results. This was partially offset by a decrease of revenue from the "distribution" and "after sales" businesses of S$9.2 million.

The Group's gross profit remained stable with a slight decrease of S$0.7 million or 2.6% to S$26.9 million, primarily due to the intensified competitiveness experienced in all business segments. The Group's gross profit margin remained healthy at 24.8%.



OPERATIONS AND FINANCIAL REVIEW

The increase in the Group's operating expenses was largely due to the inclusion of ZPA's results, and higher depreciation and amortisation of intangible assets. This was in line with the increase in contributions from the "projects" business segment. Approximately S$1.2 million of the total amortisation of intangible assets of S$1.3 million arose from the acquisition of ZPA in 4Q2015. Additionally, the Group had a net finance income of S$4.0 million in FY2016, mainly due to higher net foreign exchange gains.

Overall, the Group's net profit increased 45.0% to S$7.9 million, with net profit margin improving to 7.3% as compared to 5.9% in FY2015.

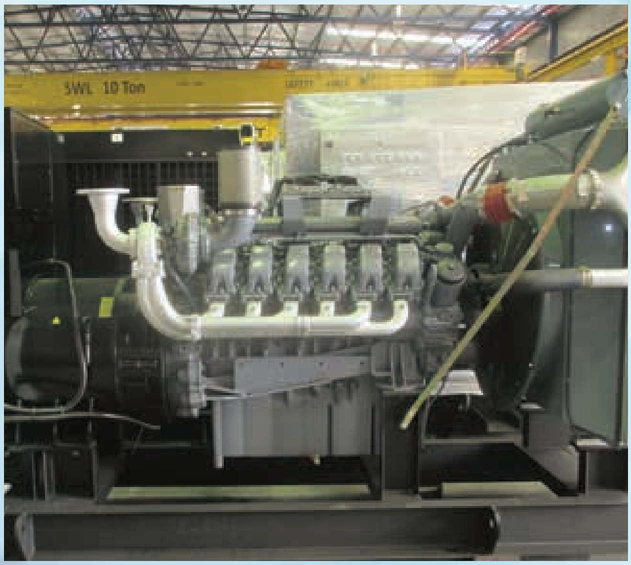
FINANCIAL POSITION

The Group's balance sheet remained stable with total equity increasing from S$60.4 million as at 30 April 2015 to S$72.2 million as at 30 April 2016. The increase in the property, plant and equipment of approximately S$43.9 million was due mainly to inclusion of land lease prepayment and the progress payments towards construction of the factory building in Tuas, net of depreciation. Inventories decreased by approximately S$3.8 million to S$28.6 million, due mainly to completion of jobs and customers' deliveries in the "projects" and "distribution" business segments during the financial year ended 30 April 2016. The Group adheres to inventory control procedures, performs stock aging analysis and maintains active communication with its customers to stay relevant to their project planning. The Group's loans and borrowings stood at approximately S$61.8 million as at 30 April 2016, an increase of approximately S$29.1 million. The increase was due mainly to capital loans drawn down of approximately S$42.8 million to finance the purchase of equipment and the construction of the new factory building in Tuas, offset by loan repayments when due.

The Group's net asset value per ordinary share was 62.43 Singapore cents as at 30 April 2016.

STATEMENT OF CASH FLOWS

Net cash generated from the Group's operating activities was S$0.9 million as compared to S$12.5 million in FY2015. This was due mainly to lower operating cash generated, increase in contract work-in-progress, settlement of amount due to trade suppliers, and reduced advance payment from customers as orders were delivered. This was partially offset by inventories delivered.



The Group used S$38.1 million in investing activities, mainly as progress payments towards construction of the factory building in Tuas and the final fulfilment of an acquisition of a subsidiary. This was partially offset by cash generated from financing activities of S$24.2 million.

In view of the above, overall net decrease in cash was approximately S$13.1 million and S$9.9 million in FY2016 and FY2015 respectively.

INCREASED CAPABILITIES AND ORDER BOOK

Over the course of FY2016, the Group had successfully completed the building of its new facility and it has been fully operational as of January 2016. A myriad of opportunities have been unlocked through this new facility such as synergistic growth between businesses, ability to increase our product offerings and increasing general warehousing capacities.

The outstanding order book for the Group stood at approximately S$74.5 million as at July 2016. The Group's order book includes the orders won by MPG and ZPA as well.

While the Group as a whole is currently affected by macroeconomic uncertainties, it will focus on deriving the most out of the synergies between its business segments to continue its order winning momentum.

GOING FORWARD

The Group has unified its business under one roof and strengthened its business model in FY2016. Along with a diversified portfolio of product offerings which it has acquired in the past two years, the Group has made valiant efforts in penetrating into several markets despite volatile operating conditions. The Group is pleased by the progress made during the year, despite the persistent sluggish global economic growth, low commodity prices and volatility in currency and oil prices.

Moreover, the downturn presented the Group with a good opportunity to cultivate cohesiveness amongst its business and strengthen relationships built with its business partners, staff, shareholders and stakeholders.

As the Group moves into the next financial year, it looks towards using this stronger foundation to create increased value and achieve new milestones both locally and regionally.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr. Tan Tin Yeow *(Chairman and CEO)*
Ms. Tan Guat Lian *(Executive Director)*
Mr. Hong Pian Tee *(Lead Independent Director, Non-Executive)*
Mr. Chan Heng Toong *(Independent Director, Non-Executive)*
Mr. Ng Sey Ming *(Independent Director, Non-Executive)*

COMPANY SECRETARY
Ms. Shirley Tan Sey Liy *(ACIS)*

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. Chan Heng Toong *(Member)*
Mr. Ng Sey Ming *(Member)*

REMUNERATION COMMITTEE
Mr. Ng Sey Ming *(Chairman)*
Mr. Hong Pian Tee *(Member)*
Mr. Chan Heng Toong *(Member)*

NOMINATING COMMITTEE
Mr. Chan Heng Toong *(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 048581
Partner-in-charge
Ms. Ho Shyan Yan
(Since financial year ended 30 April 2015)

PRINCIPAL BANKERS
Australia and New Zealand Banking Group Limited
10 Collyer Quay, #20-00 Ocean Financial Centre, Singapore 049315

Malayan Banking Berhad
2 Battery Road, Maybank Tower, Singapore 049907

Standard Chartered Bank
6 Battery Road, Singapore 049909

United Overseas Bank Limited
80 Raffles Place, UOB Plaza, Singapore 048624

DBS Bank Ltd
12 Marina Boulevard, Level 6, DBS Asia Central
@ Marina Bay Financial Centre Tower 3, Singapore 018982

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay, #01-01/#02-01 (Premier Centre)
Singapore 049320

INVESTOR RELATIONS CONSULTANT
Financial PR Pte Ltd
4 Robinson Road, #04-01
The House of Eden
Singapore 048543

CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") 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 2016 ("**FY2016**"), the Company has complied with the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**").

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 deviation from the Code. The Board confirms that the Group has complied with the best practices of the Code for FY2016, save for:–

(i) the disclosure on the total remuneration of the Board and the top four key management personnel and the rationale is disclosed at pages 26 to 28 of this Annual Report; and

(ii) the internal guideline on the total number of listed directorships that a Director may hold and the rationale is disclosed at page 23 of this Annual Report.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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 its shareholders;
- Providing leadership and guidance on corporate strategy, business directions, risk management policy and implementation of corporate objectives;
- Establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- Ensuring the effectiveness and integrity of Management;
- Monitoring the Management's achievement of these 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;
- 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.

The Board objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE

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**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") (collectively "**Board Committees**"). Further information and details on each of the Board Committees is set out below. While the Board Committees have the authority to examine particular issues and will report back 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 or scope 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.

In line with the recent changes to the Companies Act, Chapter 50, all references to the Memorandum and Articles of Association have been superseded by the Constitution and Regulations.

Formal Board meetings are held at least four times a year to approve the quarterly and full year results announcement and to oversee the business affairs of the Group. Board meetings are planned in advance on yearly basis. This enables the Board to meet on a regular basis without interfering 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 table below sets out the number of Board and Board Committees meetings held during FY2016 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*	1	1	1	1*
Ms. Tan Guat Lian	4	2	4	–	1	–	1	–
Mr. Hong Pian Tee	4	4	4	4	1	1	1	1
Mr. Chan Heng Toong	4	4	4	4	1	1	1	1
Mr. Ng Sey Ming	4	4	4	4	1	1	1	1

* By invitation

The Board had adopted a set of internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest of a substantial shareholder or a 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.

The Directors are also updated regularly with changes to the Singapore Exchange Securities Limited ("**SGX-ST**") listing rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

CORPORATE GOVERNANCE

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditor update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. 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 Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company 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 discharging their duties.

Newly appointed Directors receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings.

A formal letter of appointment would be furnished to every newly-appointed director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The present Board comprises five (5) members, three (3) of whom are Non-Executive Directors (including the Chairman of the AC). All Non-Executive Directors are also independent and they are able to exercise objective judgment on corporate affairs independently from the Management.

Name of Directors	Board	AC	NC	RC
Mr. Tan Tin Yeow	Chairman and Chief Executive Officer ("**CEO**")	–	Member	–
Ms. Tan Guat Lian	Member	–	–	–
Mr. Hong Pian Tee	Member	Chairman	Member	Member
Mr. Chan Heng Toong	Member	Member	Chairman	Member
Mr. Ng Sey Ming	Member	Member	Member	Chairman

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There is presently a strong and independent element on the Board. As the Chairman and CEO is not an Independent Director, the Company has three Independent Directors and is in compliance with the Code's guideline that at least half of the Board should be made up of Independent Directors.

Independent Directors

The NC considers an "independent" Director as one who has no relationship with the Company or its related corporations, its 10% shareholders or its officers, including confirming not having any relationships and circumstances as provided in Guideline 2.3 of the Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent business judgment in carrying out the functions as an independent director with a view to the best interests of the Company.

The NC has reviewed, determined and confirmed the independence of each the Independent and Non-Executive Directors.

There is no Independent Director who has served on the board beyond nine years from the date of his first appointment.

The NC reviews the size of the Board on annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. As Independent and Non-Executive Directors make up more than half of the Board, no individual group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of Independent and Non-Executive Directors of the calibre necessary to carry sufficient weight in the Board decisions.

A description of the background of each Director, including directorship both present and those held over preceding three years in other listed companies and other principal commitments is presented in the "Board of Directors" section of this Annual Report. 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, which are relevant to the Group.

Non-Executive Directors and Independent Directors exercise no 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 and reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The NC considers its Independent Directors to be of sufficient calibre and size and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process. The Board has also appointed Mr. Hong Pian Tee as its Lead Independent Director.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

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Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr. Tan Tin Yeow currently assumes the roles of both the Chairman and CEO.

The Chairman and CEO 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 CEO ensure that Board meetings are held when necessary and set the Board meeting agenda in consultation with the Directors. The Chairman and CEO 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 CEO also ensures that the management staffs 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.

In accordance with Guideline 3.3 of the Code and to promote a high standard of corporate governance, the Board has appointed Mr. Hong Pian Tee, an Independent and Non-Executive Director, as Lead Independent Director. Mr. Hong Pian Tee is available to shareholders when they have concerns in circumstances where contact through the normal channel of the Chairman and CEO has failed to resolve or for which such contact is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following members:

Nominating Committee

Mr. Chan Heng Toong (Chairman)
Mr. Tan Tin Yeow
Mr. Hong Pian Tee
Mr. Ng Sey Ming

The Chairman of the NC is neither a substantial shareholder of the Company, nor directly associated with a substantial shareholder of the Company.

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The NC's role is to establish a formal and transparent process for:

- Making recommendations to the Board on all Board appointments;
- 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 one-third of the Board shall comprise Independent 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 and the contribution of each Director to the effectiveness of the Board.

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 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 of 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 in the search process. Interviews will be set up with potential candidates for NC members to assess them before a decision is reached.

In its deliberations on the re-election and re-appointment of existing Directors, the NC takes into consideration the relevant Director's contribution and performance (including, if applicable, his 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 intervention and special 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.

In doing so, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgement on the corporate affairs of the Group independent of the Management.

The NC has recommended to the Board that Ms. Tan Guat Lian and Mr. Chan Heng Toong, be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation.

Mr. Hong Pian Tee, who is over 70 years of age was re-appointed as Director to hold office from the date of the last AGM held on 28 August 2015 until the forthcoming AGM pursuant Section 153(6) of the Companies Act, Chapter 50. The Section 153(6) of the Companies Act, Chapter 50 was repealed when the Companies (Amendment) Act 2014 came into effect on 3 January 2016. As his appointment will lapse at the forthcoming AGM, Mr. Hong Pian Tee will have to be re-appointed to continue in office. Upon his re-appointment at the conclusion of the forthcoming AGM, going forward, Mr. Hong Pian Tee's re-appointment will no longer be subject to shareholders' approval under Section 153(6) of the Companies Act, Chapter 50 as repealed. Mr. Hong Pian Tee will then be subject to retirement by rotation under the Company's Constitution. Mr. Hong Pian Tee will submit himself for re-appointment at the forthcoming AGM.

Mr. Chan Heng Toong and Mr. Hong Pian Tee, being the member of the NC, who are retiring at the forthcoming AGM, have abstained from voting on the resolution in respect of their re-election and re-appointment as a Director respectively at the NC meeting.

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Save as disclosed in this Annual Report, the Directors due for re-election or re-appointment at the forthcoming AGM have no relationship (including immediate family relationship) with the other Directors, the Company or its 10% shareholders.

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 Committees on which they serve are of different complexities and nature.

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, and presently there is no 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.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in pages 37 to 38 of the Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

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

- its effectiveness as a whole; and
- the contribution by each Director to the effectiveness of the Board.

The assessment of the Board utilises a confidential questionnaire, covering areas such as the effectiveness of the Board in its monitoring role, and is completed by each Director individually. Such performance criteria are approved by the Board and they address, inter alia, 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 them would be justified by the Board.

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 individual Directors is done through self-assessment, 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 CEO act 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 Directors.

CORPORATE GOVERNANCE

The assessment of the Board and the Directors are carried out once every financial year. Each member of the NC is required to abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

The NC, having reviewed the overall performance of the Board and the assessment of the individual Director in terms of its role and responsibilities and the conduct of its affairs as a whole for FY2016, is of the view that the performance of the Board as a whole and contribution by each Director have been satisfactory. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors. No external facilitator was used in the evaluation process.

The NC has recommended the adoption of the formal annual evaluation form for the Board Committees to further enhance the effectiveness of the Board Committees. The Board has accepted the NC's recommendation and the formal annual evaluation form for the Board Committees would be adopted with effect from FY2017.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors receive a set of Board papers prior to the Board meeting. 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, in order to be briefed properly and prepared for the meeting. The Board and Board Committees papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees Meetings.

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than circulation 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.

The Directors have separate and independent access to the senior management, including the Chairman and CEO, the then Finance Director 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 are 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 her 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 also attends all meetings of the AC, RC and NC. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Board Committees and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

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Under the Constitution of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

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.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members:

Mr. Ng Sey Ming (Chairman)
Mr. Hong Pian Tee
Mr. Chan Heng Toong

The terms of reference sets out clearly the principal responsibilities of the RC which include, amongst others:

- Recommending to the Board for endorsement, a framework for computation of Directors' fees of the Board, 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 (the "**Scheme**").

  In providing a framework for eligible participant(s), with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Further information on the Scheme can be found on pages 40 to 43 of the Annual Report.

- Reviewing remuneration of employees who are immediate family members of a Director or the CEO.

  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.

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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.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

In reviewing the service agreements of the executive directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, 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.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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.

The remuneration for the Executive Directors and certain key executives comprise a fixed and variable component. 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 executive.

The Company had adopted the Scheme. The Executive Directors, Independent Directors and key management personnel are eligible to participate in the Scheme in accordance with the Rules for the Scheme.

The Independent Directors and Non-Executive Directors receive Directors' fees in accordance with 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 and Non-Executive 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 Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive 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.

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Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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 set out in the tables below.

The remuneration paid to or accrued to each individual Director and the CEO for FY2016 is as follows:

Remuneration Band and Name of Directors	Gross Salary %	Variable Bonus %	Directors' Fees %	Benefits -In-Kind %	Total %
Above $500,000 but below $750,000					
Tan Tin Yeow[(1)]	58	17	–	25	100
Tan Guat Lian[(1)]	65	16	–	19	100
Below $250,000					
Hong Pian Tee[(1)]	–	–	90	10	100
Ng Sey Ming[(1)]	–	–	88	12	100
Chan Heng Toong[(1)]	–	–	88	12	100

Note:

(1) Details of share options granted to the Directors can be found in the "Directors' Statement" section of the Annual Report at page 43.

For FY2016, the Company only identified four key management personnel, the remuneration paid to or accrued to the key management personnel (who are not Directors or the CEO) is as follows:

Name of Key Management Personnel	Gross Salary %	Bonus %	Benefits -In-Kind %	Total %
Above $250,000 but below $500,000				
Chia Chung Mun Alphonsus[(1)]	56	–	44	100
Phua Tiang Soon	68	14	18	100
Below $250,000				
Koh Lay Choo Jessie[(2)]	79	10	11	100
Ong Siok Ling	64	6	30	100

Notes:

(1) Mr. Chia Chung Mun Alphonsus resigned as Deputy CEO with effect from 14 July 2015.

(2) Ms. Koh Lay Choo Jessie resigned as Finance Director with effect from 26 July 2016.

The fees of Non-Executive Directors are subject to the approval of shareholders at the forthcoming AGM.

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Immediate Family Member of Directors or Substantial Shareholders

Mr. Tan Tin Yeow, the Chairman and CEO, and Ms. Tan Guat Lian, Executive Director (Human Resource and Administration) are siblings and Mr. Tan Fuyuan is the nephew of Mr. Tan Tin Yeow and Ms. Tan Guat Lian and whose remuneration exceeds S$50,000 in FY2016.

Details of remuneration paid to the immediate family member of Directors or substantial shareholders for FY2016 are set out below:

Name of Immediate Family Member	Gross Salary %	Bonus %	Benefits -In-Kind %	Total %
Above $500,000 but below $550,000				
Tan Guat Lian	65	16	19	100
Above $100,000 but below $150,000				
Tan Fuyuan	68	8	24	100

For FY2016, the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the CEO) amounted to S$1.1 million.

There are no terminations, retirement or post-employment benefits that may be granted to the Directors, CEO and key management personnel.

The Board is aware of the recommendation in the Code and noted the requirements under Listing Rule 1207(12) to disclose in aggregate the total remuneration paid to the top four key management personnel (who are not Directors or the CEO) of the Company. 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 could be exploited by competitors. The Board believes that the disclosure in band provides sufficient overview of the remuneration of the Group while maintaining confidentiality of the Directors' and the top four key management personnel's remuneration matters.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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 Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a monthly basis. The Board papers are circulated to the Directors prior to any Board meeting to facilitate effective discussion and decision-making.

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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 then Finance Director have provided assurance to the Board on the integrity of the Group's financial statements.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. 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.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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 (the "**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 FY2016, the members of the Risk Committee comprise the following members:

- Mr. Tan Tin Yeow (Chairman)
- Ms. Koh Lay Choo Jessie (resigned as Finance Director with effect from 26 July 2016)
- Mr. Phua Tiang Soon
- Mr. Mark Tan Ah Hong

Prior approval of the Risk Committee is required prior to the conduct of trade(s) in respect of foreign currency investments, and Mr. Tan Tin Yeow, the Chairman and CEO, is the only person authorised to trade under the terms of the FCI Policy. All trades relating to foreign currency investments shall be reported to the Risk Committee on a monthly basis and to our AC on a quarterly basis.

Risk Management

The AC examines the effectiveness of the Group's internal control systems. The assurance mechanisms currently in operation are supplemented by the Group's internal auditor's annual reviews of the effectiveness of the Group's

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material internal controls, including financial, operational and compliance controls. 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 on the recommendations made by the internal and external auditors (as part of the statutory audit) in this respect.

During FY2016, 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 of internal controls

The Board acknowledges that it is responsible for the overall internal control framework. It 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 judgment in decision making, human error, losses, fraud or other irregularities.

The internal auditor, Nexia TS Risk Advisory Pte. Ltd., has 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 auditor, 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 to safeguard the Group's assets and ensure the integrity of financial statements. 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 weakness. The Board, together with the Management, then subsequently reviews the outcomes of such actions.

The CEO and the then Finance Director have also provided assurance to the Board that:

a. The financial records have been properly maintained and the financial statements for FY2016 give a true and fair view in all material respects, of the Company's operations and finances; and

b. The Group's risk management and internal control systems are operating effectively in all material respects given its current business environment.

Based on the reports submitted by the internal auditor 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 and information technology risks of the Group during the year are adequate and effective to safeguard its assets and ensure the integrity of financial statements.

CORPORATE GOVERNANCE

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises the following members:

Mr. Hong Pian Tee (Chairman)
Mr. Chan Heng Toong
Mr. Ng Sey Ming

All members 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. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

The AC held four (4) meetings in FY2016. At the invitation of the AC, the Chairman and CEO and the then Finance Director attended the meeting. The Group's external auditors were also present at the relevant junctures during the meeting.

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 a 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 is provided with the co-operation of the Management, and has full discretion to invite any Director or executive officer to attend its meetings. The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience, to discharge their responsibilities.

For FY2016, 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, 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 Listing Rules of the SGX-ST and any other relevant statutory or regulatory requirements;
- reviewing the audit plans and reports of the internal and external auditors, including the results of the external and internal auditors' review and evaluation of the system of internal accounting controls;
- reviewing the effectiveness and adequacy of the internal audit function (which includes a review of the internal accounting and control procedures) and ensure co-ordination between the external auditor and the Management, review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditor may wish to discuss (in the absence of the Management where necessary);

CORPORATE GOVERNANCE

- reviewing and considering the appointment or re-appointment of the external auditor and matters relating to resignation or dismissal thereof, and making recommendations to the Board thereafter on the appointment, removal and the terms of engagement;
- reviewing any interested person transactions and potential conflicts of interest (within the definition of the Listing Rules), including any undertakings entered into by any of the Directors in respect of the above;
- reviewing the effectiveness and adequacy of the internal accounting and financial control procedures;
- 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 auditor. Where the external auditor 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 the maintenance of objectivity and value for money;
- reviewing all whistle-blowing incidents reported and investigated. The AC's objective is to ensure 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);
- ensuring the adequacy of the internal audit function at least annually;
- undertaking such other reviews and projects as may be requested by the Board, and report 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 Listing Rules of the SGX-ST.

The AC has full access to and 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.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by external auditor's which aims to facilitate the AC in evaluating the external auditor. Accordingly, the AC had evaluated the performance of the external auditor based on the key indicators of audit quality set out in the said Guidance.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor. The AC has recommended to the Board that Messrs Ernst & Young LLP, be nominated for the re-appointment as external auditor of the Company at the forthcoming AGM.

The AC has reviewed and is satisfied with the level of co-operation rendered by the Management to the external auditor, the adequacy of scope and quality of their audits, and the independence and objectivity of the external auditor.

The AC will meet with the external auditor and internal auditor without the presence of the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditor and internal auditor. For FY2016, the AC met once with the external auditor without the presence of Management.

CORPORATE GOVERNANCE

Annually, the AC meets with the external auditor without the presence of the Management and conducts a review of all non-audit services provided by the auditor and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor. Fees paid or payable by the Group to the external auditor for audit services and non-audit services for FY2016 amounted to S$215,000 and S$32,000 respectively. 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 is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditor. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

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. 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.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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 and has outsourced its internal audit function to Nexia TS Risk Advisory Pte. Ltd. The internal auditor reports directly to the AC on audit matters and to the Chairman and CEO on administrative matters.

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 are ensured;
- 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 auditor their audit plans, their evaluation of the 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). The AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

The internal auditor has a direct and primary reporting line to the Chairman of the AC, with administrative reporting to the Chairman and CEO. The internal auditor assists the Board in monitoring the risk exposure and internal controls of the Group.

CORPORATE GOVERNANCE

The internal auditor of the Company is a member of the Institute of Internal Auditors Singapore ("**IIA**"), an internal professional association for internal auditor which has its headquarters in the United States. The audit work carried out 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.

The AC would annually review the adequacy and effectiveness of the internal audit function of the Company.

(D) COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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 has in place a structured and systematic framework to share pertinent information to the investment community in a timely manner to keep them apprised on the latest developments.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the annual report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's current Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Group values dialogue with shareholders. The Group believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. The Group has outsourced its investor relations function to a service provider, Financial PR Pte Ltd, who will attend to the queries or concerns of shareholders.

The investor relations service provider also acts as a liaison point for the media, public, institutional investors and public shareholders on corporate information. Material 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. 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, Listing Manual of the SGX-ST and Singapore Financial Reporting Standards;

CORPORATE GOVERNANCE

- Quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and
- Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGM**"). The notice of AGM and EGM are also advertised in a national newspaper.

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 Company has a team of investor relations ("**IR**") personnel who focus on facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.

To enable shareholders to contact the Company easily, the contact details of the IR personnel are set out in the contents page of this Annual Report. The IR personnel have procedures in place for responding to investors' queries as soon as applicable.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

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 has proposed a first and final dividend (one-tier tax exempt) of 2.0 cents per ordinary share for FY2016 which will be subject to shareholders' approval at the forthcoming AGM.

Conduct of Shareholder Meeting

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The shareholders 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. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

CORPORATE GOVERNANCE

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Committees at general meetings. Furthermore, the external auditor is present to assist the Board in addressing any relevant queries raised by the shareholders.

The Company will make available minutes of general meetings to shareholders that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, upon their request.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST 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 detailed results of each resolution are announced via SGXNet after the general meetings.

(E) 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 weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results.

Directors and executives 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.

(F) 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 $100,000 for FY2016.

(G) MATERIAL CONTRACTS

There was no material contracts entered into by the Group involving the interests of any Director or controlling shareholder for FY2016.

CORPORATE GOVERNANCE

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE 2012

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr. Tan Tin Yeow	• Singapore Cambridge General Certificate of Education Ordinary Level Examination	Executive Chairman and CEO	Chairman of the Board, Member of Nominating Committee	17 May 2010	28 August 2015	–	–
Ms. Tan Guat Lian	• Diploma in Human Resource Management from PSB Academy	Executive Director	Board Member	17 May 2010	29 August 2014	–	–
Mr. Hong Pian Tee	• Singapore Cambridge General Certificate of Education Ordinary Level Examination	Lead Independent and Non-Executive Director	Chairman of the Audit Committee, Board Member and Member of the Nominating Committee and Remuneration Committee	29 October 2010	28 August 2015	• Golden Agri-Resources Ltd • Memstar Technology Ltd • Asiaphos Ltd	• Sin Ghee Huat Corporation Ltd • Richklas Pte Ltd • Asia Food & Properties Limited

CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non- executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr. Chan Heng Toong	• Bachelor of Engineering (Honours) from National University of Singapore • Master of Business Administration (Finance) from University of British Columbia (Canada)	Independent and Non-Executive Director	Chairman of the Nominating Committee, Board Member and Member of the Audit Committee and Remuneration Committee	29 October 2010	29 August 2014	• City Gate Pte Ltd • ICES Pte Ltd (formerly known as JC Global Consultancy Pte Ltd) • Singapore O&G Ltd.	–
Mr. Ng Sey Ming	• Bachelor of Laws (Honours) from National University of Singapore • Member of Singapore Academy of Law • Member of Law Society of Singapore	Independent and Non-Executive Director	Chairman of the Remuneration Committee, Board Member and Member of the Audit Committee and Nominating Committee	29 October 2010	28 August 2015	• Rajah & Tann Singapore LLP • Gaylin Holdings Limited	• Hiap Tong Corporation Ltd

DIRECTORS' STATEMENT

The directors are pleased to 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 2016.

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 2016 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
Chan Heng Toong
Ng Sey Ming

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' STATEMENT

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:

	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[1]**	**21.05.2016**
The Company			
Tan Tin Yeow			
– ordinary shares	179,430,001	44,857,500	44,857,500
– options to subscribe for ordinary shares at:			
– $0.149/$0.596* per share between 11 September 2014 and 10 September 2017	590,000	147,500	147,500
– $0.323/$1.292* per share between 5 September 2015 and 4 September 2018	950,000	237,500	237,500
– $0.248/$0.992* per share between 12 September 2016 and 11 September 2019	1,400,000	350,000	350,000
– $0.130/$0.520* per share between 10 September 2017 and 9 September 2020	–	250,000	250,000
Tan Guat Lian			
– ordinary shares	26,278,977	6,569,744	6,569,744
– options to subscribe for ordinary shares at:			
– $0.323/$1.292* per share between 5 September 2015 and 4 September 2018	650,000	162,500	162,500
– $0.248/$0.992* per share between 12 September 2016 and 11 September 2019	650,000	162,500	162,500
– $0.130/$0.520* per share between 10 September 2017 and 9 September 2020	–	162,500	162,500
Hong Pian Tee			
– ordinary shares	1,107,000	651,750	651,750
– options to subscribe for ordinary shares at:			
– $0.323/$1.292* per share between 5 September 2015 and 4 September 2018	120,000	30,000	30,000
– $0.248/$0.992* per share between 12 September 2016 and 11 September 2019	100,000	25,000	25,000

DIRECTORS' STATEMENT

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

Name of director and corporation in which interests are held	Direct interest At the beginning of the financial year	At the end of the financial year[1]	21.05.2016
The Company (cont'd)			
Chan Heng Toong			
– ordinary shares	500,000	125,000	125,000
– options to subscribe for ordinary shares at:			
– $0.323/$1.292* per share between 5 September 2015 and 4 September 2018	120,000	30,000	30,000
– $0.248/$0.992* per share between 12 September 2016 and 11 September 2019	100,000	25,000	25,000
Ng Sey Ming			
– ordinary shares	500,000	125,000	125,000
– options to subscribe for ordinary shares at:			
– $0.323/$1.292* per share between 5 September 2015 and 4 September 2018	120,000	30,000	30,000
– $0.248/$0.992* per share between 12 September 2016 and 11 September 2019	100,000	25,000	25,000

(1) The Company undertook a share consolidation exercise to consolidate every four (4) existing ordinary shares in the capital of the Company into one (1) ordinary share. The share consolidation has been completed and was effective on 22 February 2016. The aggregate options outstanding and ordinary shares held at the end of the financial year have been adjusted for the effects of the share consolidation.

* The exercise price of the share options granted after share consolidation.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Tan Tin Yeow is deemed to have an interest in the shares of all the subsidiary corporations and associated company 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 at the end of the financial year.

DIRECTORS' STATEMENT

Share options

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 non-executive directors of the Company and full-time employees of the Group. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Ng Sey Ming (Chairman), Hong Pian Tee and Chan Heng Toong.

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").

- 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 Options.

Details of all options granted under the Scheme to subscribe for ordinary shares of the Company as at 30 April 2016 are as follows:

Date of grant of options	Exercise price per share	Exercise price per share after share consolidation (4 into 1)	Options outstanding at 1 May 2015	Options granted during the year	Options cancelled/ lapsed	Options outstanding at 22 February 2016*	Options outstanding at 22 February 2016 after share consolidation (4 into 1)	Options cancelled/ lapsed	Options outstanding as at 30 April 2016	Exercise period
11/9/2012	$0.149	$0.596	768,000	–	–	768,000	192,000	–	192,000	From 11/9/2014 to 10/9/2017
05/9/2013	$0.323	$1.292	5,225,000	–	(1,280,000)	3,945,000	986,250	(2,500)	983,750	From 05/9/2015 to 04/9/2018
12/9/2014	$0.248	$0.992	6,050,000	–	(1,350,000)	4,700,000	1,175,000	–	1,175,000	From 12/9/2016 to 11/9/2019
10/9/2015	$0.130	$0.520	–	5,142,000	(250,000)	4,892,000	1,223,000	–	1,223,000	From 10/9/2017 to 09/9/2020
			12,043,000	5,142,000	(2,880,000)	14,305,000	3,576,250	(2,500)	3,573,750	

There were 30,166,000* (2015: 25,024,000*) 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.

DIRECTORS' STATEMENT

Share options (cont'd)

During the financial year:

(a) 3,492,000* (2015: 4,500,000*) options have been granted by the Company to the Group's employees;

(b) No (2015: 300,000*) options have been granted by the Company to its directors excluding controlling shareholder and his associates; and

(c) 1,650,000* (2015: 2,050,000*) 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.

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 2015	Options granted during the year	Aggregate options outstanding as at 22 February 2016*	Aggregate options outstanding as at 22 February 2016 after share consolidation (4 into 1)	Aggregate options outstanding as at 30 April 2016
Tan Tin Yeow	2,940,000	1,000,000	3,940,000	985,000	985,000
Tan Guat Lian	1,300,000	650,000	1,950,000	487,500	487,500
Hong Pian Tee	220,000	–	220,000	55,000	55,000
Chan Heng Toong	220,000	–	220,000	55,000	55,000
Ng Sey Ming	220,000	–	220,000	55,000	55,000

Except for Tan Tin Yeow and 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 purchase (2015: 584,000 before share consolidation) of its own shares by way of market acquisition pursuant to the authority given to the directors under the Share Purchase Mandate approved by the shareholders at the Extraordinary General Meeting of the Company held on 28 August 2015.

* The aggregate number of options before share consolidation.

DIRECTORS' STATEMENT

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), non-executive director
- Chan Heng Toong, non-executive director
- Ng Sey Ming, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Companies Act, Chapter 50, the SGX-ST Listing Manual and the Code of Corporate Governance.

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.

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.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Tan Tin Yeow
Director

Tan Guat Lian
Director

Singapore
28 July 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 April 2016

Independent auditor's report to the members of XMH Holdings Ltd.

Report on the financial statements

We have audited the accompanying financial statements of XMH Holdings Ltd. (the "Company") and its subsidiary corporations (collectively, the "Group") set out on pages 48 to 122, which comprise the statements of financial position of the Group and the Company as at 30 April 2016, the consolidated statement of changes in equity, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2016 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 April 2016

Independent auditor's report to the members of XMH Holdings Ltd.

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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 July 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 April 2016

	Note	2016 $'000	2015 $'000
Revenue	4	**108,385**	91,514
Cost of sales		**(81,521)**	(63,926)
Gross profit		**26,864**	27,588
Other income	5	**2,652**	538
Distribution expenses		**(8,800)**	(7,825)
Administrative expenses		**(16,259)**	(12,692)
Other expenses		**–**	(1,184)
Results from operating activities		**4,457**	6,425
Finance income		**4,887**	868
Finance costs		**(852)**	(327)
Net finance income	6	**4,035**	541
Profit before share of results of an associated company		**8,492**	6,966
Share of results of an associated company		**66**	–
Profit before tax	7	**8,558**	6,966
Tax expense	8	**(685)**	(1,537)
Profit for the year, net of tax		**7,873**	5,429
Other comprehensive income/(expenses)			
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		**2,667**	(2,017)
Fair value adjustment on completion of purchase price allocation		**32**	–
Net changes in the fair value of available-for-sale financial assets		**(57)**	31
Deferred tax arising from fair value change of available-for-sale financial assets		**10**	–
Other comprehensive income/(expenses) for the year, net of tax		**2,652**	(1,986)
Total comprehensive income for the year		**10,525**	3,443
Profit/(loss) for the year attributable to:			
Owners of the Company		**7,944**	5,253
Non-controlling interests		**(71)**	176
		7,873	5,429
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		**10,564**	3,267
Non-controlling interests		**(39)**	176
		10,525	3,443
Earnings per share			
– Basic (cents)	9	**7.19**	4.85*
– Diluted (cents)	9	**7.18**	4.72*

* For comparative purposes, adjusted earnings per share after share consolidation

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

STATEMENTS OF FINANCIAL POSITION

As at 30 April 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**76,324**	32,467	**–**	–
Investment in subsidiary corporations	12	**–**	–	**31,801**	31,801
Investment in associate	13	**207**	141	**–**	–
Intangible assets	14	**15,373**	16,470	**–**	–
Land lease prepayment	15	**–**	6,489	**–**	–
Other financial assets	16	**824**	907	**–**	–
Club memberships		**209**	421	**–**	–
Deferred tax assets	8	**23**	–	**–**	–
		92,960	56,895	**31,801**	31,801
Current assets					
Inventories	17	**28,575**	32,367	**–**	–
Trade and other receivables	18	**33,493**	31,113	**8,371**	11,990
Prepayment		**369**	377	**9**	7
Contract work-in-progress	19	**14,644**	9,443	**–**	–
Cash and short-term deposits	20	**12,843**	24,698	**242**	309
Tax recoverable		**2**	2	**–**	–
		89,926	98,000	**8,622**	12,306
Total assets		**182,886**	154,895	**40,423**	44,107
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	21	**46,598**	59,074	**983**	9,752
Loans and borrowings	28	**20,587**	11,996	**–**	–
Current tax payables		**1,450**	1,806	**147**	43
		68,635	72,876	**1,130**	9,795
Net current assets		**21,291**	25,124	**7,492**	2,511
Non-current liabilities					
Other payables	21	**133**	–	**–**	–
Loans and borrowings	28	**41,211**	20,694	**–**	–
Deferred tax liabilities	8	**719**	956	**–**	–
		42,063	21,650	**–**	–
Total liabilities		**110,698**	94,526	**1,130**	9,795
Equity attributable to owners of the Company					
Share capital	22	**39,780**	35,424	**39,780**	35,424
Reserve for own shares	23	**(2,791)**	(2,791)	**(2,791)**	(2,791)
Other reserves	24	**(6,446)**	(9,565)	**1,819**	1,320
Accumulated profits	25	**38,930**	34,547	**485**	359
		69,473	57,615	**39,293**	34,312
Non-controlling interests		**2,715**	2,754	**–**	–
Total equity		**72,188**	60,369	**39,293**	34,312
Total equity and liabilities		**182,886**	154,895	**40,423**	44,107

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 2016

	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 2015	35,424	(2,791)	1,320	122	(11,007)	34,547	57,615	2,754	60,369
Profit/(loss) for the year	–	–	–	–	–	7,944	7,944	(71)	7,873
Other comprehensive (expenses)/income:									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	–	–	–	–	2,667	–	2,667	–	2,667
Fair value adjustment on completion of purchase price allocation	–	–	–	–	–	–	–	32	32
Net changes in the fair value of available-for-sale financial assets	–	–	–	(57)	–	–	(57)	–	(57)
Deferred tax arising from available-for-sale financial assets	–	–	–	10	–	–	10	–	10
Other comprehensive (expenses)/income for the year, net of tax	–	–	–	(47)	2,667	–	2,620	32	2,652
Total comprehensive (expenses)/ income for the year	–	–	–	(47)	2,667	7,944	10,564	(39)	10,525
Contributions by and distributions to owners									
Dividends paid on ordinary shares (Note 26)	–	–	–	–	–	(3,561)	(3,561)	–	(3,561)
Share-based payment transactions	–	–	499	–	–	–	499	–	499
Issue of ordinary shares	4,356	–	–	–	–	–	4,356	–	4,356
Total transactions with owners in their capacity as owners	4,356	–	499	–	–	(3,561)	1,294	–	1,294
At 30 April 2016	39,780	(2,791)	1,819	75	(8,340)	38,930	69,473	2,715	72,188

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 2016

	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 2014	35,424	(3,345)	731	91	(8,990)	34,470	58,381	–	58,381
Profit for the year	–	–	–	–	–	5,253	5,253	176	5,429
Other comprehensive income/(expenses):									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	–	–	–	–	(2,017)	–	(2,017)	–	(2,017)
Net changes in the fair value of available-for-sale financial assets	–	–	–	31	–	–	31	–	31
Other comprehensive income/(expenses) for the year, net of tax	–	–	–	31	(2,017)	–	(1,986)	–	(1,986)
Total comprehensive income/(expenses) for the year	–	–	–	31	(2,017)	5,253	3,267	176	3,443
Changes in ownership interests in subsidiary corporation									
Acquisition of a subsidiary corporation	–	–	–	–	–	–	–	2,578	2,578
Total changes in ownership interest in a subsidiary corporation	–	–	–	–	–	–	–	2,578	2,578
Contributions by and distributions to owners									
Dividends paid on ordinary shares (Note 26)	–	–	–	–	–	(5,176)	(5,176)	–	(5,176)
Share-based payment transactions	–	–	812	–	–	–	812	–	812
Purchase of treasury shares	–	(163)	–	–	–	–	(163)	–	(163)
Reissuance of treasury shares pursuant to exercise of share options	–	717	(223)	–	–	–	494	–	494
Total transactions with owners in their capacity as owners	–	554	589	–	–	(5,176)	(4,033)	–	(4,033)
At 30 April 2015	35,424	(2,791)	1,320	122	(11,007)	34,547	57,615	2,754	60,369

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 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit before tax		**8,558**	6,966
Adjustments for:			
Amortisation of land lease prepayment	15	**177**	245
Amortisation of intangible assets	14	**1,292**	833
Depreciation of property, plant and equipment	11	**2,512**	892
Share-based payment expenses		**499**	812
Interest income	6	**(3)**	(92)
Interest expense	6	**852**	327
Dividend income from quoted equity securities		**(22)**	(30)
Write-off of doubtful debts		**56**	–
Allowance for impairment loss on:			
– trade receivables	18	**95**	217
– quoted equity securities	7	**36**	53
– club memberships	7	**52**	64
Share of results of an associated company		**(66)**	–
Transfer of club membership		**186**	–
Loss/(gain) on disposal of property, plant and equipment	7,5	**93**	(18)
Unrealised foreign exchange (gain)/loss		**(4,559)**	1,114
Allowance made for slow moving and obsolete inventories	17	**–**	1,260
Gain on disposal of quoted equity securities	6	**–**	(302)
Operating cash flows before changes in working capital		**9,758**	12,341
Changes in working capital:			
– Decrease/(increase) in inventories		**4,001**	(2,521)
– Increase in trade and other receivables		**(2,518)**	(7,901)
– Decrease/(increase) in prepayment		**8**	(248)
– (Increase)/decrease in contract work-in-progress		**(5,201)**	1,362
– (Decrease)/increase in trade and other payables		**(3,620)**	10,869
Cash generated from operations		**2,428**	13,902
Tax paid		**(1,544)**	(1,372)
Net cash generated from operating activities		**884**	12,530
Cash flows from investing activities			
Interest received		**3**	92
Dividends received		**22**	30
Proceeds from sale of property, plant and equipment		**146**	111
Payment for acquisition of a subsidiary corporation	21	**(4,356)**	–
Acquisition of a subsidiary corporation	12	**–**	(10,392)
Proceeds from maturity of structured deposits		**–**	718
Acquisition of property, plant and equipment		**(33,825)**	(25,337)
Purchase of intangible assets		**(113)**	(72)
Net cash used in investing activities		**(38,123)**	(34,850)

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 2016

	Note	2016 $'000	2015 $'000
Cash flows from financing activities			
Proceeds from borrowings		**43,990**	20,985
Repayment of borrowings		**(15,844)**	(480)
Purchase of treasury shares		**–**	(163)
Addition to fixed deposits pledged		**–**	(23)
Dividends paid	26	**(3,561)**	(5,176)
Proceeds from exercise of share options		**–**	494
Interest paid		**(852)**	(327)
Repayment of trust receipts		**(36,078)**	(27,437)
Proceeds of trust receipts		**36,611**	24,649
Repayment of finance lease liabilities		**(103)**	(83)
Net cash generated from financing activities		**24,163**	12,439
Net decrease in cash and cash equivalents		**(13,076)**	(9,881)
Cash and cash equivalents at 1 May 2015/2014		**24,494**	36,318
Effect of exchange rate fluctuations on cash and cash equivalents		**1,350**	(1,943)
Cash and cash equivalents at 30 April	20	**12,768**	24,494

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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 12 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 ("FRS").

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 $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 May 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.3 Standards issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.3 Standards issued but not yet effective (cont'd)

FRS 109 *Financial Instruments (cont'd)*

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

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.

A change in the ownership interest of a subsidiary corporation, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary corporation, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary corporation at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

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

(a) Basis of consolidation (cont'd)

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(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 interest 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 interest's 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 FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest 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 2.9. 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 losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units 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 cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Functional and foreign currency

The financial statements are presented in Singapore Dollars, 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 foreign operations 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

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 losses.

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:

Leasehold land and building	–	12 to 33$^{1}/_{3}$ 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

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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.

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 derecognised 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 derecognised.

2.8 Land lease prepayment

Land lease prepayment is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the lease term of 30 years. The temporary occupation permit was granted in December 2015. Therefore, the land lease prepayment which relates to the lease of a parcel of land located at Tuas was transferred to property, plant and equipment during the financial year.

2.9 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 losses. 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.

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

2.9 Intangible assets (cont'd)

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 FRS 103, 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 losses.

(ii) Intellectual property right

Intellectual property right relates to the products and process of certain power generating sets and auxiliary components.

Impairment losses are reviewed at the end of each reporting period and adjusted if appropriate.

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.

Amortisation is computed on straight-line basis over the estimated useful lives of the intangible assets as follows:

Order backlogs	–	2 to 2.5 years
Customer relationships	–	5 years
Intellectual property rights	–	10 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 cash-generating unit level. Such intangible assets are not amortised. Subsequent to initial recognition, the intangible assets are measured at cost less accumulated impairment losses. 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 is included in intangible assets. Impairment losses are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.9 Intangible assets (cont'd)

(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 derecognised.

2.10 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 cash-generating unit'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 cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

2.11 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 impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.12 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

De-recognition

A financial asset is derecognised 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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 derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand and bank deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and cash equivalents carried in the statement of financial position are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

2.15 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.15 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.16 Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If progress billings exceed costs incurred plus recognised profits, then the difference is presented as part of trade and other payables in the statement of financial position.

2.17 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.

2.18 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.

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.

2.19 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 balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.19 Government grants (cont'd)

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, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.20 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 recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 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.

(a) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. 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.

(b) Finance costs

Finance costs comprise interest expenses on borrowings, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables), and reclassifications of net losses previously recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.22 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 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.

2.23 Leases

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.23 Leases (cont'd)

(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.

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when products are received by the customer, however, for international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port.

(b) Projects

Projects revenue comprises the initial amount of revenue agreed in the contract plus any variations in contract work and claims that can be measured reliably. A variation or a claim is recognised as project revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. The stage of completion is measured by reference to the proportion of the contracts costs incurred to date to the estimated total costs for the contract. Such costs are shown as contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised in profit or loss immediately.

(c) Service fee

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

2.25 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.

(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.

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 April 2016

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(c) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax 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 goods and services tax included.

2.26 Share capital and share issue 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.

2.27 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

3. Significant accounting estimates and judgments

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.

Contract work-in-progress and revenue recognition

The Company recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a contract can be estimated reliably.

The stage of completion is determined by dividing the cumulative costs incurred as at end of the reporting period by the total estimated costs for the contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. This method of revenue recognition requires management to prepare cost estimates to complete such contracts. In making such estimates, judgements are required to evaluate contingencies such as potential variance in scheduling, cost of materials, labour costs and productivity, the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. Estimated revenues on contracts include future revenues from claims when such additional revenues can be reliably established. These estimates are based on management's business practices as well as its historical experience.

The estimation of total contract costs is based on historical experience and contractual arrangements with suppliers. The estimated total costs for each contract is reviewed on a regular basis by the Group in order to determine the cost to be recognised in profit or loss at each reporting date and to assess whether any allowance for foreseeable loss is required to be set up. Actual costs could differ from the estimates.

The carrying amounts of assets and liabilities arising from contract work-in-progress at the end of each reporting period are disclosed in Note 19 to the financial statements.

A significant increase/decrease in the total contract cost would result in a significant decrease/increase in the profit before tax of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

3. Significant accounting estimates and judgments (cont'd)

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) Impairment of goodwill

As disclosed in Note 14 to the financial statements, the recoverable amounts of the cash generating units which goodwill has been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14 to the financial statements. The carrying amount of the goodwill as at 30 April 2016 is $11,754,000 (2015: $11,897,000).

(b) Impairment of inventories

The Group assesses at the end of each reporting period whether there is any objective evidence that its inventories are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the inventory ageing profile.

Where there is objective evidence of impairment, 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 17 to the financial statements.

4. Revenue

	Group	
	2016	**2015**
	$'000	**$'000**
Sale of goods	**32,985**	42,186
Revenue from projects	**71,824**	48,047
Service fees	**3,576**	1,281
	108,385	91,514

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

5. Other income

	Group	
	2016	**2015**
	$'000	**$'000**
Forfeited deposits from customers	**359**	180
Gain on disposal of property, plant and equipment	**–**	18
Grants and rebates	**242**	179
Capability Development Grant	**396**	–
Insurance claims	**42**	4
Write-back of liabilities no longer required	**782**	–
Rental income	**288**	–
Commission income	**133**	–
Recovery of transportation expense from customers	**223**	90
Bad debts recovery	**8**	–
Others	**179**	67
	2,652	538

6. Finance income and costs

	Group	
	2016	**2015**
	$'000	**$'000**
Net foreign exchange gain	**4,862**	444
Gain on disposal of quoted equity securities	**–**	302
Dividend income on quoted equity securities	**22**	30
Interest income on bank deposits	**3**	92
Finance income	**4,887**	868
Interest expenses on loans and borrowings	**(852)**	(327)
Finance costs	**(852)**	(327)
Net finance income recognised in profit or loss	**4,035**	541

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

7. Profit before tax

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

	Group	
	2016	**2015**
	$'000	**$'000**
Audit fees paid/payable to:		
– auditor of the Company	**215**	213
– other auditors	**23**	15
Non-audit fees paid/payable to:		
– auditor of the Company	**32**	38
– other auditors	**48**	20
Staff costs	**14,038**	12,487
Contribution to defined contribution plans included in staff costs	**936**	668
Directors' fees	**167**	167
Depreciation of property, plant and equipment	**2,512**	892
Loss on disposal of property, plant and equipment	**93**	–
Impairment loss on club memberships	**52**	64
Allowance made for slow moving and obsolete inventories	**–**	1,260
Impairment loss on financial assets:		
– quoted equity securities	**36**	53
– trade receivables	**95**	217
Write-off of doubtful debt	**56**	–
Share based payment expense	**499**	812
Operating lease expenses	**264**	248
Amortisation of land lease prepayment	**177**	245
Amortisation of intangible assets	**1,292**	833

8. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 30 April 2016 and 2015 are:

	Group	
	2016	**2015**
	$'000	**$'000**
Current tax expense		
Current year	**1,139**	1,198
Over provision in respect of previous years	**(30)**	(192)
Deferred tax expense		
Origination and reversal of temporary difference	**(433)**	(198)
Under provision in respect of previous years	**9**	729
Income tax expense recognised in profit or loss	**685**	1,537

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

8. Income tax expense (cont'd)

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 April 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Profit before tax	**8,558**	6,966
Tax at applicable corporate tax rate of 17% (2015: 17%)	**1,455**	1,184
Adjustments:		
– Effect of different tax rate in a foreign jurisdiction	**1**	(19)
– Non-deductible expenses	**601**	323
– Income not subject to tax	**(1,015)**	(283)
– Tax incentives and reliefs	**(425)**	(184)
– (Over)/under provision in respect of previous years	**(21)**	537
– Deferred tax asset not recognised	**36**	–
– Others	**53**	(21)
Income tax expense recognised in profit or loss	**685**	1,537

As at 30 April 2016, the Group has unutilised capital allowances and unabsorbed tax losses of approximately $66,000 (2015: $66,000) and $500,000 (2015: $237,000) respectively 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 (2015: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

8. Income tax expense (cont'd)

(c) Deferred tax assets/(liabilities)

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

	At 1 May 2015 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquisitions through business combination (Note 12) $'000	At 30 April 2016 $'000
Deferred tax assets, net					
Provisions	–	23	–	–	23
Unutilised capital allowances	–	621	–	–	621
Differences in depreciation for tax purposes	–	(621)	–	–	(621)
Total	–	23	–	–	23
Deferred tax liabilities					
Revaluations to fair value on available-for-sale financial assets	(18)	–	10	–	(8)
Fair value adjustments on acquisition of subsidiary corporations					
– Property, plant and equipment	(169)	67`	–	–	(102)
– Inventories	(122)	103	–	(35)	(54)
– Intangible assets	(587)	217	–	(185)	(555)
– Loans and borrowings	(60)	60	–	–	–
	(938)	447	–	(220)	(711)
Total	(956)	447	10	(220)	(719)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

8. Income tax expense (cont'd)

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

	At 1 May 2014 $'000	Recognised in profit or loss $'000	Acquisitions through business combination (Note 12) $'000	At 30 April 2015 $'000
Deferred tax assets				
Provisions	717	(717)	–	–
Others	12	(12)	–	–
Total	729	(729)	–	–
Deferred tax liabilities				
Revaluations to fair value on available-for-sale financial assets	(18)	–	–	(18)
Fair value adjustments on acquisition of subsidiary corporations				
– Property, plant and equipment	(190)	21	–	(169)
– Inventories	–	–	(122)	(122)
– Intangible assets	(117)	142	(612)	(587)
– Loans and borrowings	(95)	35	–	(60)
	(402)	198	(734)	(938)
Total	(420)	198	(734)	(956)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

9. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit 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.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 30 April:

	Group	
	2016	**2015**
	$'000	**$'000**
Profit for the year attributable to owners of the Company	**7,944**	5,253

	No. of shares	
	2016	**2015#**
	'000	**'000**
Weighted average number of ordinary shares on issue applicable to basic earnings per share*	**110,463**	108,264
Effect of the potential shares to be issued under the XMH share option scheme	**103**	223
Effect of the potential shares to be issued as part of purchase consideration for the acquisition of Mech-Power Generator Pte Ltd and its subsidiary corporation (collectively the "MPG")	**–**	2,750
Weighted average number of ordinary shares (diluted) outstanding during the year	**110,566**	111,237

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions in 2015.

\# The Group completed the consolidation of its ordinary shares on a 4:1 basis on 22 February 2016. The number of shares in prior year have been revised for the consolidation of shares for comparison purposes.

Since the end of the previous financial year, employees of the Group exercised the options to acquire nil (2015: 3,367,000 before share consolidation) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

10. 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 non-executive directors of the Company and full-time employees of the Group (the "Participants").

On 19 September 2011, the Company granted 3,819,000 share options (Tranche 1) to eligible Participants under the Scheme. These share options can be exercised between 19 September 2013 and 18 September 2016 (inclusive) at the exercise price of $0.125 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 exercise price is $0.50 per share.

On 11 September 2012, the Company granted a further 6,600,000 share options (Tranche 2) to eligible Participants under the Scheme. These share options can be exercised between 11 September 2014 and 10 September 2017 (inclusive) at the exercise price of $0.149 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 exercise price is $0.596 per share.

On 5 September 2013, the Company granted a further 7,755,000 share options (Tranche 3) to eligible Participants under the Scheme. These share options can be exercised between 5 September 2015 and 4 September 2018 (inclusive) at the exercise price of $0.323 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 exercise price is $1.292 per share.

On 12 September 2014, the Company granted a further 6,850,000 share options (Tranche 4) to eligible Participants under the Scheme. These share options can be exercised between 12 September 2016 and 11 September 2019 (inclusive) at the exercise price of $0.248 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 exercise price is $0.992 per share.

On 10 September 2015, the Company granted a further 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 exercise price is $0.52 per share.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

10. Share-based payments (cont'd)

Terms and conditions of the Scheme (cont'd)

- 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.

Disclosure of the Scheme

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2016 $	Number of options 2016 '000	Weighted average exercise price 2015 $	Number of options 2015 '000
Group				
At 1 May	**0.274**	**12,043**	0.270	10,951
Exercised during the year	**–**	**–**	0.149	(3,367)
Lapsed/cancelled during the year	**0.271**	**(2,880)**	0.259	(2,391)
Granted during the year	**0.130**	**5,142**	0.248	6,850
Options outstanding at 22 February	**0.223**	**14,305**	–	–
Options outstanding at 22 February after share consolidation (4 into 1)	**0.892**	**3,576**	–	–
Lapsed/cancelled during the year	**1.292**	**(2)**	–	–
Options outstanding at 30 April	**0.892**	**3,574**	0.274	12,043
Options exercisable at 30 April		**1,176**		768

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

10. Share-based payments (cont'd)

Inputs for measurement of grant date fair values

The grant-date fair value of the Scheme was measured based on a Bloomberg 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. The inputs used in the measurement of the fair values at grant date of the share-based payment plans granted during the year are as follows:

	Directors excluding controlling shareholder and his associate	Employees
Fair value of share options and assumptions		
Share price	$0.162	$0.162
Exercise price	$0.130	$0.130
Expected volatility (weighted average volatility)	42%	42%
Option life (expected weighted average life)	2.5 years	2.5 years
Risk-free interest rate (based on government bonds)	1.11%	1.11%
Expected dividend yield	4.94%	4.94%

During the year ended 30 April 2016, the Group recognised employee expenses of $499,000 (2015: $812,000) relating to the share options granted to the Participants of the Scheme.

On 22 February 2016, the Group announced that the Share Consolidation Exercise of every four ordinary shares in the capital of the Company registered in the name of each Shareholder of the Company into one consolidated share was completed. The Share Consolidation Exercise reduced the total fair value of the equity instruments granted, measured immediately before and after the consolidation. The Group did not take into account the decrease in fair value and continues to measure the amount recognised for services received as consideration for the equity instruments base on the grant date fair value of the equity instruments granted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

11. Property, plant and equipment

Group	Freehold land $'000	Leasehold land and building* $'000	Plant and machinery $'000	Furniture and fittings and renovations $'000	Office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Cost:								
As at 1 May 2014	954	5,601	1,968	631	852	1,763	611	12,380
Additions	–	–	124	96	238	240	24,639	25,337
Acquisition of a subsidiary corporation	–	–	570	364	718	236	–	1,888
Disposals	–	–	–	–	–	(254)	–	(254)
Currency translation differences	(33)	(307)	(70)	(37)	(49)	(89)	(55)	(640)
As at 30 April 2015 and 1 May 2015	**921**	**5,294**	**2,592**	**1,054**	**1,759**	**1,896**	**25,195**	**38,711**
Additions	**–**	**7,939**	**12**	**385**	**180**	**23**	**25,286**	**33,825**
Disposals	**–**	**(29)**	**(215)**	**(523)**	**(462)**	**(292)**	**–**	**(1,521)**
Transfer from construction-in-progress	**–**	**40,581**	**2,821**	**10,589**	**386**	**–**	**(54,377)**	**–**
Transfer from land lease prepayment (Note 15)	**–**	**7,791**	**–**	**–**	**–**	**–**	**–**	**7,791**
Currency translation differences	**(66)**	**1,456**	**192**	**382**	**64**	**51**	**3,896**	**5,975**
As at 30 April 2016	**855**	**63,032**	**5,402**	**11,887**	**1,927**	**1,678**	**–**	**84,781**
Accumulated depreciation:								
As at 1 May 2014	–	1,256	1,298	404	671	1,296	–	4,925
Depreciation for the year	–	251	153	123	163	202	–	892
Acquisition of a subsidiary corporation	–	–	217	148	440	99	–	904
Disposals	–	–	–	–	–	(161)	–	(161)
Currency translation differences	–	(116)	(55)	(27)	(48)	(70)	–	(316)
As at 30 April 2015 and 1 May 2015	**–**	**1,391**	**1,613**	**648**	**1,226**	**1,366**	**–**	**6,244**
Depreciation for the year	**–**	**904**	**456**	**602**	**359**	**191**	**–**	**2,512**
Disposals	**–**	**–**	**(215)**	**(398)**	**(459)**	**(210)**	**–**	**(1,282)**
Transfer from land lease prepayment (Note 15)	**–**	**736**	**–**	**–**	**–**	**–**	**–**	**736**
Currency translation differences	**–**	**149**	**(32)**	**25**	**55**	**50**	**–**	**247**
As at 30 April 2016	**–**	**3,180**	**1,822**	**877**	**1,181**	**1,397**	**–**	**8,457**
Net carrying amount:								
As at 30 April 2016	**855**	**59,852**	**3,580**	**11,010**	**746**	**281**	**–**	**76,324**
As at 30 April 2015	921	3,903	979	406	533	530	25,195	32,467

* Land lease prepayment with carrying amount of $6,990,000 (2015: nil) was transferred to property, plant and equipment in December 2015 after obtaining the temporary occupation permit during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

11. Property, plant and equipment (cont'd)

Assets under construction

The Group's property, plant and equipment included nil (2015: $25,195,000) which relate to expenditure for construction of a building located at Tuas.

Capitalisation of borrowing costs

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purposes of the construction of the Tuas building. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amounted to $297,000 (2015: nil). The rate used to determine the amount of borrowing cost eligible for capitalisation was 1.73% (2015: nil), which is the weighted effective interest rate of the specific borrowings.

Assets pledged as securities

In addition to assets held under finance lease, the Group's land and building and construction-in-progress with a carrying amount at $59,791,000 (2015: $29,037,000) are mortgaged to secure the Group's bank loans (Note 28).

The carrying amount of motor vehicles held under finance leases is $90,000 (2015: $133,000) at the date of the statement of financial position.

As at the date of the statement of financial position, the Group has motor vehicles held in trust by a subsidiary corporation's director and employees of the Group with net book values of nil (2015: $79,000).

12. Investment in subsidiary corporations

	Company	
	2016	**2015**
	$'000	**$'000**
Equity investment, at cost	**31,801**	31,801

(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 2016 %	2015 %
Held by the Company			
[(1)] Xin Ming Hua Pte Ltd ("Xin Ming Hua") 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

12. 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 2016 %	2015 %
(1)	XMH Engineering Pte. Ltd. ("XMH Engineering") 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)	Acegen Pte. Ltd. ("Acegen") Singapore	Assembly works or subcontract works for power generating sets	**100**	100
(1)	Mech-Power Generator Pte Ltd ("MPG Singapore") Singapore	Assembly, sales of generators and related accessories and investment holding	**100**	100
(1)	Z-Power Automation Pte. Ltd. ("ZPA") Singapore	Manufacturing of marine equipment and repair services	**80**	80
	Held by 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

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by Ernst & Young, Johor Bahru, Malaysia.
(3) Audited by Johan Malonda Mustika & Rekan, Jakarta, Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

12. Investment in subsidiary corporations (cont'd)

(b) Interest in a subsidiary corporation with material non-controlling interest ("NCI")

The Group has the following subsidiary corporation that has NCI that is material to the Group:

Name of company	Principal place of business	Proportion of ownership held by NCI %	(Loss)/profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of the reporting period $'000
30 April 2016:				
Z-Power Automation Pte. Ltd.	Singapore	20	(71)	2,715
30 April 2015:				
Z-Power Automation Pte. Ltd.	Singapore	20	176	2,754

(c) Summarised financial information about a subsidiary corporation with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of a subsidiary corporation with material non-controlling interests are as follows:

Summarised statement of financial position

	2016 $'000	2015 $'000
Current		
Assets	**18,842**	18,934
Liabilities	**9,072**	9,773
Net current assets	**9,770**	9,161
Non-current		
Assets	**4,533**	5,642
Liabilities	**729**	1,033
Net non-current assets	**3,804**	4,609
Net assets	**13,574**	13,770

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

12. Investment in subsidiary corporations (cont'd)

(c) Summarised financial information about a subsidiary corporation with material NCI (cont'd)

Summarised statement of comprehensive income

	2016 $'000	2015 $'000
Revenue	**26,440**	5,355
Profit before tax	**1,166**	1,040
Income tax credit/(expense)	**162**	(157)
	1,328	883
Less: Amortisation of fair value uplift, net of tax	**(1,685)**	–
Net (loss)/profit after tax	**(357)**	883

(d) Acquisition of a subsidiary corporation

On 4 March 2015 (the "acquisition date"), the Group acquired an 80% equity interest in Z-Power Automation Pte. Ltd. ("ZPA"), a provider of automation services and total solutions in the design and manufacturing for the marine and offshore industries. Upon the acquisition, ZPA became a subsidiary corporation of the Group.

The Group has acquired ZPA in order to allow the Group to tap on ZPA's inherent technical strengths, expand its range of product offering to its existing customers, and leverage on the clientele and sales network of ZPA to promote the Group's existing products and services.

The Group has elected to measure the non-controlling interest at fair value at the non-controlling interest's share of ZPA's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

12. Investment in subsidiary corporations (cont'd)

(d) Acquisition of a subsidiary corporation (cont'd)

The fair value of the identifiable assets and liabilities of ZPA as at the acquisition date were:

	As previously reported 30 April 2015 $ million	Adjustment $ million	Revised as at 30 April 2016 $ million
Non-current assets			
Property, plant and equipment	1.0	–	**1.0**
Investment in associate	0.1	–	**0.1**
Intangible assets	4.5	0.1	**4.6**
Customer relationships	3.5	–	**3.5**
Order backlogs	1.0	0.1	**1.1**
Total non-current assets	5.6	0.1	**5.7**
Current assets			
Inventories	8.6	0.2	**8.8**
Trade receivables	7.9	–	**7.9**
Other receivables	0.3	–	**0.3**
Cash and cash equivalents	2.4	–	**2.4**
Total current assets	19.2	0.2	**19.4**
Total assets	24.8	0.3	**25.1**
Non-current liabilities			
Hire purchase creditors	0.1	–	**0.1**
Deferred tax liabilities	1.0	0.2	**1.2**
Total non-current liabilities	1.1	0.2	**1.3**
Current liabilities			
Trade payables	2.9	–	**2.9**
Other payables	1.2	–	**1.2**
Provision for warranty	0.2	–	**0.2**
Deferred income	6.1	–	**6.1**
Hire purchase creditors	–*	–	**–***
Tax payable	0.4	–	**0.4**
Total current liabilities	10.8	–	**10.8**
Total liabilities	11.9	0.2	**12.1**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

12. Investment in subsidiary corporations (cont'd)

(d) Acquisition of a subsidiary corporation (cont'd)

	As previously reported 30 April 2015 $ million	Adjustment $ million	Revised as at 30 April 2016 $ million
Total identifiable net assets at fair value	12.9	0.1	**13.0**
Non-controlling interest measured at the non-controlling interest's proportionate share of ZPA's net identifiable assets	(2.6)	–	**(2.6)**
Goodwill arising from acquisition	2.5	(0.1)	**2.4**
Cash paid for the acquisition of ZPA	12.8	–	**12.8**

* denotes less than $1,000,000

Effect of the acquisition of ZPA on cash flows

Total consideration for 80% equity interest acquired	12.8
Less: Cash and cash equivalents of a subsidiary corporation acquired	(2.4)
Net cash outflow on acquisition	10.4

Transaction costs

Transaction costs of $174,000 related to the acquisition have been recognised in the "Administrative expenses" line item in the Group's consolidated statement of comprehensive income for the year ended 30 April 2015.

Intangible assets – customer relationships and order backlogs

The fair value of the customer relationships and order backlogs are estimated based on the expected revenue to be received, less the costs to deliver the products and/or services. Contributory asset capital charges are deducted from the net income of the customer relationships and order backlogs to estimate the cash flows attributable solely to the customer relationships and order backlog intangible asset.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

12. Investment in subsidiary corporations (cont'd)

(d) Acquisition of a subsidiary corporation (cont'd)

Goodwill arising from acquisition

In 2015, the goodwill of $2,504,000 is attributable mainly to the synergies expected to be achieved from integrating ZPA into the Group's existing business. None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill was revised to $2,361,000 upon the finalisation of the purchase price allocation ("PPA") exercise in September 2015.

Impact of the acquisition on profit or loss

From the acquisition date, ZPA has contributed $5,355,000 of revenue and $883,000 to the Group's profit for the financial year ended 30 April 2015. If the business combination had taken place at the beginning of the year, the revenue contribution from ZPA in prior year would have been $25,376,000 and profit contribution would have been $2,720,000.

Accounting of the acquisition of ZPA

Order backlogs and customer relationships have been identified as an intangible asset arising from this acquisition. The Group has engaged an independent valuer to determine the fair value of the order backlogs and customer relationships. As at 30 April 2015, the fair value of the order backlogs and customer relationships amounting to $4,500,000 have been determined on a provisional basis as the final results of the independent valuation have not been received by the date the financial statements was authorised for issue.

The PPA exercise to determine the fair value of the net identifiable assets was completed in September 2015. There was an increase in the fair value of the order backlogs and customer relationships amounting to $186,000 and inventories of $209,000. Goodwill arising from the acquisition decreased by $143,000. As the net impact of the changes in fair value upon finalisation of the PPA exercise were not material to the Group's financial statements, the comparative figures in 2015 was not restated. The amortisation of the increase in fair value was recorded in current year profit or loss.

13. Investment in associate

	Group	
	2016	**2015**
	$'000	**$'000**
Z-Power Automation (Vietnam) Co., Ltd	**207**	141

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FINANCIAL STATEMENTS
For the financial year ended 30 April 2016

13. Investment in associate (cont'd)

The details of the associate are as follows:

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2016 %	2015 %
Held by Z-Power Automation Pte. Ltd.			
[1] Z-Power Automation (Vietnam) Co., Ltd (Vietnam)	Manufacturing of industrial electrical equipment	**50**	50

(1) Audited by Vietnam Auditing and Evaluation Company Limited

The summarised financial information in respect of the associate and a reconciliation with the carrying amount of the investment in the consolidated financial statement are as follows:

Summarised statement of financial position

	Group 2016 $'000
Assets	**701**
Liabilities	**271**
Net assets	**430**
Proportion of Group's ownership	**50%**
Group's share of net assets	**215**
Other adjustments	**(8)**
Carrying amount of the investment	**207**

Summarised statement of comprehensive income

	2016 $'000
Revenue	**870**
Profit after tax, representing total comprehensive income	**132**

The share of results of the associate for the year 2015 was not material to the Group's financial statements as the acquisition for ZPA was completed on 4 March 2015. Accordingly, the summarised financial information of the associate for the financial year ended 30 April 2015 have not been disclosed.

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For the financial year ended 30 April 2016

14. Intangible assets

	Goodwill $'000	Order backlogs $'000	Customer relationships $'000	Intellectual property rights $'000	Total $'000
Group					
Cost:					
At 1 May 2014	9,393	1,254	–	162	10,809
Acquisitions through business combinations (Note 12)	2,504	1,000	3,500	72	7,076
Effect of movements in exchange rate	–	–	–	(14)	(14)
At 30 April 2015 and 1 May 2015	**11,897**	**2,254**	**3,500**	**220**	**17,871**
Fair value adjustment on completion of PPA (Note 12)	**(143)**	**147**	**39**	**–**	**43**
Addition	**–**	**–**	**–**	**113**	**113**
Effect of movement in exchange rate	**–**	**–**	**–**	**41**	**41**
At 30 April 2016	**11,754**	**2,401**	**3,539**	**374**	**18,068**
Accumulated amortisation and impairment losses:					
At 1 May 2014	–	568	–	–	568
Amortisation for the year	–	740	93	–	833
At 30 April 2015 and 1 May 2015	**–**	**1,308**	**93**	**–**	**1,401**
Amortisation for the year	**–**	**482**	**733**	**77**	**1,292**
Effect of movement in exchange rate	**–**	**–**	**–**	**2**	**2**
At 30 April 2016	**–**	**1,790**	**826**	**79**	**2,695**
Net carrying amount:					
At 30 April 2016	**11,754**	**611**	**2,713**	**295**	**15,373**
At 30 April 2015	11,897	946	3,407	220	16,470

The Group acquired Mech-Power Generator Pte Ltd ("MPG Singapore") and its subsidiary corporation (collectively the "MPG") by acquiring the entire equity interest of MPG Singapore on 7 September 2013. The Group acquired Z-Power Automation Pte. Ltd. ("ZPA") on 4 March 2015 (refer to Note 12 for details). Intangible assets including goodwill, order backlogs and customer relationships were acquired upon the acquisition of the MPG and ZPA in prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

14. Intangible assets (cont'd)

Customer relationships relate to ZPA's customer relationship with its existing customers that resulted in repeat purchase and customer loyalty. The remaining amortisation period is 3 years and 10 months.

The amortisation of intangible assets is included in the "Administrative expenses" line item in profit or loss.

Impairment assessment for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating businesses. The carrying amount of goodwill of $11,754,000 (2015: $11,897,000) is allocated to the MPG and ZPA.

The recoverable amount of the MPG and ZPA were 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 cash generating units ("CGU").

MPG

The value in use was based on discounted cash flow projections over a period of 5 years using the actual results for 2016 as the baseline year. Growth in sales at the range from 0% to 5.8% (2015: 6.0%) was assumed for the 5 years and no terminal growth rate was considered.

A pre-tax discount rate of 10.0% (2015: 13.0%) was applied in determining the recoverable amount.

The values assigned to the key assumptions represent management's assessment of future trends of the industry in which the MPG operates and are based on both external sources and internal sources (historical data).

ZPA

The value in use was based on discounted cash flow projections over a period of 5 years using the actual results for 2016 as the baseline year. Growth in sales at the range from 2.0% to 9.4% (2015: 1.4%) was assumed for the 5 years and no terminal growth rate was considered.

A pre-tax discount rate of 12.0% (2015: 14.4%) was applied in determining the recoverable amount.

The values assigned to the key assumptions represent management's assessment of future trends of the industry in which the ZPA operates and are based on both external sources and internal sources (historical data).

The carrying amounts of goodwill and intangible assets allocated to each CGU as at 30 April are as follows:

	MPG		ZPA	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Goodwill	**9,393**	9,393	**2,361**	2,504
Order backlogs	**–**	–	**611**	946
Customer relationships	**–**	–	**2,713**	3,407
	9,393	9,393	**5,685**	6,857

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15. Land lease prepayment

	Group $'000
Cost:	
At 1 May 2014	7,665
Effect of movements in exchange rate	(691)
At 30 April 2015 and 1 May 2015	**6,974**
Transfer to property, plant and equipment (Note 11)	**(7,791)**
Effect of movements in exchange rate	**817**
At 30 April 2016	**–**
Accumulated amortisation:	
At 1 May 2014	277
Amortisation for the year	245
Effect of movements in exchange rate	(37)
At 30 April 2015 and 1 May 2015	**485**
Amortisation for the year	**177**
Transfer to property, plant and equipment (Note 11)	**(736)**
Effect of movements in exchange rate	**74**
At 30 April 2016	**–**
Net carrying amount:	
At 30 April 2016	**–**
At 30 April 2015	6,489

	Group 2015 $'000
Amount to be amortised:	
– Not later than one year	245
– Later than one year but not later than five years	981
– Later than five years	5,263

Land lease prepayment relates to the lease of a parcel of land located at Tuas Crescent, Singapore, acquired by the Group in 2013. The lease will expire in 2043. In December 2015, the Company was granted with temporary occupation permit, hence it was transferred to property, plant and equipment (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

16. Other financial assets

	Group	
	2016	2015
	$'000	$'000
Non-current financial assets		
Available-for-sale financial assets	**824**	907

Available-for-sale financial assets comprise equity securities quoted on the SGX-ST.

The Group's exposure to financial risks related to other financial assets, is disclosed in Note 31.

17. Inventories

	Group	
	2016	2015
	$'000	$'000
Statement of financial position:		
Spare parts (at cost)	**3,606**	7,943
Raw materials (at cost)	**7,312**	8,000
Work-in-progress (at cost)	**357**	480
Finished goods (at cost or net realisable value)		
– Engines	**16,478**	15,279
– Generator sets	**822**	665
	28,575	32,367
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**81,521**	63,926
Inclusive of the following charge:		
Inventories written down	**–**	1,260

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

18. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	**30,733**	26,517	**–**	–
Retention sum	**2,126**	2,905	**–**	–
GST receivables	**614**	1,636	**–**	–
Allowance for trade receivables	**(414)**	(887)	**–**	–
	33,059	30,171	**–**	–
Amounts due from subsidiary corporations, trade	**–**	–	**8,371**	11,967
Amounts due from associate	**125**	–	**–**	–
Deposits	**101**	587	**–**	–
Other receivables	**102**	–	**–**	23
Advances to suppliers	**31**	139	**–**	–
Advances to staff	**75**	216	**–**	–
Total trade and other receivables	**33,493**	31,113	**8,371**	11,990

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.

Amount due from associate and subsidiary corporations are trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

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

Trade receivables and retention sum that are past due but not impaired

The Group has trade receivables and retention sum amounting to $10,282,000 (2015: $16,440,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2016	2015
	$'000	$'000
Trade receivables and retention sum past due but not impaired:		
– Past due 0 to 30 days	**637**	10,071
– Past due 31 to 60 days	**3,775**	3,526
– Past due more than 60 days	**5,870**	2,843
	10,282	16,440

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For the financial year ended 30 April 2016

18. Trade and other receivables (cont'd)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Trade receivables	**414**	1,152
Less: Allowance for trade receivables	**(414)**	(887)
	–	265

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of the customer's creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting dates. The Group has not recognised impairment losses on certain trade receivables which are past due more than 60 days at the reporting dates as there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, management believes that there is no further credit provision required in excess of the allowance for impairment losses made.

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

18. Trade and other receivables (cont'd)

Allowance for trade receivables

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade receivables. The component of this allowance is specific loss that relates to individually significant exposures.

The movements in allowances for impairment losses in respect of trade receivables during the year are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Movement in allowance accounts:		
At 1 May 2015/2014	**887**	670
Charge for the year	**95**	178
Additions arising from business combination	**–**	39
Bad debts written off	**(560)**	–
Bad debt recovery	**(8)**	–
At 30 April	**414**	887

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to loans to customers that have defaulted on payments.

19. Contract work-in-progress

	Group	
	2016	**2015**
	$'000	**$'000**
Aggregate costs incurred and recognised profits (less losses recognised) to date on uncompleted contracts	**45,960**	47,257
Less: Progress billings and advances	**(39,892)**	(46,527)
	6,068	730
Presented as:		
Contract work-in-progress	**14,644**	9,443
Excess of progress billings over contract work-in-progress, included in trade and other payables (Note 21)	**(8,576)**	(8,713)
	6,068	730
Advances received included in contract work-in-progress	**1,866**	121
Retention sums on contract included in trade receivables	**2,126**	2,905

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

20. Cash and short-term deposits

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at bank and on hand	**12,772**	16,661	**242**	309
Short-term deposits	**71**	8,037	**–**	–
	12,843	24,698	**242**	309
Less: Fixed deposits pledged	**(51)**	(75)	**–**	–
Fixed deposits	**(20)**	–	**–**	–
Bank overdrafts (Note 28)	**–**	(129)	**–**	–
Effect of exchange rate fluctuation on fixed deposits under pledged	**(4)**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**12,768**	24,494	**242**	309

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month and six 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 0.4% to 3.3% (2015: 0.68% to 1.25%) per annum. Fixed deposits with maturity more than 3 months are excluded from cash and cash equivalents.

The fixed deposits with licensed banks are pledged to bank for bank guarantee facility granted to the Group. Fixed deposits with a licensed bank at $33,000 (2015: $37,000) are held in trust by a subsidiary corporation's director of the Company.

21. Trade and other payables

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables	**15,723**	28,790	**21**	20
Accrued operating expenses	**15,756**	7,472	**885**	964
Advance deposits	**6,005**	4,485	**–**	–
Excess of progress billings over contract work-in-progress (Note 19)	**8,576**	8,713	**–**	–
Purchase consideration payable	**–**	8,713	**–**	8,713
Provision for warranty	**241**	191	**–**	–
Other payable	**238**	103	**–**	–
GST payable	**192**	607	**77**	55
Total trade and other payables	**46,731**	59,074	**983**	9,752
Non-current	**133**	–	**–**	–
Current	**46,598**	59,074	**983**	9,752
	46,731	59,074	**983**	9,752

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

21. Trade and other payables (cont'd)

The purchase consideration payable to the vendors of the MPG (the "Vendors") relates to the second tranche of the consideration pursuant to the sale and purchase agreement entered into by the Company and the vendors, which includes a clause that entitles the Vendors up to (i) 11,000,631 new ordinary shares of the Company and (ii) a cash consideration of $4,356,000 upon the MPG meeting certain profit targets based on a formula. Such consideration had been settled in August 2015.

The Group gives warranties of 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	
	2016	**2015**
	$'000	**$'000**
Balance at beginning of the year	**191**	–
Acquisition of a subsidiary corporation	**–**	189
Provision made	**144**	18
Provision utilised	**(94)**	(16)
Balance at end of the year	**241**	191

22. Share capital

	Group and Company			
	2016	**2016**	**2015**	**2015**
	Number of shares	**$'000**	**Number of shares**	**$'000**
Issued and fully paid ordinary shares:				
At 1 May 2015/2014	**447,049,661**	**35,424**	447,049,661	35,424
Issuance of ordinary shares	**11,000,631**	**4,356**	–	–
At 30 April 2016/2015	**458,050,292**	**39,780**	447,049,661	35,424
At 30 April 2016/2015 after share consolidation of 4:1	**114,512,571**	**39,780**	111,762,415	35,424

On 5 August 2013, the Company issued an aggregate of 36,049,027* new ordinary shares to Credence Capital Fund II (Cayman) Limited ("Credence Cayman") pursuant to a subscription agreement dated 17 May 2013 at an issue price of $0.2774 per new ordinary share for an aggregate amount of $10 million.

On 22 October 2013, the Company issued an aggregate of 11,000,631* new ordinary shares to the vendors of the MPG for the partial consideration paid pursuant to the sale and purchase agreement. The fair value of the ordinary shares issued was based on the weighted average listed share price of the Company for the ten market days up to and including 7 September 2013, at $0.396 per new ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

22. Share capital (cont'd)

On 19 August 2015, the Company issued an aggregate of 11,000,631* new ordinary shares to the vendors of the MPG for the second and final tranche of consideration paid pursuant to the sale and purchase agreement. Payment in cash amounted to $4,356,000 (Note 21).

The holders of ordinary 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.

The Company has employee share option plan under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

* The aggregate number of ordinary shares before share consolidation.

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			
	2016 Number of shares '000	**2016 $'000**	**2015 Number of shares '000**	**2015 $'000**
At 1 May	**12,923**	**2,791**	15,706	3,345
Acquired during the year	**–**	**–**	584	163
Reissued pursuant to employee share option plans	**–**	**–**	(3,367)	(717)
At 30 April	**12,923**	**2,791**	12,923	2,791
At 30 April after share consolidation of 4:1	**3,231**	**2,791**	3,231	2,791

The Company acquired nil (2015: 584,000 before share consolidation) shares in the Company through purchases on SGX-ST during the financial year. The amount paid to acquire the shares was $nil (2015: $163,000) and this was presented as a component within shareholder's equity.

24. Other reserves

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Share option reserve	**1,819**	1,320	**1,819**	1,320
Fair value reserve	**75**	122	**–**	–
Foreign currency translation reserve	**(8,340)**	(11,007)	**–**	–
	(6,446)	(9,565)	**1,819**	1,320

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For the financial year ended 30 April 2016

24. Other reserves (cont'd)

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.

Fair value reserve

The fair value reserve comprises the cumulative net change, net of tax, in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

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 profits

	Company **$'000**
As at 1 May 2014	6
Profit for the year, representing total comprehensive income for the year	5,529
Dividends on ordinary shares	(5,176)
Total transactions with owners in their capacity as owners	(5,176)
As at 30 April 2015 and 1 May 2015	**359**
Profit for the year, representing total comprehensive income for the year	**3,687**
Dividends on ordinary shares	**(3,561)**
Total transactions with owners in their capacity as owners	**(3,561)**
As at 30 April 2016	**485**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

26. Dividends

	Group	
	2016	**2015**
	$'000	**$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares		
Final exempt (one-tier) dividends for 2015: 0.8 cents per share (2014: 1.2 cents per share) before share consolidation	**3,561**	5,176
Proposed but not recognised as a liability as at 30 April:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2016: 2.0 cents per share after share consolidation (2015: 0.8 cents per share before share consolidation)	**2,226**	3,473

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 two 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	
	2016	**2015**
	$'000	**$'000**
Within one year	**740**	–
Between one and five years	**852**	–
	1,592	–

Operating lease commitments – where the Group is a lessee

The future minimum lease payables under non-cancellable operating leases in respect of a parcel of land and office rents of subsidiary corporations contracted for at the statement of financial position date but not recognised as liabilities, are analysed as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Within one year	**236**	219
Between one and five years	**860**	337
After five years	**65**	114
	1,161	670

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27. Commitments (cont'd)

Operating lease commitments – where the Group is a lessee (cont'd)

The Group leased a parcel of land from Jurong Town Corporation (JTC) for a term of 30 years with effect from 16 September 1991. The lease amount payable annually is subject to yearly revision. In April 2013, the Group entered into a lease of a second parcel of land from JTC for a term of 30 years.

In addition, the Group pays a fixed sum on a monthly basis for lease of the parcel of the land adjoining to the first lease for a term of approximately 12 years with effect from 1 August 2009.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 30 April 2016 amounted to $264,000 (2015: $285,000).

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Capital commitments in respect of construction of a building	**–**	31,330

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:

	Future minimum lease payments 2016 $'000	**Present value of minimum lease payments 2016 $'000**	**Future minimum lease payments 2015 $'000**	**Present value of minimum lease payments 2015 $'000**
Group				
Within one year	**70**	**64**	106	98
Between one and five years	**103**	**87**	179	156
Total minimum lease payments	**173**	**151**	285	254
Less: Amounts representing finance charges	**22**	**–**	31	–
Present value of minimum lease payments	**151**	**151**	254	254

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28. Loans and borrowings

	Group 2016 $'000	Group 2015 $'000
Non-current liabilities		
Term loans	**41,124**	20,538
Finance lease liabilities	**87**	156
	41,211	20,694
Current liabilities		
Bank overdrafts (Note 20)	**–**	129
Trust receipts	**11,080**	10,218
Revolving credits	**6,908**	1,300
Term loans	**2,535**	251
Finance lease liabilities	**64**	98
	20,587	11,996
Total loans and borrowings	**61,798**	32,690

The banking facilities of the Group are secured by the mortgage of the Group's land and buildings with the carrying value of $59,791,000 (2015: $29,037,000) and corporate guarantees provided by the Company.

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	Face value $'000	Carrying amount $'000
2016					
Revolving credits	**SGD**	**2.38-2.68**	**2016**	**4,559**	**4,559**
Revolving credits	**JPY**	**1.25-1.38**	**2016**	**2,120**	**2,120**
Revolving credits	**EUR**	**1.30**	**2016**	**229**	**229**
Trust receipts	**USD**	**1.25-2.60**	**2016**	**4,028**	**4,028**
Trust receipts	**EUR**	**1.13-2.64**	**2016**	**3,327**	**3,327**
Trust receipts	**SGD**	**1.25-3.05**	**2016**	**2,227**	**2,227**
Trust receipts	**JPY**	**0.53-1.18**	**2016**	**1,498**	**1,498**
Term loans	**SGD**	**1.72-2.39**	**2035**	**42,104**	**42,104**
Term loans	**MYR**	**5.70**	**2028**	**1,555**	**1,555**
Finance lease liabilities	**SGD**	**1.70-3.50**	**2015-2017**	**173**	**151**
				61,820	**61,798**

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For the financial year ended 30 April 2016

28. Loans and borrowings (cont'd)

Terms and debt repayment schedule (cont'd)

	Currency	Nominal interest rate %	Financial year of final maturity	Face value $'000	Carrying amount $'000
2015					
Bank overdrafts	MYR	1.10	2016	129	129
Revolving credits	SGD	1.81-2.35	2016	1,300	1,300
Trust receipts	USD	1.56-2.77	2016	7,167	7,167
Trust receipts	EUR	1.56-2.67	2016	2,221	2,221
Trust receipts	SGD	1.56-2.80	2016	830	830
Term loans	SGD	1.65	2035	19,660	19,660
Term loans	MYR	5.65	2028	1,129	1,129
Finance lease liabilities	SGD	1.70-3.50	2015-2017	285	254
				32,721	32,690

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

	2016 %	2015 %
Trust receipts	**1.52**	2.31
Revolving credits	**2.03**	2.12
Terms loans	**2.17**	1.80
Finance lease liabilities	**2.53**	2.53

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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	
	2016	**2015**
	$'000	**$'000**
Short-term employee benefits	**2,017**	2,590
Defined contribution plans	**73**	104
Share-based payment	**216**	256
	2,306	2,950
Comprise amounts paid to:		
Directors of the Company	**1,238**	1,408
Other key management personnel	**1,068**	1,542
	2,306	2,950

Directors' interests in employee share option plan

During the financial year:

– 1,650,000* (2015: 2,350,000*) share options were granted to 2 (2015: 5) of the Company's executive directors under the Scheme (Note 10) at an exercise price of $0.130* (2015: $0.248*) each.

– In 2015, 3,367,000 share options were exercised by the directors at an average price of $0.147 each, with a total cash consideration of $493,403 paid to the Company. No options were exercised by the directors in 2016.

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 3,573,750 (2015: 12,043,000*). No share options have been granted to the Company's non-executive directors.

* The aggregate number of options before share consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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 Chief Executive Officer 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 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 Chief Executive Officer. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

30. Segment reporting (cont'd)

The segment information provided to the Group's Chairman and Chief Executive Officer for the reportable segments for the year ended 30 April 2016 is as follows:

	Distribution $'000	After-sales $'000	Projects $'000	Segments total $'000	Others $'000	Elimination $'000	Total $'000	Note
2016								
External revenue	27,405	7,296	74,459	109,160	–	(775)	108,385	
Inter-segment revenue	–	–	–	–	3,786	(3,786)	–	
Total revenue	27,405	7,296	74,459	109,160	3,786	(4,561)	108,385	
Interest income	–	–	–	–	5	(2)	3	
Dividend income	–	–	–	–	3,583	(3,561)	22	
Interest expenses	–	–	–	–	(854)	2	(852)	
Depreciation	–	–	–	–	(2,512)	–	(2,512)	
Share of results of an associated company	–	–	66	66	–	–	66	
Amortisation of land lease prepayment	–	–	–	–	(177)	–	(177)	
Amortisation of intangible assets	–	–	(1,292)	(1,292)	–	–	(1,292)	
Impairment of non-financial assets	–	–	–	–	(52)	–	(52)	
Other non-cash expenses	–	–	–	–	(592)	–	(592)	A
Reportable segment profit/(loss) before tax	5,584	1,081	6,932	13,597	(2,557)	(2,482)	8,558	
Reportable segment assets	21,624	5,327	73,129	100,080	109,728	(26,922)	182,886	
Investment in associate	–	–	207	207	–	–	207	
Capital expenditure	–	–	495	495	33,330	–	33,825	
Reportable segment liabilities	15,016	1,196	35,333	51,545	70,155	(11,002)	110,698	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

30. Segment reporting (cont'd)

	Distribution $'000	After-sales $'000	Projects $'000	Segments total $'000	Others $'000	Elimination $'000	Total $'000	Note
2015								
External revenue	34,527	9,145	48,325	91,997	–	(483)	91,514	
Inter-segment revenue	–	–	–	–	4,041	(4,041)	–	
Total revenue	34,527	9,145	48,325	91,997	4,041	(4,524)	91,514	
Interest income	–	–	–	–	112	(20)	92	
Dividend income	–	–	–	–	5,456	(5,426)	30	
Interest expenses	–	–	–	–	(352)	25	(327)	
Depreciation	–	–	–	–	(892)	–	(892)	
Amortisation of land lease prepayment	–	–	–	–	(245)	–	(245)	
Amortisation of intangible assets	–	–	(833)	(833)	–	–	(833)	
Impairment of non-financial assets	–	–	–	–	(64)	–	(64)	
Other non-cash expenses	(1,459)	–	(71)	(1,530)	(812)	–	(2,342)	A
Reportable segment profit/(loss) before tax	5,874	1,146	5,547	12,567	(1,872)	(3,729)	6,966	
Reportable segment assets	16,685	12,978	55,337	85,000	88,238	(18,343)	154,895	
Investment in associate	–	–	141	141	–	–	141	
Capital expenditure	–	–	287	287	25,050	–	25,337	
Reportable segment liabilities	8,573	22,061	32,278	62,912	35,123	(3,509)	94,526	

Note A

Other non-cash expenses consist of share-based payments, inventories written-down, loss on disposal of property, plant and equipment and impairment of financial assets as presented in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

30. Segment reporting (cont'd)

Geographical information

	Group	
	2016	**2015**
	$'000	**$'000**
Revenue from external customers		
Indonesia	**10,007**	30,112
Singapore	**66,169**	48,509
Vietnam	**18,730**	7,102
Other countries	**13,479**	5,791
	108,385	91,514
Non-current assets		
Property, plant and equipment		
Singapore	**72,972**	28,684
Malaysia	**3,303**	3,709
Indonesia	**49**	74
	76,324	32,467

Major customers

In prior year, revenue generated from a major customer of the Group's projects segment amounted to approximately $23,652,000, representing 25.8% of the Group's revenue. In current year, no customer generated revenue of 10% or more 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the country in which customers operate, as these factors may have an influence on credit risk.

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

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:

	2016 $'000	2016 % of total	2015 $'000	2015 % of total
Group				
By country:				
Indonesia	**1,507**	**5**	1,833	6
Singapore	**26,160**	**79**	22,350	74
Other countries	**5,392**	**16**	5,988	20
	33,059	**100**	30,171	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

Credit risk (cont'd)

Credit risk concentration profile (cont'd)

At the end of the reporting period, approximately:

– 79.1% (2015: 74.1%) of the Group's trade receivable is attributable to sales transactions with customers domiciled in Singapore; and

– 32.2% (2015: 27.7%) of the Group's trade receivable is attributable to sales transactions with 2 (2015: 2) major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and quoted equity securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

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 up front 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 insignificant level.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade and other receivables).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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 and the Company'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.

	2016 $'000				2015 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group								
Financial assets:								
Trade and other receivables	**32,879**	**–**	**–**	**32,879**	29,477	–	–	29,477
Cash and short-term deposits	**12,843**	**–**	**–**	**12,843**	24,698	–	–	24,698
Other financial assets	**–**	**824**	**–**	**824**	–	907	–	907
Total undiscounted financial assets	**45,722**	**824**	**–**	**46,546**	54,175	907	–	55,082
Financial liabilities:								
Trade and other payables	**31,958**	**133**	**–**	**32,091**	45,269	–	–	45,269
Loans and borrowings	**20,593**	**9,586**	**31,641**	**61,820**	12,004	5,368	15,349	32,721
Total undiscounted financial liabilities	**52,551**	**9,719**	**31,641**	**93,911**	57,273	5,368	15,349	77,990
Total net undiscounted financial liabilities	**(6,829)**	**(8,895)**	**(31,641)**	**(47,365)**	(3,098)	(4,461)	(15,349)	(22,908)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

Liquidity risk (cont'd)

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

	2016 $'000				2015 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Company								
Financial assets:								
Trade and other receivables	**8,371**	**–**	**–**	**8,371**	11,990	–	–	11,990
Cash and short-term deposits	**242**	**–**	**–**	**242**	309	–	–	309
Total undiscounted financial assets	**8,613**	**–**	**–**	**8,613**	12,299	–	–	12,299
Financial liabilities:								
Trade and other payables	**906**	**–**	**–**	**906**	9,697	–	–	9,697
Total undiscounted financial liabilities	**906**	**–**	**–**	**906**	9,697	–	–	9,697
Total net undiscounted financial assets	**7,707**	**–**	**–**	**7,707**	2,602	–	–	2,602

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

	2016 $'000				2015 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group								
Financial guarantee	**20,424**	**9,673**	**30,646**	**60,743**	11,573	3,921	15,684	31,178

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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 (Ringgit). The foreign currencies in which these transactions are denominated are mainly SGD, United States Dollars (USD) and Euros (Euro). The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group and the Company 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.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk is as follows:

	SGD $'000	Euro $'000	USD $'000
2016			
Trade and other receivables	**1,609**	**32**	**4,287**
Cash and cash equivalents	**1,471**	**288**	**7,107**
Loans and borrowings	**(44,714)**	**(3,556)**	**(4,028)**
Trade and other payables	**(370)**	**(387)**	**(757)**
Net exposure	**(42,004)**	**(3,623)**	**6,609**

	SGD $'000	Euro $'000	USD $'000
2015			
Trade and other receivables	5,530	–	6,904
Cash and cash equivalents	2,099	9	10,719
Loans and borrowings	(19,660)	(2,221)	(7,167)
Trade and other payables	(23,600)	(290)	(2,259)
Net exposure	(35,631)	(2,502)	8,197

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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 increased/(decreased) profit or loss (before any tax effects) 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 periods. 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 2015:

	Increase/(decrease) in profit or (loss) before tax	
	2016	**2015**
	$'000	**$'000**
SGD	**(2,100)**	(1,782)
Euro	**(181)**	(125)
USD	**330**	410

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	
	2016	**2015**
	$'000	**$'000**
Variable rate instruments		
Bank overdrafts	**–**	129
Trust receipts	**11,080**	10,218
Term loans	**43,659**	20,789
Revolving credits	**6,908**	1,300
	61,647	32,436
Fixed rate instruments		
Finance lease liabilities	**151**	254

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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 (2015: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $616,470 (2015: $324,360) higher/lower, 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.

Fair value of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and receivables $'000	Available-for-sale $'000	Total carrying amount $'000
Group			
2016			
Cash and short-term deposits	**12,843**	**–**	**12,843**
Trade and other receivables	**32,879**	**–**	**32,879**
Available-for-sale financial assets:			
quoted equity securities	**–**	**824**	**824**
	45,722	**824**	**46,546**
2015			
Cash and short-term deposits	24,698	–	24,698
Trade and other receivables	29,477	–	29,477
Available-for-sale financial assets:			
quoted equity securities	–	907	907
	54,175	907	55,082

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

Fair value of financial instruments (cont'd)

	Designated at fair value $'000	Other financial liabilities within scope of FRS 39 $'000	Other financial liabilities outside scope of FRS 39 $'000	Total carrying amount $'000
Group				
2016				
Trust receipts	**–**	**11,080**	**–**	**11,080**
Revolving credits	**–**	**6,908**	**–**	**6,908**
Secured bank loans	**–**	**43,659**	**–**	**43,659**
Finance lease obligations	**–**	**–**	**151**	**151**
Trade and other payables*	**–**	**37,963**	**–**	**37,963**
	–	**99,610**	**151**	**99,761**
2015				
Bank overdrafts	–	129	–	129
Trust receipts	–	10,218	–	10,218
Revolving credits	–	1,300	–	1,300
Secured bank loans	–	20,789	–	20,789
Finance lease obligations	–	–	254	254
Trade and other payables*	8,713	41,041	–	49,754
	8,713	73,477	254	82,444

* exclude excess of progress billings over contract work-in-progress and GST payable

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

Fair value of financial instruments (cont'd)

	Designated at fair value $'000	Loans and receivables $'000	Other financial liabilities within scope of FRS 39 $'000	Total carrying amount $'000
Company				
2016				
Cash and short-term deposits	**–**	**242**	**–**	**242**
Trade and other receivables	**–**	**8,371**	**–**	**8,371**
	–	**8,613**	**–**	**8,613**
Trade and other payables	**–**	**–**	**906**	**906**
2015				
Cash and short-term deposits	–	309	–	309
Trade and other receivables	–	11,990	–	11,990
	–	12,299	–	12,299
Trade and other payables	8,713	–	984	9,697

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 that 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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

Fair value hierarchy (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2016				
Financial asset				
Available-for-sale financial assets				
– quoted equity securities	**824**	**–**	**–**	**824**
2015				
Financial asset				
Available-for-sale financial assets				
– quoted equity securities	907	–	–	907
Financial liability				
Purchase consideration payable for business combination	–	–	8,713	8,713
Company				
2015				
Financial liability				
Purchase consideration payable for business combination	–	–	8,713	8,713

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the valuation technique and the key unobservable inputs used in the determination of fair value of the purchase consideration payable as at 30 April 2015.

	Valuation techniques	Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Purchase consideration payable for business combination	The fair value is determined considering the probability of the MPG meeting the specified earn-out targets and the share price of the Company on the date the earn-out targets are met.	• Forecast share price at $0.396 at the consideration due date	The estimated fair value would increase/decrease if the share price is higher/lower.
		• Forecast EBITA margin at 9.7% • Forecast net profit growth rate at 0%	The estimate fair value would decrease if the forecast EBITA margin is lower than 9.7% or the net profit growth rate is below 0%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2016

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 2016 and 2015. Neither the Company nor any of its subsidiary corporations are subject to externally imposed capital requirements.

34. Authorisation of financial statements for issue

The financial statements for the year 30 April 2016 were authorised for issue in accordance with a directors' resolution dated 28 July 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 20 JULY 2016

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	4	0.40	150	0.00
100 – 1,000	180	17.54	116,975	0.11
1,001 – 10,000	525	51.17	2,375,450	2.13
10,001 – 1,000,000	310	30.21	18,147,490	16.31
1,000,001 and above	7	0.68	90,641,756	81.45
Total	1,026	100.00	111,281,821	100.00

Notes:

%: *Based on 111,281,821 shares (excluding shares held as treasury shares) as at 20 July 2016*

* *Treasury Shares as at 20 July 2016 – 3,230,750 shares*

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LTD	45,151,175	40.57
2	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	20,917,018	18.80
3	TAN TUM BENG	8,714,494	7.83
4	TAN GUAT LIAN	6,569,744	5.90
5	DBS NOMINEES PTE LTD	4,584,525	4.12
6	TAN SENG HEE	2,814,250	2.53
7	BANK OF SINGAPORE NOMINEES PTE LTD	1,890,550	1.70
8	HONG LEONG FINANCE NOMINEES PRIVATE LIMITED	909,425	0.82
9	CIMB SECURITIES (SINGAPORE) PTE LTD	705,325	0.63
10	HONG PIAN TEE	600,000	0.54
11	THAM SOW LIN	573,248	0.52
12	CITIBANK NOMS S'PORE PTE LTD	560,500	0.50
13	KOK MOO YONG	442,000	0.40
14	ONG POH SENG OR TAN SWEE CHIN	422,000	0.38
15	OCBC SECURITIES PRIVATE LTD	352,925	0.32
16	YEO SECK KAN	346,750	0.31
17	LOKE CHOON HOE	284,992	0.26
18	ALL BIG FROZEN FOOD PTE LTD	255,100	0.23
19	OCBC NOMINEES SINGAPORE	253,625	0.23
20	TAN BOON KHAK HOLDINGS PTE LTD	221,875	0.20
	Total:	**96,569,521**	**86.79**

Notes:

%: *Based on 111,281,821 shares (excluding shares held as treasury shares) as at 20 July 2016*

* *Treasury Shares as at 20 July 2016 – 3,230,750 shares*

STATISTICS OF SHAREHOLDINGS

AS AT 20 JULY 2016

Rule 723 Compliance

Based on the information available to the Company as at 20 July 2016, approximately 23.8% of the issued ordinary shares (excluding treasury shares) 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]	44,857,500	40.31	–	–
Credence Capital Fund II (Cayman) Limited[2]	20,917,018	18.80	–	–
Tan Tum Beng	8,714,494	7.83	–	–
Tan Guat Lian[1]	6,569,744	5.90	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 20 July 2016, Tan Seng Hee has an interest in 2,814,250 Shares in the Company (after the share consolidation was effected) representing approximately 2.53% of the total issued share capital (excluding any treasury shares held by the Company).

(2) Credence Capital Fund II (Cayman) Limited has subscribed for 9,012,256 (after the share consolidation was effected) 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 (after the share consolidation was effected) 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 20 July 2016, Credence Capital Fund II (Cayman) Limited now holds approximately 18.80% of the total issued ordinary shares of the Company.

(3) Based on 111,281,821 shares (excluding shares held as treasury shares) as at 20 July 2016.

Treasury Shares

As at 20 July 2016, the Company held 3,230,750 treasury shares, representing 2.82% of the total issued ordinary shares.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of XMH Holdings Ltd. ("the Company") will be held at 55 Tuas Crescent #07-01 Singapore 638743 on Monday, 29 August 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company for the financial year ended 30 April 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend (tax exempt one-tier) of 2.0 cents per ordinary share for the financial year ended 30 April 2016. (2015: 0.8 cents per ordinary share) **(Resolution 2)**

3. To approve the payment of Directors' fees of S$170,600 for the financial year ended 30 April 2016 (2015: S$167,000). **(Resolution 3)**

4. To re-elect the following Directors of the Company retiring pursuant to Regulation 89 of the Constitution of the Company:

   (a) Ms. Tan Guat Lian **(Resolution 4)**
   (b) Mr. Chan Heng Toong **(Resolution 5)**

   [See Explanatory Note (i)]

5. To re-appoint Mr. Hong Pian Tee, a Director of the Company who is over 70 years of age, retiring pursuant to Section 153(6) of the Companies Act, Chapter 50. **(Resolution 6)**

   [See Explanatory Note (ii)]

6. 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 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

8. **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**

That 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**"), 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 in pursuance of 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 in pursuance of 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) 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) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

(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) 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 outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(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 (iii)] **(Resolution 8)**

9. **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 and empowered to offer and grant share options under the XMH Share Option Scheme (the "**Scheme**") and 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 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) 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 (iv)] **(Resolution 9)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 11 August 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) (a) The key information on Ms. Tan Guat Lian is set out on page 37 of the Annual Report.

(b) Mr. Chan Heng Toong will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. The key information on Mr. Chan Heng Toong is set out on page 38 of the Annual Report.

(ii) Mr. Hong Pian Tee who is over the age of 70 was re-appointed as Director to hold office from the date of the last Annual General Meeting held on 28 August 2015 until this AGM pursuant to Section 153(6) of the Companies Act, Chapter 50. Section 153(6) of the Companies Act, Chapter 50 was repealed when the Companies (Amendment) Act 2014 came into effect on 3 January 2016. As his appointment lapses at this AGM, Mr. Hong Pian Tee will have to be re-appointed to continue in office. Upon his re-appointment at the conclusion of this AGM, going forward, Mr. Hong Pian Tee's re-appointment will no longer be subject to shareholders' approval under Section 153(6) of the Companies Act, Chapter 50 as repealed. Mr. Hong Pian Tee will then be subject to retirement by rotation under the Company's Constitution. Upon his re-appointment as a Director of the Company at the conclusion of this AGM, he remains as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. The key information on Mr. Hong Pian Tee is set out on page 37 of the Annual Report.

(iii) Resolution 8 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) 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) 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.

(iv) Resolution 9 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 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) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. Where a member of the Company appoint two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. If the member is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 55 Tuas Crescent #07-01 Singapore 638743 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* 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.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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XMH HOLDINGS LTD.
(Company Registration No. 201010562M)
(Incorporated In the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. 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.

I/We, ____________________________________ (Name) ______________ (NRIC/Passport No./Co. Registration No.)
of ____ (Address)
being *a member/members of **XMH HOLDINGS LTD.** (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

as my/our proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 55 Tuas Crescent #07-01 Singapore 638743 on Monday, 29 August 2016 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our proxy/proxies* to vote for or against the Resolutions 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 proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Resolutions relating to:	No. of Votes 'For'**	No. of Votes 'Against'**
Ordinary Business			
1	Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 30 April 2016		
2	Declaration of a first and final dividend (tax exempt one-tier)		
3	Approval of Directors' fees amounting to S$170,600 for the financial year ended 30 April 2016		
4	Re-election of Ms. Tan Guat Lian as a Director		
5	Re-election of Mr. Chan Heng Toong as a Director		
6	Re-appointment of Mr. Hong Pian Tee as a Director pursuant to Section 153(6) of the Companies Act, Chapter 50		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
8	Authority to allot and issue new shares		
9	Authority to allot and issue shares under the XMH Share Option Scheme		

* *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.*

Dated this ________ day of ______________ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
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 a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company who is not a Relevant Intermediary* entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member who is not a Relevant Intermediary* appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 55 Tuas Crescent #07-01 Singapore 638743 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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 a proxy or proxies 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.

8. 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.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* 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 a proxy or proxies 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 a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies 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 a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 August 2016.

XMH

XMH HOLDINGS LTD.
55 Tuas Crescent
#07-01
Singapore 638743