



BUILDING ON OUR STRENGTHS

ANNUAL REPORT 2013



VISION

To be Asia's most trusted partner in power solutions

MISSION

Our mission is to deliver optimal and reliable solutions to our marine and industrial customers.

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CORPORATE PROFILE



Established in 1955, XMH Holdings Ltd. (the “Group”) started as a small machinery repair and maintenance shop in Kitchener Road. The Group is now a trusted name as a diesel engine, propulsion and power generating solutions provider in the marine and industrial sectors across Asia. The Group’s business activities may be broadly categorised into the following: (i) distribution and provision of value-added products and services; and (ii) after-sales services, trading and others.

The Group has expanded its product offerings over the years to include distributorship, agency or dealership rights from reputable brands such as Mitsubishi, Akasaka and Kamome (Japan), Hyundai, D-I and Doosan (South Korea), SOLE, Korsor, Reintjes, CENTA, Scania (Europe), Mentrade (Singapore) and Guangzhou Diesel (China).

The Group has also scaled up the value-chain with the re-branding 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. This enhanced the Group’s capabilities in providing more customised solutions to its customers with diverse needs.

CORPORATE MILESTONES

1960s

We engaged in the resale of used industrial diesel engines and machinery from suppliers in the United Kingdom to modification of engines for customers in the timber industry.

1970s

We converted from sole proprietorship to forming of partnership – Meng Wah Machinery Work.

1950s

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

1980s

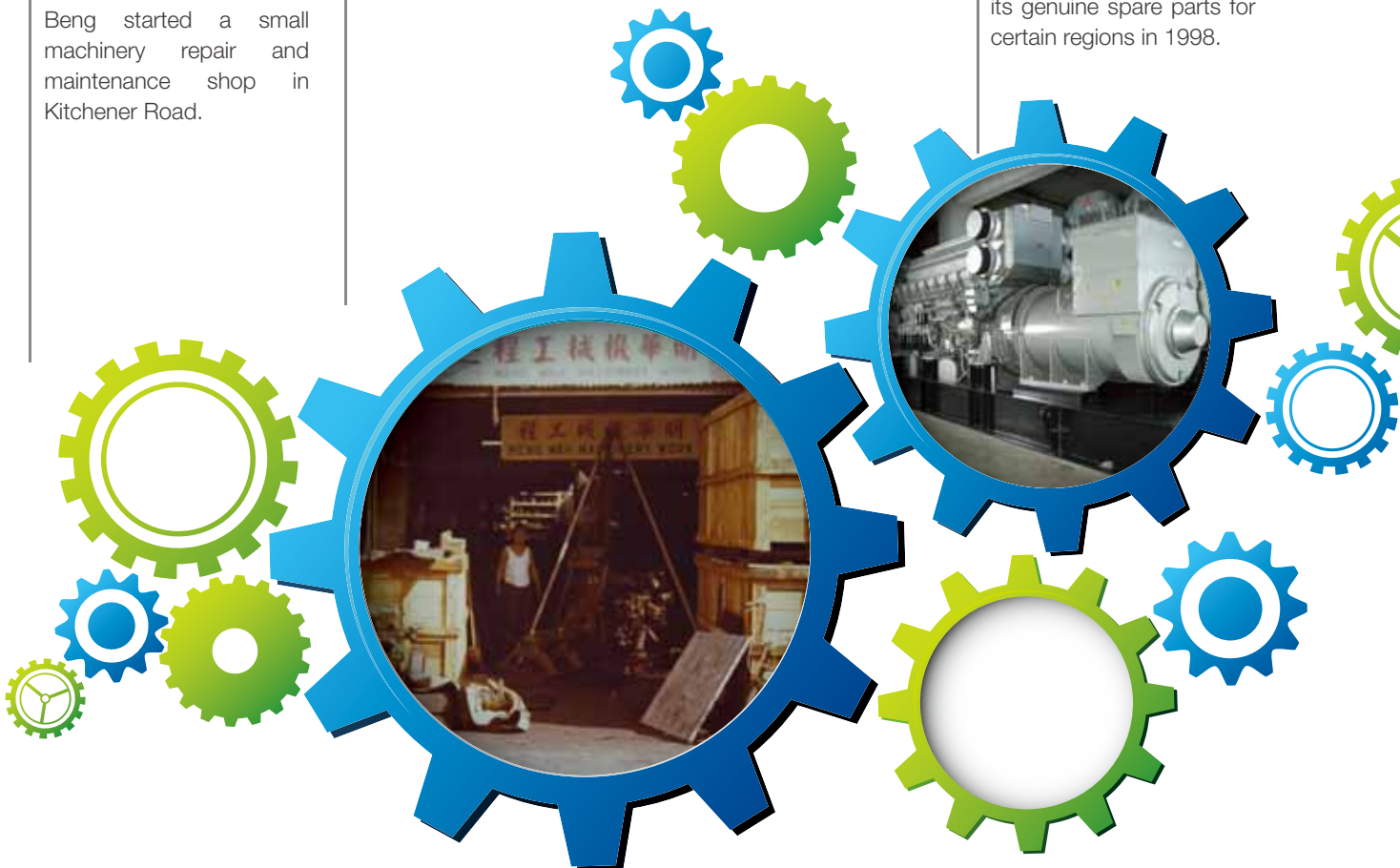
We became one of the leading suppliers of used industrial and marine diesel engines and related machinery manufactured in Japan.



1990s

Xin Ming Hua Pte. Ltd. was incorporated in 1991.

We began the distribution for a limited range of marine diesel engines and power generating sets under Mitsubishi brand in 1996 and secured exclusive distribution rights for SOLÉ brand of marine diesel engines and its genuine spare parts for certain regions in 1998.



CORPORATE
MILESTONES

AKASAKA DIESELS



2000s

We progressively secured distribution rights for products from a wide range of brands namely Akasaka, Hyundai, Doosan, Korsor, Reintjes, D-I, CENTA and Mentrade with some on exclusive basis.

We started to develop and market a range of power generating sets under the in-house brand “e-Gen”, which can offer value-added customisation service.

In 2006, we set up our People's Republic of China (the “PRC” or “China”) (Shanghai) overseas marketing office (“OMO”) to support our marketing activity in China.

In 2007, we established XMH Engineering Pte. Ltd. to design and develop XMH IPS, a one-stop integrated solution for the propulsion requirements of marine vessels.

2010s

In 2010, the signing ceremony between MHI Engine System Asia Pte Ltd and Xin Ming Hua Pte Ltd on the distributorship agreement for new territories.

In 2011, the Company was admitted to the mainboard of the Official List of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and set up our Vietnam (Ho Chi Minh City) overseas marketing office to support our marketing activity in Vietnam.

In 2012, we secured another 2 new principals, the Guangzhou Diesel for industrial/marine diesel engine and power generating sets and Kamome Propeller for thrusters and its control system.

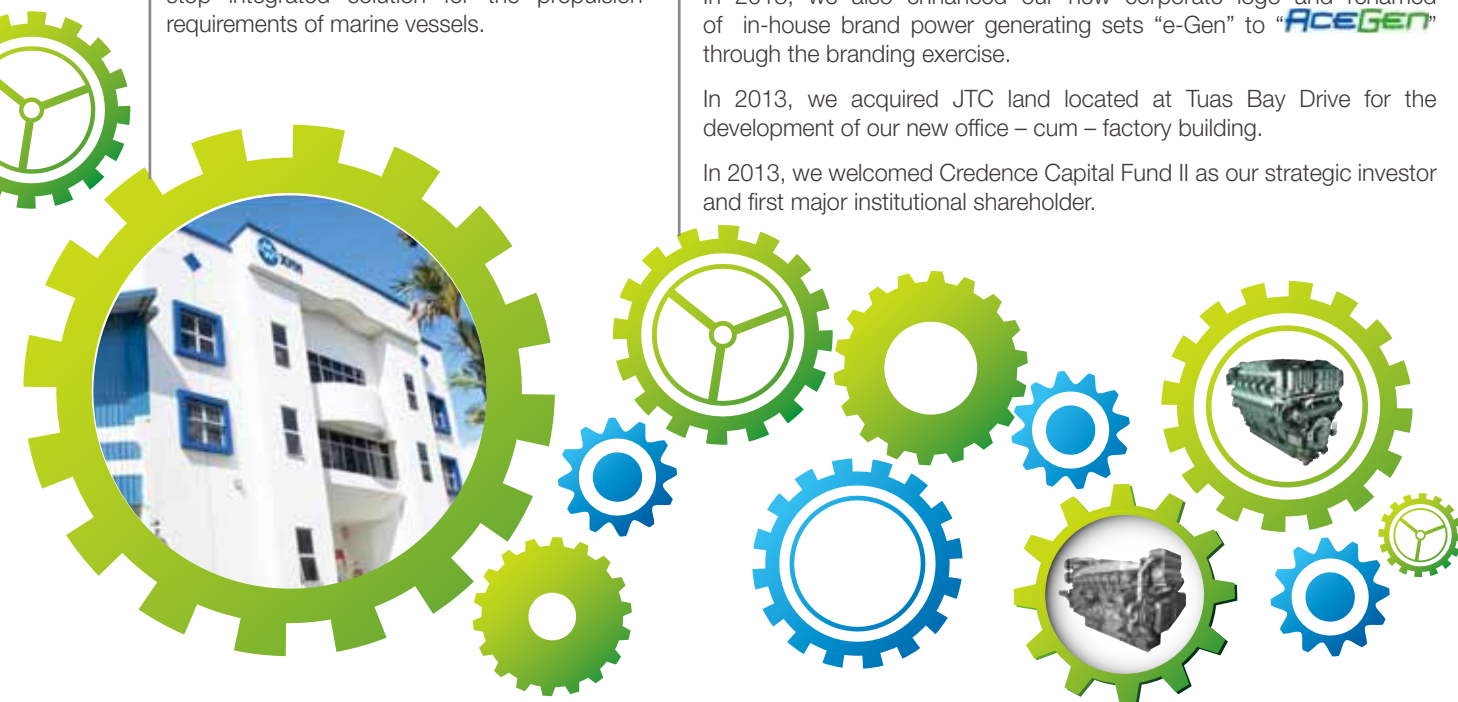
In 2013, we established Acegen Pte. Ltd. (“Acegen”) to do assembly for our in-house brand “**AceGen**” power generating set.

In 2013, we secured another new principal, Scania for marine propulsion and auxiliary engines and related spare parts.

In 2013, we also enhanced our new corporate logo and renamed of in-house brand power generating sets “e-Gen” to “**AceGen**” through the branding exercise.

In 2013, we acquired JTC land located at Tuas Bay Drive for the development of our new office – cum – factory building.

In 2013, we welcomed Credence Capital Fund II as our strategic investor and first major institutional shareholder.



OUR 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.



CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of XMH Holdings Limited ("XMH" or collectively known as the "Group"), I am pleased to present to you our annual report for the financial year ended 30 April 2013 ("FY2013").

CHAIRMAN'S MESSAGE

XMH operates in a niche market and we are fortunate to be in a position where our key markets of Indonesia and Singapore have continued to show much resilience. The economic outlook for Indonesia in particular remains positive. Coal, one of Indonesia's most abundant natural resources, continues to see demand from China and India.

The construction of power plants in Indonesia will also create demand for coal. Apart from coal, Indonesia has numerous other natural resources including palm oil and tin. These are also high in demand, and transporters are looking to increase and upgrade their existing logistics options to reach out to a larger customer base.

We are optimistic that the marine transportation industry within Indonesia, both for domestic consumption and export will continue to drive the demand for tugs and barges and self-propel barges. The overall trans-shipment growth has been positive and in addition, Indonesia has put in place Cabotage laws which state that only vessels flying the Indonesian flag will be allowed to operate within Indonesia.

XMH has just come off the back of a very positive year of growth. As a Group, we finished the financial year strongly with a 56.9% increase in revenue, from \$62.2 million in FY2012 to \$97.6 million in FY2013. Much of the revenue growth came from the Group's main "Distribution" business segment i.e. sales of engines and other agency products

Over the past years, the Group has worked tirelessly to expand our product range and service offerings, and we are now starting to

reap the rewards of our efforts. This expansion in product range and service offerings includes the Group's in-house integrated propulsion system ("XMH IPS") solutions package, which has seen good growth in revenue. We believe that this product still has plenty of room to fulfill its potential and continue to show good results.

The Group was also aided by a positive currency swing, as the Japanese Yen hit a high of 100 Japanese Yen to 1 US Dollar in April 2013, with an average of 84 Japanese Yen to 1 US Dollar throughout FY2013. This has resulted in a healthy increase of customers taking deliveries without delay, contributing to the increase in revenue.

Gross profit for the Group grew by 46.4% to \$22.9 million in FY2013, in line with the surge in revenue. However, the Group saw a slight dip of 1.7 percentage points in our gross profit margin as a result of changes in product mix.

In FY2012, the Group saw a one-off gain arising from the deposits forfeited from a customer amounting to \$3.7 million boosting our net profit attributable to shareholders to \$9.5 million. In FY2013, this number decreased to \$0.7 million. Despite the absence of a significant sum arising from our other income, the Group was still able to post a strong finish to the financial year, as we saw a growth in net profit to \$11.4 million, an increase of 20.1% compared to the \$9.5 million posted in FY2012, once again lending weight to our growing yet steady business.

Our balance sheet continues to remain strong, supported by a very robust cash balance of \$43.7 million as at 30 April 2013, compared to \$39.2 million as at 30 April 2012. This is after paying some \$8.4m for the land parcel located at Tuas Bay Drive that will be used for the development of our new office-cum-factory building.

GROWING ORGANICALLY

XMH distributes a comprehensive range of marine and industrial diesel engines, propulsion and power generating sets. During the financial year, we have added one new brand, Scania and now carry more than 4,000 product items under thirteen (13) renowned brands. We have exclusive distributorship rights from many of our principals. Notably, XMH is the only authorized sales dealer in this region for brands like Akasaka, SOLE, Doosan and Korsor.

**CHAIRMAN'S
MESSAGE**

The addition of Scania will add a range of marine propulsion engines, marine auxiliary engines and related spare parts to our product range and I am pleased to share with you that we are continuously on the lookout for new distributorships to increase our value proposition. We have established a long standing relationship with our principals and continuous additions of new brands and products enhances our capabilities and network. In addition, our new wholly-owned subsidiary, Acegen Pte Ltd, has already begun assembling our own in-house power generating sets and silencers for our customers, with the first deliveries to be made in July 2013.

XMH is headquartered in Singapore and has operational presence in China and Indonesia and Vietnam, with Indonesia being our largest market to date. To better support customers in terms of procurement and after-sales services, XMH works closely with appointed dealers in Malaysia, Maldives, Middle East and Vietnam. We are currently in the process of expanding into emerging markets like India and Vietnam and we look forward to providing timely updates to our shareholders as and when they become available.

Earlier in the year, the Group completed the acquisition of a plot of land which is intended for the construction of the Group's new premises. This new premises will be able to accommodate new assembly and production lines and increase the Group's general warehousing capacities. The Group has targeted to complete the construction by 2016.

REWARDING OUR SHAREHOLDERS

To reward our loyal shareholders, we have proposed to increase our dividend payout from 1.0 Singapore cent per ordinary share in the previous financial year to 1.2 Singapore cents per ordinary share for FY2013. This amount includes a special dividend of 0.2 Singapore cents per ordinary share, translating into a dividend payout ratio of 40.4%. The proposed dividend is subject to the approval of shareholders at the upcoming Annual General Meeting ("AGM").

SAILING AHEAD

We are hopeful that our niche operations in Indonesia and the promise shown by the marine transportation industry will translate into additional opportunities for the Group. As the demand for Indonesian-owned tugs and barges increases, we hope to be able to leverage on our wide range of products to reach out to more customers.

In 2013, we welcome Credence Capital Fund II ("Credence") as a strategic investor and first major institutional shareholder into the Group. We believe that there will be many opportunities to tap on the extensive network and expertise of Credence to enhance our own market position. As part of the Group's ongoing efforts to position itself as an emerging regional brand, we have also embarked on a rebranding effort, beginning first with a new logo, designed to bring across a new modern identity as we improve our engineering and internal operational capability.

A NOTE OF APPRECIATION

Finally, I will also like to extend my sincerest gratitude to my fellow Board members and colleagues – your dedication to the XMH cause is admirable and we would not have gotten so far without your steadfast commitment. To our business partners, associates, customers and suppliers, your unwavering support of the Group has brought us many returns and we look forward to continuing this fruitful relationship.

All of us at XMH look forward to meeting with you at the upcoming AGM!

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 has overall responsibility for planning and corporate direction of the Group. He has been instrumental in the Group's development and was responsible for, inter alia, establishing the distribution arm and securing the exclusive distributorship for a limited range of Mitsubishi brand of high-speed and medium-speed marine diesel engines and products.

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.



MR. TAN SENG HEE
EXECUTIVE DIRECTOR
AND DEPUTY CEO

MR. TAN was appointed as Executive Director (Trading & Support) and Deputy CEO on 29 October 2010. He is responsible for the business and operations of the trading of used engines and after sales support.

He has contributed significantly to the early stages of the Group's development since he joined the Group as a manager in 1996, and was promoted to Executive Director (Trading & Support) in January 2000.

Mr. Tan has over 25 years of experience in the marine and industrial diesel engines industry, mainly in the sale of used engines in the regional markets. Prior to joining the Group in 1996, he was with Meng Wah Machinery Work since 1974.



MR. CHUA TIONG WEI
EXECUTIVE DIRECTOR

MR. CHUA was appointed as Executive Director (Sales & Business Development) on 29 October 2010. He oversees the development and implementation of sales and business strategies for the Group. Mr. Chua has contributed significantly to the Group's expansion since he joined the Group.

He is also responsible for maintaining good corporate relations with both existing and potential customers and suppliers, and for venturing into new markets to build up our sales team(s). Mr. Chua has more than 16 years of sales experience of which 10 years are related to marine industry. He obtained Specialist Diploma in Shipping Operation and Management, and Degree in International Business Management from Northumbria University.



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 operations of various departments of the Group, including the administrative, logistics 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 information technology departments. She has more than 15 years of relevant experience in the Administrative and Human Resource.

BOARD OF
DIRECTORS

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 Ltd., both of which are companies listed on the mainboard of the Official List of the SGX-ST.

Mr. Hong is a veteran in corporate finance and advisory, with over 26 years of experience in prominent global accounting firms. He previously held independent directorships on the board of mainboard listed companies, Asia Food & Properties Limited and Sin Ghee Huat Corporation Ltd., from 2001 to 2009.

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.

Mr. Chan assumed key management positions in various established banks including Citibank N.A, American Express Bank (NY), Overseas Union Bank Limited, 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 was appointed as Independent Director on 29 October 2010. He is currently a partner in the Banking & Finance practice group in Rajah & Tann LLP. He is also an independent director of Hiap Tong Corporation Ltd. and Gaylin Holdings Limited both of which are listed on the SGX-ST.

Mr. Ng commenced his legal practice in Rajah & Tann LLP in 2000 and was made a partner of Rajah & Tann LLP 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.



MR. HONG PIAU TEE
INDEPENDENT DIRECTOR



MR. CHAN HENG TOONG
INDEPENDENT DIRECTOR



MR. NG SEY MING
INDEPENDENT DIRECTOR

SENIOR MANAGEMENT



**MR. CHIA CHUNG MUN
ALPHONSUS**
DEPUTY CEO

Mr Chia was appointed as Deputy Chief Executive Officer on 23 August 2012 and responsible for business development, after-sales technical support and spare parts sales. He also assists the CEO in mapping out strategies for the Group's internal and external development.

Prior to Mr Chia's current appointment, he was the Chief Executive Officer of Singapore Cooperation Enterprise (SCE), an agency formed by the Ministry of Trade and Industry and the Ministry of Foreign Affairs of Singapore to build long-term partnerships with foreign parties and also generate business opportunities for Singapore's private sector.

Mr Chia has over 20 years of working experience and held senior position in leading organizations – International Enterprise (IE) Singapore (2004-2007), Reed Exhibitions (2001-2004) and Singapore Airlines (SIA) (1987-2000). In International Enterprise (IE) Singapore, he was the Deputy Chief Executive Officer. In Reed Exhibitions, he was the Chief Operating Officer (Asia Pacific South) and President (China). In SIA, he was the Chief Executive of Silk Air and before that, Vice-President (Market Planning).



MR. YEO ENG CHAI WILLIAM
GENERAL MANAGER (SALES)

Mr. Yeo was appointed as Senior Sales Manager on 29 October 2010 and promoted as General Manager (Sales) on 1 Aug 2011. He is responsible for the sale of marine and industrial diesel engines in Singapore and in regional markets including Bangladesh, India, Malaysia, Sri Lanka, and the PRC. He is currently the chief representative of OMO in Shanghai, the PRC and oversees the sales and marketing operations of the Group in the PRC.

Mr. Yeo has over 16 years of sales experience and prior to joining the Group as sales manager in 2005, he has assumed various sales, operations and customer service support positions in Twin Disc (Far East) Pte. Ltd. (formerly known as Twin Disc (Far East) Limited).

SENIOR
MANAGEMENT

MR. HENG LIP JOO
SENIOR SALES MANAGER

Mr. Heng was appointed as Sales Manager on 29 October 2010 and promoted as Senior Sales Manager on 1 Aug 2011. He is responsible for the sale and marketing of industrial and marine diesel engines, generators and marine accessories of the Group to customers located in Singapore and Indonesia.

Mr. Heng joined the Group in 2004 as sales executive after he left American International Assurance Company Limited as financial services consultant. He was promoted in 2005 to senior sales executive and assistant sales manager in 2006. He has been serving as the sales manager since 2008.



MS. ONG SIOK LING (WANG SHULING)
ADMINISTRATIVE MANAGER

Ms. Ong was appointed as Assistant Administrative Manager on 29 October 2010 and promoted as Administrative Manager on 1 Aug 2011. She is responsible for overseeing the import and export departments, which handles our shipping documentation, and managing our inventory.

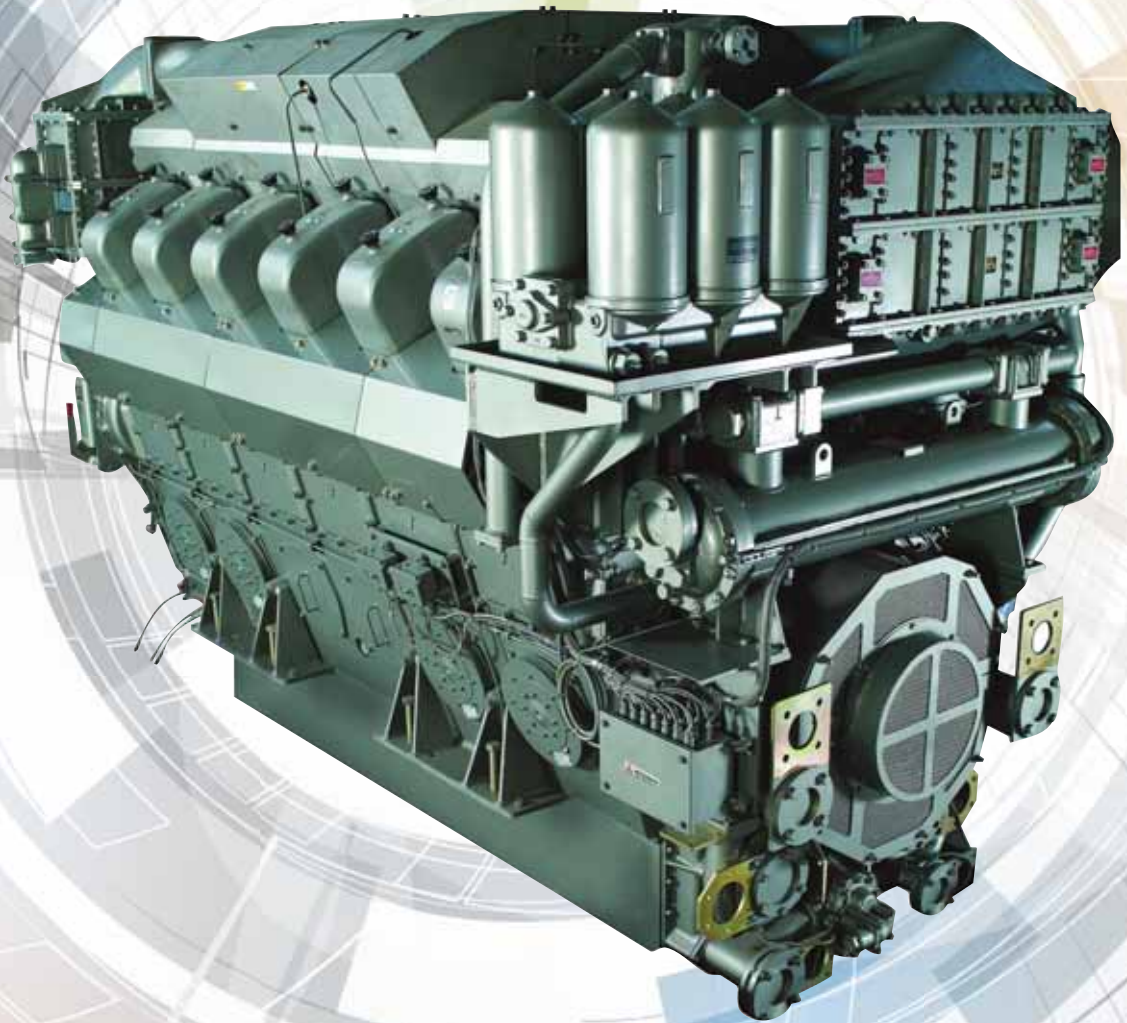
Ms. Ong joined the Group as administrative assistant in 1998 after she left Wing Seng Logistics Pte Ltd as customer support assistant. She was promoted to administrative officer and administrative executive in 2001 and 2003 respectively. She was subsequently promoted in 2005 to senior administrative executive and has assumed the role of Assistant Administrative Manager since 2009.



MR. YAP LEE ANN
FINANCIAL CONTROLLER

Mr. Yap was appointed as Financial Controller on 29 October 2010. He oversees the full spectrum of the finance and accounting functions, as well as budgeting, forecasting, treasury, managing the cash flow, taxation matters and ensuring compliance of statutory audit requirements.

Mr. Yap has more than 20 years of relevant experience in financial and management accounting, auditing and corporate finance and held various key positions in this aspect with listed companies. Prior to joining the Group in 2009, he was a finance manager in ARA Trust Management (Suntec) Limited. He graduated from The University of Southern Queensland with Bachelor of Commerce degree and is a Certified Practicing Accountant registered with CPA Australia.



“We are continuously diversifying our range of products and services as we add more suppliers and products in our endeavour to provide more comprehensive solutions to our customers.”

OPERATIONS & FINANCIAL REVIEW

FINANCIAL PERFORMANCE

For the financial year ended 30 April 2013 ("FY2013"), the Group posted revenue of \$97.6 million, a 56.9% year-on-year ("y-o-y") surge as compared to FY2012. This is largely due to an increase in revenue of approximately \$31.5 million generated from the Distribution business segment.

Gross profit jumped 46.4% y-o-y from \$15.7 million in FY2012 to \$22.9 million in FY2013, in line with the increase in the Group's revenue. Gross profit margin dipped 1.7% y-o-y from 25.2% in FY2012 to 23.5% in FY2013 largely due to lower margin contracts secured under the Distribution business segment for some of the product range. Increasing competitive pressure in the industry also impacted on margins in general.

Operating expenses (including Distribution Expenses, Administrative Expenses and Other Expenses) increased 19.6% y-o-y, from \$8.2 million in FY2012 to \$9.8 million in FY2013. This was mainly due to the increase in payroll, marketing and promotion activities and professional fees.

Net other income fell 72.5% to \$1.1 million in FY2013. This was due mainly to a one-off gain of \$3.7 million recognised in FY2012 arising from the deposit forfeited from a customer.

The Group concluded FY2013 with \$11.4 million in net profit attributable to shareholders, a 20.1% increase compared to FY2012, representing basic earnings per share of 2.96 Singapore cents.

FINANCIAL POSITION

Total assets fell to \$79.9 million as at 30 April 2013 as compared to \$89.4 million in the previous corresponding period, primarily due to a decrease in other financial assets, inventories, and trade and other receivables. Other financial assets decreased by \$3.7 million from \$6.8 million as at 30 April 2012 to \$3.1 million as at 30 April 2013, due mainly to the maturity of structured deposits, partially offset by new structured deposits invested by the Group during the financial year.

Inventories declined to \$16.0 million as at 30 April 2013 from \$26.1 million as at 30 April 2012 due to increased delivery of engines in 4Q2013. The Group adheres to strict inventory control procedures and actively performs stock aging analysis. The Group also maintains active communication with its customers to stay relevant to their project planning so as to improve engines/goods collection.

The Group's balance sheet remained healthy, well-supported by a strong liquidity position with a cash balance of \$43.7 million

and unutilized IPO proceeds of about \$10.4 million. Total equity increased from \$42.6 million as at 30 April 2012 to \$44.2 million as at 30 April 2013 after taking into account the dividend payment of approximately \$3.9 million in the financial year. This represented net asset value per ordinary share of 11.48 Singapore cents as at 30 April 2013 as compared to 11.02 Singapore cents as at 30 April 2012.

STATEMENT OF CASH FLOW

Net cash generated from operating activities was \$19.5 million in FY2013 as compared to net cash used of \$1.3 million in FY2012. This was mainly due to decrease in inventories and trade and other receivables.

Investment in \$2.0 million worth of structured deposits as well as prepaid land lease payment of \$8.4 million, partially offset by proceeds of \$5.2 million from maturity of structured deposits, led to a net cash outflow from investing activities of about \$6.1 million in FY2013.

Cash outflow from financing activities improved to \$3.8 million in FY2013 from \$8.6 million in FY2012. This was due to full repayment of \$3.4 million in outstanding borrowings and \$2.2 million worth of share buyback in FY2012.

UPDATES ON IPO PROCEEDS

The Group raised net proceeds of about \$18.9 million from the IPO listing in FY2011. The Group has plans to utilize the net proceeds for:

- Development of new premises or acquisition of premises for general warehousing and work areas and the establishment of an assembly line for in-house of power generating sets
- Pursue expansion opportunities
- General working capital

OPERATIONS & FINANCIAL REVIEW

As at the date of this report, the Group has utilized \$8.4 million of the net proceeds on the acquisition of land from JTC.

EXPANDED PRODUCT PORTFOLIO

XMH added a new brand to our portfolio in FY2013 – Scania. We now carry more than 4,000 product items under thirteen (13) renowned brands and hold exclusive distributorship rights for many of our principals in various regions. Notably, XMH is the only authorized sales dealer for brands such as Akasaka, SOLE, Reintjes and Korsor.

The addition of Scania will add a range of marine propulsion engines, marine auxiliary engines and related spare parts to our product range and we are pleased to share with you that we are continuously on the lookout for new distributorships to increase our product mix.

ORDER BOOK

Outstanding order book for the Group stood at approximately \$70.0 million as at 31 July 2013. We are optimistic that we have the requisite capability to be able to maintain a healthy order book.

OUTLOOK

In addition to the promise shown by the marine transportation industry in Indonesia, we are optimistic that the Group's in-house integrated propulsion system ("XMH IPS") solutions package, in-house brand power generating sets and silencers assembled by Acegen will be able to contribute positively to our growth for the coming years. We also draw strength from our first major institutional investor – Credence. We believe that Credence's support, knowledge and experience will be instrumental in taking the Group to its next level of growth.

As we embark on the journey of regional expansion, we hope to engage the support of our business partners, staff, shareholders and stakeholders so that we may grow and prosper hand in hand.



5 YEARS FINANCIAL HIGHLIGHTS

	FY2013	FY2012	FY2011	FY2010	FY2009
PROFIT AND LOSS					
Total Revenue (\$'000)	97,645	62,249	70,237	74,529	65,478
Gross Profit (\$'000)	22,918	15,656	19,491	20,737	13,379
Net Profit (\$'000)	11,431	9,514	8,987	17,580	5,261
REVENUES BY GEOGRAPHICAL					
Indonesia (\$'000)	69,229	44,208	42,110	33,341	27,096
Singapore (\$'000)	21,166	13,680	17,579	27,937	28,493
Other countries (\$'000)	7,250	4,361	10,548	13,251	9,889
REVENUES BY BUSINESS SEGMENT					
Distribution (\$'000)	85,796	54,314	60,953	67,367	57,308
After Sales (\$'000)	11,849	7,935	9,284	7,162	8,170
BALANCE SHEET					
Total Assets (\$'000)	79,907	89,434	82,207	61,072	71,252
Total Liabilities (\$'000)	35,707	46,874	43,876	52,041	62,030
Shareholders's Fund (\$'000)	44,200	42,560	38,331	9,031	9,222
Cash and Cash Equivalents (\$'000)	43,687	39,233	53,862	33,098	30,328
PERFORMANCE INDICATORS					
Earnings Per Share (cents/share)	2.96	2.40	2.67	5.58	1.67
Net Asset Value (cents/share)	11.48	11.02	9.58	2.87	2.93



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tan Tin Yeow	<i>Chairman and CEO</i>
Mr. Tan Seng Hee	<i>Executive Director and Deputy CEO</i>
Mr. Chua Tiong Wei	<i>Executive Director</i>
Ms. Tan Guat Lian	<i>Executive Director</i>
Mr. Hong Pian Tee	<i>Lead Independent Director, Non-Executive</i>
Mr. Chan Heng Toong	<i>Independent Director, Non-Executive</i>
Mr. Ng Sey Ming	<i>Independent Director, Non-Executive</i>

COMPANY SECRETARY

Mr. Lee Teck Leng Robson (LLB (Hons))

REGISTERED OFFICE

44 Sungei Kadut Avenue
Singapore 729667
Telephone: (65) 6368 0188
Facsimile: (65) 6368 0633

AUDIT COMMITTEE

Mr. Hong Pian Tee	<i>Chairman</i>
Mr. Chan Heng Toong	<i>Member</i>
Mr. Ng Sey Ming	<i>Member</i>

REMUNERATION COMMITTEE

Mr. Ng Sey Ming	<i>Chairman</i>
Mr. Hong Pian Tee	<i>Member</i>
Mr. Chan Heng Toong	<i>Member</i>

NOMINATING COMMITTEE

Mr. Chan Heng Toong	<i>Chairman</i>
Mr. Hong Pian Tee	<i>Member</i>
Mr. Ng Sey Ming	<i>Member</i>
Mr. Tan Tin Yeow	<i>Member</i>

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A Division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

INDEPENDENT AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-in-charge
Mr. Barry Lee Chin Siang
(Since the financial year ended 30 April 2011)

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Standard Chartered Bank
6 Battery Road
Singapore 049909

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors (the “Board”) of XMH Holdings Ltd. (the “Company”) is committed to a high standard of corporate governance and has always recognised the importance of good governance to enhance corporate performance, accountability and protection of stakeholders’ interests.

The revised Code of Corporate Governance 2012 (the “2012 Code”) will take effect in respect of annual reports of the Company for financial years commencing on or after 1 November 2012.

This report thus sets out the Company’s corporate governance practices that were in place during FY2013, with specific reference to the principles of the Code of Corporate Governance 2005 (the “Code”).

BOARD MATTERS

Principle 1: Board’s Conduct of Affairs

Principle 2: Board Composition and Guidance

The Board’s primary role is to protect and enhance long-term shareholder value. The Board will meet at least once every quarter to oversee the business affairs of the Group. To fulfill this role, the Board reviews and approves the financial objectives and the strategies to be implemented by Management, by providing entrepreneurial leadership, setting strategic aims and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Board is also involved in overseeing internal control processes, financial reporting and compliance (including the release of financial results and announcements of material transactions), establishing a framework of prudent and effective controls which enables risk to be assessed and managed, setting the Group’s values and standards, and ensuring that obligations to shareholders and others are met.

Board meetings are planned in advance on yearly basis. This enables the Board to meet on a regular basis without interfering the Company’s operation. 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 Board objectively takes decisions in the interests of the Group. The Board has delegated specific responsibilities to three (3) Committees, namely the Audit, Nominating and Remuneration Committees. Information on each of the three (3) Committees is set out below. The Board accepts that while these 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 lies with the entire Board.

The Company’s Articles of Association provides for meetings of the Board to be conducted by way of telephone conference or other methods of simultaneous communications by electronic means.

CORPORATE GOVERNANCE

The number of Board and Board Committee meetings held in FY2013 and the attendance of Directors during these is as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended
Mr. Tan Tin Yeow	5	5	4	4 ⁽²⁾	1	1	–	–
Mr. Tan Seng Hee	5	5	–	–	–	–	–	–
Ms. Tan Guat Lian	5	5	–	–	–	–	–	–
Mr. Chua Tiong Wei	5	5	–	–	–	–	–	–
Mr. Hong Pian Tee	5	5	4	4	1	1	1	1
Mr. Chan Heng Toong	5	5	4	4	1	1	1	1
Mr. Ng Sey Ming	5	5	4	4	1	1	1	1

(1) Represents the number of meetings held as applicable to each individual Director

(2) Attendance at meetings that were held on a “By Invitation” basis.

The Board comprises seven (7) members, three (3) of whom are Non-Executive Directors (including the Chairman of the Audit Committee). All Non-Executive Directors are also independent and they are able to exercise objective judgement on corporate affairs independently from the Management.

	Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
1.	Mr. Tan Tin Yeow	Chairman and CEO	–	Member	–
2.	Mr. Tan Seng Hee	Executive Director and Deputy CEO	–	–	–
3.	Ms. Tan Guat Lian	Executive Director	–	–	–
4.	Mr. Chua Tiong Wei	Executive Director	–	–	–
5.	Mr. Hong Pian Tee	Independent and Non-Executive Director	Chairman	Member	Member
6.	Mr. Chan Heng Toong	Independent and Non-Executive Director	Member	Chairman	Member
7.	Mr. Ng Sey Ming	Independent and Non-Executive Director	Member	Member	Chairman

A description of the background of each Director 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, relevant to the Group.

The Nominating Committee 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 almost 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 caliber necessary to carry sufficient weight in the Board decisions.

CORPORATE GOVERNANCE

Where appropriate and requested to do so by the Board, these Independent and Non-Executive Directors will also review the Management's reports on their performance in meeting prescribed goals and objectives.

Each of the Independent and Non-Executive Directors has confirmed that he does not have any 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 2012 Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent business judgement in carrying out the functions as an independent director with a view to the best interests of the Company. The Nominating Committee has reviewed, determined and confirmed the independence of each of the Independent and Non-Executive Directors.

Principle 3: Chairman and Chief Executive Officer ("CEO")

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 ensures that Board meetings are held when necessary and sets 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. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or attend at the relevant time during the Board meeting.

Taking into account the current corporate structure, size, nature and the scope of the Group's operations, as well as the high commitment demonstrated by the Independent and Non-Executive Directors, the Board is of the view that it is not necessary to separate the roles of the Chairman and the CEO.

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.

Principle 4: Board Membership

NOMINATING COMMITTEE

The Nominating Committee comprises the following Directors:

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

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

CORPORATE GOVERNANCE

The Nominating Committee has a charter endorsed by the Board that sets out its duties and responsibilities. Its responsibilities include the following:

- Making recommendations to the Board on all Board appointments.

In its search, nomination and selection process for new Directors, the Nominating Committee 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 Nominating Committee 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 Nominating Committee members to assess them before a decision is reached;

- 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 Articles of Association of the Company.

In its deliberations on the re-nomination of existing Directors, the Nominating Committee 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 Committees as well as the quality of intervention and special contributions. The Chairman of the Board will give feedback to the Nominating Committee 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 Nominating Committee will take into consideration his views in this regard; and

- Determining the independence of Directors annually.

In doing so, the Nominating Committee takes into account the circumstances set forth in Guideline 2.1 of the Code and any other salient factors. Following its annual review, the Nominating Committee has endorsed the independent status of the Non-Executive Directors.

The Nominating Committee 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. This matter is also reviewed by the Nominating Committee on an annual basis.

Principle 5: Board Performance

The Board has implemented a process to be carried out by the Nominating Committee 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.

CORPORATE GOVERNANCE

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 Nominating Committee's deliberation. The Nominating Committee then presents the results, conclusions and its recommendations to the Board. The Chairman and CEO acts on the results of the performance evaluation, and where appropriate and in consultation with the Nominating Committee, proposes new members to be appointed to the Board, or seeks the resignation of Directors.

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

Principle 6: Access to information

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 prepare for the meeting.

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 Financial Controller 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 his/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 Audit Committee, Remuneration Committee and Nominating Committee. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

Under the Articles of Association 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.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee comprises the following Independent and Non-Executive Directors:

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

The principal responsibilities of the Remuneration Committee include:

- 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 executive officers.

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); and

- Recommending the specific remuneration packages for each Director and executive officer.

In framing the Group's remuneration policy as described above, the Remuneration Committee 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 31 and 32 of the Annual Report.

No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the Remuneration Committee to assist in its deliberations.

The Remuneration Committee's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses, options and benefits-in-kind. The Remuneration Committee's recommendations are submitted to the Board for endorsement.

The remuneration of the Directors and executive officers is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to the Directors and executive officers, and corporate and individual performance.

CORPORATE GOVERNANCE

	Salary	Variable Bonus	Director's Fees	Benefits In Kind	Total
	%	%	%	%	%
Directors					
<i>Above \$1,000,000 but below \$1,250,000</i>					
Mr. Tan Tin Yeow	35	62	–	3	100
<i>Above \$750,000 but below \$1,000,000</i>					
Mr. Tan Seng Hee	44	54	–	2	100
<i>Above \$500,000 but below \$750,000</i>					
Mr. Chua Tiong Wei	42	56	–	2	100
<i>Above \$250,000 but below \$500,000</i>					
Ms. Tan Guat Lian	74	24	–	2	100
<i>Below \$250,000</i>					
Mr. Hong Pian Tee	–	–	100	–	100
Mr. Chan Heng Toong	–	–	100	–	100
Mr. Ng Sey Ming	–	–	100	–	100
Executive Officers					
<i>Above \$500,000 but below \$750,000</i>					
Mr. Chia Chung Mun Alphonsus	40	57	–	3	100
<i>Above \$250,000 but below \$500,000</i>					
Mr. Yeo Eng Chai William	67	30	–	3	100
<i>Below \$250,000</i>					
Mr. Heng Lip Joo	76	21	–	3	100
Mr. Yap Lee Ann	77	23	–	–	100
Ms. Ong Siok Ling	79	21	–	–	100

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

Mr. Tan Tin Yeow, the Chairman and CEO, Mr. Tan Seng Hee, Executive Director and Deputy CEO, and Ms. Tan Guat Lian, Executive Director are siblings. The aggregate remuneration of an employee who is an immediate family member of one of our Executive Directors, namely Mr. Tan Seng Hee, was approximately below \$100,000 for FY2013.

Principle 10: Accountability

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 periodic basis. The Board papers are circulated to the Directors prior to any Board meeting to facilitate effective discussion and decision-making.

CORPORATE GOVERNANCE

AUDIT

Principle 11: Audit Committee

The Audit Committee comprises the following Independent and Non-Executive Directors:

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

The Audit Committee held four (4) meetings in FY2013. At the invitation of the Audit Committee, the Chairman and CEO, and the Financial Controller attended the meeting. The Group's Internal and External Auditors were also present at the relevant junctures during the meeting.

The Audit Committee has a charter endorsed by the Board, setting out its duties and responsibilities. The Audit Committee is authorised by the Board to investigate any matter within its charter. 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. It has adequate resources to enable it to discharge its functions properly.

The Audit Committee performed its functions and responsibilities as set out in the charter, 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 Manual of the Singapore Exchange Securities Trading Limited ("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 Internal and External 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 Auditors 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 Auditors may wish to discuss (in the absence of the Management where necessary);
- reviewing and considering the appointment or re-appointment of the External Auditors and matters relating to resignation or dismissal thereof, and making recommendations to the Board thereafter on the appointment, removal and the terms of engagement;
- reviewing any interested person transactions and potential conflicts of interest (within the definition of the Listing Manual), 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 (defined below), 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;

CORPORATE GOVERNANCE

- reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the External Auditors. Where the External Auditors also supply a substantial volume of non-audit services to the company, the Audit Committee should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- reviewing arrangements which enable staff of the Company to raise, in confidence, concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be 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 Audit Committee; and
- undertaking such other functions and duties as may be required by the Listing Manual of the SGX-ST.

The Audit Committee has reviewed and is satisfied with the level of co-operation rendered by the Management to the External Auditors, the adequacy of scope and quality of their audits, and the independence and objectivity of the External Auditors. For FY2013, the Audit Committee met once with the External Auditors without the presence of Management.

Principle 12: Internal Controls

Risk Committee (in respect of the Group's foreign currency investments)

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 Audit Committee.

The members of the Risk Committee comprise Mr. Yap Lee Ann, the Financial Controller, and the following Executive Directors:

Mr. Tan Seng Hee
Ms. Tan Guat Lian
Mr. Chua Tiong Wei

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 Audit Committee on a quarterly basis.

CORPORATE GOVERNANCE

Risk Management

The Audit Committee examines the effectiveness of the Group's internal control systems. The assurance mechanisms currently in operation are supplemented by the Group's Internal and External Auditors' annual reviews of the effectiveness of the Group's 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 Audit Committee in a timely fashion. The Audit Committee also reviews the effectiveness of the actions taken by the management on the recommendations made by the Internal and External Auditors in this respect.

During the year, the Audit Committee reviewed the effectiveness of the Group's internal control procedures and was satisfied that the Group's processes and internal controls are adequate to meet the needs of the Group in its current business environment.

The Audit Committee has reviewed the volume of non-audit services provided to the Group by the External Auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors, is pleased to recommend their re-appointment. The breakdown of their fees for audit and non-audit services is found on note 22 to the financial statements on page 68. The Audit Committee is satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual in relation to the appointment of auditing firms.

Adequacy of internal controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Based on the reports submitted by the Internal and External Auditors and the various management controls put in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls addressing financial, operational and compliance risks during the year are adequate to safeguard its assets and ensure the integrity of financial statements.

Whistle Blowing Programme

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 intends to put in place, with the Audit Committee's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements 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 Audit Committee. The Company will put in place the whistle blowing programme by the end of next financial year.

Principle 13: Internal Audit

The Board recognises the importance of sound internal financial controls, operational and compliance controls, and risk management policies (collectively, "internal controls") to good corporate governance and has outsourced its internal audit function to Nexis TS Risk Advisory Pte Ltd. The Internal Auditors have a direct and primary reporting line to the Chairman of the Audit Committee, with administrative reporting to the Chairman and CEO. The Internal Auditors assist the Board in monitoring the risk exposure and internal controls of the Group.

CORPORATE GOVERNANCE

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 Audit Committee has reviewed with the Internal Auditors their audit plans; their evaluation of the system of internal controls; their audit findings and management's responses to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls; and overall risk management of the Group. The Audit Committee is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

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 third-party service provider, 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.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period.

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies subject to the Company's Articles of Association. The Company's Articles of Association do not allow for other absentia voting methods such as by mail, electronic mail, fax, and/or other methods. Such methods will only be implemented if the necessary security and other measures to protect against errors, fraud and other irregularities are available on a cost-effective basis, and when the Board views this is to be of sufficient interest to the Company's shareholders.

At each Annual General meeting, the Board will present the progress and performance of the Group and encourage shareholders to participate in the question and answer session. The External Auditors will address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report. The Chairpersons of the Audit, Nominating and Remuneration Committees, or members of the respective Committees standing in for them, will be present at each Annual General meeting, and other general meetings held by the Company, if any, to address shareholders' queries. Appropriate senior management will also be present at general meetings to respond, if necessary, to operational questions from shareholders.

CORPORATE GOVERNANCE

Each item of special business included in the notice of the meeting will be accompanied by an explanation of the effects of the proposed resolution. Separate resolutions will be proposed for substantially separate issues at the meeting.

DEALINGS IN SECURITIES

The Group has adopted an internal code which is in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

This internal code provides guidance and internal regulation with regard to dealings in the Group's securities by its Directors and officers, and prohibits its Directors and officers from dealing in listed securities of the Group while in possession of unpublished material or price-sensitive information in relation to such securities and during the "black-out period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Group's financial year and one month before the date of announcement of the full year financial results. Directors and officers are also prohibited from dealing in the Group's securities on short-term considerations.

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 FY2013.

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of any Director or controlling shareholder for FY2013.

USE OF PROCEEDS

The net proceeds raised from the Company's IPO, after deducting listing expenses of approximately \$2.4 million was approximately \$18.9 million. As at the date of this report, the Company has utilised its proceeds in the table below:

Purpose	Amount raised \$'000	Amount utilised \$'000	Balance Amount \$'000
Development of new premises or acquisition of premises for general warehousing and work areas and the establishment of an assembly line for in-house of power generating sets	10,000	8,419	1,581
Pursue expansion opportunities	7,000	–	7,000
General working capital	1,850	–	1,850
Total	18,850	8,419	10,431

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 April 2013.

Directors

The directors in office at the date of this report are as follows:

Tan Tin Yeow
 Tan Seng Hee
 Tan Guat Lian
 Chua Tiong Wei
 Hong Pian Tee
 Chan Heng Toong
 Ng Sey Ming

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings at 21/05/2013
The Company			
Tan Tin Yeow			
– ordinary shares	179,430,001	179,430,001	179,430,001
– options to subscribe for ordinary shares at: – \$0.149 per share between 11 September 2014 and 10 September 2017	–	590,000	590,000
Tan Seng Hee			
– ordinary shares	38,876,001	38,876,001	38,876,001
– options to subscribe for ordinary shares at: – \$0.149 per share between 11 September 2014 and 10 September 2017	–	474,000	474,000
Tan Guat Lian			
– ordinary shares	35,886,001	35,886,001	35,886,001
– options to subscribe for ordinary shares at: – \$0.149 per share between 11 September 2014 and 10 September 2017	–	393,000	393,000

DIRECTORS' REPORT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings at 21/05/2013
The Company			
Chua Tiong Wei			
– ordinary shares	300,000	300,000	300,000
– options to subscribe for ordinary shares at:			
– \$0.125 per share between 19 September 2013 and 18 September 2016	409,000	409,000	409,000
– \$0.149 per share between 11 September 2014 and 10 September 2017	–	390,000	390,000
Hong Pian Tee			
– ordinary shares	437,000	637,000	207,000
– options to subscribe for ordinary shares at:			
– \$0.125 per share between 19 September 2013 and 18 September 2016	100,000	100,000	100,000
– \$0.149 per share between 11 September 2014 and 10 September 2017	–	300,000	300,000
Chan Heng Toong			
– ordinary shares	100,000	100,000	100,000
– options to subscribe for ordinary shares at:			
– \$0.125 per share between 19 September 2013 and 18 September 2016	100,000	100,000	100,000
– \$0.149 per share between 11 September 2014 and 10 September 2017	–	300,000	300,000
Ng Sey Ming			
– ordinary shares	100,000	100,000	100,000
– options to subscribe for ordinary shares at:			
– \$0.125 per share between 19 September 2013 and 18 September 2016	100,000	100,000	100,000
– \$0.149 per share between 11 September 2014 and 10 September 2017	–	300,000	300,000

Except as disclosed in this report, 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 subsidiaries), either at the beginning or at the end of the financial year.

Except as disclosed under the “Share Options” section of this report, 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 in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 28 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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 2013 are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 May 2012	Options granted during the year	Options exercised during the year	Options cancelled/lapsed	Options outstanding as at 30 April 2013	Exercise period
19 September 2011	\$0.125	3,819,000	–	–	–	3,819,000	From 19 September 2013 to 18 September 2016
11 September 2012	\$0.149	–	6,600,000	–	–	6,600,000	From 11 September 2014 to 10 September 2017
		<u>3,819,000</u>	<u>6,600,000</u>	<u>–</u>	<u>–</u>	<u>10,419,000</u>	

There were 10,419,000 (2012: 3,819,000) options granted to the directors and employees of the Company and its subsidiaries from the commencement of the Scheme until the end of the financial year under review.

DIRECTORS' REPORT

During the financial year:

- (a) 3,853,000 (2012: 3,110,000) options have been granted by the Company to the Group's employees.
- (b) 1,290,000 (2012: 709,000) options have been granted by the Company to its directors excluding controlling shareholder and his associates.
- (c) 1,457,000 (2012: Nil) 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 subsidiaries 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 2012	Options granted during the year	Options exercised during the year	Aggregate options outstanding as at 30 April 2013
Tan Tin Yeow	–	590,000	–	590,000
Tan Seng Hee	–	474,000	–	474,000
Tan Guat Lian	–	393,000	–	393,000
Chua Tiong Wei	409,000	390,000	–	799,000
Hong Pian Tee	100,000	300,000	–	400,000
Chan Heng Toong	100,000	300,000	–	400,000
Ng Sey Ming	100,000	300,000	–	400,000

Except for Tan Tin Yeow, Tan Seng Hee, Tan Guat Lian and Chua Tiong Wei, 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, the Company purchased 1,257,000 (2012: 13,739,000) 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 2012.

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

DIRECTORS' REPORT

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' report. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and 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, KPMG 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 subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Tan Tin Yeow

Director

Tan Seng Hee

Director

31 July 2013

STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 37 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Tan Tin Yeow

Director

Tan Seng Hee

Director

31 July 2013

INDEPENDENT AUDITORS' REPORT

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 subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 April 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 81.

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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' 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 judgement, 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 the 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 to give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

31 July 2013

STATEMENTS OF FINANCIAL POSITION

AS AT 30 APRIL 2013

	Note	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Assets					
Property, plant and equipment	4	1,964	1,975	-	-
Land lease prepayment	5	7,916	-	-	-
Intangible asset	6	167	-	-	-
Subsidiaries	7	-	-	900	900
Other financial assets	8	3,073	6,822	-	-
Club memberships		486	306	-	-
Deferred tax assets	9	12	13	-	-
Non-current assets		13,618	9,116	900	900
Inventories	10	15,964	26,118	-	-
Trade and other receivables	11	6,638	14,967	10,125	1,769
Cash and cash equivalents	12	43,687	39,233	9,860	16,921
Current assets		66,289	80,318	19,985	18,690
Total assets		79,907	89,434	20,885	19,590
Equity attributable to owners of the Company					
Share capital	13	21,068	21,068	21,068	21,068
Reserve for own shares	14	(2,554)	(2,218)	(2,554)	(2,218)
Other reserves	15	(7,712)	(2,119)	280	85
Accumulated profits/(losses)		33,398	25,829	(386)	(931)
Total equity		44,200	42,560	18,408	18,004
Liabilities					
Trade and other payables	16	33,727	45,121	2,477	1,586
Loans and borrowings	17	342	-	-	-
Current tax payable		1,638	1,753	-	-
Current liabilities		35,707	46,874	2,477	1,586
Total liabilities		35,707	46,874	2,477	1,586
Total equity and liabilities		79,907	89,434	20,885	19,590

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 APRIL 2013

	Note	2013 \$'000	2012 \$'000
Revenue	19	97,645	62,249
Cost of sales		(74,727)	(46,593)
Gross profit		22,918	15,656
Other income	20	1,084	3,938
Distribution expenses		(4,725)	(3,288)
Administrative expenses		(5,109)	(4,254)
Other expenses		–	(678)
Results from operating activities		14,168	11,374
Finance income		258	835
Finance costs		(921)	(542)
Net finance (costs)/income	21	(663)	293
Profit before tax	22	13,505	11,667
Tax expense	23	(2,074)	(2,153)
Profit for the year		11,431	9,514
Other comprehensive (expenses)/income			
Exchange differences arising from translation of the financial statements of the subsidiaries whose functional currency is different from that of the Company		(5,870)	592
Impairment loss on available-for-sale financial assets transferred to profit or loss		–	501
Net changes in the fair value of available-for-sale financial assets		99	(193)
Deferred tax arising from available-for-sale financial assets		(17)	(52)
Other comprehensive (expenses)/income for the year, net of tax		(5,788)	848
Total comprehensive income for the year		5,643	10,362
Profit attributable to owners of the Company		11,431	9,514
Total comprehensive income attributable to owners of the Company		5,643	10,362
Earnings per share			
– Basic (cents)	24	2.96	2.40
– Diluted (cents)	24	2.93	2.40

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 APRIL 2013

Note	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
At 1 May 2011	21,068	–	–	(229)	(2,823)	20,315	38,331
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	9,514	9,514
Other comprehensive income/(expenses)							
Exchange differences arising from translation of the financial statements of the subsidiaries whose functional currency is different from that of the Company	–	–	–	–	592	–	592
Impairment loss on available-for-sale financial assets transferred to profit or loss	–	–	–	501	–	–	501
Net changes in the fair value of available-for-sale financial assets	–	–	–	(193)	–	–	(193)
Deferred tax arising from available-for-sale financial assets	–	–	–	(52)	–	–	(52)
Total other comprehensive income	–	–	–	256	592	–	848
<i>Total comprehensive income for the year</i>	–	–	–	256	592	9,514	10,362
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	15	–	–	–	–	(4,000)	(4,000)
Share-based payment transactions		–	85	–	–	–	85
Purchase of treasury shares		–	(2,218)	–	–	–	(2,218)
<i>Total transactions with owners</i>		–	(2,218)	85	–	(4,000)	(6,133)
At 30 April 2012	21,068	(2,218)	85	27	(2,231)	25,829	42,560

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

YEAR ENDED 30 APRIL 2013

	Note	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
At 1 May 2012		21,068	(2,218)	85	27	(2,231)	25,829	42,560
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	11,431	11,431
Other comprehensive income/ (expenses)								
Exchange differences arising from translation of the financial statements of the subsidiaries whose functional currency is different from that of the Company		–	–	–	–	(5,870)	–	(5,870)
Net changes in the fair value of available-for-sale financial assets		–	–	–	99	–	–	99
Deferred tax arising from available-for-sale financial assets		–	–	–	(17)	–	–	(17)
Total other comprehensive income/ (expenses)		–	–	–	82	(5,870)	–	(5,788)
<i>Total comprehensive income/ (expenses) for the year</i>		–	–	–	82	(5,870)	11,431	5,643
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividends to equity holders	15	–	–	–	–	–	(3,862)	(3,862)
Share-based payment transactions		–	–	195	–	–	–	195
Purchase of treasury shares		–	(336)	–	–	–	–	(336)
<i>Total transactions with owners</i>		–	(336)	195	–	–	(3,862)	(4,003)
At 30 April 2013		21,068	(2,554)	280	109	(8,101)	33,398	44,200

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 APRIL 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Profit for the year		11,431	9,514
Adjustments for:			
Depreciation of property, plant and equipment		357	360
Share-based payment expenses		195	85
Reversal of allowance for inventory obsolescence		–	(26)
Interest income		(156)	(91)
Interest expense		1	41
Dividend income		(41)	(141)
Net changes in fair value of financial assets at fair value through profit or loss		(60)	(17)
Impairment loss on available-for-sale financial assets		–	501
Gain on disposal of available-for-sale financial assets		–	(259)
Gain on disposal of property, plant and equipment		(3)	(28)
Reversal of allowance for impairment loss on trade receivables		–	(1)
Net foreign exchange loss/(gain)		920	(326)
Tax expense		2,074	2,153
		14,718	11,765
Change in inventories		10,154	(7,664)
Change in trade and other receivables		8,329	(8,609)
Change in trade and other payables		(11,394)	5,830
Cash generated from operating activities		21,807	1,322
Income taxes paid		(2,212)	(2,613)
Net cash generated from/(used in) operating activities		19,595	(1,291)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED 30 APRIL 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from investing activities			
Interest received		156	91
Dividends received		41	141
Proceeds from sale of property, plant and equipment		3	41
Investment in structured deposits		(1,981)	(4,248)
Proceeds from maturity of structured deposits		5,227	–
Proceeds from sale of available-for-sale financial assets		–	1,893
Purchase of available-for-sale financial assets		–	(2,017)
Acquisition of property, plant and equipment		(772)	(1,308)
Land lease prepayment		(8,419)	–
Purchase of club membership		(186)	–
Purchase of intangible assets		(175)	–
Net cash used in investing activities		(6,106)	(5,407)
Cash flows from financing activities			
Proceeds from borrowings		383	1,072
Repayment of borrowings		–	(3,388)
Purchase of treasury shares		(336)	(2,218)
Dividends paid		(3,862)	(4,000)
Interest paid		(1)	(41)
Net cash used in financing activities		(3,816)	(8,575)
Net increase/(decrease) in cash and cash equivalents		9,673	(15,273)
Cash and cash equivalents at 1 May		39,233	53,862
Effect of exchange rate fluctuations on cash held		(5,219)	644
Cash and cash equivalents at 30 April	12	43,687	39,233

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 July 2013.

1 Domicile and activities

XMH Holdings Ltd. (the “Company”) is a company incorporated in the Republic of Singapore. The address of the Company’s registered office is 44 Sungei Kadut Avenue, Singapore 729667.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7 below.

The financial statements of the Group as at and for the year ended 30 April 2013 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollar, which is the Company’s functional currency. All financial information presented in Singapore dollar has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 3 and 23 – estimation of income taxes
- Note 26 – valuation of financial instruments
- Note 26 – assessment of impairment losses on receivables

2.5 Changes in accounting policies

The Group has adopted new and revised FRS and interpretations. The adoption of these new and revised FRS and interpretations that came into effect from 1 May 2012 did not have any material impact on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) *Business combinations*

Business combinations are accounted for using the acquisition method in accordance with FRS 103 Business Combination as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(i) *Business combinations (Continued)*

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) *Subsidiaries in the separate financial statements*

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.2 Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the translation of, or qualifying cash flow hedges to the extent that the hedge is effective.

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities that have a functional currency different from the functional currency of the Company are translated into the Company's functional currency as follows:

- assets and liabilities are translated to Singapore dollar at exchange rates at the reporting date.
- the income and expenses are translated to Singapore dollar at exchange rates prevailing at the dates of the transactions.
- all resulting foreign currency differences are recognised in other comprehensive income as foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.3 Financial instruments

(i) *Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(i) *Non-derivative financial assets (Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

(ii) *Non-derivative financial liabilities*

All financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(iii) *Share capital (Continued)*

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

3.4 Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold building	–	26.5 years
Plant and machinery	–	3 years
Furniture and fittings	–	3 years
Office equipment	–	1 to 3 years
Motor vehicles	–	3 years

No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.6 Intangible assets

Intangible assets that are acquired by the Group have indefinite useful lives and are measured at cost less accumulated impairment losses.

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

Impairment losses are recognised in profit or loss.

3.7 Leased assets

Leases in terms in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9 Impairment

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.9 Impairment (Continued)

(i) *Non-derivative financial assets (Continued)*

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged decline in the fair value of the investment below its cost.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.9 Impairment (Continued)

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an assets or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.10 Employee benefits (Continued)

(ii) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) *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.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.12 Revenue

(i) *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. 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 transfers 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.12 Revenue (Continued)

(ii) Service fee

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

3.13 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determine whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.14 Finance income and finance costs

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 and fair value gains on financial assets at fair value through profit or loss. 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 securities is normally the ex-dividend date.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.14 Finance income and finance costs (Continued)

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 receivable, that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.15 Tax (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chairman and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman and CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 May 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

4 Property, plant and equipment – Group

	Leasehold building \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost							
At 1 May 2011	1,622	260	138	416	1,036	–	3,472
Additions	–	–	11	71	324	995	1,401
Disposals	–	–	–	–	(65)	–	(65)
Effect of movements in exchange rate	44	7	4	9	21	(25)	60
At 30 April 2012	1,666	267	153	496	1,316	970	4,868
Transfers	945	–	–	–	–	(945)	–
Additions	198	56	176	61	281	–	772
Disposals	–	–	(1)	(1)	(46)	–	(48)
Effect of movements in exchange rate	(486)	(57)	(55)	(99)	(277)	(25)	(999)
At 30 April 2013	<u>2,323</u>	<u>266</u>	<u>273</u>	<u>457</u>	<u>1,274</u>	<u>–</u>	<u>4,593</u>
Accumulated depreciation							
At 1 May 2011	1,045	259	125	412	685	–	2,526
Depreciation for the year	65	1	9	38	247	–	360
Disposals	–	–	–	–	(52)	–	(52)
Effect of movements in exchange rate	26	7	3	10	13	–	59
At 30 April 2012	1,136	267	137	460	893	–	2,893
Depreciation for the year	61	9	43	56	188	–	357
Disposals	–	–	(1)	(1)	(46)	–	(48)
Effect of movements in exchange rate	(216)	(50)	(31)	(92)	(184)	–	(573)
At 30 April 2013	<u>981</u>	<u>226</u>	<u>148</u>	<u>423</u>	<u>851</u>	<u>–</u>	<u>2,629</u>
Carrying amounts							
At 1 May 2011	<u>577</u>	<u>1</u>	<u>13</u>	<u>4</u>	<u>351</u>	<u>–</u>	<u>946</u>
At 30 April 2012	<u>530</u>	<u>–</u>	<u>16</u>	<u>36</u>	<u>423</u>	<u>970</u>	<u>1,975</u>
At 30 April 2013	<u>1,342</u>	<u>40</u>	<u>125</u>	<u>34</u>	<u>423</u>	<u>–</u>	<u>1,964</u>

Security

The leasehold building is mortgaged to a bank as collateral for banking facilities granted to the Group (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

5 Land lease prepayment – Group

	<u>\$'000</u>
Cost	
At 1 May 2012	–
Additions	8,419
Effect of movements in exchange rate	(503)
At 30 April 2013	<u>7,916</u>
Accumulated amortisation	
At 1 May 2012	–
Amortisation for the year	–
At 30 April 2013	<u>–</u>
Carrying amounts	
At 1 May 2012	–
At 30 April 2013	<u>7,916</u>

Land lease prepayment relates to the lease of a parcel of land located at Tuas Bay Drive, Singapore, acquired by the Group during the current financial year. The lease will expire in 2043.

6 Intangible asset – Group

	Intellectual property right \$'000
Cost	
At 1 May 2012	–
Additions	175
Effect of movements in exchange rate	(8)
At 30 April 2013	<u>167</u>
Carrying amounts	
At 1 May 2012	–
At 30 April 2013	<u>167</u>

Intangible asset relates to the intellectual property right in the products and process of certain power generating sets and auxiliary components acquired by the Group during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

7 Subsidiaries

	Company	
	2013 \$'000	2012 \$'000
Equity investment, at cost	<u>900</u>	<u>900</u>

The subsidiaries of the Group are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2013 %	2012 %
Xin Ming Hua Pte. Ltd. ¹ ("Xin Ming Hua")	Supply of engines, general machinery and machinery equipment for marine, agriculture, construction and industrial use including spare parts and after sales service	Singapore	100	100
XMH Engineering Pte. Ltd. ¹ ("XMH Engineering")	Manufacturing and repairing of machinery for mining, quarrying and construction	Singapore	100	100
Acegen Pte. Ltd. ¹ ("Acegen")	Assembly works or subcontract works for power generating sets	Singapore	100	–

¹ Audited by KPMG LLP

8 Other financial assets – Group

	2013 \$'000	2012 \$'000
Non-current financial assets		
Financial assets designated at fair value through profit or loss	1,666	5,515
Available-for-sale financial assets	1,407	1,307
	<u>3,073</u>	<u>6,822</u>

Financial assets designated at fair value through profit or loss comprises structured deposits placed with reputable financial institutions.

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

The Group's exposure to credit, currency and market risks related to other financial assets, is disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

9 Deferred tax assets – Group

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

	At 30 April 2011 \$'000	Recognised in profit or loss (Note 23) \$'000	Recognised in other comprehensive income \$'000	At 30 April 2012 \$'000	Recognised in profit or loss (Note 23) \$'000	Recognised in other comprehensive income \$'000	At 30 April 2013 \$'000
Property, plant and equipment	43	(25)	–	18	16	–	34
Financial assets available-for-sale	47	–	(52)	(5)	–	(17)	(22)
<i>Total</i>	<u>90</u>	<u>(25)</u>	<u>(52)</u>	<u>13</u>	<u>16</u>	<u>(17)</u>	<u>12</u>

10 Inventories – Group

	2013 \$'000	2012 \$'000
Engines	10,607	20,777
Spare parts	5,357	5,341
	<u>15,964</u>	<u>26,118</u>

In FY2013, engines and spare parts recognised as cost of sales amounted to \$74,727,000 (FY2012: \$46,593,000). This includes reversal of write-down of inventories amounting to \$nil (FY2012: \$26,000).

11 Trade and other receivables

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade receivables	6,439	13,131	–	–
Allowance for impairment losses	(94)	(94)	–	–
	<u>6,345</u>	<u>13,037</u>	<u>–</u>	<u>–</u>
Amounts due from subsidiaries, trade	–	–	2,501	1,764
Amounts due from subsidiaries, non-trade	–	–	7,600	–
Deposits	10	64	–	–
Other receivables	54	284	19	–
Advances to suppliers	151	1,550	–	–
Advances to staff	52	12	–	–
	<u>6,612</u>	<u>14,947</u>	<u>10,120</u>	<u>1,764</u>
<i>Loans and receivables</i>	<u>26</u>	<u>20</u>	<u>5</u>	<u>5</u>
Prepayments	<u>6,638</u>	<u>14,967</u>	<u>10,125</u>	<u>1,769</u>

NOTES TO THE FINANCIAL STATEMENTS

11 Trade and other receivables (Continued)

Non-trade amount due from subsidiaries is unsecured and interest-free, and is repayable on demand. There is no allowance for impairment loss arising from the outstanding balance.

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

The Group and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in Note 26.

12 Cash and cash equivalents

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash at bank and on hand	35,687	22,378	1,860	1,921
Short-term fixed deposits	8,000	16,855	8,000	15,000
Cash and cash equivalents in the consolidated statement of cash flows	43,687	39,233	9,860	16,921

The Group's exposure to interest rate risk and sensitivity analysis for financial assets, are disclosed in Note 26.

13 Share capital

	2013 Number of shares	2012 Number of shares	2013 \$'000	2012 \$'000
At 1 May/30 April	400,000,003	400,000,003	21,068	21,068

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains sound capital position in order to support its business and maximise shareholders' value. The Group is also committed to maintain 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.

There are no changes in the Group's approach to capital management during the financial year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

14 Reserve for own shares

Reserve for the Company's own shares comprises the cost of the Company's shares held by the Company. At 30 April 2013, the Company held 14,996,000 of such treasury shares (FY2012: 13,739,000).

15 Other reserves

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Share option reserve	(280)	(85)	(280)	(85)
Fair value reserve	(109)	(27)	–	–
Foreign currency translation reserve	8,101	2,231	–	–
	7,712	2,119	(280)	(85)

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 and is reduced by the expiry or exercise of the share options.

Fair value reserve

The fair value reserve comprises the cumulative net change 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 subsidiaries whose functional currency is different from that of the Company.

Dividends

The following exempt (one-tier) dividends were declared and paid by the Company:

	Company	
	2013 \$'000	2012 \$'000
Paid by the Company to owners of the Company		
1 cent per qualifying ordinary share (FY2012: 1 cent)		
in respect of the prior year	3,862	4,000

NOTES TO THE FINANCIAL STATEMENTS

15 Other reserves (Continued)

Dividends (Continued)

After the respective reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These dividends have not been provided for.

	Company	
	2013 \$'000	2012 \$'000
1.2 cents per qualifying ordinary share (FY2012: 1 cent)	<u>4,620</u>	<u>3,862</u>

16 Trade and other payables

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade payables	17,175	20,997	220	161
Accrued expenses	3,143	2,158	2,257	1,425
Advance deposits	13,405	21,962	–	–
Others	4	4	–	–
	<u>33,727</u>	<u>45,121</u>	<u>2,477</u>	<u>1,586</u>

The Group's exposure to currency and liquidity risks related to trade and other payables, is disclosed in Note 26.

17 Loans and borrowings – Group

	2013 \$'000	2012 \$'000
Current liabilities		
Trust receipts	<u>342</u>	<u>–</u>

The banking facilities of the Group are secured by mortgage of the Group's leasehold building with the carrying value of \$1,342,000 (FY2012: \$530,000) 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 %	Year of maturity	Face value \$'000	Carrying amount \$'000
2013					
Trust receipts	EUR	1.03	2014	<u>342</u>	<u>342</u>

The Group's exposure to interest rate risk related to loans and borrowings is disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

18 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.

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.

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 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”), in the case of an option granted at Market Price.
- The Remuneration Committee may grant options on a yearly basis and any such grants shall be made at least 60 days after the end of the financial year of the Company.
- The period for the exercise (the “Exercise Period”) of an option granted under the Scheme shall be:
 - (a) in the case of an option granted at Market Price (the “Market Price Option”), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Market Price Option; and
 - (b) in the case of an option granted at a discount of up to 20% of the Market Price (the “Incentive Option”), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Options.

NOTES TO THE FINANCIAL STATEMENTS

18 Share-based payments (Continued)

Disclosure of the Scheme

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

	Weighted average exercise price 2013 \$	Number of options 2013	Weighted average exercise price 2012 \$	Number of options 2012
At 1 May	0.125	3,819,000	–	–
Granted during the year	0.149	6,600,000	0.125	3,819,000
Options outstanding at 30 April	0.140	10,419,000	0.125	3,819,000
Options exercisable at 30 April		–		–

Inputs for measurement of grant date fair values

The grant-date fair value of the Scheme was measured based on a Bloomberg Trinomial 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 are as follows:

	Tranche 2			Tranche 1	
	Controlling shareholder and his associates 2013	Directors excluding controlling shareholder and his associates 2013	Employees 2013	Directors excluding controlling shareholder and his associates 2012	Employees 2012
Fair value of share options and assumptions					
Share price	\$0.184	\$0.184	\$0.184	\$0.155	\$0.155
Exercise price	\$0.149	\$0.149	\$0.149	\$0.125	\$0.125
Expected volatility (weighted average volatility)	48%	48%	48%	48%	48%
Option life (expected weighted average life)	5 years	5 years	5 years	5 years	5 years
Risk-free interest rate (based on government bonds)	0.4%	0.4%	0.4%	0.5%	0.5%

During the year ended 30 April 2013, the Group recognised employee expenses of \$195,000 (FY2012: \$85,000) relating to the share options granted to the Participants of the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

19 Revenue – Group

	2013 \$'000	2012 \$'000
Sales of goods	97,486	62,063
Service fees	159	186
	97,645	62,249

20 Other income – Group

	2013 \$'000	2012 \$'000
Forfeited deposits from customers	708	3,656
Gain on disposal of property, plant and equipment	3	28
Others	373	254
	1,084	3,938

21 Finance income and finance costs – Group

	2013 \$'000	2012 \$'000
Recognised in profit or loss		
Net foreign exchange gain	–	326
Net change in fair value of financial assets at fair value through profit or loss	60	17
Dividend income on available-for-sale financial assets	41	141
Gain on disposal of available-for-sale financial assets	–	259
Interest income on bank deposits	156	91
Others	1	1
<i>Finance income</i>	258	835
Net foreign exchange loss	(920)	–
Impairment loss on available-for-sale financial assets transferred to profit and loss	–	(501)
Interest expenses on loans and borrowings	(1)	(41)
<i>Finance costs</i>	(921)	(542)
Net finance (costs)/income recognised in profit or loss	(663)	293

NOTES TO THE FINANCIAL STATEMENTS

22 Profit before tax – Group

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

	2013 \$'000	2012 \$'000
Audit fees paid/payable to – auditors of the Company	(140)	(135)
Non-audit fees paid/payable to – auditors of the Company	(37)	(56)
Staff costs	(6,742)	(5,190)
Contribution to defined contribution plans included in staff costs	(318)	(201)
Depreciation of property, plant and equipment	(357)	(360)
Operating lease expenses	(91)	(106)
Reversal of allowance for inventory obsolescence	–	26
Reversal of allowance for impairment loss on trade receivables	–	1

23 Tax expense – Group

	2013 \$'000	2012 \$'000
Current tax expense		
Current year	2,090	2,128
Deferred tax expense		
Origination and reversal of temporary difference	(16)	25
Total tax expense	2,074	2,153

Reconciliation of effective tax rate

Profit for the year	11,431	9,514
Total tax expense	2,074	2,153
Profit excluding tax	13,505	11,667
Tax using the Singapore tax rate of 17% (FY2012: 17%)	2,296	1,983
Non-deductible expenses	242	31
Tax exempt income	(131)	(117)
Tax incentive	(264)	–
Others	(69)	256
	2,074	2,153

Estimating the provision for income taxes

Significant judgement is required in determining the deductibility of certain expenses in estimating the provision for income taxes.

NOTES TO THE FINANCIAL STATEMENTS

24 Earnings per share

The calculation of basic and diluted earnings per share at 30 April 2013 was based on the profit attributable to ordinary shareholders of \$11,431,000 (FY2012: \$9,514,000), and a weighted average number of ordinary shares outstanding of 386,131,000 (FY2012: 395,650,000) and 389,512,000 (FY2012: 396,468,000) calculated as follows:

	Basic		Diluted	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Earnings per share is based on:				
Profit attributable to ordinary shareholders	<u>11,431</u>	<u>9,514</u>	<u>11,431</u>	<u>9,514</u>
	Number of shares			
	'000	'000	'000	'000
Weighted average number of ordinary shares during the year	<u>386,131</u>	<u>395,650</u>	<u>389,512</u>	<u>396,468</u>

25 Segment reporting

The Group has two 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 CEO reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- **Distribution:** Relates to distribution of propulsion engines.
- **Sales service:** Relates to after sales services provided which includes services jobs, sales of spare parts and other trading.

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 CEO. 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.

NOTES TO THE FINANCIAL STATEMENTS

25 Segment reporting (Continued)

The segment information provided to the Group's Chairman and CEO for the reportable segments for the year ended 30 April 2013 is as follows:

Business segments

	Distribution \$'000	Sales service \$'000	Segments total \$'000	Others \$'000	Total \$'000
2013					
External revenue	85,796	11,849	97,645	–	97,645
Interest income	–	–	–	156	156
Interest expenses	–	–	–	(1)	(1)
Depreciation	–	–	–	(357)	(357)
Reportable segment profit/(loss) before tax	19,960	2,958	22,918	(9,413)	13,505
Income tax expense					(2,074)
Profit for the year					11,431
Reportable segment assets	18,112	6,239	24,351	55,556	79,907
Capital expenditure	–	–	–	9,366	9,366
Reportable segment liabilities	28,914	1,051	29,965	5,742	35,707
2012					
External revenue	54,314	7,935	62,249	–	62,249
Interest income	–	–	–	91	91
Interest expenses	–	–	–	(41)	(41)
Depreciation	–	–	–	(360)	(360)
Reportable segment profit/(loss) before tax	14,006	1,650	15,656	(3,989)	11,667
Income tax expense					(2,153)
Profit for the year					9,514
Reportable segment assets	39,428	5,776	45,204	44,230	89,434
Capital expenditure	–	–	–	1,401	1,401
Reportable segment liabilities	41,607	784	42,391	4,483	46,874

NOTES TO THE FINANCIAL STATEMENTS

25 Segment reporting (Continued)

Geographical information

	2013 \$'000	2012 \$'000
Revenue from external customers		
Indonesia	69,229	44,208
Singapore	21,166	13,680
Other countries	7,250	4,361
	97,645	62,249
Non-current assets		
Property, plant and equipment		
Singapore	1,964	1,975

Major customers

During the current financial year, revenue generated from a customer of the Group's Distribution segment individually aggregated to approximately \$5,894,000 (FY2012: \$4,234,000), representing 6.0% (FY2012: 6.8%) of the Group's revenue.

26 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 activities.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

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 investment 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. During the current financial year, approximately 21.7% (FY2012: 22.0%) of the Group's revenue is attributable to sales transactions with customers domiciled in Singapore and 24.8% (FY2012: 26.2%) of the Group's revenue is attributable to sales transactions with 5 major customers.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables according to the countries in which these receivables are located on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the reporting dates is as follows:

	2013	2012
	\$'000	\$'000
By country		
Indonesia	3,933	7,811
Singapore	2,169	5,299
Other countries	337	21
	6,439	13,131

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. The carrying amounts of trade and other receivables, structured deposits and cash and cash equivalents represented the maximum exposure to credit risk. The Group has no other financial assets, which carry significant exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

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.
- Amount 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.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Impairment losses

The ageing of trade receivables and impairment losses at the reporting dates can be analysed as:

	2013		2012	
	Gross	Allowance for	Gross	Allowance for
	\$'000	impairment	\$'000	impairment
		losses		losses
	\$'000	\$'000	\$'000	\$'000
Current	4,843	–	12,550	–
Past due 0-30 days	721	–	181	–
Past due 31-60 days	25	–	111	–
More than 60 days	850	(94)	289	(94)
	6,439	(94)	13,131	(94)

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 their 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.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

Management of credit risk (Continued)

Allowance for impairment losses

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other 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:

	2013 \$'000	2012 \$'000
At 1 May	94	382
Impairment losses reversed	–	(1)
Impairment losses written off	–	(287)
At 30 April	94	94

Investments

The Group limits its exposure to credit risk by investing only in actively traded securities quoted in a recognised stock exchange.

The Group limits its exposure to credit risk in relation to financial assets at fair value through profit and loss by placing the structured deposits with reputable financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

Liquidity risk (Continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000
30 April 2013			
Non-derivative financial liabilities			
Trade and other payables (excluding advance deposits)	20,322	(20,322)	(20,322)
Loans and borrowings	342	(342)	(342)
	20,664	(20,664)	(20,664)
30 April 2012			
Non-derivative financial liabilities			
Trade and other payables (excluding advance deposits)	23,159	(23,159)	(23,159)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Exposure to currency risk

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

	Euro \$'000	Japanese yen \$'000	United States dollar \$'000
30 April 2013			
Other financial assets	–	1,666	–
Trade and other receivables	24	3,328	779
Cash and cash equivalents	183	30,872	212
Loans and borrowings	(342)	–	–
Trade and other payables	(486)	(16,954)	(2,512)
Net exposure	(621)	18,912	(1,521)

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

Currency risk (Continued)

	Euro \$'000	Japanese yen \$'000	United States dollar \$'000
30 April 2012			
Other financial assets	1,314	2,934	–
Trade and other receivables	1,519	10,520	804
Cash and cash equivalents	653	13,657	3,573
Trade and other payables	(1,653)	(34,759)	(4,888)
Net exposure	<u>1,833</u>	<u>(7,648)</u>	<u>(511)</u>

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the following currencies 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 FY2013:

	Profit or (loss)	
	2013 \$'000	2012 \$'000
30 April		
Euro	62	(183)
Japanese yen	(1,891)	765
United States dollar	<u>152</u>	<u>51</u>

A weakening of the Singapore dollar against the above currencies 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.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

Equity price risk

For investments classified as available-for-sale, a 2% increase in the market price at the reporting date would have increased the Group's equity by \$23,000 after tax (2012: an increase of \$22,000); an equal change in the opposite direction would have decreased the Group's equity by \$23,000 after tax (2012: a decrease of \$22,000).

Interest rate risk

Profile

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Carrying amount	
	2013 \$'000	2012 \$'000
Group		
Fixed rate instruments		
Trust receipts	342	–

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.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

Accounting classifications and fair values

Fair values versus carrying amounts

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

	Note	Designated at fair value \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
30 April 2013							
Cash and cash equivalents	12	–	43,687	–	–	43,687	43,687
Trade and other receivables	11	–	6,612	–	–	6,612	6,612
Structured deposits	8	1,666	–	–	–	1,666	1,666
Available-for-sale assets: equity securities	8	–	–	1,407	–	1,407	1,407
		<u>1,666</u>	<u>50,299</u>	<u>1,407</u>	<u>–</u>	<u>53,372</u>	<u>53,372</u>
Loans and borrowings	17	–	–	–	342	342	342
Trade and other payables	16	–	–	–	33,727	33,727	33,727
		<u>–</u>	<u>–</u>	<u>–</u>	<u>34,069</u>	<u>34,069</u>	<u>34,069</u>
30 April 2012							
Cash and cash equivalents	12	–	39,233	–	–	39,233	39,233
Trade and other receivables	11	–	14,947	–	–	14,947	14,947
Structured deposits	8	5,515	–	–	–	5,515	5,515
Available-for-sale assets: equity securities	8	–	–	1,307	–	1,307	1,307
		<u>5,515</u>	<u>54,180</u>	<u>1,307</u>	<u>–</u>	<u>61,002</u>	<u>61,002</u>
Trade and other payables	16	–	–	–	45,121	45,121	45,121

NOTES TO THE FINANCIAL STATEMENTS

26 Financial risk management (Continued)

Accounting classifications and fair values (Continued)

Interest rate used for determining fair value

The interest rate used to discount estimated cash flows, when applicable, was based on the government yield curve at the reporting date plus an adequate credit spread, and was as follows:

	<u>2013</u>	<u>2012</u>
Trust receipts	<u>1.03%</u>	<u>–</u>

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Group				
30 April 2013				
Available-for-sale financial assets	1,407	–	–	1,407
Financial assets designated at fair value through profit or loss	–	1,666	–	1,666
	<u>1,407</u>	<u>1,666</u>	<u>–</u>	<u>3,073</u>
30 April 2012				
Available-for-sale financial assets	1,307	–	–	1,307
Financial assets designated at fair value through profit or loss	–	5,515	–	5,515
	<u>1,307</u>	<u>5,515</u>	<u>–</u>	<u>6,822</u>

NOTES TO THE FINANCIAL STATEMENTS

27 Commitments

Leases as lessee

The total future minimum lease payments under non-cancellable operating leases in respect of a parcel of land are payable as follows:

	Carrying amount	
	2013 \$'000	2012 \$'000
Within 1 year	81	47
After 1 year but within 5 years	298	189
After 5 years	252	305
	631	541

The Group leases 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 another parcel of land from JTC for a term of 30 years.

In addition, the Group is paying a licence fee for the land adjoining to its existing premises for a term of approximately 12 years with effect from 1 August 2009.

28 Related party transactions

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.

Key management personnel compensation

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:

	2013 \$'000	2012 \$'000
Short-term employee benefits	3,613	3,107

NOTES TO THE FINANCIAL STATEMENTS

28 Related party transactions (Continued)

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties entered into on terms agreed between the parties are as follows:

	2013 \$'000	2012 \$'000
Consultancy fee paid/payable to a substantial shareholder	–	96

29 Litigation

The Company announced on 23 March 2012 that its wholly-owned subsidiary, Xin Ming Hua, had received a writ of summons from one of its customers, Pacific Marine & Shipbuilding Pte Ltd ("Pacific Marine"), in relation to a dispute on a sale contract for Mitsubishi marine diesel engines with gearboxes and related components (the "Units") supplied by Xin Ming Hua (the "Sales Contract"). Pacific Marine alleged that the Units supplied by Xin Ming Hua are not of satisfactory quality and there was an alleged jiggling problem with the engine governor. The sale value of the Units is JPY 65.6 million (the "Selling Price", or approximately S\$1 million). Pacific Marine is claiming for a full refund of the Selling Price from Xin Ming Hua and is also claiming damages, expenses and losses in relation to the Sales Contract. The Group has engaged solicitors to defend Pacific Marine's claim.

Xin Ming Hua has engaged independent technical experts to conduct tests and investigations on the Units and the vessels on which the Units are mounted. The results of these tests and investigations indicate that the cause of the jiggling problem is external to the Units. The timeline for the trial before the court has yet to be set, despite additional testing of the Units being conducted during the current financial year. Management of the Group expects to achieve a favourable outcome to this litigation and will strenuously pursue this matter. Management believes that the final disposition of this matter will not have a significant adverse effect on the Group or its financial position.

STATISTICS OF SHAREHOLDINGS

AS AT 24 JULY 2013

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	424	39.96	2,400,000	0.62
10,001 – 1,000,000	620	58.44	48,404,000	12.58
1,000,001 and above	17	1.60	334,200,003	86.80
Total	1,061	100.00	385,004,003	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	TAN TIN YEOW	179,430,001	46.60
2	TAN TUM BENG	44,858,000	11.65
3	TAN SENG HEE	38,876,001	10.10
4	TAN GUAT LIAN	35,886,001	9.32
5	HONG LEONG FINANCE NOMINEES PRIVATE LIMITED	8,966,000	2.33
6	MAYBANK NOMINEES (SINGAPORE) PTE LTD	4,401,000	1.14
7	DBS NOMINEES PTE LTD	3,523,000	0.92
8	MAYBANK KIM ENG SECURITIES PTE LTD	3,302,000	0.86
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,330,000	0.61
10	MORGAN STANLEY ASIA (SINGAPORE) PTE.	1,929,000	0.50
11	OCBC SECURITIES PRIVATE LIMITED	1,856,000	0.48
12	UOB KAY HIAN PTE LTD	1,731,000	0.45
13	PHILLIP SECURITIES PTE LTD	1,727,000	0.45
14	YEO SECK KAN	1,587,000	0.41
15	POET INVESTMENT HOLDINGS PTE LTD	1,442,000	0.37
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,256,000	0.33
17	GAN CHENG CHAN	1,100,000	0.29
18	DBSN SERVICES PTE LTD	1,000,000	0.26
19	CIMB SECURITIES (SINGAPORE) PTE LTD	875,000	0.23
20	ALLINTON ENGINEERING & TRADING PTE LTD	800,000	0.21
Total:		336,875,003	87.51

Notes:

%: Based on 385,004,003 shares (excluding shares held as treasury shares) as at 24 July 2013.

* Treasury Shares as at 24 July 2013 – 14,996,000 shares.

STATISTICS OF SHAREHOLDINGS (Continued)

AS AT 24 JULY 2013

Rule 723 Compliance

Based on the information available to the Company as at 24 July 2013, approximately 22.33% 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 issued by the Singapore Exchange Securities Limited.

Substantial Shareholders

Name of Shareholders	No of shares	
	Direct Interest	%
Tan Tin Yeow ⁽¹⁾	179,430,001	46.60
Tan Tum Beng	44,858,000	11.65
Tan Seng Hee ⁽¹⁾	38,876,001	10.10
Tan Guat Lian ⁽¹⁾	35,886,001	9.32

Note:

(1) Mr. Tan Tin Yeow, Mr. Tan Seng Hee and Ms. Tan Guat Lian, 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.

Treasury Shares

As at 24 July 2013, the Company held 14,996,000 treasury shares, representing 3.75% of the total issued ordinary shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **XMH HOLDINGS LTD.** (the “**Company**”) will be held at Warren Golf & Country Club, 81 Choa Chu Kang Way, Singapore 688263 on 29 August 2013 at 10.00 a.m. (the “**Annual General Meeting**”) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the financial year ended 30 April 2013 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final one-tier tax exempt dividend of 1.20 cents per ordinary share for the financial year ended 30 April 2013. (2012: 1.00 cent per ordinary share) **(Resolution 2)**
3. To re-elect the following Director retiring pursuant to the Article 89 of the Company’s Articles of Association (the “**Articles**”):

Mr. Hong Pian Tee **(Resolution 3)**
[See Explanatory Note (i)]
4. To re-elect the following Director retiring pursuant to the Article 89 of the Articles:

Mr. Chua Tiong Wei **(Resolution 4)**
5. To approve the payment of Directors’ fees of \$157,000 for the financial year ended 30 April 2013. (2012: \$147,000) **(Resolution 5)**
6. To re-appoint KPMG LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an 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 (the “Shares”) – Share Issue Mandate**

“That, pursuant to Section 161 of the Companies Act, Chapter. 50 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual (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 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 shall in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (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 while this Resolution was in force,

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 convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-section (ii) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing this Resolution);
2. (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-section (i) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total 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 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, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
3. in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles; and
4. unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier."

[See Explanatory Note (ii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

9. Authority to grant options and issue Shares under the XMH Share Option Scheme

"That, pursuant to Section 161 of the Companies Act, the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted under the XMH Share Option Scheme (the "**Scheme**") provided always that the aggregate number of Shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time." [See *Explanatory Note (iii)*]

(Resolution 8)

By Order of the Board
XMH HOLDINGS LTD.

TAN TIN YEOW
Chairman and CEO
14 August 2013

Explanatory Notes:

- (i) Mr. Hong Pian Tee is the Lead Independent Director of the Company. He also serves as the Chairman of the Audit Committee and as a Member of the Nominating Committee and Remuneration Committee. Upon his re-election, Mr Hong will continue to serve as the Chairman of the Audit Committee and as a Member of the Nominating Committee and Remuneration Committee and will be considered independent.
- (ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company 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, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time the Ordinary Resolution 7 is passed.

- (iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company to grant options and to allot and issue Shares upon the exercise of such options in accordance with the Scheme.

Notes:

- 1. A Member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
- 2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- 3. If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.
- 4. The instrument appointing a proxy must be deposited at the registered office of the Company at 44 Sungei Kadut Avenue, Singapore 729667 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

XMH HOLDINGS LTD.

Company No.: 201010562M

(the "Company")

(Incorporated in Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of XMH HOLDINGS LTD., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, (name)

of (address) being a member/members of **XMH HOLDINGS LTD.** (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %

and/or (delete as appropriate)

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or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at Warren Golf & Country Club, 81 Choa Chu Kang Way, Singapore 688263 on 29 August 2013, at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Audited Accounts for the financial year ended 30 April 2013		
2.	Approval of payment of the first and final one-tier tax exempt dividend		
3.	Re-election of Mr. Hong Pian Tee as a Director		
4.	Re-election of Mr. Chua Tiong Wei as a Director		
5.	Approval of Directors' fees amounting to \$157,000 for the financial year ended 30 April 2013		
6.	Re-appointment of KPMG LLP as Auditors		
7.	Authority to allot and issue shares in the capital of the Company – Share Issue Mandate		
8.	Authority to grant options and issue shares under the XMH Share Option Scheme		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this day of 2013

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

Signatures of Shareholder(s) or, Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A proxy need not be a member of the Company.
4. 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 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 44 Sungei Kadut Avenue, Singapore 729667 not less than **48 hours** before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



XMH HOLDINGS LTD.

44 Sungei Kadut Avenue
Singapore 729667