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

RESPONSE TO SECURITIES INVESTORS ASSOCIATION (SINGAPORE) QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 APRIL 2025

The Board of Directors (the "**Board**") of XMH Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by the Securities Investors Association (Singapore) ("**SIAS**") with respect to the Company's Annual Report for the financial year ended 30 April 2025 ("**FY2025**") ("**Annual Report**").

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

Query 1:

The operations and financial review (page 14 of the annual report) shows that all three segments recorded revenue growth, with the project segment more than doubling its revenue to $65.5 million.

OPERATIONS
AND FINANCIAL REVIEW

DISTRIBUTION REVENUE	PROJECT REVENUE	AFTER-SALES REVENUE
S$86.0m	S$65.5m	S$15.6m
10.4% higher than FY2024	101.5% higher than FY2024	13.0% higher than FY2024

(Source: company annual report)

Total group revenue rose 34.5% to $167.1 million. The strategic focus on the data centre segment delivered results, with the project segment securing several key contracts that significantly boosted revenue.

The group's order book reached approximately $190.6 million as at 18 July 2025, up from $127.5 million a year earlier and $124.4 million in 2023.

(i) **How sustainable is the growth in the data centre (and projects) segment, and is this growth coming only from Malaysia?**

In the distribution segment, management noted that robust and sustained requirements for engines powering tugboats in Indonesia's commodities transportation sector continued to drive demand.

(ii) **How much market share does the group have in the Indonesian commodities transportation engine segment? Based on the underlying drivers of the commodities sector, what is the estimated duration of the current demand growth cycle, and what risks could shorten this horizon?**

(iii) **Separately, what is management's strategy to maximise recurring revenue from the after-sales segment, and how does it plan to deepen customer lock-in through services, parts, and maintenance contracts?**

Company's response to Query 1:

(i) For FY2025, the growth in our data centre business mainly came from Malaysia. Looking ahead, the expansion of cloud computing, AI applications, and e-commerce is driving sustained demand for new facilities across Southeast Asia. Countries such as Indonesia, the Philippines and Thailand, are also actively developing their digital infrastructure to attract global hyperscalers, creating recurring opportunities for us throughout the region.

(ii) Unfortunately, publicly available data on the size of the Indonesian commodities transportation engine market is both vague and outdated. However, drawing from our extensive market experience, we believe our scale and proven track record in recent years position us strongly in the Indonesian tug and barge engine segment. The ongoing demand is driven by robust activity in commodities transportation, which continues to support high levels of tugboat utilization. While we anticipate steady growth based on our confirmed orders, factors such as fluctuations in commodity prices, changes in government export policies, or new environmental regulations could influence the pace of demand.

(iii) In the after-sales segment, we prioritize building long-term relationships with our customers. This is achieved by consistently providing genuine spare parts and customized service packages. By expanding our service network and ensuring parts are strategically located closer to our customers, we aim to improve delivery efficiency, strengthen customer loyalty, and drive recurring revenue growth.

Query 2:

Despite higher reported profits, net cash generated from operating activities fell sharply to $9.4 million in FY2025, primarily due to a substantial increase in working capital requirements.

	Note	2025 $'000	2024 $'000
Cash flows from operating activities			
Profit before tax		**31,144**	16,584
Operating cash flows before changes in working capital		**35,404**	25,149
Changes in working capital:			
– Increase in inventories		**(35,454)**	(4,520)
– (Increase)/decrease in trade and other receivables		**(3,071)**	5,365
– (Increase)/decrease in prepayment		**(319)**	13
– (Increase)/decrease in contract assets		**(20,117)**	8,790
– Increase/(decrease) in trade and other payables		**37,152**	(10,252)
– Decrease in employee benefit liability		**(8)**	(9)
– (Decrease)/increase in contract liabilities		**(347)**	58
Cash generated from operations		**13,240**	24,594
Tax paid, net		**(3,827)**	(2,108)
Net cash generated from operating activities		**9,413**	22,486

(Adapted from company annual report; Consolidated statement of cash flows; page 105)

Details of the group's credit risk management framework can be found in Note 28 on pages 157 to 165.

The "impairment assessment of trade receivables and contract assets" was also identified by the independent auditor as a key audit matter (KAM) in the auditor's report (page 97). Trade receivables and contract assets[1] balances represented 19% of total assets as at 30 April 2025. Their carrying amounts were $5,744,000 (2024: $5,806,000) and $31,905,000 (2024: $11,850,000) respectively.

(i) **Can management clarify whether the sharp increase in contract assets is primarily a timing-related matter or due to underlying changes in commercial terms, billing practices, or customer acceptance processes?**

(ii) **What specific measures has management taken to ensure the credit quality of both trade receivables and contract assets, particularly given their material growth and concentration risk?**

(iii) **What guidance has the board or audit committee given management to improve working capital efficiency, especially as projects grow in scale and more capital becomes tied up in work-in-progress and receivables?**

Company's response to Query 2:

(i) It is due to a timing-related matter.

(ii) The Group monitors the credit risk of its customers closely to ensure the quality of its trade receivables and contract assets. In particular, the Group also implements customer/business-specific credit limits before contract acceptance. For contract assets, we employ milestone-based invoicing to reduce exposure. Ongoing monitoring is conducted through regular aging reports and credit risk reviews, particularly for significant customers with heightened risk.

(iii) The Company has learnt invaluable lessons during the challenging period when the Company was placed under the SGX Watchlist and the Covid 19 pandemic years. Accordingly, the Company ensures efficient and prudent management of working capital at all times and this discipline is now ingrained into the Group's culture and consistently reinforced by the top management.

Specifically, the Board and Audit Committee have emphasised the importance of maintaining strict discipline over working capital as projects grow in scale. Management has been tasked to:

- Closely monitor project milestones and billing schedules to accelerate conversion from work-in-progress to receivables.
- Strengthen collection processes to minimise payment delays.
- Conduct regular reviews of inventory and project pipeline to optimise resource allocation.

These measures are aimed at ensuring that capital tied up in projects is efficiently managed, enabling us to support growth without undue strain on cash flow. The significant improvement in the results of the Group over the past few years is testament to the efforts put in to strengthen this area.

Query 3:

As disclosed in the corporate governance report, the internal audit function of the group is outsourced to CLA Global TS Risk Advisory Pte. Ltd.

(i) **What processes does the audit committee (AC) use to define and update the internal audit scope to reflect the group's most material risks and strategic priorities?**

(ii) **Given the significant increase in revenue from Indonesia and Malaysia, what new risk factors have been identified in these markets and how are they being mitigated?**

(iii) **What is the duration of the group's internal audit cycle?**

(iv) **Were all key operating subsidiaries in Indonesia, Malaysia and Singapore included in the internal audit?**

(v) **Can the AC provide a detailed overview of the scope of the internal audit for FY2025, along with the key findings and specific recommendations made by the internal auditor?**

Company's response to Query 3:

(i) The Group adopts a risk-based and rotational 3-year internal audit plan cycle which focuses on the checks of the internal controls on material risks of the key operating entities within the Group. The scope of work for the internal auditors ("**IA**") is constantly reviewed and updated to ensure that it is kept current and reflective of all material risks relevant to the Group. This is done through constant dialogue between the AC and IA as well as through personal training courses.

Apart from the formal AC meetings, the AC meets with our IA at least twice a year, without the participation of management, to discuss the findings of the IA reports as well as to receive any other feedback. Further, aside from real-time knowledge gained from their own respective professional full-time work, the AC members also attend regular courses to keep themselves abreast with new and emerging risks that are trending in the market. The AC would engage in discussions with the IA on whether certain new risks or risks that have grown in significance are relevant to our Group and to incorporate certain action steps into the internal audit plan as and when relevant and necessary.

(ii) With higher revenue from Indonesia and Malaysia, risks such as customers/supplier concentration and collectability of receivables become even more prevalent. Risks inherently associated with these countries may also be magnified. However, these risks are not new. Management remains cognizant of such risks and are constantly keeping a closer watch on local regulatory compliance, supply chain resilience, and credit risk. These risks are further mitigated through stronger local compliance processes, diversified suppliers, and strict credit controls. The AC and management review these risks regularly to ensure they remain within acceptable tolerance levels and to enable timely response.

(iii) Please refer to the Company's response to Query 3 (i) above.

(iv) Please refer to the Company's response to Query 3 (i) above.

(v) For FY2025 and based on the 3-year internal audit cycle, the audit areas reviewed by the IA were (i) payroll and personnel, (ii) inventory management, and (iii) fabrication and commissioning in relation to Mech Power Generator Sdn. Bhd. and Mech-Power Generator Pte Ltd. No major findings were noted by the IA.

The IA has noted moderate risk findings involving certain lapses in inventory controls, safety and security measure and the need to formalize and approve certain policies and procedures. By the end of FY2025, the IA has checked and reported that all these issues have been remediated with appropriate action plans put in place by management.

BY ORDER OF THE BOARD

Tan Tin Yeow
Chairman and Managing Director
22 August 2025