



Resilience By Progress  
**Propelling Past Adversity**  
ANNUAL REPORT 2017

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## CORPORATE SOCIAL RESPONSIBILITY

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

- contributed to the 7<sup>th</sup> Tharman Shanmugaratnam Veteran Volleyball Championships charity sport event.
- donated to Canossaville Children's Home through Charity event organised by the Singapore Island Country Club.
- donated to Metta Welfare Association.
- donated to the social welfare through UOB Chinese New Year Charity events namely:
  - The Business Times Budding Artists Fund;
  - The Straits Times School Pocket Money Fund;
  - Fei Yue Community Services; and
  - Very Special Arts Singapore Ltd.

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

## CORPORATE PROFILE

**XMH Holdings Ltd. ("XMH" or the "Group")** began in 1955, as a small machinery repair and maintenance shop at Kitchener Road, and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 26 January 2011. With a history of over 60 years, XMH is a reputable and trusted name as a diesel engine, propulsion and power generating solutions provider to a diverse customer base in the marine and industrial sectors across Asia.

Over the years, the Group has expanded its primary product offerings to include distributorship, agency and dealership rights from prominent names such as Mitsubishi, Akasaka and Kamome (Japan), D-I and Doosan (South Korea), SOLÉ, Korsør, Reintjes, CENTA (Europe), Niigata Power Systems (Japan), ABB (Switzerland), Lilaas (Norway), Logstrup (Denmark), Siemens (Germany), Taiyo (Japan) and SGP (India).

The Group continued to advance, scaling up the value-chain with the introduction of "AceGen", its in-house range of power generating sets, and "XMH IPS", a one-

stop integrated solution to vessel owners requiring diesel engine (or electricity) driven propeller-based propulsion systems to power its vessels.

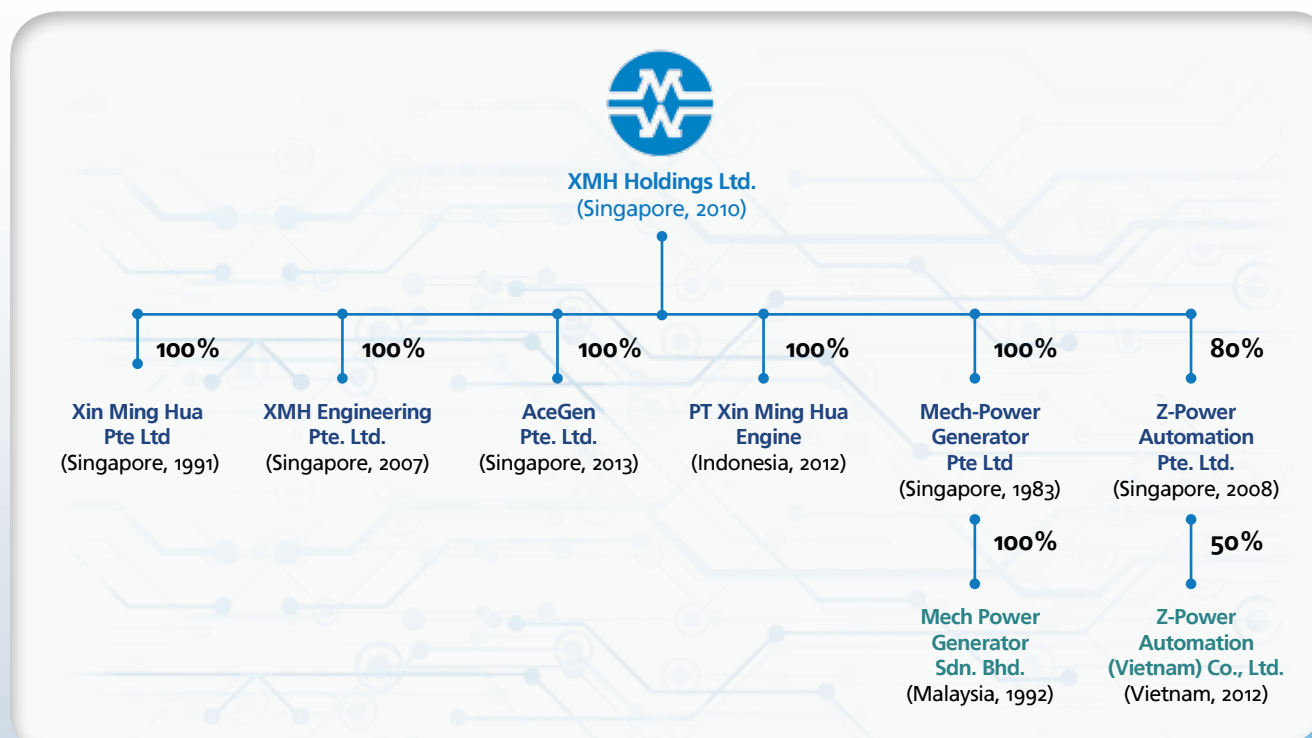
Subsequently, the Group successfully acquired Mech-Power Generator Pte Ltd ("MPG") and Z-Power Automation Pte. Ltd. ("ZPA") which diversified its primary business through added exposure to different markets and expanded its offering to include industrial and commercial applications.

With these acquisitions, XMH's business activities can be broadly categorised into:

1. Distribution and provision of value-added products and services;
2. After-sales services, trading and others; and
3. Projects, which comprise the assembly and installation of standby generator sets and provision of related services, and the design and manufacture of marine switchboards, remote control distributor system and marine automation products.

## OUR CORPORATE STRUCTURE

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



## CORPORATE PROFILE

### Mech-Power

Building Quality To Power The World

MPG's history can be traced back to 1983 and it has grown to become a leading manufacturer in design, assembly, testing, installation, commissioning, sale and service of diesel powered generator sets in Singapore. MPG also supplies the power generation industry in the Asia Pacific region.

MPG's suite of services include the design and manufacture of:

- Generator sets;
- Auto Mains Failure / Synchronizing control panels and switchboards for emergency generators;
- Generator exhaust silencers for industrial / residential / critical applications;
- Steel skid base frames for generating sets;
- Intake and discharge acoustic attenuation ducts;
- Single / double layer steel day tanks from 1,000 litres and above;
- Bulk fuel oil storage tanks (single/double layer) constructed to BS EN 12285-1: 2003 standards;
- Fuel transfer systems;
- Weatherproof / soundproof outdoor enclosures acoustically treated from 60-85 dB; and
- Resistive load banks and RTG operator cabins; and supporting equipment, such as auto mains failure.

In the pursuit of excellence, MPG has achieved several key certifications including the ISO 9001:2008 (Quality Management System), the OHSAS 18001:2007 (Occupational Health & Safety Management Systems), and the BizSAFE Level 3 certification from the Workplace Safety and Health Council ("WSH") in Singapore.

### ZPA

ZPA is a world class integrator for power, control and system solutions which was incorporated in 2008. With over 45 years of field services, electrical engineering, technology development, ZPA has transformed its business from a local switchboard supplier to a leader of complete system integration with strong commercial success in both the marine and energy sectors globally. Through an array of in-house engineering capabilities, ZPA creates customised solutions to support its international clientele base across Asia, Australia, Europe and the Middle East. Dedicated to excellence, all ZPA products are manufactured to conform to international standards such as IEC and marine class certifications with ABS, Lloyds, GL, BV, DNV, NK and RMRS or as required. ZPA's full suite of services include the design, engineering and manufacture of:

- Switchboards;
- Distribution Panels;
- Motor Control Centres;
- Shipboard Cable Installation;
- AMS/UMS alarm monitoring and control system for all type of vessels; and
- Other Related Automation Works.

In the pursuit of excellence and quality, ZPA has achieved several key certifications, namely, ISO 9001:2008 (Quality Management System), ISO14001:2004 (Environmental management system), OHSAS 1800:2007 (Quality & Safety Management System), BizSAFE Star (Level of excellent in WSH Management System), Circle of Excellence 2012/2013 (Offshore & Marine Industry) and Singapore Green Building Product Labelling Scheme 2016.





#### 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.

### COMPANY VALUES



#### COMMITMENT TO RELIABILITY

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



#### BELIEF IN PEOPLE

We believe our staff are capable of performing to expectations and have the potential to attain higher standards of excellence when nurtured.



#### RESOURCEFULNESS FOR THE RIGHT SOLUTION

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

### VISION

To be Asia's most trusted partner in power solutions

### MISSION

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

## CORPORATE MILESTONES



### 1950s

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



### 1970s

- Converted from sole proprietorship to partnership – Meng Wah Machinery Work.

### 1960s

- Engaged in the resale of used industrial diesel engines and machinery from suppliers in the United Kingdom.
- Provided engine modification service for customers in the timber industry.



### 1980s

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



### Products we carry:



AKASAKA DIESELS





### 1990s

- Incorporated Xin Ming Hua Pte Ltd on 31 January 1991 following the transfer of business and assets from its original partnership arrangement.
- Began the distribution of a limited range of marine diesel engines and power generating sets under Mitsubishi brand in 1996.
- Secured exclusive distribution rights for SOLÉ brand of marine diesel engines and its genuine spares for certain regions in 1998.



### 2010s

- Signed distributorship agreement between Mitsubishi Heavy Industries Ltd., MHI Engine System Asia Pte Ltd and Xin Ming Hua Pte Ltd on 19 January 2010.
- Listed on the SGX-ST Mainboard on 26 January 2011.
- Set up Vietnam (Ho Chi Minh City) overseas marketing office to support marketing initiatives in Vietnam.
- Secured two new principals – Guangzhou Diesel and Kamome Propeller.
- Established AceGen Pte. Ltd. in 2013 to assembly our in-house "AceGen" brand power generating sets.
- Enhanced our new corporate logo, among others through a rebranding exercise.
- Acquired and successfully integrated Mech-Power Generator Pte Ltd and its subsidiary into the enlarged Group on 7 September 2013.
- Set up PT XMH Engine in 2012 to provide after-sales support and to have close proximity and to better serve our customers in Indonesia.
- Welcomed Credence Capital Fund II as our first major institutional and substantial shareholder.
- Breakthrough into Vietnam with orders for generator sets.
- Acquired 80% shareholdings of Z-Power Automation Pte. Ltd. into the enlarged Group on 4 March 2015.
- Accredited with prestigious ABB Value Provider Certification in June 2015.
- Moved into new office building at Tuas Crescent.
- Completed 4:1 share consolidation exercise on 22 February 2016.
- Set up new outlet under PT XMH Engine on 8 June 2016 in Surabaya, Indonesia.
- Entered into a non-binding memorandum of understanding with Myanmar MarcoPolo Co., Ltd. in relation to the incorporation of a joint venture company in Myanmar.
- Closed down China (Shanghai) overseas office in March 2017.

### 2000s

- Progressively secured more distribution rights for products including Akasaka, Hyundai, Doosan, Korsør, Reintjes, D-I and CENTA with some on exclusive basis.
- Developed a range of power generating sets under our in-house brand to offer value-added customisation service.
- Set up China (Shanghai) overseas office in 2006 to support marketing activities in China.
- Established XMH Engineering Pte. Ltd. in 2007 to design and develop XMH IPS, a one-stop integrated solution for the propulsion requirements of marine vessels.



## FINANCIAL HIGHLIGHTS

| In \$'000                                      | FY2017  | FY2016  | FY2015               | FY2014               | FY2013               |
|------------------------------------------------|---------|---------|----------------------|----------------------|----------------------|
| <b>PROFIT OR LOSS</b>                          |         |         |                      |                      |                      |
| Total Revenue                                  | 90,151  | 108,385 | 91,514               | 105,174              | 97,645               |
| Gross Profit                                   | 21,794  | 26,864  | 27,588               | 27,309               | 22,918               |
| Net (Loss)/Profit Attributable to Shareholders | (1,071) | 7,944   | 5,253                | 6,125                | 11,431               |
| <b>REVENUE BY GEOGRAPHICAL</b>                 |         |         |                      |                      |                      |
| Singapore                                      | 50,387  | 66,169  | 48,509               | 41,378               | 21,166               |
| Vietnam                                        | 21,965  | 18,730  | 7,102                | 2,043                | —*                   |
| Indonesia                                      | 13,222  | 10,007  | 30,112               | 58,385               | 69,229               |
| Other Countries                                | 4,577   | 13,479  | 5,791                | 3,368                | 7,250                |
| <b>REVENUE BY BUSINESS</b>                     |         |         |                      |                      |                      |
| Distribution                                   | 32,505  | 27,309  | 34,054               | 60,042               | 85,796               |
| After-Sales Services                           | 6,216   | 6,617   | 9,135                | 12,871               | 11,849               |
| Projects                                       | 51,430  | 74,459  | 48,325               | 32,261               | —                    |
| <b>FINANCIAL POSITION</b>                      |         |         |                      |                      |                      |
| Total Assets                                   | 174,067 | 182,886 | 154,895              | 112,782              | 79,907               |
| Total Liabilities                              | 105,867 | 110,698 | 94,526               | 54,401               | 35,707               |
| Shareholders' Funds                            | 66,380  | 69,473  | 57,615               | 58,381               | 44,200               |
| Cash and Short-Term Deposits                   | 25,618  | 12,843  | 24,698               | 36,388               | 43,687               |
| <b>PERFORMANCE INDICATORS</b>                  |         |         |                      |                      |                      |
| (Loss)/Earnings per Share (cents)              | (0.96)  | 7.19    | 4.85 <sup>(1)</sup>  | 5.88 <sup>(1)</sup>  | 11.84 <sup>(1)</sup> |
| Net Asset Value per Share (cents)              | 59.65   | 62.43   | 53.09 <sup>(1)</sup> | 52.24 <sup>(1)</sup> | 45.92 <sup>(1)</sup> |

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

\* Figures immaterial

## CHAIRMAN'S MESSAGE

**On behalf of the Board of Directors of XMH Holdings Ltd. ("XMH" or collectively known as the "Group"), I am pleased to present to you our annual report for the financial year ended 30 April 2017 ("FY2017").**

### **Dear Shareholders,**

FY2017 was a tough year for the Group as it continued to weather the challenges in the global offshore marine industry. Facing sustained weak demand for marine related products and encountering fierce competition across all our business segments, we continued to leverage on our expertise as a comprehensive power generating solutions provider to the marine and industrial sectors across Asia. Thus, despite the headwinds, the Group maintained positive operating cash flow with net cash generated from operations increasing to S\$2.6 million from S\$0.9 million for FY2016.

As challenges continued to mount in the midst of lacklustre economic conditions, for FY2017, the Group reported a 16.8% decrease in revenue to S\$90.2 million. This was a result of lower revenue recorded from our Projects and After-sales business segments, partially offset by improved sales from the Distribution segment. The Group's gross profit margin remained largely unchanged decreasing slightly from 24.8% in FY2016 to 24.2% in FY2017. The Group reported a net loss attributable to owners of the company of S\$1.1 million for FY2017, with basic loss per share of 0.96 Singapore cents. Excluding the one-off non-cash impairment loss on intangible assets of S\$2.6 million, the Group's net profit attributable to owners of the company would be S\$1.6 million, with basic earnings per share of 1.40 Singapore cents.





### CONFRONTING ADVERSITY, PURSUING OBJECTIVES

In these difficult times, our key objectives remain intact, that is to maintain our order book and build on the foundation we have set in terms of our operational capabilities as a total power generating solutions provider to the marine and industrial industries.

During the year, we continued to strengthen relationships with existing suppliers and customers as well as tackle issues surrounding the weak demand in the market head on, identifying areas where the Group's resources would be most effective.

We hope to continue building on the groundwork we have set in past years, with the level of cohesiveness amongst our business segments raising our value proposition, aiding our appeal to new customers as well as reinforcing our utility and versatility to our existing customers.

### EFFICIENT AND CONSERVATIVE

We remain committed to improving our operational efficiency and cost effectiveness. This means optimising core processes, emphasising on accountability and enhancing our monitoring, review and control measures.

With the added measures, operations were made more effective and costs controlled, leading to the Group's net cash from operating activities increasing to S\$2.6 million for FY2017 from S\$0.9 million in FY2016. Furthermore, excluding one-time non-cash impairment and increased depreciation expenses from our Tuas facility, total operating expenses fell by 5.4% to S\$21.6 million for FY2017 from S\$22.8 million for FY2016.

Going forward, we hope to continuously assess which overheads and processes remain core and vital so as to streamline costs to achieve a stronger statements of financial position and sustainable growth for the medium to long term.



## OUTLOOK

As expected, the low oil price environment continues to be an extended condition. The offshore marine industry remains under pressure and cost reductions are ongoing in the industry. Coal prices in Indonesia have continued to benefit from the rise in domestic demand and increase in exports. Continued positive impact may trigger the demand for tugboats for coal transportation, which could lead to better prospects for the Group. Separately, the Building and Construction Authority of Singapore forecasted that overall value of construction contracts would increase for 2017 as compared to 2016. This rise is anticipated to come from public sector construction demand, which could bode well for the Group's generator set business.

Overall, the Group continues to maintain a prudent stance as it looks out for viable opportunities in the marine sector and energy-related and industrial onshore projects.

## DIVIDEND

As a token of appreciation to our shareholders for their continued support in this difficult period, the Group has proposed a dividend of 0.5 Singapore cents per share for FY2017. The proposed dividend is subject to the approval of shareholders at the upcoming Annual General Meeting ("AGM").

## A NOTE OF APPRECIATION

On behalf of the Board of Directors, we welcome new members to our Group and express our appreciation for the contributions of those who have left us to pursue other opportunities.

On behalf of the management team, we would like to extend our gratitude to the Board of Directors for their wisdom and support. I would also like to thank my colleagues, staff and advisors for their commitment, versatility and unity in these tough times.

To our business partners, associates, customers and suppliers, your unwavering support to the Group has been extremely reassuring and we hope that we continue to build on these bonds.

Lastly, our sincere gratitude goes out to our shareholders for their loyalty and trust in the Group. We will continue to work hard to strengthen our business, to overcome these challenges, and emerge a tougher and more dynamic XMH.

## MR. TAN TIN YEOW

Chairman and Managing Director



## BOARD OF DIRECTORS

### Mr. Tan Tin Yeow

#### *Chairman and Managing Director*

Mr. Tan was appointed as Chairman and CEO on 29 October 2010. He was re-designated as Chairman and Managing Director on 8 September 2016. He bears overall responsibility for the Group as well as strategy formulation, corporate planning, business development and potential acquisition. He was also responsible for establishing the distribution arm and securing the exclusive distributorships for the Group.

Mr. Tan has more than 25 years of experience in the marine and industrial diesel engines industry. Prior to joining the Group, he has worked in Meng Wah Machinery Work, former partnership founded by the Founder, Mr. Tan Tum Beng until 1991. He was also one of the proud recipients of the Rotary-ASME Entrepreneur of the Year in 2007.

### Ms. Tan Guat Lian

#### *Executive Director*

Ms. Tan was appointed as Executive Director (Human Resource & Administration) on 29 October 2010. She has overall responsibility in managing and overseeing the administrative and human resource departments.

Ms. Tan has contributed commendably to the early development of the Group with key initiatives like setting up various departments including the administrative, logistics, human resource, accounts and IT departments. She has more than 20 years of relevant experience in the Administrative and Human Resource.

Mr. Chan Heng Toong



Ms. Tan Guat Lian



Mr. Tan Tin Yeow



Mr. Hong Pian Tee



Mr. Ng Sey Ming



### **Mr. Hong Pian Tee**

#### ***Lead Independent Director***

Mr. Hong was appointed as an 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 Sinarmas Land Ltd. and Memstar Technology, all of which are companies listed on the mainboard of the Official List of the SGX-ST. He is also an independent director of Asiaphos Ltd., a company listed on the Catalist Board of SGX-ST.

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

### **Mr. Chan Heng Toong**

#### ***Independent Director***

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

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

### **Mr. Ng Sey Ming**

#### ***Independent Director***

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

After being admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2000, Mr. Ng commenced his legal practice in Rajah & Tann Singapore LLP and was made a partner in 2007. He was also admitted as a Solicitor of England and Wales, and an Advocate and Solicitor of the High Court of Malaya in 2007. He obtained a Bachelor of Laws (Honours) from the National University of Singapore in 1999 and is currently a member of the Singapore Academy of Law and the Law Society of Singapore.

## SENIOR MANAGEMENT



**MR. TAN LEONG KIM**  
*Chief Financial Officer*

Mr. Tan joined the company as Chief Financial Officer on 11 July 2016.

Mr. Tan is responsible for all the Group's financial and corporate functions including corporate finance, financial reporting, treasury management, taxation, compliance, investor relations and IT.

Mr. Tan has more than 15 years of experience in corporate finance as well as tax and treasury management. Prior to joining the Group, Mr. Tan has held senior executive positions such as Senior Vice President Business and Corporate Controller SEA and Chief Financial Officer, ASEAN of Tat Hong Holdings Ltd. ("Tat Hong"). Before Tat Hong, Mr. Tan was an auditor with KPMG.

Mr. Tan is a graduate of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountant.

Mr. Phua joined the company on 4 December 2013 and is responsible for the overall Group's operations, overseeing the procurement, purchasing, production, engineering, and warehousing along with logistics functions. He was with Credence Partners as VP, Investment (Portfolio Operations) prior to joining the Group.

Mr. Phua has over 20 years of working experience in the contract manufacturing business covering numerous locations in Asia with various MNCs. His past appointments include General Manager of Celestica Electronics Shanghai Ltd. (formally Omni Electronics Shanghai), Managing Director of CTS Tianjin, Asia Pacific Director of Operations for Electrical Components International, among others. He holds a Bachelor's Degree (1st Class Honors) in Mechanical Engineering from Nanyang Technical University.



**MR. PHUA TIANG SOON**  
*Operations Director*

Ms. Ong was appointed as Assistant Administrative Manager on 29 October 2010 and promoted to Administrative Manager on 1 Aug 2011. She is responsible for overseeing the export department, which handles the Group's shipping documentation and supports the overall logistic planning process.

Prior to joining the Group as administrative assistant in 1998, she worked as customer support assistant in Wing Seng Logistic Pte. Ltd. Over the years, she rose the ranks and was promoted to Administrative Officer and Administrative Executive in 2001 and 2003 respectively. Subsequently, she was promoted in 2005 to Senior Administrative Executive and has assumed the role of Assistant Administrative Manager since 2009.



**MS. ONG SIOK LING (Wang Shuling)**  
*Administrative Manager*

## OPERATIONS AND FINANCIAL REVIEW

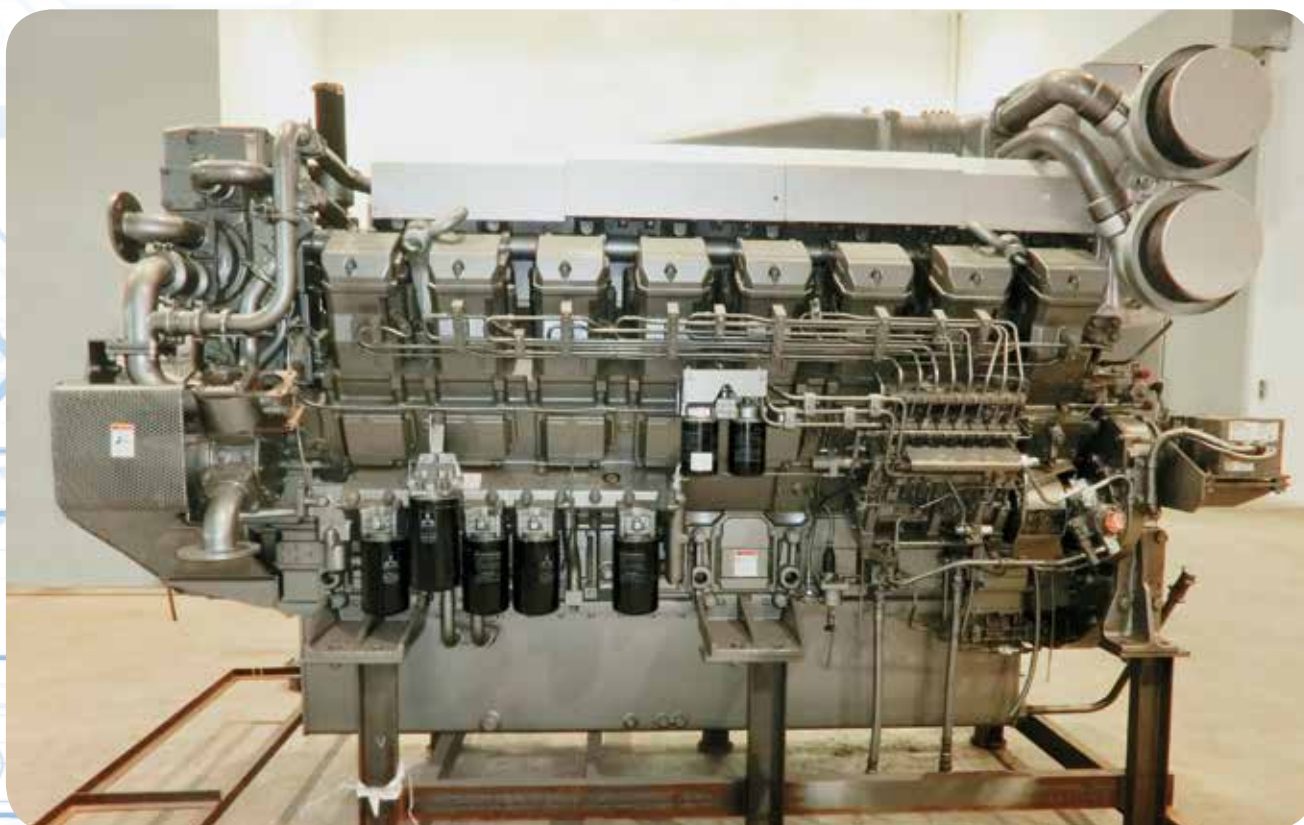
### FINANCIAL PERFORMANCE

For the financial year ended 30 April 2017 ("FY2017"), the Group posted revenue of S\$90.2 million, a decrease of 16.8%. This was mainly due to a decrease of S\$23.0 million from the "Projects" business, recording revenue of approximately S\$51.4 million. This was partially offset by an increase of revenue from the "Distribution" business of S\$5.2 million.

The Group's gross profit decreased by S\$5.1 million or 18.9% to S\$21.8 million, primarily due to the intensified competitiveness experienced in all business segments. The Group's gross profit margin decreased marginally from 24.8% for FY2016 to 24.2% for FY2017.

Excluding the one-time non-cash impairment loss and increased depreciation, total operating expenses of the Group fell by 5.4% to S\$21.6 million for FY2017. Distribution expenses decreased by 12.1% to S\$6.1 million for FY2017, mainly due to decreased travelling, marketing and entertainment expenses. Administrative expenses increased by 25.2% to S\$22.7 million for FY2017, mainly due to increased depreciation charges, higher property taxes arising from the completion of the Tuas factory in late FY2016 and impairment loss on goodwill and order backlogs.

Overall, the Group reported a net loss attributable to owners of the company of S\$1.1 million for FY2017, with basic loss per share of 0.96 Singapore cents. Excluding the one-off non-cash impairment loss on intangible assets of S\$2.6 million, the Group's net profit attributable to owners of the company would be S\$1.6 million, with adjusted basic earnings per share of 1.40 Singapore cents.



## OPERATIONS AND FINANCIAL REVIEW

### FINANCIAL POSITION

Total equity of the Group excluding non-controlling interest decreased from S\$69.5 million as at 30 April 2016 to S\$66.4 million as at 30 April 2017. The decrease in property, plant and equipment of approximately S\$7.6 million was due mainly to price adjustment on the cost of construction, depreciation charges and the disposal of the Sungei Kadut factory. Intangible assets decreased by approximately S\$3.5 million to S\$11.8 million as at 30 April 2017, mainly due to an impairment loss on goodwill and order backlogs of about S\$2.6 million and amortisation charged. Non-current trade receivables were S\$2.0 million as at 30 April 2017, this is in relation to an agreed long-term repayment tenure with a customer. Current trade and other receivables decreased by approximately S\$10.4 million to S\$23.1 million as at 30 April 2017, mainly due to collections during the year.

Inventories decreased by approximately S\$4.8 million to S\$30.6 million as at 30 April 2017, mainly due to increased sales from the "Distribution" business segment. The Group continues to adhere to high standards of inventory control and actively analyses its inventory needs relevant to its project planning. Contract work-in-progress increased by approximately S\$3.1 million to S\$11.0 million as at 30 April 2017, mainly due to commencement of contracts.

Trade and other payables decreased approximately S\$15.8 million to S\$30.8 million as at 30 April 2017, mainly due to settlements with contractors for the Tuas facility and settlement of trade bills due. The Group's loans and borrowings stood at approximately S\$74.0 million as at 30 April 2017, an increase of approximately S\$12.3 million. This was mainly due to the drawdown of bank overdraft and revolving credit for operations, offset partially by the repayment of bills payable due.

The Group's net asset value per ordinary share was 59.65 Singapore cents as at 30 April 2017.

### STATEMENT OF CASH FLOW

Net cash generated from the Group's operating activities was S\$2.6 million for FY2017 as compared to S\$0.9 million in FY2016. This was due to increased collection from trade receivables and higher unit sales, partially offset by increased payment of trade bills.



The Group generated approximately S\$1.2 million from investing activities for FY2017 against S\$38.1 million used in the previous period, mainly due to lower acquisitions of property, plant and equipment, sales proceeds of S\$2.0 million from the disposal of the Sungei Kadut factory and as the previous period included payment for an acquisition of a subsidiary corporation.

Net cash generated from financing activities was approximately S\$7.9 million for FY2017, mainly due to loan drawdowns.

In view of the above, overall net increase in cash was approximately S\$11.7 million for FY2017 compared to net cash decrease of S\$13.1 million in FY2016.

### ORDER BOOK

The outstanding order book for the Group stood at approximately S\$46.2 million as at 18 July 2017. The Group's order book includes the orders won by MPG and ZPA.

As the Group continues to face challenges in the current tough climate, its focus remains to strengthen its statements of financial position and maintain its operational strength to enable it to increase its value proposition and continue its order winning momentum.

### GOING FORWARD

The Group will persist with its efforts to improve its operations amidst these difficult operating conditions. It will continue to aim for progress and build on the groundwork it has set to better serve the needs of its business partners, staff, shareholders and stakeholders.

The Groups remains vigilant on any developments in its operating environment with the aim of achieving new milestones and seizing any viable opportunities both locally and regionally.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

### COMPANY SECRETARY

Ms. Shirley Tan Sey Liy (*ACIS*)

### REGISTERED OFFICE

55 Tuas Crescent, #07-01, Singapore 638743  
 Telephone: (65) 6368 0188  
 Facsimile: (65) 6368 0633

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATING COMMITTEE

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

### SHARE REGISTRAR

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

### INDEPENDENT AUDITORS

Ernst & Young LLP  
 Public Accountants and Chartered Accountants Singapore  
 One Raffles Quay, North Tower, Level 18  
 Singapore 048583  
 Partner-in-charge  
 Ms. Ho Shyan Yan  
 (Since financial year ended 30 April 2015)

### PRINCIPAL BANKERS

DBS Bank Ltd.  
 12 Marina Boulevard, Level 43, DBS Asia Central @ Marina  
 Bay Financial Centre Tower 3, Singapore 018982

United Overseas Bank Limited  
 80 Raffles Place, #11-00 UOB Plaza 1, Singapore 048624

Standard Chartered Bank  
 8 Marina Boulevard, Level 29 @ Marina Bay Financial Centre  
 Tower 1, Singapore 018981

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

The Hongkong and Shanghai Banking Corporation Limited  
 21 Collyer Quay, #07-01 HSBC Building, Singapore 049320

### INVESTOR RELATIONS CONSULTANT

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



# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of XMH Holdings Ltd. (the “**Company**”) is committed to the highest standard of corporate governance throughout the Company and its subsidiaries (the “**Group**”) and has always recognised the importance of good governance to enhance corporate performance, accountability, shareholders’ value and protection of stakeholders’ interests as well as financial performance of the Group. Throughout the financial year ended 30 April 2017 (“**FY2017**”), the Company has complied with the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”).

This report sets out the Company’s corporate governance practices and structures that were in place throughout and/or during the financial year or which will be implemented and where appropriate, we have provided explanations for deviation from the Code. The Board confirms that the Group has complied with the best practices of the Code for FY2017, save as otherwise disclosed and explained below.

## (A) BOARD MATTERS

### Board’s Conduct of its Affairs

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

The Board oversees the business and corporate affairs of the Group. The principle functions of the Board are:

- Protecting and enhancing long-term value and return to its shareholders and other stakeholders;
- Providing leadership and guidance on corporate strategy, business directions, risk management policy and implementation of corporate objectives, as well as taking into consideration sustainability issues;
- Establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- Ensuring the effectiveness and integrity of Management;
- Setting the Group’s values and standards;
- Identifying key stakeholder groups and recognising that their perceptions affect the Group’s reputation;
- Monitoring Management’s achievement of the Group’s goals;
- Conducting periodic reviews of the Group’s financial performance, internal controls and reporting compliance;
- Approving nominations to the Board and appointment of key executives;
- Ensuring the Group’s compliance with all relevant and applicable laws, regulations, policies, directives and guidelines; and
- Assuming responsibility for the corporate governance of the Group.

## CORPORATE GOVERNANCE REPORT

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

To assist the Board in the execution of its responsibilities, the Board has delegated specific responsibilities to three (3) committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively the "Board Committees"). Further information and details on each of the Board Committees are set out below. While the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters still lies with the entire Board. The Board Committees operate within clearly defined terms of reference or scope and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

Formal Board meetings are held at least four (4) times a year to approve the quarterly and full year results announcement and to oversee the business affairs of the Group. Board meetings are planned in advance on a yearly basis. This enables the Board to meet on a regular basis without interfering with the Company's operations. The Board may request for further clarification and information from Management on all matters within its purview. Ad-hoc meetings are convened as and when circumstances require. The Company's Constitution provides for meetings of the Board to be conducted by way of telephone conference or other methods of simultaneous communications by electronic means.

The table below sets out the number of Board and Board Committee meetings held during FY2017 and the attendance of each Director at these meetings:

|                     | Board           |          | AC              |          | NC              |          | RC              |          |
|---------------------|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
|                     | No. of meetings |          | No. of meetings |          | No. of meetings |          | No. of meetings |          |
| Name of Directors   | Held            | Attended | Held            | Attended | Held            | Attended | Held            | Attended |
| Mr. Tan Tin Yeow    | 4               | 4        | 4               | 4*       | 1               | 1        | 1               | 1*       |
| Ms. Tan Guat Lian   | 4               | 4        | 4               | –        | 1               | 1*       | 1               | 1*       |
| Mr. Hong Pian Tee   | 4               | 4        | 4               | 4        | 1               | 1        | 1               | 1        |
| Mr. Chan Heng Toong | 4               | 4        | 4               | 4        | 1               | 1        | 1               | 1        |
| Mr. Ng Sey Ming     | 4               | 4        | 4               | 4        | 1               | 1        | 1               | 1        |

\* By invitation

The Board had adopted a set of internal guidelines setting forth matters that require the Board's approval. Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest of a substantial shareholder or a Director, material acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, share issuances, declaration of dividends and other returns to shareholders and matters which require Board approval as specified under the Company's interested person transaction policy.

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

# CORPORATE GOVERNANCE REPORT

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

A formal letter of appointment will be furnished to every newly-appointed Director upon their appointment explaining, amongst others, their roles, obligations, duties and responsibilities as a member of the Board. Newly-appointed Directors receive appropriate training in areas such as accounting, legal and industry-specific training, if required. Appropriate briefings and orientations will be arranged for newly appointed Directors to acquaint them with background information on the Group’s history, mission and values, its business operations, strategic directions, corporate governance practices, as well as their duties and responsibilities as a Director. They will also be given opportunities to visit the Group’s operational facilities and meet the Management so as to gain a better understanding of the Group’s business.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of the Directors’ duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in the discharge of their duties.

The Management also regularly updates the Directors on the business activities of the Company and the Group during Board meetings.

## Board Composition and Guidance

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

The present Board comprises five (5) members, three (3) of whom are Independent Directors (including the Chairman of the various Board Committees) and they are able to exercise objective judgement on corporate affairs independently from the Management.

| Name of Directors   | Board                                                | AC       | NC       | RC       |
|---------------------|------------------------------------------------------|----------|----------|----------|
| Mr. Tan Tin Yeow    | Chairman and Managing Director (“MD”) <sup>(1)</sup> | –        | Member   | –        |
| Ms. Tan Guat Lian   | Executive Director                                   | –        | –        | –        |
| Mr. Hong Pian Tee   | Lead Independent Director                            | Chairman | Member   | Member   |
| Mr. Chan Heng Toong | Independent Director                                 | Member   | Chairman | Member   |
| Mr. Ng Sey Ming     | Independent Director                                 | Member   | Member   | Chairman |

### Note:

(1) Mr. Tan Tin Yeow was re-designated from Chairman and Chief Executive Officer (“CEO”) to Chairman and MD on 8 September 2016.

## CORPORATE GOVERNANCE REPORT

There is presently a strong and independent element on the Board. As the Chairman and MD is not an independent director, the Company has three (3) Independent Directors and is in compliance with the Code's guideline that at least half of the Board should be made up of Independent Directors.

### Independent Directors

The NC considers an "independent" Director as one who has no relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his/her independent business judgement in carrying out the functions as an independent director with a view to the best interests of the Company. The NC may obtain confirmation from the Independent Directors that he/she is not involved in any of the relationships and/or circumstances as provided for in Guideline 2.3 of the Code.

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

There is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment. The Company is cognisant of the need to progressively refresh the Board and will take this into consideration in its future review of Board composition, as and when deemed necessary.

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

A description of the background of each Director, including directorships they presently hold and those held over the preceding three (3) years in other listed companies and other principal commitments, is presented on pages 23 to 24 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, all of which are relevant to the Group.

Independent Directors do not exercise any management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined, and take into account the long-term interests of not only the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business, in reviewing the performance of Management in meeting agreed goals and objectives, and in monitoring the reporting of performance. The NC considers its Independent Directors to be of sufficient calibre and their views to be of sufficient weight such that no individual or small group of individuals is able to dominate the Board's decision-making process. The Board has also appointed Mr. Hong Pian Tee as its Lead Independent Director.

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

# CORPORATE GOVERNANCE REPORT

## Chairman and Chief Executive Officer

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

Mr. Tan Tin Yeow currently assumes the roles of both the Chairman and MD. He was re-designated from Chairman and CEO to Chairman and MD with effect from 8 September 2016. There is no change in Mr. Tan Tin Yeow's duties and responsibilities in the Group. The Group believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. The Board is of the opinion that it is not necessary to separate the two (2) roles after taking into consideration the size and capabilities of the Board, and the size and operations of the Group.

The Chairman and MD 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 MD ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Directors. The Chairman and MD reviews Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information. As a general rule, Board papers are sent to Directors in advance in order for Directors to be adequately prepared for the meeting. The Chairman and MD also ensures that the 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 meetings. The Chairman and MD promotes active engagement and an open dialogue amongst the Directors as well as between the Board and Management. He also encourages constructive relations between Board and Management, and between the Executive and Independent Directors. At the Annual General Meeting ("AGM") and other shareholders' meetings, the Chairman and MD ensures constructive dialogue between shareholders, the Board and Management. The Chairman and MD takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretary and Management.

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 Director, as Lead Independent Director. Mr. Hong Pian Tee is available to shareholders where they have concerns and in circumstances where contact through the normal channel of the Chairman and MD has failed to resolve their concerns or for which such contact is inappropriate.

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

## Board Membership

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

The NC comprises the following members:

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

## CORPORATE GOVERNANCE REPORT

The NC comprises four (4) directors, a majority of whom are Independent Directors. The Chairman of the NC is an Independent Director who is neither a substantial shareholder of the Company, nor directly associated with a substantial shareholder of the Company.

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

- Making recommendations to the Board on all Board appointments;
- Making recommendations to the Board on the re-nomination of Directors annually and at least once every three (3) years for each Director, as required by the Constitution of the Company;
- Determining the independence of Directors annually;
- Procuring that at least one-third of the Board shall comprise Independent Directors;
- Reviewing training and professional development programmes for the Board; and
- Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

In its search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board members and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps into the resources of the Directors' personal contacts and recommendations of potential candidates, and goes through a short-listing process. If candidates identified through this process are not suitable, executive recruitment agencies will be appointed to assist the NC in the search process. Interviews will be set up with potential candidates for NC members to assess them before a decision is reached. Other important issues considered in the NC's nomination and selection process for new Directors include composition and progressive renewal of the Board.

In its deliberations on the re-election and re-appointment of existing Directors, the NC takes into consideration the relevant Director's competency, commitment, contribution and performance (including, if applicable, his contribution and performance as Independent Director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of intervention and special contributions. The Chairman of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his views in this regard. Other important issues considered in NC's deliberations on the re-election and re-appointment of existing Directors include composition and progressive renewal of the Board.

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

The NC has recommended to the Board that Ms. Tan Guat Lian and Mr. Ng Sey Ming be nominated for re-election at the forthcoming AGM pursuant to Regulation 89 of the Constitution of the Company. The Board had accepted the NC's recommendation.

## CORPORATE GOVERNANCE REPORT

Mr. Ng Sey Ming, being the member of the NC, who is retiring at the forthcoming AGM, has abstained from voting on the resolution in respect of his re-election as a Director at the NC meeting.

Save for Ms. Tan Guat Lian as disclosed in the annual report, the Director due for re-election at the forthcoming AGM has no relationship (including immediate family relationship) with the other Directors, the Company or its 10% shareholders.

The NC has considered and taken the view that it would not be appropriate at this juncture to set a limit on the number of listed directorships that a Director may hold. This is because the organisations in which they hold appointments and the Board Committees on which they serve are of different complexities and nature. The NC determines annually whether each Director with multiple board representations and principal commitments outside of the Group is able to and has been adequately carrying out his or her duties as a Director. The NC also takes into account the attendance of the Directors at Board or Board Committee meetings, results of the assessment of the effectiveness of the Board as a whole, Board Committees, and the respective Director's actual conduct on the Board and its Board Committees, in making its determination.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple Board representations. As such, the NC is of the view that there is no present need to implement internal guidelines to address competing time commitments. This matter is also reviewed by the NC on an annual basis.

There is no alternate director being appointed to the Board.

The key information regarding Directors such as their academic and professional qualifications, Board Committees they have served on, directorships or chairmanships both present and past held over the preceding three (3) years in other listed companies and other major appointments, whether the appointment is executive or non-executive, is set out below. Information on the shareholdings of the Directors in the Company and its subsidiaries can be found on pages 40 to 46 of the Annual Report.

### **Mr. Tan Tin Yeow**

*Chairman and Managing Director*

Mr. Tan was appointed as Chairman and CEO on 29 October 2010. Mr. Tan's date of last re-election was 28 August 2015. He was re-designated as Chairman and MD on 8 September 2016. He serves as Chairman of the Board and member of the NC.

Mr. Tan's highest academic qualifications are the Singapore Cambridge General Certificate of Education Ordinary Level Examination. Mr. Tan does not have any directorships or chairmanships both present and those held over the preceding three (3) years in other listed companies.

### **Ms. Tan Guat Lian**

*Executive Director*

Ms. Tan was appointed as Executive Director (Human Resource & Administration) on 29 October 2010. Ms. Tan's date of last re-election was 29 August 2016. She serves as a member of the Board.

Ms. Tan has a diploma in Human Resource Management from PSB Academy. Ms. Tan does not have any directorships or chairmanships both present and those held over the preceding three (3) years in other listed companies.

## CORPORATE GOVERNANCE REPORT

### Mr. Hong Pian Tee

*Lead Independent Director*

Mr. Hong was appointed as an Independent Director on 29 October 2010 and his date of last re-election was 29 August 2016. Mr. Hong serves as Chairman of the AC and member of the Board, NC and RC.

Mr. Hong's highest academic qualifications are the Singapore Cambridge General Certificate of Education Ordinary Level Examination. Mr. Hong is also currently an independent director of Sinarmas Land Ltd., and Memstar Technology Ltd., all of which are companies listed on the Mainboard of the Official List of the SGX-ST. He is also an independent director of Asiaphos Ltd., a company listed on the Catalist Board of SGX-ST. Within the past three (3) years, Mr. Hong previously held directorship in Mainboard listed company, Golden Agri-Resources Ltd.

### Mr. Chan Heng Toong

*Independent Director*

Mr. Chan was appointed as an Independent Director on 29 October 2010 and his date of last re-election was 29 August 2016. Mr. Chan serves as Chairman of the NC and member of the Board, AC and RC.

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. Chan is currently an independent director of Singapore O&G Ltd., a company listed on the Catalist Board of SGX-ST. He did not hold any past directorships in the past three (3) years in other listed companies.

### Mr. Ng Sey Ming

*Independent Director*

Mr. Ng was appointed as an Independent Director on 29 October 2010 and his date of last re-election was 28 August 2015. Mr. Ng serves as Chairman of the RC and member of the Board, AC and NC.

He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2000 and, 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. Ng is currently an independent director of Hong Leong Asia Ltd. and Gaylin Holdings Limited, both of which are companies listed on the Mainboard of the SGX-ST. Within the past three (3) years, Mr. Ng previously held directorship on Catalist listed company, Hiap Tong Corporation Ltd.

### Board Performance

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

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

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

## CORPORATE GOVERNANCE REPORT

The assessment of the Board and its Board Committees is conducted through a confidential questionnaire, covering areas such as the effectiveness of the Board in its monitoring role, and the effectiveness of the Board Committees, which is completed by each Director individually. Such performance criteria are approved by the Board and they address, amongst others, how the Board has enhanced long-term shareholders' value. The performance criteria does not change unless circumstances deem it necessary and a decision to change the criteria would have to be justified by the Board.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

The evaluation of individual Directors is done through self-assessment, and in each case through a confidential questionnaire completed by the Directors individually. The assessment parameters for such individual evaluation include both qualitative and quantitative factors such as attendance records, contributions during Board meetings, as well as individual performance of principal functions and fiduciary duties.

The completed questionnaires are collated for the NC's deliberation. The NC then presents the results, conclusions and its recommendations to the Board. The Chairman and MD acts on the results of the performance evaluation, and where appropriate and in consultation with the NC, proposes new members to be appointed to the Board, or seeks the resignation of a Director.

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

The NC, having reviewed the overall performance of the Board, Board Committees and the assessment of the individual Director in terms of its role and responsibilities and the conduct of its affairs as a whole for FY2017, is of the view that the performance of the Board as a whole, Board Committees and contribution by each Director has been satisfactory. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors. No external facilitator was used in the evaluation process.

### Access to Information

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

All Directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least three (3) days prior to the meeting to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly and prepared for the meeting. The Board and Board Committees papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the meetings of the Board and Board Committees.

As part of good corporate governance, decision-making on key matters are reserved for resolution at Board meetings rather than simply circulating reports on those matters, in order 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. Any material variance between the projections and actual results are also disclosed and explained to the Board.

# CORPORATE GOVERNANCE REPORT

The Directors have separate and independent access to the senior management, including the Chairman and MD, the Chief Financial Officer (“CFO”) 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 will be circulated to all Board members for their information.

All Directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary or her representative(s) attends all meetings of the Board and, together with members of the Management, ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the AC, RC and NC. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board and its Board Committees and between senior management and the Independent Directors, as well as facilitating orientation and assisting with professional development as required.

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

Each Director has the right to seek independent legal and other professional advice, at the Company’s expense, concerning any aspect of the Group’s operations or undertakings in order to fulfil his/her duties and responsibilities as a Director.

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

The RC comprises the following members:

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

The RC comprises three (3) directors, all of whom are Independent Directors.

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

- Recommending to the Board for endorsement, a framework for computation of Directors’ fees of the Board, as well as the remuneration of Executive Directors and key management personnel.

For Executive Directors and executive officers, the framework covers all aspects of executive remuneration (including but not limited to Directors’ fees, salaries, allowances, bonuses, options and benefits-in-kind);

## CORPORATE GOVERNANCE REPORT

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

In framing the Group's remuneration policy as described above, the RC may from time to time refer to market reports on average remuneration;

- Administration of the XMH Share Option Scheme (the "Scheme").

The Scheme provides a framework for eligible participant(s), with an opportunity to participate in the equity of the Company, to motivate them towards better performance through increased dedication and loyalty. Further information on the Scheme can be found on pages 84 to 87 of the Annual Report;

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

The total remuneration of employees who are related to Directors is reviewed by the RC annually to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities; and

- Reviewing the service agreements of Executive Directors and key management personnel of the Company in the event of termination.

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

Although the RC does not currently engage any professional advisers in relation to the remuneration of the directors, the RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

In reviewing the service agreements of the executive directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

### Level and Mix of Remuneration

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

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages.

The remuneration for the Executive Directors and certain key management personnel comprise a fixed and variable component. The variable component is performance-related and is linked to the Group's performance as well as the performance of each individual Executive Director and key personnel.

The Company adopted the Scheme in 2010. The Executive Directors, Independent Directors and key management personnel are eligible to participate in the Scheme in accordance with the rules for the Scheme.

## CORPORATE GOVERNANCE REPORT

The Independent Directors receive Directors' fees appropriate to the level of their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. The Independent Directors shall not be over-compensated to the extent that their independence may be compromised. The Directors' fees are endorsed by the RC and recommended by the Board for shareholders' approval at the AGM of the Company. There are no other share-based compensation schemes in place for Independent Directors save for the Scheme.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties.

### Disclosure on Remuneration

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

Taking into account the confidentiality and sensitivity as well as the competitive pressures in the talent market, the Board has decided to disclose the remuneration of the Directors and key management personnel, in bands with a breakdown of the components in percentage set out in the tables below.

The remuneration paid to or accrued to each individual Director and the MD for FY2017 is as follows:

| Remuneration Band and Name of Directors      | Salaries <sup>(1)</sup><br>% | Variable<br>Bonus<br>% | Directors'<br>Fees<br>% | Share<br>Options<br>% | Benefits<br>-In-Kind <sup>(2)</sup><br>% | Total<br>% |
|----------------------------------------------|------------------------------|------------------------|-------------------------|-----------------------|------------------------------------------|------------|
| <b>Above S\$500,000 but below S\$750,000</b> |                              |                        |                         |                       |                                          |            |
| Mr. Tan Tin Yeow <sup>(3)(4)</sup>           | 80                           | 6                      | —                       | 9                     | 5                                        | 100        |
| Ms. Tan Guat Lian <sup>(3)</sup>             | 75                           | 19                     | —                       | 5                     | 1                                        | 100        |
| <b>Below S\$250,000</b>                      |                              |                        |                         |                       |                                          |            |
| Mr. Hong Pian Tee <sup>(3)</sup>             | —                            | —                      | 98                      | 2                     | —                                        | 100        |
| Mr. Ng Sey Ming <sup>(3)</sup>               | —                            | —                      | 97                      | 3                     | —                                        | 100        |
| Mr. Chan Heng Toong <sup>(3)</sup>           | —                            | —                      | 97                      | 3                     | —                                        | 100        |

#### Notes:

- Salaries also include Central Provident Fund ("CPF") contributions, transport allowance and unconsumed leave.
- Benefits-in-kind comprises vehicle benefits and the annual subscription fees.
- Details of share options granted to the Directors can be found in the "Directors' Statement" section of the Annual Report on pages 40 to 46.
- Mr. Tan Tin Yeow was re-designated from Chairman and CEO to Chairman and MD on 8 September 2016.

## CORPORATE GOVERNANCE REPORT

For FY2017, the Company only identified three (3) key management personnel, and the remuneration paid to or accrued to the key management personnel (who are not Directors or the MD) is as follows:

| Name of Key Management Personnel             | Salaries <sup>(1)</sup><br>% | Bonus<br>% | Share<br>Options<br>% | Benefits<br>-In-Kind <sup>(2)</sup><br>% | Total<br>% |
|----------------------------------------------|------------------------------|------------|-----------------------|------------------------------------------|------------|
| <b>Above S\$250,000 but below S\$500,000</b> |                              |            |                       |                                          |            |
| Mr. Phua Tiang Soon                          | 79                           | 14         | 7                     | —                                        | 100        |
| <b>Below S\$250,000</b>                      |                              |            |                       |                                          |            |
| Mr. Tan Leong Kim <sup>(3)</sup>             | 87                           | 13         | —                     | — <sup>(5)</sup>                         | 100        |
| Ms. Koh Lay Choo <sup>(4)</sup>              | 75                           | 25         | —                     | —                                        | 100        |
| Ms. Ong Siok Ling                            | 77                           | 14         | 9                     | —                                        | 100        |

### Notes:

- (1) Salaries also include CPF contributions, transport allowance and unconsumed leave.
- (2) Benefits-in-kind comprises annual subscription fees.
- (3) Mr. Tan Leong Kim was appointed as CFO on 11 July 2016.
- (4) Ms. Koh Lay Choo (Jessie) resigned as Finance Director on 26 July 2016.
- (5) Percentage is less than 1%.

The fees of Independent Directors are subject to the approval of shareholders at the AGM.

### Immediate Family Member of Directors or Substantial Shareholders

Mr. Tan Tin Yeow, the Chairman and MD and Ms. Tan Guat Lian, the Executive Director (Human Resource and Administration), are siblings. Mr. Tan Fuyuan is the nephew of Mr. Tan Tin Yeow and Ms. Tan Guat Lian and whose remuneration exceeds S\$50,000 in FY2017.

Details of remuneration paid to the immediate family member of Directors or substantial shareholders for FY2017 are set out below:

| Name of Immediate Family Member              | Salaries <sup>(1)</sup><br>% | Bonus<br>% | Share<br>Options<br>% | Benefits<br>-In-Kind <sup>(2)</sup><br>% | Total<br>% |
|----------------------------------------------|------------------------------|------------|-----------------------|------------------------------------------|------------|
| <b>Above S\$500,000 but below S\$550,000</b> |                              |            |                       |                                          |            |
| Ms. Tan Guat Lian                            | 75                           | 19         | 5                     | 1                                        | 100        |
| <b>Above S\$100,000 but below S\$150,000</b> |                              |            |                       |                                          |            |
| Mr. Tan Fuyuan                               | 83                           | 10         | 7                     | —                                        | 100        |

### Notes:

- (1) Salaries also include CPF contributions, transport allowance and unconsumed leave.
- (2) Benefits-in-kind comprises vehicle benefits.

## CORPORATE GOVERNANCE REPORT

For FY2017, the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the MD) amounted to S\$698,000.

There are no termination, retirement or post-employment benefits granted to the Directors, MD and/or key management personnel.

The remuneration received by the Executive Directors and certain key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. The fixed compensation is in the form of salary, bonus, share options under the Scheme and others. The variable component is performance-related and is linked to the Group's performance as well as the performance of each individual Executive Director and key management personnel. In determining the actual quantum of variable component of remuneration, the RC had taken into account the extent to which the performance conditions have been met. The RC is therefore of the view that the remuneration for each individual Executive Director and abovementioned key management personnel was aligned to their individual performance as well as the Group's performance during FY2017.

The Board is aware of the recommendation in the Code and noted the requirements under Listing Rule 1207(12) to disclose in aggregate the total remuneration paid to the top three (3) key management personnel (who are not Directors or the MD) of the Company. After weighing the pros and cons, the Board is of the view that full disclosure of the total remuneration paid would not be in the best interests of the Group as such information is confidential and sensitive in nature and could be exploited by competitors. The Board believes that the disclosure in band provides sufficient overview of the remuneration received by the Directors and the top three (3) key management personnel of the Group, while maintaining the confidentiality of their remuneration matters.

### (C) ACCOUNTABILITY AND AUDIT

#### Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports and reports to regulators (if required).

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

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors and the CFO have provided assurance to the Board on the integrity of the Group's financial statements.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

## CORPORATE GOVERNANCE REPORT

### Risk Management and Internal Controls

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

The Group may, from time to time, enter into foreign currency investments with the objectives of (i) improving the returns for the Group's foreign currency deposits and/or (ii) meeting the Group's future foreign currency payment obligations.

In respect of these foreign currency investments, the Group has adopted a formal policy for all engagements in foreign currency investments (the "**FCI Policy**"). Further information on the FCI Policy can be found in the Company's prospectus dated 14 January 2011. A Risk Committee has been established to review and verify all foreign currency investments and ensure compliance of the FCI Policy; and reports directly to the AC.

For FY2017, the Risk Committee comprises the following members:

Mr. Tan Tin Yeow (Chairman)  
 Mr. Tan Leong Kim (was appointed as CFO on 11 July 2016)  
 Ms. Koh Lay Choo (resigned as Finance Director on 26 July 2016)  
 Mr. Phua Tiang Soon  
 Mr. Mark Tan Ah Hong (resigned as Sales General Manager on 9 June 2017)

Mr. Tan Tin Yeow, the Chairman and MD, is the only person authorised to trade under the terms of the FCI Policy. All trades relating to foreign currency investments shall be presented to the Risk Committee on a monthly basis and reported to the AC on a quarterly basis.

### Risk Management

The AC, through the Risk Committee, assists the Board in carrying out the Board's responsibility of overseeing the risk management, framework and policies of the Group. The AC examines the effectiveness of the Group's internal control systems. The assurance mechanisms currently in operation are supplemented by the Group's internal auditors' annual review on 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 AC in a timely fashion. The AC also reviews the effectiveness of the actions taken by the Management based on the recommendations made by the internal and external auditors (as part of the statutory audit) in this respect.

During FY2017, the AC reviewed the adequacy and effectiveness of the Group's internal control procedures and was satisfied that the Group's processes and internal controls are adequate and effective to meet the needs of the Group in its current business environment.

### Adequacy of internal controls

The Board is committed to maintaining a robust and effective system of internal controls to safeguard Shareholders' interests and investments, and the Group's assets. The Board recognises the importance of sound internal controls and risk management practices for good corporate governance. The Board acknowledges its

## CORPORATE GOVERNANCE REPORT

overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risk management and internal controls and the Board oversees the Management in such design, implementation and monitoring. The Board further notes that the system of risk management and internal controls established by the Company provides reasonable, but not absolute assurance that the Group will not be significantly affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

The internal auditors, Nexia TS Risk Advisory Pte. Ltd., has performed audit procedures to assist the AC and the Board in the evaluation of the internal controls, financial and accounting matters, compliance and information technology controls, business and financial risk management.

Based on the work of the internal auditors, and the management systems in place, nothing material has come to the attention of the Board to suggest that the internal controls of the Group were not adequate or effective to safeguard the Group's assets and ensure the integrity of the Group's financial statements. Where significant weaknesses have been identified, the Board upon the recommendation of the AC, has taken steps to ensure that the Management adopts appropriate actions to address and rectify these weaknesses. The Board, together with the Management, then subsequently reviews the outcomes of such actions.

The MD and the CFO have also provided assurance to the Board that:

- The financial records have been properly maintained and the financial statements for FY2017 give a true and fair view in all material respects, of the Group's operations and finances; and
- The Group's risk management and internal control systems are operating effectively in all material respects given its current business environment.

Based on the reports submitted by the internal auditors and the various management controls put in place, the Board, with the concurrence of the AC, is of the opinion that the risk management systems and system of internal controls addressing financial, operational, compliance and information technology risks of the Group during the year are adequate and effective to safeguard its assets and ensure the integrity of its financial statements for FY2017.

## CORPORATE GOVERNANCE REPORT

### Audit Committee

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

The AC comprises the following members:

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

All members of the AC, including the Chairman of the AC, are Independent Directors of the Company. Most of the AC members have had many years of experience in accounting, business and financial management. The Board considers that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience, to discharge the responsibilities of the AC.

The AC held four (4) meetings in FY2017. At the invitation of the AC, the Chairman and MD and the CFO attended the meeting. The Group's external auditors were also present at the relevant junctures during the meeting.

The AC assists the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

The AC has terms of reference endorsed by the Board, setting out its duties and responsibilities. The AC is authorised by the Board to investigate any matter within its terms of reference. It is given full access to and has the co-operation of the Management, and has full discretion to invite any Director or executive officer to attend its meetings.

For FY2017, the AC has performed its functions and responsibilities as set out in the terms of reference, which includes the following:

- reviewing the Group's financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing, in particular, on significant financial reporting issues and judgements, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Rules of the SGX-ST and any other relevant statutory or regulatory requirements;
- reviewing the audit plans and reports of the internal and external auditors, including the results of the internal auditors' review and evaluation of the system of internal accounting controls and external auditors' management letter recommendations;
- reviewing the effectiveness and adequacy of the internal audit function (including a review of the internal accounting and control procedures) and ensuring co-ordination between the external auditors and the Management, reviewing the assistance given by the Management to the auditors, and discussing 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);

## CORPORATE GOVERNANCE REPORT

- 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 Rules), including any undertakings entered into by any of the Directors in respect of the above;
- reviewing the effectiveness and adequacy of the internal accounting and financial control procedures;
- reviewing the Risk Committee's report on the implementation of the FCI Policy, such report to include a review of the operation of foreign currency investments for compliance with the prevailing control measures and procedures set out in the FCI Policy;
- reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AC should keep the nature and extent of such services under review, seeking to balance between the maintenance of objectivity and obtaining services that are value for money;
- reviewing all whistle-blowing incidents reported and investigated, including ensuring 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 reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- undertaking such other functions and duties as may be required by the Listing Rules of the SGX-ST.

The AC has full access to and the co-operation of the Management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions.

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

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

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

## CORPORATE GOVERNANCE REPORT

The AC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. For FY2017, the AC met once with the external auditors, and once with the internal auditors, without the presence of Management.

Annually, the AC also conducts a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees paid to them. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY2017. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed on page 80 of this Annual Report. The AC remains satisfied that the nature and extent of such non-audit services would not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid or payable by the Group to the external auditors for FY2017 amounted to S\$197,000 for audit services and nil for non-audit services respectively. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Rules in relation to the engagement of its auditor.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors so that the AC can keep abreast of such changes and its corresponding impact on the financial statements. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. As such, the Group undertakes to investigate complaints of suspected fraud in an objective manner and has put in place arrangements by which staff of the Group or third parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Whistle-blowing concerns may be reported in person or in writing via electronic mail. The Group will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. The objective of the whistle-blowing policy is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. The results from the investigation will be reported directly to the Chairman of the AC.

No whistle-blowing concerns were reported for FY2017.

### Internal Audit

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

The Company has engaged Nexia TS Risk Advisory Pte. Ltd. as its internal auditors. The internal auditors of the Company is a member of the Institute of Internal Auditors Singapore ("IIA"), an internal professional association for internal auditors which has its headquarters in the United States. The audit work carried out by the internal auditors is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA when performing the internal audit.

## CORPORATE GOVERNANCE REPORT

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. The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal auditors report directly to the AC Chairman on audit matters and to the Chairman and MD on administrative matters, and has full access to the documents, records, properties and personnel (including the AC) of the Group. The internal auditors assist the Board in monitoring the risk exposure and internal controls of the Group and the audit plan is submitted to the AC for approval prior to commencement of the internal audit.

In assessing the design and operating effectiveness of internal controls, the Group has in place a system of internal controls to ensure:

- assets of the Group are safeguarded;
- fraud or errors in the accounting records are prevented or detected;
- accuracy and completeness of accounting records are ensured;
- reliable financial information is prepared in a timely manner; and
- compliance with applicable internal policies, laws and regulations relating to the financial reporting process.

The AC has reviewed with the internal auditors their audit plans, their evaluation of the Group’s system of internal controls, audit findings and management’s responses to those findings and the effectiveness of material internal controls (including financial, operational and compliance controls and overall risk management of the Group). The AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

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

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

### (D) COMMUNICATION WITH SHAREHOLDERS

#### Shareholder Rights

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

The Company believes that shareholders have the right to be sufficiently informed of changes in the Company or its business that would materially affect the price or value of its shares. To ensure that all shareholders are treated fairly and equitably, the Company strives to share pertinent information with the investment community in a timely manner to keep them apprised on the latest developments through announcements via SGXNet. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

## CORPORATE GOVERNANCE REPORT

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the annual report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. Such notices will contain the relevant rules and procedures governing the general meetings. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two (2) proxies to attend, speak and vote at the AGM.

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

The Group values dialogue with its 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's investor policy is that all shareholders should be equally informed of all major developments impacting the Group's business and operations. The Group has outsourced its investor relations function to a service provider, Financial PR Pte Ltd, who will attend to the queries or concerns of shareholders.

The investor relations service provider also acts as a liaison point for the media, public, institutional investors and public shareholders on corporate information. The Company does not practice selective disclosure. Material and price-sensitive information is published on SGXNet and on the Company's website <http://www.xmh.com.sg>, and where appropriate, through media releases. Communication is mainly made through:

- Annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant material information about the Company and the Group, including future developments and other disclosures required by the Companies Act, Chapter 50 of Singapore, Listing Manual of the SGX-ST and Singapore Financial Reporting Standards;
- Quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and
- Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGM**"). The notices of AGMs and EGMs are also advertised in a national newspaper.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company outsources its investor relations ("**IR**") to service provider, Financial PR Pte Ltd, who focus on facilitating communication with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors and the public apprised of the Group's corporate developments and financial performance. The contact details of the IR personnel are set out in the "Corporate Information" section of this Annual Report on page 16. The IR personnel have procedures in place for responding to investors' queries as soon as applicable.

Shareholders are strongly encouraged to participate at general meetings, which provide a major platform for shareholders to engage and dialogue with the Company directly. All Directors, key management staff, the Company's external auditors and lawyers (if necessary) attend the general meetings. Shareholders are encouraged to have open communication with the Directors on their views on matters relating to the Company and general meetings provide excellent opportunities for the Company to understand the views of its shareholders.

## CORPORATE GOVERNANCE REPORT

The Group does not have a dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

The Board has proposed a first and final dividend (one-tier tax exempt) of 0.5 cents per ordinary share for FY2017 which will be subject to shareholders' approval at the forthcoming AGM.

### Conduct of Shareholder Meeting

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

Shareholders of the Company are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. Such notices will also be announced through SGXNet and published in a national newspaper. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally, before or during the general meetings.

A proxy form will also be despatched with each notice of general meeting to all shareholders. If any shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two (2) proxies to attend, speak and vote at the AGM. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

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

All Directors, key management staff, the Company's external auditors and lawyers (if necessary) attend the general meetings. The respective Chairmen of the AC, NC and RC are usually present at such general meetings to address questions relating to the work of their respective Board Committees at general meetings while the external auditors are usually present as well to assist the Board in addressing any relevant queries raised by the shareholders.

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

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. The Company has adopted electronic polling for the resolutions voted upon at the general meetings held during FY2017. The detailed results of each resolution are announced via SGXNet after the general meetings.

## CORPORATE GOVERNANCE REPORT

### (E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Rules, the Company had adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and the period commencing one (1) month before the announcement of the Company's full-year financial results, ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

### (F) INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis and do not prejudice the interests of the Group and its minority shareholders.

There was no interested person transaction above \$100,000 for FY2017.

### (G) MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of any Director or controlling shareholder for FY2017.

## DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of XMH Holdings Ltd. (the "Company") and its subsidiary corporations (collectively the "Group") and the statement of financial position of the Company for the financial year ended 30 April 2017.

### Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2017 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### Directors

The directors of the Company in office at the date of this statement are:

Tan Tin Yeow  
 Tan Guat Lian  
 Hong Pian Tee  
 Chan Heng Toong  
 Ng Sey Ming

### Arrangements to enable directors to acquire shares and debentures

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## DIRECTORS' STATEMENT

### Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiary corporations) as stated below:

| Name of director and corporation in which interests are held        | Direct interest                        |                                  |            |
|---------------------------------------------------------------------|----------------------------------------|----------------------------------|------------|
|                                                                     | At the beginning of the financial year | At the end of the financial year | 21.05.2017 |
| <b>The Company</b>                                                  |                                        |                                  |            |
| Tan Tin Yeow                                                        |                                        |                                  |            |
| – ordinary shares                                                   | 44,857,500                             | 44,857,500                       | 44,857,500 |
| – options to subscribe for ordinary shares at:                      |                                        |                                  |            |
| – \$0.596 per share between 11 September 2014 and 10 September 2017 | 147,500                                | 147,500                          | 147,500    |
| – \$1.292 per share between 5 September 2015 and 4 September 2018   | 237,500                                | 237,500                          | 237,500    |
| – \$0.992 per share between 12 September 2016 and 11 September 2019 | 350,000                                | 350,000                          | 350,000    |
| – \$0.520 per share between 10 September 2017 and 9 September 2020  | 250,000                                | 250,000                          | 250,000    |
| – \$0.310 per share between 7 September 2018 and 6 September 2021   | –                                      | 248,500                          | 248,500    |
| Tan Guat Lian                                                       |                                        |                                  |            |
| – ordinary shares                                                   | 6,569,744                              | 6,569,744                        | 6,569,744  |
| – options to subscribe for ordinary shares at:                      |                                        |                                  |            |
| – \$1.292 per share between 5 September 2015 and 4 September 2018   | 162,500                                | 162,500                          | 162,500    |
| – \$0.992 per share between 12 September 2016 and 11 September 2019 | 162,500                                | 162,500                          | 162,500    |
| – \$0.520 per share between 10 September 2017 and 9 September 2020  | 162,500                                | 162,500                          | 162,500    |
| – \$0.310 per share between 7 September 2018 and 6 September 2021   | –                                      | 162,500                          | 162,500    |

# DIRECTORS' STATEMENT

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

| Name of director and corporation in which interests are held        | Direct interest                        |                                  | 21.05.2017 |
|---------------------------------------------------------------------|----------------------------------------|----------------------------------|------------|
|                                                                     | At the beginning of the financial year | At the end of the financial year |            |
| The Company (cont'd)                                                |                                        |                                  |            |
| Hong Pian Tee                                                       |                                        |                                  |            |
| – ordinary shares                                                   | 651,750                                | 651,750                          | 651,750    |
| – options to subscribe for ordinary shares at:                      |                                        |                                  |            |
| – \$1.292 per share between 5 September 2015 and 4 September 2018   | 30,000                                 | 30,000                           | 30,000     |
| – \$0.992 per share between 12 September 2016 and 11 September 2019 | 25,000                                 | 25,000                           | 25,000     |
| Chan Heng Toong                                                     |                                        |                                  |            |
| – ordinary shares                                                   | 125,000                                | 125,000                          | 125,000    |
| – options to subscribe for ordinary shares at:                      |                                        |                                  |            |
| – \$1.292 per share between 5 September 2015 and 4 September 2018   | 30,000                                 | 30,000                           | 30,000     |
| – \$0.992 per share between 12 September 2016 and 11 September 2019 | 25,000                                 | 25,000                           | 25,000     |
| Ng Sey Ming                                                         |                                        |                                  |            |
| – ordinary shares                                                   | 125,000                                | 125,000                          | 125,000    |
| – options to subscribe for ordinary shares at:                      |                                        |                                  |            |
| – \$1.292 per share between 5 September 2015 and 4 September 2018   | 30,000                                 | 30,000                           | 30,000     |
| – \$0.992 per share between 12 September 2016 and 11 September 2019 | 25,000                                 | 25,000                           | 25,000     |

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Tan Tin Yeow is deemed to have an interest in the shares of all the subsidiary corporations and associate to the extent held by the Company.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations (other than wholly owned subsidiary corporations), either at the beginning or at the end of the financial year.

## DIRECTORS' STATEMENT

### Share options

The XMH share option scheme (the "Scheme") was approved by shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 5 November 2010. The Scheme applies to executive directors and independent 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 Singapore Exchange Securities Trading Limited ("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 2017 are as follows:

| Date of grant of options | Exercise price per share | Options outstanding as at 1 May 2016 | Options granted during the year | Options cancelled/lapsed | Options outstanding as at 30 April 2017 | Exercise period             |
|--------------------------|--------------------------|--------------------------------------|---------------------------------|--------------------------|-----------------------------------------|-----------------------------|
| 11/9/2012                | \$0.596                  | 192,000                              | –                               | (21,500)                 | 170,500                                 | From 11/9/2014 to 10/9/2017 |
| 05/9/2013                | \$1.292                  | 983,750                              | –                               | (60,000)                 | 923,750                                 | From 05/9/2015 to 04/9/2018 |
| 12/9/2014                | \$0.992                  | 1,175,000                            | –                               | (70,000)                 | 1,105,000                               | From 12/9/2016 to 11/9/2019 |
| 10/9/2015                | \$0.520                  | 1,223,000                            | –                               | (233,500)                | 989,500                                 | From 10/9/2017 to 09/9/2020 |
| 07/9/2016                | \$0.310                  | –                                    | 1,284,250                       | (100,000)                | 1,184,250                               | From 07/9/2018 to 06/9/2021 |
|                          |                          | 3,573,750                            | 1,284,250                       | (485,000)                | 4,373,000                               |                             |

## DIRECTORS' STATEMENT

### Share options (cont'd)

There were 8,825,750 (2016: 7,541,500) options granted to the directors and employees of the Company and its subsidiary corporations from the commencement of the Scheme until the end of the financial year under review.

During the financial year:

- (a) 873,250 (2016: 873,000) options have been granted by the Company to the Group's employees;
- (b) No (2016: No) options have been granted by the Company to its directors excluding controlling shareholder and his associates; and
- (c) 411,000 (2016: 412,500) options have been granted by the Company to its controlling shareholder and his associates.

Except as disclosed above, there were no unissued shares of the Company or its subsidiary corporations under options granted by the Company as at the end of the financial year.

Details of options granted to directors of the Company under the Scheme are as follows:

| Name of director | Aggregate<br>options<br>outstanding<br>as at 1 May<br>2016 | Options<br>granted<br>during the<br>year | Aggregate<br>options<br>outstanding<br>as at 30 April<br>2017 |
|------------------|------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------|
| Tan Tin Yeow     | 985,000                                                    | 248,500                                  | 1,233,500                                                     |
| Tan Guat Lian    | 487,500                                                    | 162,500                                  | 650,000                                                       |
| Hong Pian Tee    | 55,000                                                     | –                                        | 55,000                                                        |
| Chan Heng Toong  | 55,000                                                     | –                                        | 55,000                                                        |
| Ng Sey Ming      | 55,000                                                     | –                                        | 55,000                                                        |

Except for Tan Tin Yeow and Tan Guat Lian, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

### Share repurchases

During the financial year, there is no purchase 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 EGM of the Company held on 29 August 2016.

## DIRECTORS' STATEMENT

### Audit Committee

The members of the Audit Committee during the year and at the date of this report are as follows:

- Hong Pian Tee (Chairman), independent director
- Chan Heng Toong, independent director
- Ng Sey Ming, independent director

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

The Audit Committee has held 4 meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and the internal auditor's evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and its subsidiary corporations, Rules 712 and 715 of the SGX-ST Listing Manual have been complied with.

## DIRECTORS' STATEMENT

### Auditor

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

On behalf of the board of directors:

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**Tan Tin Yeow**  
*Director*

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**Tan Guat Lian**  
*Director*

**Singapore**  
18 July 2017

# INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*

*For the financial year ended 30 April 2017*

## Report on the audit of the financial statements

### **Opinion**

We have audited the financial statements of XMH Holdings Ltd. (the "Company") and its subsidiary corporations (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 April 2017, consolidated statement of changes in equity, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 April 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### **Basis for opinion**

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.  
For the financial year ended 30 April 2017*

### **Key audit matters (cont'd)**

#### *Accounting for projects – Revenue recognition and contract work-in-progress*

Contract revenue arising from projects is significant to the Group's results for the year as revenue from projects represents 40.6% of the Group's total revenue. The Group has gross amounts due from customers of \$10,980,000 and gross amounts due to customers of \$6,999,000 for contract work-in-progress as at 30 April 2017. Project revenue is recognised by reference to the stage of completion of the project activity at the end of each reporting period, when the outcome of a project can be estimated reliably. The determination of the percentage of completion involves the use of significant management judgement and estimates to measure the proportion of contract costs incurred for work performed to date to the estimated total contract costs, which in turn may have a material impact on the amount of contract work-in-progress, contract revenues and costs recognised during the year. For these reasons, we have determined this to be a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the internal financial controls with respect to the Group's project budgeting, monitoring and approval process. For selected significant projects, we reviewed the contract terms and conditions and agreed the estimated contract costs to the management approved budgets. We also assessed management's assumptions used in determining the percentage of completion of the projects and total estimated contract costs by performing computation checks and tracing actual costs incurred to the underlying supporting documents. We further assessed the robustness of the budgets by comparing the budgeted profit margins to the actual profit margins achieved for completed projects during the financial year and subsequent to year end. In addition, we reviewed the contracts for any penalty and liquidated damages clauses and discussed with management regarding any major delay in meeting the expected completion dates and cost overruns which might result in contracts becoming loss-making. We also reviewed the disclosures related to contract revenue and contract work-in-progress arising from projects in Note 2.24(b) Project revenue, Note 3.1 Judgements made in applying accounting policies and Note 19 Contract work-in-progress.

#### *Goodwill impairment testing*

As disclosed in Note 14, the Group acquired Mech-Power Generator Pte Ltd and its subsidiary corporation (collectively "MPG Group") and Z-Power Automation Pte. Ltd. ("ZPA") in financial years 2014 and 2015, respectively. Goodwill arising from the acquisitions of MPG Group and ZPA cash generating units ("CGUs"), amounted to S\$9,393,000 and \$2,361,000, respectively. During the year, goodwill attributable to ZPA CGU was fully impaired. As at 30 April 2017, goodwill represents 5.4% of the Group's total assets.

As part of its annual impairment testing, management prepares value in use calculations to arrive at the recoverable amount of each CGU. These value in use calculations are based on cash flow forecasts of the CGUs, the preparation of which requires management to use assumptions and estimates relating to budgeted growth margin, revenue growth rates, terminal growth rate and discount rate of each CGU. For these reasons, we have determined this to be a key audit matter.

Our audit procedures included, amongst others, evaluating management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs. Given the complexity of the valuation, we involved our internal valuation specialists to assist us in reviewing the valuation model, discount rates and terminal growth rates used by management. We also compared the actual revenues and net profits or losses recorded by the CGUs against the forecasts prepared in the previous year to evaluate the robustness of management's budgetary process. In addition, we reviewed management's analysis of the sensitivity of the recoverable amount to changes in the key assumptions.

## INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*

*For the financial year ended 30 April 2017*

### **Key audit matters (cont'd)**

#### *Goodwill impairment testing (cont'd)*

We reviewed the disclosures related to impairment of goodwill in Note 2.9 (b)(i) Goodwill, Note 3.2(a) Impairment of goodwill and Note 14 Intangible assets to the financial statements.

#### *Valuation of inventories*

The Group records its inventories at the lower of cost and net realisable value. Where necessary, allowances for inventory obsolescence are provided and write-downs are made for damaged, obsolete and slow moving items to adjust the carrying amount of the inventories to their net realisable values.

As at 30 April 2017, the Group's inventories amounted to \$30,550,000 with allowance for inventories of \$672,000 and inventories written-down of \$473,000. The Group has procedures in place to assess impairment of inventories by making reference to the inventory ageing profile. Significant management judgement and estimation is involved in assessing the obsolescence of the inventories and estimating the amount of allowance or amount of write-down required. Accordingly, we have identified the valuation of inventories as a key audit matter.

Our audit procedures included, amongst others, testing the amount of allowance for inventory obsolescence by reviewing the nature of the selected inventory and discussing with management their basis for the assessment on the adequacy of allowance for inventory obsolescence. We assessed the reasonableness and the consistency of management's basis and tested the accuracy of the inventory ageing report used to derive the amount of required allowance and write-down. We also tested the net realisable value for selected inventories by comparing the carrying amount to the sale price of comparable products. We further reviewed the disclosures related to inventories in Note 2.17 Inventories, and Note 17 Inventories to the financial statements.

### **Other information**

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

## INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*

*For the financial year ended 30 April 2017*

### ***Responsibilities of management and directors for the financial statements (cont'd)***

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

*To the Members of XMH Holdings Ltd.*

*For the financial year ended 30 April 2017*

### ***Auditor's responsibilities for the audit of the financial statements (cont'd)***

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### ***Report on other legal and regulatory requirements***

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shyan Yan.

#### **Ernst & Young LLP**

Public Accountants and  
Chartered Accountants  
Singapore

18 July 2017

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 April 2017

|                                                                                                          | Note | 2017<br>\$'000  | 2016<br>\$'000 |
|----------------------------------------------------------------------------------------------------------|------|-----------------|----------------|
| <b>Revenue</b>                                                                                           | 4    | <b>90,151</b>   | 108,385        |
| Cost of sales                                                                                            |      | <b>(68,357)</b> | (81,521)       |
| <b>Gross profit</b>                                                                                      |      | <b>21,794</b>   | 26,864         |
| Other income                                                                                             | 5    | <b>4,155</b>    | 2,652          |
| Distribution expenses                                                                                    |      | <b>(6,091)</b>  | (6,929)        |
| Administrative expenses                                                                                  |      | <b>(22,702)</b> | (18,130)       |
| <b>Results from operating activities</b>                                                                 |      | <b>(2,844)</b>  | 4,457          |
| Finance income                                                                                           |      | <b>2,565</b>    | 4,887          |
| Finance costs                                                                                            |      | <b>(1,201)</b>  | (852)          |
| <b>Net finance income</b>                                                                                | 6    | <b>1,364</b>    | 4,035          |
| <b>(Loss)/profit before share of results of an associate</b>                                             |      | <b>(1,480)</b>  | 8,492          |
| Share of results of an associate                                                                         |      | <b>(207)</b>    | 66             |
| <b>(Loss)/profit before tax</b>                                                                          | 7    | <b>(1,687)</b>  | 8,558          |
| Income tax expense                                                                                       | 8    | <b>(279)</b>    | (685)          |
| <b>(Loss)/profit for the year, net of tax</b>                                                            |      | <b>(1,966)</b>  | 7,873          |
| <b>Other comprehensive (expenses)/income</b>                                                             |      |                 |                |
| <i>Items that are or may be reclassified subsequently to profit or loss</i>                              |      |                 |                |
| Exchange differences arising from translation of the financial statements of the subsidiary corporations |      | <b>61</b>       | 2,667          |
| Fair value adjustment on completion of purchase price allocation                                         |      | <b>–</b>        | 32             |
| Net changes in the fair value of available-for-sale financial assets                                     |      | <b>(90)</b>     | (57)           |
| Deferred tax arising from fair value change of available-for-sale financial assets                       |      | <b>15</b>       | 10             |
| <b>Other comprehensive (expenses)/income for the year, net of tax</b>                                    |      | <b>(14)</b>     | 2,652          |
| <b>Total comprehensive (expenses)/income for the year</b>                                                |      | <b>(1,980)</b>  | 10,525         |
| <b>(Loss)/profit for the year attributable to:</b>                                                       |      |                 |                |
| Owners of the Company                                                                                    |      | <b>(1,071)</b>  | 7,944          |
| Non-controlling interests                                                                                |      | <b>(895)</b>    | (71)           |
|                                                                                                          |      | <b>(1,966)</b>  | 7,873          |
| <b>Total comprehensive (expenses)/income attributable to:</b>                                            |      |                 |                |
| Owners of the Company                                                                                    |      | <b>(1,085)</b>  | 10,564         |
| Non-controlling interests                                                                                |      | <b>(895)</b>    | (39)           |
|                                                                                                          |      | <b>(1,980)</b>  | 10,525         |
| <b>(Loss)/earnings per share</b>                                                                         |      |                 |                |
| – Basic (cents)                                                                                          | 9    | <b>(0.96)</b>   | 7.19           |
| – Diluted (cents)                                                                                        | 9    | <b>(0.96)</b>   | 7.18           |

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

# STATEMENTS OF FINANCIAL POSITION

As at 30 April 2017

|                                                     |      | Group          |                | Company         |                |
|-----------------------------------------------------|------|----------------|----------------|-----------------|----------------|
|                                                     | Note | 2017<br>\$'000 | 2016<br>\$'000 | 2017<br>\$'000  | 2016<br>\$'000 |
| <b>ASSETS</b>                                       |      |                |                |                 |                |
| <b>Non-current assets</b>                           |      |                |                |                 |                |
| Property, plant and equipment                       | 11   | 68,707         | 76,324         | 61,826          | –              |
| Investment in subsidiary corporations               | 12   | –              | –              | 29,140          | 31,801         |
| Investment in an associate                          | 13   | –              | 207            | –               | –              |
| Trade receivables                                   | 18   | 2,037          | –              | –               | –              |
| Intangible assets                                   | 14   | 11,833         | 15,373         | –               | –              |
| Other financial assets                              | 16   | 717            | 824            | –               | –              |
| Club memberships                                    |      | 213            | 209            | –               | –              |
| Deferred tax assets                                 | 8    | 20             | 23             | –               | –              |
|                                                     |      | <b>83,527</b>  | <b>92,960</b>  | <b>90,966</b>   | <b>31,801</b>  |
| <b>Current assets</b>                               |      |                |                |                 |                |
| Inventories                                         | 17   | 30,550         | 35,325         | –               | –              |
| Trade and other receivables                         | 18   | 23,068         | 33,493         | 12,583          | 8,371          |
| Prepayment                                          |      | 312            | 369            | 34              | 9              |
| Contract work-in-progress                           | 19   | 10,980         | 7,894          | –               | –              |
| Cash and short-term deposits                        | 20   | 25,618         | 12,843         | 799             | 242            |
| Tax recoverable                                     |      | 12             | 2              | –               | –              |
|                                                     |      | <b>90,540</b>  | <b>89,926</b>  | <b>13,416</b>   | <b>8,622</b>   |
| <b>Total assets</b>                                 |      | <b>174,067</b> | <b>182,886</b> | <b>104,382</b>  | <b>40,423</b>  |
| <b>EQUITY AND LIABILITIES</b>                       |      |                |                |                 |                |
| <b>Current liabilities</b>                          |      |                |                |                 |                |
| Trade and other payables                            | 21   | 30,750         | 46,598         | 22,707          | 983            |
| Loans and borrowings                                | 28   | 34,821         | 20,587         | 2,463           | –              |
| Current tax payables                                |      | 60             | 1,450          | 26              | 147            |
|                                                     |      | <b>65,631</b>  | <b>68,635</b>  | <b>25,196</b>   | <b>1,130</b>   |
| <b>Net current assets/(liabilities)</b>             |      | <b>24,909</b>  | <b>21,291</b>  | <b>(11,780)</b> | <b>7,492</b>   |
| <b>Non-current liabilities</b>                      |      |                |                |                 |                |
| Other payables                                      | 21   | 260            | 133            | 572             | –              |
| Loans and borrowings                                | 28   | 39,228         | 41,211         | 38,490          | –              |
| Deferred tax liabilities                            | 8    | 748            | 719            | 172             | –              |
|                                                     |      | <b>40,236</b>  | <b>42,063</b>  | <b>39,234</b>   | <b>–</b>       |
| <b>Total liabilities</b>                            |      | <b>105,867</b> | <b>110,698</b> | <b>64,430</b>   | <b>1,130</b>   |
| <b>Equity attributable to owners of the Company</b> |      |                |                |                 |                |
| Share capital                                       | 22   | 39,780         | 39,780         | 39,780          | 39,780         |
| Reserve for own shares                              | 23   | (2,791)        | (2,791)        | (2,791)         | (2,791)        |
| Other reserves                                      | 24   | (6,242)        | (6,446)        | 2,037           | 1,819          |
| Accumulated profits                                 | 25   | 35,633         | 38,930         | 926             | 485            |
|                                                     |      | <b>66,380</b>  | <b>69,473</b>  | <b>39,952</b>   | <b>39,293</b>  |
| <b>Non-controlling interests</b>                    |      | <b>1,820</b>   | <b>2,715</b>   | <b>–</b>        | <b>–</b>       |
| <b>Total equity</b>                                 |      | <b>68,200</b>  | <b>72,188</b>  | <b>39,952</b>   | <b>39,293</b>  |
| <b>Total equity and liabilities</b>                 |      | <b>174,067</b> | <b>182,886</b> | <b>104,382</b>  | <b>40,423</b>  |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 April 2017

|                                                                                                          | Attributable to owners of the Company |                        |                      |                    |                                      |                     |         | Non-controlling interests | Total equity |
|----------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------|----------------------|--------------------|--------------------------------------|---------------------|---------|---------------------------|--------------|
|                                                                                                          | Share capital                         | Reserve for own shares | Share option reserve | Fair value reserve | Foreign currency translation reserve | Accumulated profits | Total   |                           |              |
|                                                                                                          | \$'000                                | \$'000                 | \$'000               | \$'000             | \$'000                               | \$'000              | \$'000  | \$'000                    | \$'000       |
| At 1 May 2016                                                                                            | 39,780                                | (2,791)                | 1,819                | 75                 | (8,340)                              | 38,930              | 69,473  | 2,715                     | 72,188       |
| Loss for the year                                                                                        | –                                     | –                      | –                    | –                  | –                                    | (1,071)             | (1,071) | (895)                     | (1,966)      |
| <b>Other comprehensive (expenses)/income:</b>                                                            |                                       |                        |                      |                    |                                      |                     |         |                           |              |
| Exchange differences arising from translation of the financial statements of the subsidiary corporations | –                                     | –                      | –                    | –                  | 61                                   | –                   | 61      | –                         | 61           |
| Net changes in the fair value of available-for-sale financial assets                                     | –                                     | –                      | –                    | (90)               | –                                    | –                   | (90)    | –                         | (90)         |
| Deferred tax arising from available-for-sale financial assets                                            | –                                     | –                      | –                    | 15                 | –                                    | –                   | 15      | –                         | 15           |
| <b>Other comprehensive (expenses)/income for the year, net of tax</b>                                    | –                                     | –                      | –                    | (75)               | 61                                   | –                   | (14)    | –                         | (14)         |
| Total comprehensive (expenses)/income for the year                                                       | –                                     | –                      | –                    | (75)               | 61                                   | (1,071)             | (1,085) | (895)                     | (1,980)      |
| <b>Contributions by and distributions to owners</b>                                                      |                                       |                        |                      |                    |                                      |                     |         |                           |              |
| Dividends paid on ordinary shares (Note 26)                                                              | –                                     | –                      | –                    | –                  | –                                    | (2,226)             | (2,226) | –                         | (2,226)      |
| Share-based payment transactions                                                                         | –                                     | –                      | 218                  | –                  | –                                    | –                   | 218     | –                         | 218          |
| <b>Total transactions with owners in their capacity as owners</b>                                        | –                                     | –                      | 218                  | –                  | –                                    | (2,226)             | (2,008) | –                         | (2,008)      |
| At 30 April 2017                                                                                         | 39,780                                | (2,791)                | 2,037                | –                  | (8,279)                              | 35,633              | 66,380  | 1,820                     | 68,200       |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 April 2017

|                                                                                                          | Attributable to owners of the Company |                        |                      |                    |                                      |                     |         | Non-controlling interests | Total equity |
|----------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------|----------------------|--------------------|--------------------------------------|---------------------|---------|---------------------------|--------------|
|                                                                                                          | Share capital                         | Reserve for own shares | Share option reserve | Fair value reserve | Foreign currency translation reserve | Accumulated profits | Total   |                           |              |
|                                                                                                          | \$'000                                | \$'000                 | \$'000               | \$'000             | \$'000                               | \$'000              | \$'000  | \$'000                    | \$'000       |
| At 1 May 2015                                                                                            | 35,424                                | (2,791)                | 1,320                | 122                | (11,007)                             | 34,547              | 57,615  | 2,754                     | 60,369       |
| Profit/(loss) for the year                                                                               | –                                     | –                      | –                    | –                  | –                                    | 7,944               | 7,944   | (71)                      | 7,873        |
| <b>Other comprehensive (expenses)/income:</b>                                                            |                                       |                        |                      |                    |                                      |                     |         |                           |              |
| Exchange differences arising from translation of the financial statements of the subsidiary corporations | –                                     | –                      | –                    | –                  | 2,667                                | –                   | 2,667   | –                         | 2,667        |
| Fair value adjustment on completion of purchase price allocation                                         | –                                     | –                      | –                    | –                  | –                                    | –                   | –       | 32                        | 32           |
| Net changes in the fair value of available-for-sale financial assets                                     | –                                     | –                      | –                    | (57)               | –                                    | –                   | (57)    | –                         | (57)         |
| Deferred tax arising from available-for-sale financial assets                                            | –                                     | –                      | –                    | 10                 | –                                    | –                   | 10      | –                         | 10           |
| <b>Other comprehensive (expenses)/income for the year, net of tax</b>                                    | –                                     | –                      | –                    | (47)               | 2,667                                | –                   | 2,620   | 32                        | 2,652        |
| Total comprehensive (expenses)/income for the year                                                       | –                                     | –                      | –                    | (47)               | 2,667                                | 7,944               | 10,564  | (39)                      | 10,525       |
| <b>Contributions by and distributions to owners</b>                                                      |                                       |                        |                      |                    |                                      |                     |         |                           |              |
| Dividends paid on ordinary shares (Note 26)                                                              | –                                     | –                      | –                    | –                  | –                                    | (3,561)             | (3,561) | –                         | (3,561)      |
| Share-based payment transactions                                                                         | –                                     | –                      | 499                  | –                  | –                                    | –                   | 499     | –                         | 499          |
| Issuance of ordinary shares                                                                              | 4,356                                 | –                      | –                    | –                  | –                                    | –                   | 4,356   | –                         | 4,356        |
| <b>Total transactions with owners in their capacity as owners</b>                                        | 4,356                                 | –                      | 499                  | –                  | –                                    | (3,561)             | 1,294   | –                         | 1,294        |
| At 30 April 2016                                                                                         | 39,780                                | (2,791)                | 1,819                | 75                 | (8,340)                              | 38,930              | 69,473  | 2,715                     | 72,188       |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 April 2017

|                                                               | Note | 2017<br>\$'000 | 2016<br>\$'000 |
|---------------------------------------------------------------|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                   |      |                |                |
| (Loss)/profit before tax                                      |      | (1,687)        | 8,558          |
| <u>Adjustments for:</u>                                       |      |                |                |
| Amortisation of land lease prepayment                         | 15   | –              | 177            |
| Amortisation of intangible assets                             | 14   | 1,177          | 1,292          |
| Depreciation of property, plant and equipment                 | 11   | 5,406          | 2,512          |
| Share-based payment expenses                                  |      | 218            | 499            |
| Interest income                                               | 6    | (103)          | (3)            |
| Interest expense                                              | 6    | 1,201          | 852            |
| Dividend income from quoted equity securities                 |      | (29)           | (22)           |
| Bad debts written-off                                         |      | 18             | –              |
| Bad debt recovery                                             |      | (3)            | (8)            |
| Write-(back)/off of allowance for trade receivables           |      | (22)           | 56             |
| Allowance for impairment loss on:                             |      |                |                |
| – trade receivables                                           | 18   | 293            | 95             |
| – quoted equity securities                                    | 7    | 31             | 36             |
| – club memberships                                            | 7    | –              | 52             |
| Impairment loss on intangible assets                          | 14   | 2,629          | –              |
| Share of results of an associate                              | 13   | 207            | (66)           |
| Gain on disposal of club membership                           | 5    | (45)           | –              |
| Inventories written-down                                      | 7,17 | 473            | –              |
| Write-back of provision for obsolete inventories              | 17   | (8)            | –              |
| Transfer of club membership                                   |      | –              | 186            |
| (Gain)/loss on disposal of property, plant and equipment      | 5,7  | (1,234)        | 93             |
| Net unrealised foreign exchange gain                          |      | (2,432)        | (4,559)        |
| <b>Operating cash flows before changes in working capital</b> |      | <b>6,090</b>   | <b>9,750</b>   |
| <u>Changes in working capital:</u>                            |      |                |                |
| – Decrease in inventories                                     |      | 4,310          | 4,001          |
| – Decrease/(increase) in trade and other receivables          |      | 8,054          | (2,510)        |
| – Decrease in prepayment                                      |      | 57             | 8              |
| – Increase in contract work-in-progress                       |      | (3,086)        | (5,201)        |
| – Decrease in trade and other payables                        |      | (11,197)       | (3,620)        |
| <b>Cash generated from operations</b>                         |      | <b>4,228</b>   | <b>2,428</b>   |
| Tax paid, net                                                 |      | (1,629)        | (1,544)        |
| <b>Net cash generated from operating activities</b>           |      | <b>2,599</b>   | <b>884</b>     |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 April 2017

|                                                                   | Note | 2017<br>\$'000 | 2016<br>\$'000  |
|-------------------------------------------------------------------|------|----------------|-----------------|
| <b>Cash flows from investing activities</b>                       |      |                |                 |
| Interest received                                                 |      | 103            | 3               |
| Dividends received                                                |      | 29             | 22              |
| Proceeds from sale of property, plant and equipment               |      | 2,052          | 146             |
| Payment for acquisition of a subsidiary corporation               |      | –              | (4,356)         |
| Acquisition of property, plant and equipment                      | 11   | (802)          | (33,825)        |
| Purchase of intangible assets                                     | 14   | (136)          | (113)           |
| <b>Net cash generated from/(used in) investing activities</b>     |      | <b>1,246</b>   | <b>(38,123)</b> |
| <b>Cash flows from financing activities</b>                       |      |                |                 |
| Proceeds from trust receipts                                      |      | 49,985         | 36,611          |
| Proceeds from short-term revolving credit                         |      | 26,433         | 20,078          |
| Proceeds from borrowings                                          |      | –              | 23,912          |
| Proceeds from finance lease liabilities                           |      | 277            | –               |
| Dividends paid                                                    | 26   | (2,226)        | (3,561)         |
| Interest paid                                                     |      | (1,201)        | (852)           |
| Repayment of trust receipts                                       |      | (49,314)       | (36,078)        |
| Repayment of short-term revolving credit                          |      | (13,931)       | (14,930)        |
| Repayment of borrowings                                           |      | (2,059)        | (914)           |
| Repayment of finance lease liabilities                            |      | (98)           | (103)           |
| <b>Net cash generated from financing activities</b>               |      | <b>7,866</b>   | <b>24,163</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |      | <b>11,711</b>  | <b>(13,076)</b> |
| Cash and cash equivalents at 1 May                                |      | 12,768         | 24,494          |
| Effect of exchange rate fluctuations on cash and cash equivalents |      | 108            | 1,350           |
| <b>Cash and cash equivalents at 30 April</b>                      | 20   | <b>24,587</b>  | <b>12,768</b>   |

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

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

## 1. Corporate information

XMH Holdings Ltd. (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Company’s registered office and principal place of business is located at 55 Tuas Crescent, #07-01 Singapore 638743.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary corporations are disclosed in Note 12 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$’000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 May 2018.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 May 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

| Description                                                                                    | Effective for annual periods beginning on or after |
|------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Amendments to FRS 7 <i>Disclosure Initiative</i>                                               | 1 January 2017                                     |
| Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>           | 1 January 2017                                     |
| <i>Improvements to FRSs (December 2016)</i>                                                    |                                                    |
| - Amendments to FRS 112 <i>Clarification of the Scope of the Standard</i>                      | 1 January 2017                                     |
| - Amendments to FRS 28 <i>Measuring an Associate or Joint Venture at fair value</i>            | 1 January 2018                                     |
| FRS 109 <i>Financial Instruments</i>                                                           | 1 January 2018                                     |
| FRS 115 <i>Revenue from Contracts with Customers</i>                                           | 1 January 2018                                     |
| Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i>  | 1 January 2018                                     |
| Amendments to FRS 102 <i>Classification and Measurement of Share-based Payment Transaction</i> | 1 January 2018                                     |
| INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>                     | 1 January 2018                                     |
| FRS 116 <i>Leases</i>                                                                          | 1 January 2019                                     |

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

#### FRS 109 *Financial Instruments*

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

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects some impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the nature of impact.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

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

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

##### **FRS 115 Revenue from Contracts with Customers**

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During the financial year ended 30 April 2017, the Group performed an initial assessment of the impact on the Group's financial statements focusing on project revenue. Based on its initial assessment, the Group expects the FRS 115 requirements on accounting for costs, contract modifications, variable considerations and the method of measuring stage of completion may affect its revenue recognition and cost accounting.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently gathering data as part of a further detailed assessment to quantify the impact, if any, on its financial statements and plans to adopt the new standard on the required effective date.

#### 2.4 Basis of consolidation and business combinations

##### **(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary corporations as at the end of the reporting period. The financial statements of the subsidiary corporations used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary corporations are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary corporation are attributed to the non-controlling interest even if that results in a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

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

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

#### (a) *Basis of consolidation (cont'd)*

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary corporation at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### (b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

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

#### (b) Business combinations and goodwill (cont'd)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGUs to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of CGU (or group of CGUs) to which the goodwill relates.

### 2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in a subsidiary corporation not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary corporation that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary corporation. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 2.6 Functional and foreign currency

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary corporations and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.6 Functional and foreign currency (cont'd)

#### (b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment and buildings are measured at cost less accumulated depreciation and any accumulated impairment loss.

Freehold land has an unlimited useful life and therefore is not depreciated.

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

|                                        |                   |
|----------------------------------------|-------------------|
| Leasehold land and building            | - 12 to 33½ years |
| Plant and machinery                    | - 3 to 10 years   |
| Furniture and fittings and renovations | - 3 to 10 years   |
| Office equipment                       | - 1 to 10 years   |
| Motor vehicles                         | - 3 to 5 years    |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

### 2.8 Land lease prepayment

Land lease prepayment is measured at cost less accumulated amortisation and accumulated impairment loss. Amortisation is recognised in profit or loss on a straight-line basis over the lease term of 30 years. The temporary occupation permit was granted in December 2015. Therefore, the land lease prepayment which relates to the lease of a parcel of land located at Tuas was transferred to property, plant and equipment in 2016.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

#### 2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

- (a) Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

##### **(i) Order backlogs and customer relationships**

In accordance with FRS 103, order backlogs and customer relationships meet the definition of intangible asset as they are separable. Order backlogs and customer relationships are measured at cost less accumulated amortisation and accumulated impairment loss. The cost of order backlogs and customer relationships are amortised to profit or loss using the straight-line method over the estimated useful life of 2 to 2.5 years and 5 years respectively.

##### **(ii) Intellectual property right**

Intellectual property right relates to the products and process of certain power generating sets and auxiliary components. It is measured initially at cost and is amortised on a straight-line basis over the estimated useful life of 10 years.

Amortisation shall begin when the assets are available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

##### **(iii) Software license**

Acquired software license are initially capitalised at cost which include the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of the software beyond its specifications and which can be reliably measured is added to the original cost of the software license.

Subsequent to initial recognition, software license is carried at cost less accumulated amortisation and accumulated impairment loss. The cost of software license is amortised to profit or loss using the straight-line method over the estimated useful life of 3 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.9 Intangible assets (cont'd)

- (b) Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortised. Subsequent to initial recognition, the intangible assets are measured at cost less accumulated impairment loss. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### (i) *Goodwill*

Goodwill that arises upon the acquisition of subsidiary corporations represents the excess of the fair value of the consideration transferred in the business combination over the net fair value of the acquiree's identifiable assets and liabilities. Impairment losses are reviewed at the end of each reporting period and adjusted if appropriate.

#### (ii) *Club membership*

Club membership was acquired separately. Impairment losses are reviewed at the end of each reporting period and adjusted if appropriate.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

### 2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

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

#### 2.11 Subsidiary corporations

A subsidiary corporation is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary corporations are accounted for at cost less impairment losses.

#### 2.12 Associates

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.13 Financial instruments

#### (a) Financial assets

##### *Initial recognition and measurement*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

##### *Subsequent measurement*

#### (i) Loans and receivables

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

#### (ii) Available-for-sale financial assets

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

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

##### *De-recognition*

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

#### 2.13 Financial instruments (cont'd)

##### (b) Financial liabilities

###### *Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

###### *Subsequent measurement*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

###### *De-recognition*

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

#### 2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, bank deposits and short-term highly liquid investments that are readily convertible to known amount of cash which are subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.15 Impairment of financial assets

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

#### (a) *Financial assets carried at amortised cost*

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

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

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

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

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

#### (b) *Available-for-sale financial assets*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.15 Impairment of financial assets (cont'd)

#### (b) Available-for-sale financial assets (cont'd)

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

### 2.16 Contract work-in-progress

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

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

### 2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Spare parts and raw materials: purchase costs on a weighted average basis.
- Raw materials (Engine): purchase costs on a specific identification basis.
- Finished goods (Engine): costs of direct materials, labour and an attributable portion of overheads, determined on a specific identification basis.
- Finished goods (Generator set) and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

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

### 2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under "Other income".

### 2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### 2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.21 Borrowing costs (cont'd)

#### (a) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted equity securities is normally the ex-dividend date.

#### (b) Finance costs

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

### 2.22 Employee benefits

#### (a) Defined contribution plan

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF") in Singapore and Employees Provident Fund ("EPF") in Malaysia. CPF and EPF contributions are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

#### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

#### (c) Share-based payment transactions

The XMH share option scheme allows the Group employees and directors to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

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

#### 2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

##### (a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

##### (b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Contingent rents are recognised as revenue in the period in which they are earned.

#### 2.24 Revenue

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.24 Revenue (cont'd)

#### (a) Sale of goods

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

#### (b) Project revenue

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

Project revenue (marine equipment) is recognised upon transfer of significant risk and rewards of ownership of the finished goods to the customers, usually on delivery of goods.

#### (c) Service fee

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

### 2.25 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

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

### 2.25 Taxes (cont'd)

#### (a) Current income tax (cont'd)

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiary corporations and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiary corporations and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### 2.25 Taxes (cont'd)

#### (b) *Deferred tax (cont'd)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

### 2.26 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.27 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

## 3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

## 3. Significant accounting estimates and judgements (cont'd)

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### ***Determination of functional currency***

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiary corporations. In determining the functional currencies of entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

#### ***Contract work-in-progress and revenue recognition***

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 3. Significant accounting estimates and judgements (cont'd)

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) Impairment of goodwill

As disclosed in Note 14 to the financial statements, the recoverable amounts of CGUs which goodwill has been allocated to determine based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14 to the financial statements. The carrying amount of goodwill as at 30 April 2017 is \$9,393,000 (2016: \$11,754,000).

#### (b) Impairment of inventories

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

Where there is objective evidence of impairment, significant judgement and estimation is involved as the condition of the inventory may not be fully attributable to the age of the inventory. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 17 to the financial statements.

## 4. Revenue

|                       | Group         |                |
|-----------------------|---------------|----------------|
|                       | 2017          | 2016           |
|                       | \$'000        | \$'000         |
| Sale of goods         | 38,369        | 32,985         |
| Revenue from projects | 49,569        | 71,824         |
| Service fees          | 2,213         | 3,576          |
|                       | <b>90,151</b> | <b>108,385</b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 5. Other income

|                                                   | Group        |              |
|---------------------------------------------------|--------------|--------------|
|                                                   | 2017         | 2016         |
|                                                   | \$'000       | \$'000       |
| Forfeited deposits from customers                 | 1,190        | 359          |
| Gain on disposal of property, plant and equipment | 1,234        | –            |
| Gain on disposal of club membership               | 45           | –            |
| Grants and rebates                                | 199          | 242          |
| Capability Development Grant                      | –            | 396          |
| Insurance claims                                  | 1            | 42           |
| Write-back of liabilities no longer required      | 235          | 782          |
| Rental income                                     | 1,145        | 288          |
| Commission income                                 | –            | 133          |
| Recovery of transportation expense from customers | 93           | 223          |
| Bad debt recovery                                 | 3            | 8            |
| Others                                            | 10           | 179          |
|                                                   | <b>4,155</b> | <b>2,652</b> |

## 6. Finance income and costs

|                                                        | Group          |              |
|--------------------------------------------------------|----------------|--------------|
|                                                        | 2017           | 2016         |
|                                                        | \$'000         | \$'000       |
| Net foreign exchange gain                              | 2,433          | 4,862        |
| Dividend income on quoted equity securities            | 29             | 22           |
| Interest income on bank deposits                       | 103            | 3            |
| <b>Finance income</b>                                  | <b>2,565</b>   | <b>4,887</b> |
| Interest expense on loans and borrowings               | (1,201)        | (852)        |
| <b>Finance costs</b>                                   | <b>(1,201)</b> | <b>(852)</b> |
| <b>Net finance income recognised in profit or loss</b> | <b>1,364</b>   | <b>4,035</b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 7. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

|                                                                    | Group  |        |
|--------------------------------------------------------------------|--------|--------|
|                                                                    | 2017   | 2016   |
|                                                                    | \$'000 | \$'000 |
| Audit fees paid/payable to:                                        |        |        |
| – auditor of the Company                                           | 197    | 215    |
| – other auditors                                                   | 29     | 23     |
| Non-audit fees paid/payable to:                                    |        |        |
| – auditor of the Company                                           | –      | 32     |
| – other auditors                                                   | 85     | 48     |
| Staff costs                                                        | 14,502 | 14,514 |
| Contribution to defined contribution plans included in staff costs | 1,107  | 936    |
| Directors' fees                                                    | 174    | 167    |
| Depreciation of property, plant and equipment                      | 5,406  | 2,512  |
| Loss on disposal of property, plant and equipment                  | –      | 93     |
| Impairment loss on club memberships                                | –      | 52     |
| Inventories written-down                                           | 473    | –      |
| Impairment loss on financial assets:                               |        |        |
| – quoted equity securities                                         | 31     | 36     |
| – trade receivables                                                | 293    | 95     |
| Write-(back)/off of allowance for trade receivables                | (22)   | 56     |
| Share-based payment expense                                        | 218    | 499    |
| Operating lease expenses                                           | 112    | 350    |
| Amortisation of land lease prepayment                              | –      | 177    |
| Amortisation of intangible assets                                  | 1,177  | 1,292  |
| Bad debts written-off                                              | 18     | –      |
| Impairment loss on intangible assets                               | 2,629  | –      |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 8. Income tax expense

### (a) Major components of income tax expense

The major components of income tax expense for the years ended 30 April 2017 and 2016 are:

|                                                     | Group  |        |
|-----------------------------------------------------|--------|--------|
|                                                     | 2017   | 2016   |
|                                                     | \$'000 | \$'000 |
| <i>Current tax expense</i>                          |        |        |
| Current year                                        | 102    | 1,139  |
| Under/(over) provision in respect of previous years | 130    | (30)   |
| <i>Deferred tax expense</i>                         |        |        |
| Origination and reversal of temporary difference    | 55     | (433)  |
| (Over)/under provision in respect of previous years | (8)    | 9      |
| Income tax expense recognised in profit or loss     | 279    | 685    |

### (b) Relationship between tax expense and accounting (loss)/profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 30 April 2017 and 2016 is as follows:

|                                                          | Group   |         |
|----------------------------------------------------------|---------|---------|
|                                                          | 2017    | 2016    |
|                                                          | \$'000  | \$'000  |
| (Loss)/profit before tax                                 | (1,687) | 8,558   |
| Tax at applicable corporate tax rate of 17% (2016: 17%)  | (287)   | 1,455   |
| <i>Adjustments:</i>                                      |         |         |
| - Effect of different tax rate in a foreign jurisdiction | 12      | 1       |
| - Non-deductible expenses                                | 1,255   | 601     |
| - Income not subject to tax                              | (753)   | (1,015) |
| - Tax incentives and reliefs                             | (651)   | (425)   |
| - Benefits from previously unrecognised tax losses       | (16)    | -       |
| - Under/(over) provision in respect of previous years    | 122     | (21)    |
| - Deferred tax asset not recognised                      | 630     | 36      |
| - Others                                                 | (33)    | 53      |
| Income tax expense recognised in profit or loss          | 279     | 685     |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

### 8. Income tax expense (cont'd)

#### (b) Relationship between tax expense and accounting (loss)/profit (cont'd)

As at 30 April 2017, the Group has unutilised capital allowances and unabsorbed tax losses of approximately \$841,000 (2016: \$31,000) and \$3,123,000 (2016: \$314,000) respectively that are available for offset against future taxable profits of the Companies to which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of unutilised capital allowances and tax losses is subject to agreement of the tax authorities and compliance with certain provisions of tax regulation in Singapore.

#### Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 26) for the financial years ended 30 April 2017 and 2016.

#### (c) Deferred tax assets/(liabilities)

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

|                                                                   | At 1 May<br>2016<br>\$'000 | Recognised<br>in profit<br>or loss<br>\$'000 | Recognised<br>in other<br>comprehensive<br>income<br>\$'000 | At 30<br>April 2017<br>\$'000 |
|-------------------------------------------------------------------|----------------------------|----------------------------------------------|-------------------------------------------------------------|-------------------------------|
| <i>Deferred tax assets, net</i>                                   |                            |                                              |                                                             |                               |
| Provisions                                                        | 23                         | (3)                                          | –                                                           | 20                            |
| Unutilised capital allowances                                     | 621                        | –                                            | –                                                           | 621                           |
| Differences in depreciation for tax purposes                      | (621)                      | –                                            | –                                                           | (621)                         |
| Total                                                             | 23                         | (3)                                          | –                                                           | 20                            |
| <i>Deferred tax liabilities</i>                                   |                            |                                              |                                                             |                               |
| Revaluations to fair value on available-for-sale financial assets | (8)                        | –                                            | 15                                                          | 7                             |
| Differences in depreciation for tax purposes                      | –                          | (328)                                        | –                                                           | (328)                         |
| Fair value adjustments on acquisition of subsidiary corporations  |                            |                                              |                                                             |                               |
| - Loans and borrowings                                            | (102)                      | 16                                           | –                                                           | (86)                          |
| - Inventories                                                     | (54)                       | 54                                           | –                                                           | –                             |
| - Intangible assets                                               | (555)                      | 214                                          | –                                                           | (341)                         |
|                                                                   | (711)                      | 284                                          | –                                                           | (427)                         |
| Total                                                             | (719)                      | (44)                                         | 15                                                          | (748)                         |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 8. Income tax expense (cont'd)

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

|                                                                   | At 1 May<br>2015<br>\$'000 | Recognised<br>in profit or<br>loss<br>\$'000 | Recognised<br>in other<br>comprehensive<br>income<br>\$'000 | Acquisitions<br>through<br>business<br>combination<br>\$'000 | At 30<br>April 2016<br>\$'000 |
|-------------------------------------------------------------------|----------------------------|----------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|-------------------------------|
| <i>Deferred tax assets, net</i>                                   |                            |                                              |                                                             |                                                              |                               |
| Provisions                                                        | –                          | 23                                           | –                                                           | –                                                            | 23                            |
| Unutilised capital allowances                                     | –                          | 621                                          | –                                                           | –                                                            | 621                           |
| Differences in depreciation for tax purposes                      | –                          | (621)                                        | –                                                           | –                                                            | (621)                         |
| Total                                                             | –                          | 23                                           | –                                                           | –                                                            | 23                            |
| <i>Deferred tax liabilities</i>                                   |                            |                                              |                                                             |                                                              |                               |
| Revaluations to fair value on available-for-sale financial assets | (18)                       | –                                            | 10                                                          | –                                                            | (8)                           |
| Fair value adjustments on acquisition of subsidiary corporations  |                            |                                              |                                                             |                                                              |                               |
| – Loans and borrowings                                            | (229)                      | 127                                          | –                                                           | –                                                            | (102)                         |
| – Inventories                                                     | (122)                      | 103                                          | –                                                           | (35)                                                         | (54)                          |
| – Intangible assets                                               | (587)                      | 217                                          | –                                                           | (185)                                                        | (555)                         |
|                                                                   | (938)                      | 447                                          | –                                                           | (220)                                                        | (711)                         |
| Total                                                             | (956)                      | 447                                          | 10                                                          | (220)                                                        | (719)                         |

## 9. (Loss)/earnings per share

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

Diluted (loss)/earnings per share amounts are calculated by dividing the profit from operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 9. (Loss)/earnings per share (cont'd)

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

|                                                                                            | Group         |             |
|--------------------------------------------------------------------------------------------|---------------|-------------|
|                                                                                            | 2017          | 2016        |
|                                                                                            | \$'000        | \$'000      |
| (Loss)/profit for the year attributable to owners of the Company                           | (1,071)       | 7,944       |
|                                                                                            | No. of shares |             |
|                                                                                            | 2017          | 2016        |
| Weighted average number of ordinary shares on issue applicable to basic earnings per share | 111,281,821   | 110,462,785 |
| Effect of the potential shares to be issued under the XMH share option scheme              | 89,923        | 102,971     |
| Weighted average number of ordinary shares (diluted) outstanding during the year           | 111,371,744   | 110,565,756 |

3,188,750 (2016: 2,350,750) share options granted to employees under the share option scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the previous financial year, no employees of the Group exercised the options to acquire ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## 10. Share-based payments

The XMH share option scheme (the "Scheme") was approved by shareholders of the Company at an Extraordinary General Meeting held on 5 November 2010. The Scheme applies to executive directors and independent directors of the Company and full-time employees of the Group (the "Participants").

On 11 September 2012, the Company granted 6,600,000 share options (Tranche 2) to eligible Participants under the Scheme. These share options can be exercised between 11 September 2014 and 10 September 2017 (inclusive) at the exercise price of \$0.149 per share, which is determined at approximately 20% discount of the Market Price of the Company's shares on the date of grant. After share consolidation of 4 into 1 on 22 February 2016, the modified number of share option granted is 1,650,000 and the modified exercise price is \$0.596 per share.

On 5 September 2013, the Company granted a further 7,755,000 share options (Tranche 3) to eligible Participants under the Scheme. These share options can be exercised between 5 September 2015 and 4 September 2018 (inclusive) at the exercise price of \$0.323 per share, which is determined at approximately 20% discount of the Market Price of the Company's shares on the date of grant. After share consolidation of 4 into 1 on 22 February 2016, the modified number of share option granted is 1,938,750 and the modified exercise price is \$1.292 per share.

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

## 10. Share-based payments (cont'd)

On 12 September 2014, the Company granted a further 6,850,000 share options (Tranche 4) to eligible Participants under the Scheme. These share options can be exercised between 12 September 2016 and 11 September 2019 (inclusive) at the exercise price of \$0.248 per share, which is determined at approximately 20% discount of the Market Price of the Company's shares on the date of grant. After share consolidation of 4 into 1 on 22 February 2016, the modified number of share options granted is 1,712,500 and the modified exercise price is \$0.992 per share.

On 10 September 2015, the Company granted a further 5,142,000 share options (Tranche 5) to eligible Participants under the Scheme. These share options can be exercised between 10 September 2017 and 9 September 2020 (inclusive) at the exercise price of \$0.130 per share, which is determined at approximately 20% discount of the Market Price of the Company's shares on the date of grant. After share consolidation of 4 into 1 on 22 February 2016, the modified number of share option granted is 1,285,500 and the modified exercise price is \$0.520 per share.

On 7 September 2016, the Company granted a further 1,284,250 share options (Tranche 6) to eligible Participants under the Scheme. These share option can be exercised between 7 September 2018 and 6 September 2021 (inclusive) at the exercise price of \$0.310 per share, which is determined at approximately 20% discount of the Market Price of the Company's share 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 a Market Price Option is exercisable shall be determined and fixed by the Remuneration Committee and shall be equal to the average of the closing prices of the share for the past five market days immediately preceding the relevant date of grant of the option (the "Market Price"), in the case of an option granted at Market Price.
- The Remuneration Committee may grant options on a yearly basis and any such grants shall be made at least 60 days after the end of the financial year of the Company.
- The period for the exercise (the "Exercise Period") of an option granted under the Scheme shall be:
  - (a) in the case of an option granted at Market Price (the "Market Price Option"), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Market Price Option; and
  - (b) in the case of an option granted at a discount of up to 20% of the Market Price (the "Incentive Option"), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Option.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

### 10. Share-based payments (cont'd)

#### Terms and conditions of the Scheme (cont'd)

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these awards.

#### Disclosure of the Scheme

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

|                                                                            | Weighted<br>average<br>exercise<br>price<br>2017<br>\$ | Number of<br>options<br>2017<br>'000 | Weighted<br>average<br>exercise<br>price<br>2016<br>\$ | Number of<br>options<br>2016<br>'000 |
|----------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------|--------------------------------------------------------|--------------------------------------|
| <b>Group</b>                                                               |                                                        |                                      |                                                        |                                      |
| At 1 May                                                                   | 0.892                                                  | 3,574                                | 0.274                                                  | 12,043                               |
| Lapsed/cancelled during the year                                           | 0.644                                                  | (485)                                | 0.271                                                  | (2,880)                              |
| Granted during the year                                                    | 0.310                                                  | 1,284                                | 0.130                                                  | 5,142                                |
| Options outstanding at 22 February                                         | –                                                      | –                                    | 0.223                                                  | 14,305                               |
| Options outstanding at 22 February<br>after share consolidation (4 into 1) | –                                                      | –                                    | 0.892                                                  | 3,576                                |
| Lapsed/cancelled during the year                                           | –                                                      | –                                    | 1.292                                                  | (2)                                  |
| Options outstanding at 30 April                                            | 0.748                                                  | 4,373                                | 0.892                                                  | 3,574                                |
| Options exercisable at 30 April                                            |                                                        | 2,199                                |                                                        | 1,176                                |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 10. Share-based payments (cont'd)

### Inputs for measurement of grant date fair values

The grant date fair value of the Scheme was measured based on a Binomial model. Expected volatility is estimated by considering historic average share price volatility. The expected life used in the model has been adjusted, based on management's best estimate, for details of non-transferability, exercise restrictions and behavioural considerations. The inputs used in the measurement of the fair values at grant date of the share-based payment plans granted during the year are as follows:

|                                                     | Controlling<br>shareholder<br>and his<br>associate | Employees |
|-----------------------------------------------------|----------------------------------------------------|-----------|
| <b>Fair value of share options and assumptions</b>  |                                                    |           |
| Share price                                         | \$0.415                                            | \$0.415   |
| Exercise price                                      | \$0.310                                            | \$0.310   |
| Expected volatility (weighted average volatility)   | 34%                                                | 37%       |
| Option life (expected weighted average life)        | 3.0 years                                          | 3.5 years |
| Risk-free interest rate (based on government bonds) | 0.91%                                              | 0.99%     |
| Expected dividend yield                             | 4.82%                                              | 4.82%     |

During the year ended 30 April 2017, the Group recognised employee expenses of \$218,000 (2016: \$499,000) relating to the share options granted under the Scheme.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 11. Property, plant and equipment

| Group                                           | Freehold land | Leasehold land and building* | Plant and machinery | Furniture and fittings and renovations | Office equipment | Motor vehicles | Construction-in-progress | Total         |
|-------------------------------------------------|---------------|------------------------------|---------------------|----------------------------------------|------------------|----------------|--------------------------|---------------|
|                                                 | \$'000        | \$'000                       | \$'000              | \$'000                                 | \$'000           | \$'000         | \$'000                   | \$'000        |
| <b>Cost:</b>                                    |               |                              |                     |                                        |                  |                |                          |               |
| As at 1 May 2015                                | 921           | 5,294                        | 2,592               | 1,054                                  | 1,759            | 1,896          | 25,195                   | 38,711        |
| Additions                                       | -             | 7,939                        | 12                  | 385                                    | 180              | 23             | 25,286                   | 33,825        |
| Disposals                                       | -             | (29)                         | (215)               | (523)                                  | (462)            | (292)          | -                        | (1,521)       |
| Transfer from construction-in-progress          | -             | 40,581                       | 2,821               | 10,589                                 | 386              | -              | (54,377)                 | -             |
| Transfer from land lease prepayment* (Note 15)  | -             | 7,791                        | -                   | -                                      | -                | -              | -                        | 7,791         |
| Currency translation differences                | (66)          | 1,456                        | 192                 | 382                                    | 64               | 51             | 3,896                    | 5,975         |
| As at 30 April 2016 and 1 May 2016              | <b>855</b>    | <b>63,032</b>                | <b>5,402</b>        | <b>11,887</b>                          | <b>1,927</b>     | <b>1,678</b>   | <b>-</b>                 | <b>84,781</b> |
| Additions                                       | -             | 41                           | 52                  | 62                                     | 112              | 535            | -                        | 802           |
| Disposals                                       | -             | (2,480)                      | -                   | (10)                                   | -                | (579)          | -                        | (3,069)       |
| Reclassification to intangible assets (Note 14) | -             | -                            | -                   | -                                      | (281)            | -              | -                        | (281)         |
| Adjustment **                                   | -             | (4,488)                      | -                   | -                                      | -                | -              | -                        | (4,488)       |
| Currency translation differences                | (58)          | 2,192                        | (38)                | 394                                    | 17               | 28             | -                        | 2,535         |
| As at 30 April 2017                             | <b>797</b>    | <b>58,297</b>                | <b>5,416</b>        | <b>12,333</b>                          | <b>1,775</b>     | <b>1,662</b>   | <b>-</b>                 | <b>80,280</b> |
| <b>Accumulated depreciation:</b>                |               |                              |                     |                                        |                  |                |                          |               |
| As at 1 May 2015                                | -             | 1,391                        | 1,613               | 648                                    | 1,226            | 1,366          | -                        | 6,244         |
| Depreciation for the year                       | -             | 904                          | 456                 | 602                                    | 359              | 191            | -                        | 2,512         |
| Disposals                                       | -             | -                            | (215)               | (398)                                  | (459)            | (210)          | -                        | (1,282)       |
| Transfer from land lease prepayment* (Note 15)  | -             | 736                          | -                   | -                                      | -                | -              | -                        | 736           |
| Currency translation differences                | -             | 149                          | (32)                | 25                                     | 55               | 50             | -                        | 247           |
| As at 30 April 2016 and 1 May 2016              | -             | <b>3,180</b>                 | <b>1,822</b>        | <b>877</b>                             | <b>1,181</b>     | <b>1,397</b>   | <b>-</b>                 | <b>8,457</b>  |
| Depreciation for the year                       | -             | 2,107                        | 1,009               | 1,674                                  | 444              | 172            | -                        | 5,406         |
| Disposals                                       | -             | (1,605)                      | -                   | (10)                                   | -                | (579)          | -                        | (2,194)       |
| Reclassification to intangible assets (Note 14) | -             | -                            | -                   | -                                      | (154)            | -              | -                        | (154)         |
| Currency translation differences                | -             | 103                          | (75)                | (6)                                    | 7                | 29             | -                        | 58            |
| As at 30 April 2017                             | -             | <b>3,785</b>                 | <b>2,756</b>        | <b>2,535</b>                           | <b>1,478</b>     | <b>1,019</b>   | <b>-</b>                 | <b>11,573</b> |
| <b>Net carrying amount:</b>                     |               |                              |                     |                                        |                  |                |                          |               |
| As at 30 April 2017                             | <b>797</b>    | <b>54,512</b>                | <b>2,660</b>        | <b>9,798</b>                           | <b>297</b>       | <b>643</b>     | <b>-</b>                 | <b>68,707</b> |
| As at 30 April 2016                             | 855           | 59,852                       | 3,580               | 11,010                                 | 746              | 281            | -                        | 76,324        |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

|                                                   | Leasehold<br>land and<br>building<br>\$'000 | Furniture<br>and<br>fittings and<br>renovations<br>\$'000 | Office<br>equipment<br>\$'000 | Motor<br>vehicles<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------|---------------------------------------------|-----------------------------------------------------------|-------------------------------|-----------------------------|-----------------|
| <b>Company</b>                                    |                                             |                                                           |                               |                             |                 |
| <b>Cost:</b>                                      |                                             |                                                           |                               |                             |                 |
| As at 1 May 2015, 30 April 2016 and<br>1 May 2016 | –                                           | –                                                         | –                             | –                           | –               |
| Additions                                         | 35                                          | 43                                                        | –                             | 402                         | 480             |
| Transferred from a subsidiary corporation         | 57,733                                      | 10,397                                                    | 154                           | –                           | 68,284          |
| Adjustment **                                     | (4,488)                                     | –                                                         | –                             | –                           | (4,488)         |
| As at 30 April 2017                               | 53,280                                      | 10,440                                                    | 154                           | 402                         | 64,276          |
| <b>Accumulated depreciation:</b>                  |                                             |                                                           |                               |                             |                 |
| As at 1 May 2015, 30 April 2016 and<br>1 May 2016 | –                                           | –                                                         | –                             | –                           | –               |
| Depreciation for the year                         | 1,242                                       | 1,027                                                     | 134                           | 47                          | 2,450           |
| As at 30 April 2017                               | 1,242                                       | 1,027                                                     | 134                           | 47                          | 2,450           |
| <b>Net carrying amount:</b>                       |                                             |                                                           |                               |                             |                 |
| As at 30 April 2017                               | 52,038                                      | 9,413                                                     | 20                            | 355                         | 61,826          |
| As at 30 April 2016                               | –                                           | –                                                         | –                             | –                           | –               |

\* Land lease prepayment was transferred to property, plant and equipment in December 2015 after obtaining the temporary occupation permit during the financial year ended 30 April 2016.

\*\* Price adjustment on the cost of construction for the existing factory building upon final settlement.

### Assets under construction

The expenditure for construction of a building located at Tuas was transferred to property, plant and equipment in December 2015 when the Group was granted temporary occupation permit.

### Capitalisation of borrowing costs

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purposes of the construction of the Tuas building. For the financial year ended 30 April 2016, the borrowing costs capitalised as cost of property, plant and equipment amounted to \$297,000. The rate used to determine the amount of borrowing cost eligible for capitalisation was 1.73%, which is the weighted effective interest rate of the specific borrowings. No borrowing cost is capitalised during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Assets pledged as securities

In addition to assets held under finance lease, the Group's land and building with a carrying amount at \$55,309,000 (2016: \$59,791,000) are mortgaged to secure the Group's bank loans (Note 28).

The carrying amount of motor vehicles held under finance leases is \$473,000 (2016: \$90,000) at the date of the statement of financial position.

As at 30 April 2017, the Group has motor vehicle held in trust by the Director of the Company with net book value of \$355,000 (2016: nil).

## 12. Investment in subsidiary corporations

|                                     | Company       |               |
|-------------------------------------|---------------|---------------|
|                                     | 2017          | 2016          |
|                                     | \$'000        | \$'000        |
| Unquoted equity investment, at cost | 31,801        | 31,801        |
| Accumulated impairment loss         | (2,661)       | –             |
|                                     | <b>29,140</b> | <b>31,801</b> |

### (a) Composition of the Group

The details of the subsidiary corporations are as follows:

| Name of company<br>(Country of incorporation) | Principal activities                                                                                                                                                 | Percentage of equity held by the Group |      |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------|
|                                               |                                                                                                                                                                      | 2017                                   | 2016 |
|                                               |                                                                                                                                                                      | %                                      | %    |
| <b>Held by the Company</b>                    |                                                                                                                                                                      |                                        |      |
| (1) Xin Ming Hua Pte Ltd<br>Singapore         | Supply of engines, general machinery and machinery equipment for marine, agriculture, construction and industrial use including spare parts and after sales-services | 100                                    | 100  |
| (1) XMH Engineering Pte. Ltd.<br>Singapore    | Manufacturing and repairing of machinery for mining, quarrying and construction                                                                                      | 100                                    | 100  |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 12. Investment in subsidiary corporations (cont'd)

### (a) Composition of the Group (cont'd)

| Name of company<br>(Country of incorporation)         | Principal activities                                                                                                | Percentage of equity held by the Group |           |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------|-----------|
|                                                       |                                                                                                                     | 2017<br>%                              | 2016<br>% |
| Held by the Company (cont'd)                          |                                                                                                                     |                                        |           |
| (3) PT Xin Ming Hua Engine Indonesia                  | Trading of machinery, spare parts and equipment                                                                     | 100                                    | 100       |
| (1) AceGen Pte. Ltd. *<br>Singapore                   | Assembly works or subcontract works for power generating sets                                                       | 100                                    | 100       |
| (1) Mech-Power Generator Pte Ltd<br>Singapore         | Assembly, sales of generators and related accessories and investment holding                                        | 100                                    | 100       |
| (1) Z-Power Automation Pte. Ltd. ("ZPA")<br>Singapore | Manufacturing of marine equipment and repair services                                                               | 80                                     | 80        |
| Held through Mech-Power Generator Pte Ltd             |                                                                                                                     |                                        |           |
| (2) Mech Power Generator Sdn. Bhd.<br>Malaysia        | Manufacturers, importers, exporters of generating sets, spare parts, general engineering and other related products | 100                                    | 100       |

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by Ernst & Young, Malaysia.

(3) Audited by Johan Malonda Mustika & Rekan, Indonesia.

\* The Company has ceased operations and remained dormant as at 30 April 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 12. Investment in subsidiary corporations (cont'd)

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

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

| Name of company              | Principal place of business | Proportion of ownership held by NCI % | Loss allocated to NCI during the reporting period \$'000 | Accumulated NCI at the end of the reporting period \$'000 |
|------------------------------|-----------------------------|---------------------------------------|----------------------------------------------------------|-----------------------------------------------------------|
| <u>30 April 2017:</u>        |                             |                                       |                                                          |                                                           |
| Z-Power Automation Pte. Ltd. | Singapore                   | 20                                    | (895)                                                    | 1,820                                                     |
| <u>30 April 2016:</u>        |                             |                                       |                                                          |                                                           |
| Z-Power Automation Pte. Ltd. | Singapore                   | 20                                    | (71)                                                     | 2,715                                                     |

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

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

#### Summarised statement of financial position

|                        | 2017<br>\$'000 | 2016<br>\$'000 |
|------------------------|----------------|----------------|
| <b>Current</b>         |                |                |
| Assets                 | 11,351         | 18,842         |
| Liabilities            | (6,694)        | (9,072)        |
| Net current assets     | 4,657          | 9,770          |
| <b>Non-current</b>     |                |                |
| Assets                 | 4,858          | 4,533          |
| Liabilities            | (418)          | (729)          |
| Net non-current assets | 4,440          | 3,804          |
| Net assets             | 9,097          | 13,574         |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 12. Investment in subsidiary corporations (cont'd)

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

#### Summarised statement of comprehensive income

|                                                               | 2017<br>\$'000 | 2016<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| Revenue                                                       | 14,906         | 26,440         |
| (Loss)/profit before tax                                      | (3,040)        | 1,166          |
| Income tax (expense)/credit                                   | (124)          | 162            |
|                                                               | (3,164)        | 1,328          |
| Less: Amortisation of fair value uplift, net of tax           | (1,311)        | (1,685)        |
| Net loss after tax, representing total comprehensive expenses | (4,475)        | (357)          |

## 13. Investment in an associate

|                                        | Group          |                |
|----------------------------------------|----------------|----------------|
|                                        | 2017<br>\$'000 | 2016<br>\$'000 |
| Z-Power Automation (Vietnam) Co., Ltd. | –              | 207            |

Movements in investment in an associate are as follows:

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2017<br>\$'000 | 2016<br>\$'000 |
| At 1 May                         | 207            | 141            |
| Share of results of an associate | (207)          | 66             |
| At 30 April                      | –              | 207            |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 13. Investment in an associate (cont'd)

The details of the associate are as follows:

|     | Name of company<br>(Country of incorporation)          | Principal activities                                | Percentage of equity<br>held by the Group |      |
|-----|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------------|------|
|     |                                                        |                                                     | 2017                                      | 2016 |
|     |                                                        |                                                     | %                                         | %    |
|     | <i>Held through Z-Power<br/>Automation Pte. Ltd.</i>   |                                                     |                                           |      |
| (1) | Z-Power Automation (Vietnam)<br>Co., Ltd.<br>(Vietnam) | Manufacturing of industrial electrical<br>equipment | 50                                        | 50   |

(1) Audited by Vietnam Auditing and Evaluation Company Limited

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

### Summarised statement of financial position

|                                           | Group          |                |
|-------------------------------------------|----------------|----------------|
|                                           | 2017<br>\$'000 | 2016<br>\$'000 |
| Assets                                    | 209            | 701            |
| Liabilities                               | (216)          | (271)          |
| Net (liabilities)/assets                  | (7)            | 430            |
| Proportion of Group's ownership           | 50%            | 50%            |
| Group's share of net (liabilities)/assets | (4)            | 215            |
| Other adjustments                         | 4              | (8)            |
| Carrying amount of the investment         | —              | 207            |

### Summarised statement of comprehensive income

|                                                                             | 2017<br>\$'000 | 2016<br>\$'000 |
|-----------------------------------------------------------------------------|----------------|----------------|
| Revenue                                                                     | 794            | 870            |
| (Loss)/profit after tax, representing total comprehensive (expenses)/income | (458)          | 132            |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 14. Intangible assets

|                                                                  | Goodwill<br>\$'000 | Order<br>backlogs<br>\$'000 | Customer<br>relation-<br>ships<br>\$'000 | Intellectual<br>property<br>rights<br>\$'000 | Software<br>license<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------|--------------------|-----------------------------|------------------------------------------|----------------------------------------------|-------------------------------|-----------------|
| <b>Group</b>                                                     |                    |                             |                                          |                                              |                               |                 |
| <b>Cost:</b>                                                     |                    |                             |                                          |                                              |                               |                 |
| At 1 May 2015                                                    | 11,897             | 2,254                       | 3,500                                    | 220                                          | –                             | 17,871          |
| Fair value adjustment on completion<br>of PPA                    | (143)              | 147                         | 39                                       | –                                            | –                             | 43              |
| Additions                                                        | –                  | –                           | –                                        | 113                                          | –                             | 113             |
| Currency translation differences                                 | –                  | –                           | –                                        | 41                                           | –                             | 41              |
| At 30 April 2016 and 1 May 2016                                  | <b>11,754</b>      | <b>2,401</b>                | <b>3,539</b>                             | <b>374</b>                                   | <b>–</b>                      | <b>18,068</b>   |
| Reclassification from property,<br>plant and equipment (Note 11) | –                  | –                           | –                                        | –                                            | <b>281</b>                    | <b>281</b>      |
| Additions                                                        | –                  | –                           | –                                        | –                                            | <b>136</b>                    | <b>136</b>      |
| Currency translation differences                                 | –                  | –                           | –                                        | <b>4</b>                                     | –                             | <b>4</b>        |
| At 30 April 2017                                                 | <b>11,754</b>      | <b>2,401</b>                | <b>3,539</b>                             | <b>378</b>                                   | <b>417</b>                    | <b>18,489</b>   |
| <b>Accumulated amortisation<br/>and impairment loss:</b>         |                    |                             |                                          |                                              |                               |                 |
| At 1 May 2015                                                    | –                  | 1,308                       | 93                                       | –                                            | –                             | 1,401           |
| Amortisation for the year                                        | –                  | 482                         | 733                                      | 77                                           | –                             | 1,292           |
| Currency translation differences                                 | –                  | –                           | –                                        | 2                                            | –                             | 2               |
| At 30 April 2016 and 1 May 2016                                  | –                  | <b>1,790</b>                | <b>826</b>                               | <b>79</b>                                    | –                             | <b>2,695</b>    |
| Reclassification from property,<br>plant and equipment (Note 11) | –                  | –                           | –                                        | –                                            | <b>154</b>                    | <b>154</b>      |
| Amortisation for the year                                        | –                  | <b>343</b>                  | <b>708</b>                               | <b>37</b>                                    | <b>89</b>                     | <b>1,177</b>    |
| Impairment loss                                                  | <b>2,361</b>       | <b>268</b>                  | –                                        | –                                            | –                             | <b>2,629</b>    |
| Currency translation differences                                 | –                  | –                           | –                                        | <b>1</b>                                     | –                             | <b>1</b>        |
| At 30 April 2017                                                 | <b>2,361</b>       | <b>2,401</b>                | <b>1,534</b>                             | <b>117</b>                                   | <b>243</b>                    | <b>6,656</b>    |
| <b>Net carrying amount:</b>                                      |                    |                             |                                          |                                              |                               |                 |
| At 30 April 2017                                                 | <b>9,393</b>       | –                           | <b>2,005</b>                             | <b>261</b>                                   | <b>174</b>                    | <b>11,833</b>   |
| At 30 April 2016                                                 | 11,754             | 611                         | 2,713                                    | 295                                          | –                             | 15,373          |
| Remaining useful life as at<br>30 April 2017 (years)             | –                  | –                           | <b>2.8</b>                               | <b>6 to 9</b>                                | <b>1 to 2</b>                 | –               |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

### 14. Intangible assets (cont'd)

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

Customer relationships relate to ZPA's customer relationship with its existing customers that resulted in repeat purchase and customer loyalty. The remaining amortisation period is 2 years and 10 months.

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

#### *Impairment assessment for CGUs containing goodwill*

For the purpose of impairment testing, goodwill is allocated to the Group's operating businesses. The carrying amount of goodwill of \$9,393,000 (2016: \$11,754,000) is attributable to the MPG Group (2016: MPG Group and ZPA).

The recoverable amount of the MPG Group and ZPA were determined based on its value in use. The value in use were calculated by discounting the future cash flows to be generated from the continuing use of the CGUs.

#### MPG Group

The value in use was based on discounted cash flow projections over a period of 5 years using the actual results for 2017 as the baseline year. Growth in sales at the range from 3.0 % to 5.0% (2016: 0% to 5.8%) was assumed for the 5 years with terminal growth rate of 1.0% (2016: 1.0%) was considered.

A discount rate of 10.0% (2016: 10.0%) was applied in determining the recoverable amount.

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

#### ZPA

The value in use was based on discounted cash flow projections over a period of 5 years using the actual results for 2017 as the baseline year. Growth in sales at the range from 3.0% to 5.0% (2016: 2.0% to 9.4%) was assumed for the 5 years with terminal growth rate of 2.0% (2016: 2.0%) was considered.

A discount rate of 12.0% (2016: 12.0%) was applied in determining the recoverable amount.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 14. Intangible assets (cont'd)

### Impairment loss recognised

During the financial year, the Group performed a review of the recoverable amount of the CGU and recognised an impairment loss to write-down the carrying amount of goodwill and order backlogs of ZPA. Due to the tough market conditions, the management has revised the cash flow forecast for ZPA. Accordingly, an impairment loss of \$2,361,000 and \$268,000 (2016: nil) respectively has been recognised in profit or loss to reduce the carrying amount of ZPA to its recoverable amount.

### Sensitivity to changes in assumption

With regards to the assessment of value in use for the MPG Group and ZPA, management believes that no reasonably possible changes in any of the key assumption would cause the carrying value of the unit to materially exceed its recoverable amount.

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

|                        | MPG Group      |                | ZPA            |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2017<br>\$'000 | 2016<br>\$'000 | 2017<br>\$'000 | 2016<br>\$'000 |
| Goodwill               | 9,393          | 9,393          | –              | 2,361          |
| Order backlogs         | –              | –              | –              | 611            |
| Customer relationships | –              | –              | 2,005          | 2,713          |
| Software license       | –              | –              | 174            | –              |
|                        | 9,393          | 9,393          | 2,179          | 5,685          |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 15. Land lease prepayment

|                                                     | Group<br>\$'000 |
|-----------------------------------------------------|-----------------|
| <b>Cost:</b>                                        |                 |
| At 1 May 2015                                       | 6,974           |
| Transfer to property, plant and equipment (Note 11) | (7,791)         |
| Currency translation differences                    | 817             |
| At 30 April 2016, 1 May 2016 and 30 April 2017      | —               |
| <b>Accumulated amortisation:</b>                    |                 |
| At 1 May 2015                                       | 485             |
| Amortisation for the year                           | 177             |
| Transfer to property, plant and equipment (Note 11) | (736)           |
| Currency translation differences                    | 74              |
| At 30 April 2016, 1 May 2016 and 30 April 2017      | —               |
| <b>Net carrying amount:</b>                         |                 |
| At 30 April 2017 and 30 April 2016                  | —               |

Land lease prepayment relates to the lease of a parcel of land located at Tuas Crescent, Singapore, acquired by the Group in 2013. The lease will expire in 2043. In December 2015, the Company was granted with temporary occupation permit, hence it was transferred to property, plant and equipment (Note 11) in financial year ended 30 April 2016.

## 16. Other financial assets

|                                     | Group<br>2017<br>\$'000 | 2016<br>\$'000 |
|-------------------------------------|-------------------------|----------------|
| <b>Non-current financial assets</b> |                         |                |
| Available-for-sale financial assets | 717                     | 824            |

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

During the financial year, the Group recognised impairment loss of \$31,000 (2016: \$36,000) for quoted equity securities that has prolonged decline in the fair value of the investments below their costs.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 17. Inventories

|                                                        | Group         |               |
|--------------------------------------------------------|---------------|---------------|
|                                                        | 2017          | 2016          |
|                                                        | \$'000        | \$'000        |
| <b>Statement of financial position:</b>                |               |               |
| Spare parts (at cost)                                  | 5,247         | 3,606         |
| Raw materials (at cost)                                | 2,772         | 7,312         |
| Work-in-progress (at cost)                             | 6,125         | 7,107*        |
| Finished goods (at cost or net realisable value)       |               |               |
| – Engines                                              | 12,235        | 16,478        |
| – Generator sets                                       | 4,171         | 822           |
|                                                        | <b>30,550</b> | <b>35,325</b> |
| <b>Consolidated statement of comprehensive income:</b> |               |               |
| Inventories recognised as an expense in cost of sales  | 68,357        | 81,521        |
| Inclusive of the following charge:                     |               |               |
| – Inventories written-down                             | 473           | –             |
| – Write-back of allowance for obsolete inventories     | (8)           | –             |

The reversal of allowance of inventories was made when the related inventories were sold above their carrying amount in 2017.

\* Prior year's work-in-progress of \$6,750,000 accounted for under completion method had been reclassified from contract work-in-progress (Note 19) to conform to current year's presentation.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 18. Trade and other receivables

|                                          | Group         |        | Company       |        |
|------------------------------------------|---------------|--------|---------------|--------|
|                                          | 2017          | 2016   | 2017          | 2016   |
|                                          | \$'000        | \$'000 | \$'000        | \$'000 |
| Trade receivables                        | <b>24,304</b> | 30,733 | –             | –      |
| Retention sum                            | <b>600</b>    | 2,126  | –             | –      |
| GST receivables                          | <b>194</b>    | 614    | –             | –      |
| Amounts due from an associate            | <b>64</b>     | 125    | –             | –      |
| Allowance for trade receivables          | <b>(542)</b>  | (414)  | –             | –      |
|                                          | <b>24,620</b> | 33,184 | –             | –      |
| Amounts due from subsidiary corporations | –             | –      | <b>8,263</b>  | 8,371  |
| Deposits                                 | <b>113</b>    | 101    | –             | –      |
| Dividend receivable                      | –             | –      | <b>4,000</b>  | –      |
| Other receivables                        | <b>324</b>    | 102    | <b>320</b>    | –      |
| Advances to suppliers                    | –             | 31     | –             | –      |
| Advances to staff                        | <b>48</b>     | 75     | –             | –      |
| Total trade and other receivables        | <b>25,105</b> | 33,493 | <b>12,583</b> | 8,371  |
| Non-current                              | <b>2,037</b>  | –      | –             | –      |
| Current                                  | <b>23,068</b> | 33,493 | <b>12,583</b> | 8,371  |
|                                          | <b>25,105</b> | 33,493 | <b>12,583</b> | 8,371  |

Trade receivables are non-interest bearing and are generally on 30 to 60 (2016: 30 to 60) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in non-current and current trade receivables is an amount under a 3-year non-interest bearing instalment repayment plan for a customer with balance of \$3,477,000 (2016: nil) as at 30 April 2017.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 18. Trade and other receivables (cont'd)

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

The Group has trade receivables and retention sum amounting to \$10,455,000 (2016: \$10,282,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

|                                                                       | Group         |               |
|-----------------------------------------------------------------------|---------------|---------------|
|                                                                       | 2017          | 2016          |
|                                                                       | \$'000        | \$'000        |
| <u>Trade receivables and retention sum past due but not impaired:</u> |               |               |
| - Past due 0 to 30 days                                               | 1,215         | 637           |
| - Past due 31 to 60 days                                              | 660           | 3,775         |
| - Past due more than 60 days                                          | 8,580         | 5,870         |
|                                                                       | <b>10,455</b> | <b>10,282</b> |

### *Trade receivables that are impaired*

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

|                                       | Group    |          |
|---------------------------------------|----------|----------|
|                                       | 2017     | 2016     |
|                                       | \$'000   | \$'000   |
| Trade receivables                     | 542      | 414      |
| Less: Allowance for trade receivables | (542)    | (414)    |
|                                       | <b>-</b> | <b>-</b> |

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting dates. The Group has not recognised impairment loss 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 loss 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

For the financial year ended 30 April 2017

### 18. Trade and other receivables (cont'd)

#### Allowance for trade receivables

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

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

|                                                | Group  |        |
|------------------------------------------------|--------|--------|
|                                                | 2017   | 2016   |
|                                                | \$'000 | \$'000 |
| <u>Movement in allowance accounts:</u>         |        |        |
| At 1 May                                       | 414    | 887    |
| Charge for the year                            | 293    | 95     |
| Utilisation of allowance for trade receivables | (140)  | (560)  |
| Bad debt recovery                              | (3)    | (8)    |
| Write-back of allowance for trade receivables  | (22)   | –      |
| At 30 April                                    | 542    | 414    |

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

### 19. Contract work-in-progress

|                                                                                                            | Group    |          |
|------------------------------------------------------------------------------------------------------------|----------|----------|
|                                                                                                            | 2017     | 2016     |
|                                                                                                            | \$'000   | \$'000   |
| Aggregate costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts  | 51,662   | 28,534   |
| Less: Progress billings                                                                                    | (47,681) | (26,516) |
|                                                                                                            | 3,981    | 2,018    |
| <br><i>Presented as:</i>                                                                                   |          |          |
| Contract work-in-progress                                                                                  | 10,980   | 7,894    |
| Excess of progress billings over contract work-in-progress, included in trade and other payables (Note 21) | (6,999)  | (5,876)  |
|                                                                                                            | 3,981    | 2,018    |
| <br>Retention sums on contract included in trade receivables                                               | 600      | 2,126    |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 20. Cash and short-term deposits

|                                                                       | Group         |        | Company    |        |
|-----------------------------------------------------------------------|---------------|--------|------------|--------|
|                                                                       | 2017          | 2016   | 2017       | 2016   |
|                                                                       | \$'000        | \$'000 | \$'000     | \$'000 |
| Cash at bank and on hand                                              | <b>18,561</b> | 12,772 | <b>799</b> | 242    |
| Short-term deposits                                                   | <b>7,057</b>  | 71     | –          | –      |
|                                                                       | <b>25,618</b> | 12,843 | <b>799</b> | 242    |
| Less: Fixed deposits pledged                                          | –             | (51)   | –          | –      |
| Fixed deposits                                                        | <b>(37)</b>   | (20)   | –          | –      |
| Bank overdrafts (Note 28)                                             | <b>(994)</b>  | –      | –          | –      |
| Effect of exchange rate fluctuation on fixed deposits under pledged   | –             | (4)    | –          | –      |
| Cash and cash equivalents in the consolidated statement of cash flows | <b>24,587</b> | 12,768 | <b>799</b> | 242    |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month and one year depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. Interest earned at rates ranging from 0.4% to 5.0% (2016: 0.4% to 3.3%) per annum. Fixed deposits with maturity more than 3 months are excluded from cash and cash equivalents.

The fixed deposits with licensed banks are pledged to bank for bank guarantee facility granted to the Group. In 2016, fixed deposits with a licensed bank at \$33,000 are held in trust by a subsidiary corporation's director of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 21. Trade and other payables

|                                                                      | Group  |        | Company |        |
|----------------------------------------------------------------------|--------|--------|---------|--------|
|                                                                      | 2017   | 2016   | 2017    | 2016   |
|                                                                      | \$'000 | \$'000 | \$'000  | \$'000 |
| Trade payables                                                       | 9,038  | 15,723 | 70      | 21     |
| Accrued operating expenses                                           | 8,129  | 15,756 | 3,835   | 885    |
| Advance deposits                                                     | 5,624  | 8,705  | –       | –      |
| Excess of progress billings over contract work-in-progress (Note 19) | 6,999  | 5,876  | –       | –      |
| Amount due to subsidiary corporation                                 | –      | –      | 18,709  | –      |
| Provision for warranty                                               | 202    | 241    | –       | –      |
| Other payable                                                        | 795    | 238    | 602     | –      |
| GST payable                                                          | 223    | 192    | 63      | 77     |
| Total trade and other payables                                       | 31,010 | 46,731 | 23,279  | 983    |
| Non-current                                                          | 260    | 133    | 572     | –      |
| Current                                                              | 30,750 | 46,598 | 22,707  | 983    |
|                                                                      | 31,010 | 46,731 | 23,279  | 983    |

Amount due to subsidiary corporation is unsecured, non-interest bearing and repayable on demand and are to be settled in cash.

### Provision for warranty

The Group gives warranties of 2 years on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of the reporting period for expected warranty claims based on the management's estimation of the level of repairs and returns.

Movements in provision for warranty are as follows:

|                         | Group  |        |
|-------------------------|--------|--------|
|                         | 2017   | 2016   |
|                         | \$'000 | \$'000 |
| At 1 May                | 241    | 191    |
| Provision made          | 73     | 144    |
| Provision utilised      | (4)    | (18)   |
| Unused amounts reversed | (108)  | (76)   |
| At 30 April             | 202    | 241    |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 22. Share capital

|                                              | Group and Company           |                |                             |                |
|----------------------------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                                              | 2017<br>Number of<br>shares | 2017<br>\$'000 | 2016<br>Number of<br>shares | 2016<br>\$'000 |
| Issued and fully paid ordinary shares:       |                             |                |                             |                |
| At 1 May                                     | 114,512,571                 | 39,780         | 447,049,661*                | 35,424         |
| Issuance of ordinary shares                  | –                           | –              | 11,000,631*                 | 4,356          |
| At 30 April                                  | 114,512,571                 | 39,780         | 458,050,292*                | 39,780         |
| At 30 April after share consolidation of 4:1 | 114,512,571                 | 39,780         | 114,512,571                 | 39,780         |

On 19 August 2015, the Company issued (i) an aggregate of 11,000,631\* new ordinary shares and (ii) cash payment of \$4,356,000 to the vendors of the MPG Group for the second and final tranche of consideration paid pursuant to the sale and purchase agreement.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

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

\* The aggregate number of ordinary shares before share consolidation.

## 23. Reserve for own shares

Reserve for the Company's own shares comprises the cost of the Company's shares held by the Company.

|                       | Group and Company           |                |                             |                |
|-----------------------|-----------------------------|----------------|-----------------------------|----------------|
|                       | 2017<br>Number of<br>shares | 2017<br>\$'000 | 2016<br>Number of<br>shares | 2016<br>\$'000 |
| At 1 May and 30 April | 3,230,750                   | 2,791          | 3,230,750                   | 2,791          |

The Company did not acquire any shares in the Company during the financial years ended 30 April 2017 and 2016.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

### 24. Other reserves

|                                      | Group          |                | Company      |              |
|--------------------------------------|----------------|----------------|--------------|--------------|
|                                      | 2017           | 2016           | 2017         | 2016         |
|                                      | \$'000         | \$'000         | \$'000       | \$'000       |
| Share option reserve                 | 2,037          | 1,819          | 2,037        | 1,819        |
| Fair value reserve                   | –              | 75             | –            | –            |
| Foreign currency translation reserve | (8,279)        | (8,340)        | –            | –            |
|                                      | <b>(6,242)</b> | <b>(6,446)</b> | <b>2,037</b> | <b>1,819</b> |

#### Share option reserve

The share option reserve represents the equity-settled share options granted to employees and directors. The reserve is made up of the cumulative value of services received from employees and directors recorded over the vesting period commencing from the grant date of the equity-settled share options.

#### Fair value reserve

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

#### Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the subsidiary corporations whose functional currencies are different from that of the Group's presentation currency.

### 25. Accumulated profits

|                                                                           | Company<br>\$'000 |
|---------------------------------------------------------------------------|-------------------|
| As at 1 May 2015                                                          | 359               |
| Profit for the year, representing total comprehensive income for the year | 3,687             |
| Dividends on ordinary shares                                              | (3,561)           |
| Total transactions with owners in their capacity as owners                | (3,561)           |
| As at 30 April 2016 and 1 May 2016                                        | <b>485</b>        |
| Profit for the year, representing total comprehensive income for the year | <b>2,667</b>      |
| Dividends on ordinary shares                                              | <b>(2,226)</b>    |
| Total transactions with owners in their capacity as owners                | <b>(2,226)</b>    |
| As at 30 April 2017                                                       | <b>926</b>        |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 26. Dividends

|                                                                                                                             | Group  |        |
|-----------------------------------------------------------------------------------------------------------------------------|--------|--------|
|                                                                                                                             | 2017   | 2016   |
|                                                                                                                             | \$'000 | \$'000 |
| <b>Declared and paid during the financial year:</b>                                                                         |        |        |
| <i>Dividends on ordinary shares</i>                                                                                         |        |        |
| - Final exempt (one-tier) dividends for 2016: 2.0 cents per share<br>(2015: 0.8 cents per share before share consolidation) | 2,226  | 3,561  |
| <b>Proposed but not recognised as a liability as at 30 April:</b>                                                           |        |        |
| <i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>                                          |        |        |
| - Final exempt (one-tier) dividend for 2017: 0.5 cents<br>(2016: 2.0 cents) per share                                       | 556    | 2,226  |

## 27. Commitments

### Operating lease commitments - where the Group is a lessor

The Group has entered into commercial property leases on its building. These non-cancellable operating leases have remaining lease terms of between two to three years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

|                            | Group  |        |
|----------------------------|--------|--------|
|                            | 2017   | 2016   |
|                            | \$'000 | \$'000 |
| Within one year            | 1,619  | 740    |
| Between one and five years | 1,890  | 852    |
|                            | 3,509  | 1,592  |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 27. Commitments (cont'd)

### Operating lease commitments- where the Group is a lessee

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

|                            | Group      |              |
|----------------------------|------------|--------------|
|                            | 2017       | 2016         |
|                            | \$'000     | \$'000       |
| Within one year            | 56         | 236          |
| Between one and five years | 129        | 860          |
| Later than five years      | —          | 65           |
|                            | <b>185</b> | <b>1,161</b> |

The Group leased a parcel of land from Jurong Town Corporation (JTC) for a term of 30 years with effect from 16 September 1991. The lease amount payable annually is subject to yearly revision. The Group paid a fixed sum on a monthly basis for lease of the parcel of the land adjoining to the first lease for a term of approximately 12 years with effect from 1 August 2009. With effect from 1 December 2016, the first lease has been terminated. In April 2013, the Group entered into a lease of a second parcel of land from JTC for a term of 30 years (Refer Note 15 land lease prepayment).

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 30 April 2017 relating to the first lease amounted to \$112,000 (2016: \$350,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 27. Commitments (cont'd)

### Finance lease commitments

The Group has finance leases for certain items of motor vehicles.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

|                                            | Future<br>minimum<br>lease<br>payments<br>2017<br>\$'000 | Present<br>value of<br>minimum<br>lease<br>payments<br>2017<br>\$'000 | Future<br>minimum<br>lease<br>payments<br>2016<br>\$'000 | Present<br>value of<br>minimum<br>lease<br>payments<br>2016<br>\$'000 |
|--------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Group</b>                               |                                                          |                                                                       |                                                          |                                                                       |
| Within one year                            | 117                                                      | 103                                                                   | 70                                                       | 64                                                                    |
| Between one and five years                 | 247                                                      | 215                                                                   | 103                                                      | 87                                                                    |
| Later than five years                      | 12                                                       | 12                                                                    | –                                                        | –                                                                     |
| Total minimum lease payments               | 376                                                      | 330                                                                   | 173                                                      | 151                                                                   |
| Less: Amounts representing finance charges | (46)                                                     | –                                                                     | (22)                                                     | –                                                                     |
| Present value of minimum lease payments    | 330                                                      | 330                                                                   | 151                                                      | 151                                                                   |

|                                            | Future<br>minimum<br>lease<br>payments<br>2017<br>\$'000 | Present<br>value of<br>minimum<br>lease<br>payments<br>2017<br>\$'000 |
|--------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Company</b>                             |                                                          |                                                                       |
| Within one year                            | 72                                                       | 67                                                                    |
| Between one and five years                 | 108                                                      | 100                                                                   |
| Total minimum lease payments               | 180                                                      | 167                                                                   |
| Less: Amounts representing finance charges | (13)                                                     | –                                                                     |
| Present value of minimum lease payments    | 167                                                      | 167                                                                   |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 28. Loans and borrowings

|                                       | Group         |               | Company       |          |
|---------------------------------------|---------------|---------------|---------------|----------|
|                                       | 2017          | 2016          | 2017          | 2016     |
|                                       | \$'000        | \$'000        | \$'000        | \$'000   |
| <b><i>Non-current liabilities</i></b> |               |               |               |          |
| Term loans                            | 39,001        | 41,124        | 38,390        | —        |
| Finance lease liabilities             | 227           | 87            | 100           | —        |
|                                       | <b>39,228</b> | <b>41,211</b> | <b>38,490</b> | <b>—</b> |
| <b><i>Current liabilities</i></b>     |               |               |               |          |
| Bank overdrafts (Note 20)             | 994           | —             | —             | —        |
| Trust receipts                        | 11,771        | 11,080        | —             | —        |
| Revolving credits                     | 19,457        | 6,908         | —             | —        |
| Term loans                            | 2,496         | 2,535         | 2,396         | —        |
| Finance lease liabilities             | 103           | 64            | 67            | —        |
|                                       | <b>34,821</b> | <b>20,587</b> | <b>2,463</b>  | <b>—</b> |
| Total loans and borrowings            | <b>74,049</b> | <b>61,798</b> | <b>40,953</b> | <b>—</b> |

Certain banking facilities of the Group are secured by the mortgage of the Group's land and buildings with the carrying value of \$55,309,000 (2016: \$59,791,000) and corporate guarantees provided by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 28. Loans and borrowings (cont'd)

### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

|                           | Currency | Nominal<br>interest rate<br>% | Financial<br>year of final<br>maturity | Group                   |                              | Company                 |                              |
|---------------------------|----------|-------------------------------|----------------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|
|                           |          |                               |                                        | Face<br>value<br>\$'000 | Carrying<br>amount<br>\$'000 | Face<br>value<br>\$'000 | Carrying<br>amount<br>\$'000 |
| <b>2017</b>               |          |                               |                                        |                         |                              |                         |                              |
| Bank overdrafts           | SGD      | 5.50                          | 2017                                   | 994                     | 994                          | -                       | -                            |
| Revolving credits         | SGD      | 2.25 - 2.60                   | 2017                                   | 7,353                   | 7,353                        | -                       | -                            |
| Revolving credits         | JPY      | 1.00 - 1.45                   | 2017                                   | 12,104                  | 12,104                       | -                       | -                            |
| Trust receipts            | USD      | 1.47 - 2.52                   | 2017                                   | 1,114                   | 1,114                        | -                       | -                            |
| Trust receipts            | EUR      | 1.15 - 1.50                   | 2017                                   | 2,091                   | 2,091                        | -                       | -                            |
| Trust receipts            | SGD      | 1.25 - 2.80                   | 2017                                   | 4,482                   | 4,482                        | -                       | -                            |
| Trust receipts            | JPY      | 0.74 - 1.00                   | 2017                                   | 4,038                   | 4,038                        | -                       | -                            |
| Trust receipts            | NOK      | 2.43                          | 2017                                   | 46                      | 46                           | -                       | -                            |
| Term loans                | SGD      | 1.67                          | 2021-2035                              | 46,855                  | 40,786                       | 46,855                  | 40,786                       |
| Term loans                | MYR      | 5.50                          | 2026-2028                              | 1,144                   | 711                          | -                       | -                            |
| Finance lease liabilities | SGD      | 2.78 - 2.99                   | 2019-2023                              | 376                     | 330                          | 180                     | 167                          |
|                           |          |                               |                                        | <b>80,597</b>           | <b>74,049</b>                | <b>47,035</b>           | <b>40,953</b>                |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 28. Loans and borrowings (cont'd)

|                           |          |                               | Financial<br>year of final<br>maturity | Group<br>Face<br>value<br>\$'000 | Group<br>Carrying<br>amount<br>\$'000 |
|---------------------------|----------|-------------------------------|----------------------------------------|----------------------------------|---------------------------------------|
|                           | Currency | Nominal<br>interest rate<br>% |                                        |                                  |                                       |
| <b>2016</b>               |          |                               |                                        |                                  |                                       |
| Revolving credits         | SGD      | 2.38 - 2.68                   | 2016                                   | 4,559                            | 4,559                                 |
| Revolving credits         | JPY      | 1.25 - 1.38                   | 2016                                   | 2,120                            | 2,120                                 |
| Revolving credits         | EUR      | 1.30                          | 2016                                   | 229                              | 229                                   |
| Trust receipts            | USD      | 1.25 - 2.60                   | 2016                                   | 4,028                            | 4,028                                 |
| Trust receipts            | EUR      | 1.13 - 2.64                   | 2016                                   | 3,327                            | 3,327                                 |
| Trust receipts            | SGD      | 1.25 - 3.05                   | 2016                                   | 2,227                            | 2,227                                 |
| Trust receipts            | JPY      | 0.53 - 1.18                   | 2016                                   | 1,498                            | 1,498                                 |
| Term loans                | SGD      | 1.72 - 2.39                   | 2021-2035                              | 50,761                           | 42,754                                |
| Term loans                | MYR      | 5.70                          | 2026-2028                              | 1,479                            | 905                                   |
| Finance lease liabilities | SGD      | 1.70-3.50                     | 2015-2017                              | 173                              | 151                                   |
|                           |          |                               |                                        | <b>70,401</b>                    | <b>61,798</b>                         |

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

|                           | Group       |           | Company     |           |
|---------------------------|-------------|-----------|-------------|-----------|
|                           | 2017<br>%   | 2016<br>% | 2017<br>%   | 2016<br>% |
| Bank overdrafts           | <b>5.50</b> | —         | —           | —         |
| Trust receipts            | <b>1.55</b> | 1.52      | —           | —         |
| Revolving credits         | <b>1.71</b> | 2.03      | —           | —         |
| Terms loans               | <b>1.72</b> | 2.17      | <b>1.67</b> | —         |
| Finance lease liabilities | <b>2.84</b> | 2.53      | <b>2.78</b> | —         |

## 29. Related party disclosures

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 29. Related party disclosures (cont'd)

### Compensation of key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The amounts stated below for key management compensation are for all the executive directors and other key management personnel.

Key management personnel compensation included in staff costs comprises:

|                                  | Group        |              |
|----------------------------------|--------------|--------------|
|                                  | 2017         | 2016         |
|                                  | \$'000       | \$'000       |
| Short-term employee benefits     | 1,563        | 2,017        |
| Defined contribution plans       | 82           | 73           |
| Share-based payment              | 111          | 216          |
|                                  | <b>1,756</b> | <b>2,306</b> |
| <i>Comprise amounts paid to:</i> |              |              |
| Directors of the Company         | 1,058        | 1,238        |
| Other key management personnel   | 698          | 1,068        |
|                                  | <b>1,756</b> | <b>2,306</b> |

### Directors' interests in employee share option plan

During the financial year:

- 411,000 (2016: 412,500) share options were granted to 2 (2016: 2) of the Company's executive directors under the Scheme (Note 10) at an exercise price of \$0.310 (2016: \$0.520) each.
- No options were exercised by the directors in 2017 and 2016.

At the end of the reporting period, the total number of outstanding share options granted by the Company to the directors under the Scheme amounted to 2,048,500 (2016: 1,637,500). No share options have been granted to the Company's independent directors during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 April 2017*

### 30. Segment information

#### ***Business segments***

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services offered. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies.

For each of the strategic business units, the Group's Chairman and Managing Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

The Group is organised into three reportable segments, namely:

- (a) Distribution: Relates to distribution of propulsion engines;
- (b) After-sales: Relates to after-sales services provided which includes services/jobs, sales of spare parts and other trading; and
- (c) Projects: Relates to manufacturing, sales and commission of power generator sets and the manufacturing of marine equipment and related repair services.

Other operations relate to general corporate activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chairman and Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### ***Allocation basis and transfer pricing***

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 30. Segment information (cont'd)

The segment information provided to the Group's Chairman and Managing Director for the reportable segments for the year ended 30 April 2017 is as follows:

|                                                      | Distribution | After-sales | Projects | Segments<br>total | Others  | Elimination | Total   | Note |
|------------------------------------------------------|--------------|-------------|----------|-------------------|---------|-------------|---------|------|
|                                                      | \$'000       | \$'000      | \$'000   | \$'000            | \$'000  | \$'000      | \$'000  |      |
| <b>2017</b>                                          |              |             |          |                   |         |             |         |      |
| External revenue                                     | 32,505       | 6,216       | 51,430   | 90,151            | –       | –           | 90,151  |      |
| Inter-segment revenue                                | 544          | 925         | 116      | 1,585             | 2,652   | (4,237)     | –       |      |
| Total revenue                                        | 33,049       | 7,141       | 51,546   | 91,736            | 2,652   | (4,237)     | 90,151  |      |
| Interest income                                      | –            | 1           | 1        | 2                 | 117     | (16)        | 103     |      |
| Dividend income                                      | –            | –           | –        | –                 | 6,529   | (6,500)     | 29      |      |
| Gain on disposal of property,<br>plant and equipment | –            | –           | 38       | 38                | 1,196   | –           | 1,234   |      |
| Interest expense                                     | –            | –           | (336)    | (336)             | (881)   | 16          | (1,201) |      |
| Depreciation                                         | (2,359)      | (48)        | (550)    | (2,957)           | (2,449) | –           | (5,406) |      |
| Share of results of an<br>associate                  | –            | –           | (207)    | (207)             | –       | –           | (207)   |      |
| Amortisation of intangible<br>assets                 | (37)         | –           | (1,140)  | (1,177)           | –       | –           | (1,177) |      |
| Impairment loss on<br>intangible assets              | –            | –           | (2,629)  | (2,629)           | –       | –           | (2,629) |      |
| Other non-cash expenses                              | (473)        | –           | –        | (473)             | (218)   | –           | (691)   | A    |
| Reportable segment profit/<br>(loss) before tax      | 5,131        | (372)       | (154)    | 4,605             | 1,436   | (7,728)     | (1,687) |      |
| Income tax expense                                   |              |             |          |                   |         |             | (279)   |      |
| Loss for the year                                    |              |             |          |                   |         |             | (1,966) |      |
| Reportable segment assets                            | 15,913       | 6,419       | 65,624   | 87,956            | 120,627 | (34,516)    | 174,067 |      |
| Capital expenditure                                  | –            | 56          | 364      | 420               | 518     | –           | 938     |      |
| Reportable segment liabilities                       | 9,584        | 1,987       | 33,835   | 45,406            | 95,565  | (35,104)    | 105,867 |      |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 30. Segment information (cont'd)

|                                       | Distribution | After-sales | Projects | Segments<br>total | Others  | Elimination | Total   | Note |
|---------------------------------------|--------------|-------------|----------|-------------------|---------|-------------|---------|------|
|                                       | \$'000       | \$'000      | \$'000   | \$'000            | \$'000  | \$'000      | \$'000  |      |
| <b>2016</b>                           |              |             |          |                   |         |             |         |      |
| External revenue                      | 27,309       | 6,617       | 74,459   | 108,385           | –       | –           | 108,385 |      |
| Inter-segment revenue                 | 96           | 679         | 104      | 879               | 3,682   | (4,561)     | –       |      |
| Total revenue                         | 27,405       | 7,296       | 74,563   | 109,264           | 3,682   | (4,561)     | 108,385 |      |
| Interest income                       | –            | –           | –        | –                 | 5       | (2)         | 3       |      |
| Dividend income                       | –            | –           | –        | –                 | 3,583   | (3,561)     | 22      |      |
| Interest expense                      | –            | –           | (349)    | (349)             | (505)   | 2           | (852)   |      |
| Depreciation                          | (1,804)      | (45)        | (663)    | (2,512)           | –       | –           | (2,512) |      |
| Share of results of an associate      | –            | –           | 66       | 66                | –       | –           | 66      |      |
| Amortisation of land lease prepayment | (177)        | –           | –        | (177)             | –       | –           | (177)   |      |
| Amortisation of intangible assets     | –            | –           | (1,292)  | (1,292)           | –       | –           | (1,292) |      |
| Impairment of non-financial assets    | –            | –           | –        | –                 | (52)    | –           | (52)    |      |
| Other non-cash expenses               | –            | –           | (114)    | (114)             | (478)   | –           | (592)   | A    |
| Reportable segment profit before tax  | 3,603        | 1,036       | 5,353    | 9,992             | 1,050   | (2,484)     | 8,558   |      |
| Income tax expense                    |              |             |          |                   |         |             | (685)   |      |
| Profit for the year                   |              |             |          |                   |         |             | 7,873   |      |
| Reportable segment assets             | 21,624       | 5,327       | 73,129   | 100,080           | 109,728 | (26,922)    | 182,886 |      |
| Investment in an associate            | –            | –           | 207      | 207               | –       | –           | 207     |      |
| Capital expenditure                   | 113          | 22          | 495      | 630               | 33,308  | –           | 33,938  |      |
| Reportable segment liabilities        | 15,016       | 1,196       | 35,333   | 51,545            | 70,155  | (11,002)    | 110,698 |      |

### Note A

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 30. Segment information (cont'd)

### Geographical information

|                                        | Group         |                |
|----------------------------------------|---------------|----------------|
|                                        | 2017          | 2016           |
|                                        | \$'000        | \$'000         |
| <i>Revenue from external customers</i> |               |                |
| Singapore                              | 50,387        | 66,169         |
| Vietnam                                | 21,965        | 18,730         |
| Indonesia                              | 13,222        | 10,007         |
| Other countries                        | 4,577         | 13,479         |
|                                        | <b>90,151</b> | <b>108,385</b> |
| <i>Non-current assets</i>              |               |                |
| <u>Property, plant and equipment</u>   |               |                |
| Singapore                              | 65,115        | 72,387         |
| Malaysia                               | 3,533         | 3,888          |
| Indonesia                              | 59            | 49             |
|                                        | <b>68,707</b> | <b>76,324</b>  |

### Major customers

During the year, revenue generated from 2 major customers of the Group's distribution segment amounted to approximately \$20,863,000, representing 23.1% of the Group's revenue. In prior year, no customer generated revenue of 10% or more of the Group's revenue.

## 31. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations. The key financial risks are credit risk, liquidity risk, foreign currency risk and interest rate risk. The management reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risk and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

#### ***Risk management framework***

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

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and the Company's activities.

#### ***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and quoted equity securities.

#### *Trade and other receivables*

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

#### *Exposure to credit risk*

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

#### *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

|                    | 2017<br>\$'000 | 2017<br>% of total | 2016<br>\$'000 | 2016<br>% of total |
|--------------------|----------------|--------------------|----------------|--------------------|
| <b>Group</b>       |                |                    |                |                    |
| <b>By country:</b> |                |                    |                |                    |
| Singapore          | 19,610         | 80                 | 26,160         | 79                 |
| Vietnam            | 2,969          | 12                 | 4,260          | 13                 |
| Indonesia          | 1,441          | 6                  | 1,507          | 4                  |
| Other countries    | 600            | 2                  | 1,257          | 4                  |
|                    | <b>24,620</b>  | <b>100</b>         | <b>33,184</b>  | <b>100</b>         |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### ***Credit risk (cont'd)***

At the end of the reporting period, approximately:

- 79.7% (2016: 79.1%) of the Group's trade receivable is attributable to sales transactions with customers domiciled in Singapore; and
- 31.6% (2016: 32.2%) of the Group's trade receivable is attributable to sales transactions with 2 (2016: 2) major customers.

### Financial assets that are neither past due nor impaired

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

### Management of credit risk

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors for each transaction with the customer. Payments will be required to be made up front by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be undertaken promptly by the Group. The resultant effects of these measures have kept the Group's exposure to bad debts at an insignificant level.

### Financial assets that are either past due or impaired

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

### ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Liquidity risk (cont'd)

The Group and the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

|                                                       | 2017<br>\$'000         |                         |                       |          | 2016<br>\$'000         |                         |                       |          |
|-------------------------------------------------------|------------------------|-------------------------|-----------------------|----------|------------------------|-------------------------|-----------------------|----------|
|                                                       | One<br>year or<br>less | One to<br>five<br>years | Over<br>five<br>years | Total    | One<br>year or<br>less | One to<br>five<br>years | Over<br>five<br>years | Total    |
| <b>Group</b>                                          |                        |                         |                       |          |                        |                         |                       |          |
| <b>Financial assets:</b>                              |                        |                         |                       |          |                        |                         |                       |          |
| Trade and other receivables                           | 22,874                 | 2,174                   | –                     | 25,048   | 32,879                 | –                       | –                     | 32,879   |
| Cash and short-term deposits                          | 25,618                 | –                       | –                     | 25,618   | 12,843                 | –                       | –                     | 12,843   |
| Other financial assets                                | –                      | 717                     | –                     | 717      | –                      | 824                     | –                     | 824      |
| Total undiscounted financial assets                   | 48,492                 | 2,891                   | –                     | 51,383   | 45,722                 | 824                     | –                     | 46,546   |
| <b>Financial liabilities:</b>                         |                        |                         |                       |          |                        |                         |                       |          |
| Trade and other payables                              | 17,904                 | 260                     | –                     | 18,164   | 31,825                 | 133                     | –                     | 31,958   |
| Loans and borrowings                                  | 35,553                 | 11,910                  | 33,134                | 80,597   | 21,518                 | 13,381                  | 35,502                | 70,401   |
| Total undiscounted financial liabilities              | 53,457                 | 12,170                  | 33,134                | 98,761   | 53,343                 | 13,514                  | 35,502                | 102,359  |
| Total net undiscounted financial liabilities          | (4,965)                | (9,279)                 | (33,134)              | (47,378) | (7,621)                | (12,690)                | (35,502)              | (55,813) |
| <b>Company</b>                                        |                        |                         |                       |          |                        |                         |                       |          |
| <b>Financial assets:</b>                              |                        |                         |                       |          |                        |                         |                       |          |
| Trade and other receivables                           | 12,583                 | –                       | –                     | 12,583   | 8,371                  | –                       | –                     | 8,371    |
| Cash and short-term deposits                          | 799                    | –                       | –                     | 799      | 242                    | –                       | –                     | 242      |
| Total undiscounted financial assets                   | 13,382                 | –                       | –                     | 13,382   | 8,613                  | –                       | –                     | 8,613    |
| <b>Financial liabilities:</b>                         |                        |                         |                       |          |                        |                         |                       |          |
| Trade and other payables                              | 22,644                 | 572                     | –                     | 23,216   | 906                    | –                       | –                     | 906      |
| Loans and borrowings                                  | 3,114                  | 11,088                  | 32,833                | 47,035   | –                      | –                       | –                     | –        |
| Total undiscounted financial liabilities              | 25,758                 | 11,660                  | 32,833                | 70,251   | 906                    | –                       | –                     | 906      |
| Total net undiscounted financial (liabilities)/assets | (12,376)               | (11,660)                | (32,833)              | (56,869) | 7,707                  | –                       | –                     | 7,707    |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Liquidity risk (cont'd)

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

|                     | 2017             |                   |                 |        | 2016             |                   |                 |        |
|---------------------|------------------|-------------------|-----------------|--------|------------------|-------------------|-----------------|--------|
|                     | \$'000           |                   |                 |        | \$'000           |                   |                 |        |
|                     | One year or less | One to five years | Over five years | Total  | One year or less | One to five years | Over five years | Total  |
| <b>Company</b>      |                  |                   |                 |        |                  |                   |                 |        |
| Financial guarantee | 32,231           | 55                | 12              | 32,298 | 20,424           | 9,673             | 30,646          | 60,743 |

The financial guarantee was provided to the subsidiary corporations for their banking facilities.

### Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Japanese Yen (JPY) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly SGD, United States Dollars (USD) and Euros (Euro). The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD. The Company does not have any foreign currency denominated balances at the end of the reporting period.

### Exposure to foreign currency risk

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

|                             | SGD<br>\$'000 | Euro<br>\$'000 | USD<br>\$'000 |
|-----------------------------|---------------|----------------|---------------|
| <b>2017</b>                 |               |                |               |
| Trade and other receivables | 880           | 25             | 2,997         |
| Cash and cash equivalents   | 2,658         | 58             | 15,937        |
| Loans and borrowings        | (1,353)       | (2,091)        | (1,114)       |
| Trade and other payables    | (1,105)       | (206)          | (1,518)       |
| Net exposure                | 1,080         | (2,214)        | 16,302        |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Foreign currency risk (cont'd)

#### Exposure to foreign currency risk (cont'd)

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

#### Sensitivity analysis

A 5% strengthening of the foreign currencies, as indicated below, against the functional currency of the respective entities at 30 April would have increased/(decreased) profit or loss (before any tax effects) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting periods. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the financial year 2016:

|      | Increase/(decrease) in<br>profit before tax |                |
|------|---------------------------------------------|----------------|
|      | 2017<br>\$'000                              | 2016<br>\$'000 |
| SGD  | 54                                          | (2,100)        |
| Euro | (111)                                       | (181)          |
| USD  | 815                                         | 330            |

A weakening of the foreign currencies against the functional currency of the respective entities at 30 April would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's loans and borrowings are at floating rates which are contractually repriced at intervals of less than 6 months from the end of the reporting period.

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

|                                  | Carrying amount |               |
|----------------------------------|-----------------|---------------|
|                                  | 2017            | 2016          |
|                                  | \$'000          | \$'000        |
| <b>Variable rate instruments</b> |                 |               |
| Bank overdrafts                  | 994             | —             |
| Trust receipts                   | 11,771          | 11,080        |
| Term loans                       | 41,497          | 43,659        |
| Revolving credits                | 19,457          | 6,908         |
|                                  | <b>73,719</b>   | <b>61,647</b> |
| <b>Fixed rate instruments</b>    |                 |               |
| Finance lease liabilities        | <b>330</b>      | <b>151</b>    |

### Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if SGD interest rates had been 100 (2016: 100) basis points lower/higher with all other variables held constant, the Group's loss/profit net of tax would have been \$737,190 lower/higher (2016: \$616,470 higher/lower), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Fair value of financial instruments

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

|                                                               | Loans and<br>receivables<br>\$'000 | Available-<br>for-sale<br>\$'000 | Total<br>carrying<br>amount<br>\$'000 |
|---------------------------------------------------------------|------------------------------------|----------------------------------|---------------------------------------|
| <b>Group</b>                                                  |                                    |                                  |                                       |
| <b>2017</b>                                                   |                                    |                                  |                                       |
| Cash and short-term deposits                                  | 25,618                             | –                                | 25,618                                |
| Trade and other receivables                                   | 24,911                             | –                                | 24,911                                |
| Available-for-sale financial assets: quoted equity securities | –                                  | 717                              | 717                                   |
|                                                               | <b>50,529</b>                      | <b>717</b>                       | <b>51,246</b>                         |
| <b>2016</b>                                                   |                                    |                                  |                                       |
| Cash and short-term deposits                                  | 12,843                             | –                                | 12,843                                |
| Trade and other receivables                                   | 32,879                             | –                                | 32,879                                |
| Available-for-sale financial assets: quoted equity securities | –                                  | 824                              | 824                                   |
|                                                               | <b>45,722</b>                      | <b>824</b>                       | <b>46,546</b>                         |
| <b>Company</b>                                                |                                    |                                  |                                       |
| <b>2017</b>                                                   |                                    |                                  |                                       |
| Cash and short-term deposits                                  | 799                                | –                                | 799                                   |
| Trade and other receivables                                   | 12,583                             | –                                | 12,583                                |
|                                                               | <b>13,382</b>                      | <b>–</b>                         | <b>13,382</b>                         |
| <b>2016</b>                                                   |                                    |                                  |                                       |
| Cash and short-term deposits                                  | 242                                | –                                | 242                                   |
| Trade and other receivables                                   | 8,371                              | –                                | 8,371                                 |
|                                                               | <b>8,613</b>                       | <b>–</b>                         | <b>8,613</b>                          |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Fair value of financial instruments (cont'd)

|                             | Designated<br>at fair<br>value<br>\$'000 | Other<br>financial<br>liabilities<br>within<br>scope<br>of FRS 39<br>\$'000 | Other<br>financial<br>liabilities<br>outside<br>scope of<br>FRS 39<br>\$'000 | Total<br>carrying<br>amount<br>\$'000 |
|-----------------------------|------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------|
| <b>Group</b>                |                                          |                                                                             |                                                                              |                                       |
| <b>2017</b>                 |                                          |                                                                             |                                                                              |                                       |
| Bank overdrafts             | –                                        | 994                                                                         | –                                                                            | 994                                   |
| Trust receipts              | –                                        | 11,771                                                                      | –                                                                            | 11,771                                |
| Revolving credits           | –                                        | 19,457                                                                      | –                                                                            | 19,457                                |
| Secured bank loans          | –                                        | 41,497                                                                      | –                                                                            | 41,497                                |
| Finance lease obligations   | –                                        | –                                                                           | 330                                                                          | 330                                   |
| Trade and other payables*   | –                                        | 18,164                                                                      | –                                                                            | 18,164                                |
|                             | –                                        | 91,883                                                                      | 330                                                                          | 92,213                                |
| <b>2016</b>                 |                                          |                                                                             |                                                                              |                                       |
| Trust receipts              | –                                        | 11,080                                                                      | –                                                                            | 11,080                                |
| Revolving credits           | –                                        | 6,908                                                                       | –                                                                            | 6,908                                 |
| Secured bank loans          | –                                        | 43,659                                                                      | –                                                                            | 43,659                                |
| Finance lease obligations   | –                                        | –                                                                           | 151                                                                          | 151                                   |
| Trade and other payables*   | –                                        | 31,958                                                                      | –                                                                            | 31,958                                |
|                             | –                                        | 93,605                                                                      | 151                                                                          | 93,756                                |
| <b>Company</b>              |                                          |                                                                             |                                                                              |                                       |
| <b>2017</b>                 |                                          |                                                                             |                                                                              |                                       |
| Secured bank loans          | –                                        | 40,786                                                                      | –                                                                            | 40,786                                |
| Finance lease obligations   | –                                        | –                                                                           | 167                                                                          | 167                                   |
| Trade and other payables ** | –                                        | 23,216                                                                      | –                                                                            | 23,216                                |
|                             | –                                        | 64,002                                                                      | 167                                                                          | 64,169                                |
| <b>2016</b>                 |                                          |                                                                             |                                                                              |                                       |
| Trade and other payables ** | –                                        | 906                                                                         | –                                                                            | 906                                   |

\* exclude excess of progress billings over contract work-in-progress, advance deposit and GST payable

\*\* excludes GST payable

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

## 32. Fair value of assets and liabilities

### Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

|                                     | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Group</b>                        |                   |                   |                   |                 |
| <b>2017</b>                         |                   |                   |                   |                 |
| <u>Financial asset</u>              |                   |                   |                   |                 |
| Available-for-sale financial assets |                   |                   |                   |                 |
| – quoted equity securities          | 717               | –                 | –                 | 717             |
| Trade receivables                   | –                 | –                 | 3,477             | 3,477           |
| <b>2016</b>                         |                   |                   |                   |                 |
| <u>Financial asset</u>              |                   |                   |                   |                 |
| Available-for-sale financial assets |                   |                   |                   |                 |
| – quoted equity securities          | 824               | –                 | –                 | 824             |

### Level 3 fair value measurements

#### Determination of Level 3 fair value

The fair value disclosed in the table is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2017

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

### Level 3 fair value measurements (cont'd)

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

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

|                                          | Fair value<br>\$'000 | Valuation<br>Techniques | Unobservable<br>inputs | Discount<br>Rate |
|------------------------------------------|----------------------|-------------------------|------------------------|------------------|
| <b>2017</b>                              |                      |                         |                        |                  |
| <b>Recurring fair value measurements</b> |                      |                         |                        |                  |
| Trade receivables                        | 3,477                | Discounted<br>cash flow | Credit rating          | 5%               |

The Group had assessed that any reasonable possible change in the unobservable inputs will not have any material impact to the financial results.

## 33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a sound capital position in order to support its business and maximise shareholders' value. The Group is also committed to maintain an efficient mix of debt and equity in order to achieve optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Group manages its capital structure and makes alignment to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may align the dividend payment to shareholder, return capital to shareholders or issue new shares.

No changes were made to the objectives, policies or processes for the years ended 30 April 2017 and 2016. Neither the Company nor any of its subsidiary corporations are subject to externally imposed capital requirements.

## 34. Authorisation of financial statements for issue

The financial statements for the year ended 30 April 2017 were authorised for issue in accordance with a directors' resolution dated 18 July 2017.

# STATISTICS OF SHAREHOLDINGS

As at 18 July 2017

Class of Shares – Ordinary share

Number of total issued shares – 114,512,571

Voting rights – One vote per share

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | %      | No. of Shares | %      |
|-----------------------|---------------------|--------|---------------|--------|
| 1 - 99                | 9                   | 0.90   | 440           | 0.00   |
| 100 - 1,000           | 176                 | 17.69  | 115,025       | 0.10   |
| 1,001 - 10,000        | 496                 | 49.85  | 2,260,950     | 2.03   |
| 10,001 - 1,000,000    | 307                 | 30.86  | 18,146,850    | 16.31  |
| 1,000,001 and above   | 7                   | 0.70   | 90,758,556    | 81.56  |
| Total                 | 995                 | 100.00 | 111,281,821   | 100.00 |

### Notes:

%: Based on 111,281,821 shares (excluding treasury shares and subsidiary holdings) as at 18 July 2017

\* Treasury Shares as at 18 July 2017 - 3,230,750 shares

## TWENTY LARGEST SHAREHOLDERS

| No.    | Name                                        | No. of Shares | %     |
|--------|---------------------------------------------|---------------|-------|
| 1      | RAFFLES NOMINEES (PTE) LTD                  | 45,179,475    | 40.60 |
| 2      | CREDENCE CAPITAL FUND II (CAYMAN) LIMITED   | 20,917,018    | 18.80 |
| 3      | TAN TUM BENG                                | 8,714,494     | 7.83  |
| 4      | TAN GUAT LIAN                               | 6,569,744     | 5.90  |
| 5      | DBS NOMINEES PTE LTD                        | 3,857,525     | 3.47  |
| 6      | TAN SENG HEE                                | 2,814,250     | 2.53  |
| 7      | CITIBANK NOMS S'PORE PTE LTD                | 2,706,050     | 2.43  |
| 8      | MAYBANK KIM ENG SECS PTE LTD                | 844,250       | 0.76  |
| 9      | LIM YUE HENG                                | 797,025       | 0.72  |
| 10     | HONG LEONG FINANCE NOMINEES PRIVATE LIMITED | 718,175       | 0.65  |
| 11     | CIMB SECURITIES (SINGAPORE) PTE LTD         | 695,725       | 0.63  |
| 12     | HONG PIAN TEE                               | 600,000       | 0.54  |
| 13     | ONG POH SENG OR TAN SWEE CHIN               | 422,000       | 0.38  |
| 14     | KOK MOO YONG                                | 397,000       | 0.36  |
| 15     | YEO SECK KAN                                | 346,750       | 0.31  |
| 16     | UNITED OVERSEAS BANK NOMINEES               | 346,250       | 0.31  |
| 17     | OCBC NOMINEES SINGAPORE                     | 286,125       | 0.26  |
| 18     | YEE CHOON LYE                               | 280,900       | 0.25  |
| 19     | OCBC SECURITIES PRIVATE LTD                 | 276,225       | 0.25  |
| 20     | ALL BIG FROZEN FOOD PTE LTD                 | 255,100       | 0.23  |
| Total: |                                             | 97,024,081    | 87.21 |

### Notes:

%: Based on 111,281,821 shares (excluding treasury shares and subsidiary holdings) as at 18 July 2017

\* Treasury Shares as at 18 July 2017 - 3,230,750 shares

# STATISTICS OF SHAREHOLDINGS

As at 18 July 2017

## Rule 723 Compliance

Based on the information available to the Company as at 18 July 2017, approximately 23.8% of the issued ordinary shares (excluding treasury shares and subsidiary holdings) of the Company was held by the public and hence it is in compliance with Rule 723 of the Listing Manual of the SGX-ST.

## Substantial Shareholders

| Name of Shareholders                                     | Direct Interest    |                  | Deemed Interest    |                  |
|----------------------------------------------------------|--------------------|------------------|--------------------|------------------|
|                                                          | No. of shares held | % <sup>(3)</sup> | No. of shares held | % <sup>(3)</sup> |
| Tan Tin Yeow <sup>(1)</sup>                              | 44,857,500         | 40.31            | —                  | —                |
| Credence Capital Fund II (Cayman) Limited <sup>(2)</sup> | 20,917,018         | 18.80            | —                  | —                |
| Tan Tum Beng                                             | 8,714,494          | 7.83             | —                  | —                |
| Tan Guat Lian <sup>(1)</sup>                             | 6,569,744          | 5.90             | 22,500             | 0.02             |

### Notes:

- (1) Mr. Tan Tin Yeow and Ms. Tan Guat Lian together with Mr. Tan Seng Hee had on 29 June 2010 entered into a deed of undertaking ("**Deed of Undertaking**") whereby each of them agreed to first offer any Shares which he/she would like to sell (the "**Selling Party**") to the other parties in equal proportions (as nearly as possible). In the event the other parties decline or is deemed to decline the offer, the Selling Party shall be entitled to sell the Shares to any third party at a price which is not lower than the price offered to the other parties, subject to the terms and conditions set out in the Deed of Undertaking. As at 18 July 2017, Mr. Tan Seng Hee has an interest in 2,814,250 Shares in the Company representing approximately 2.53% of the total issued share capital (excluding treasury shares and subsidiary holdings).
- (2) Credence Capital Fund II (Cayman) Limited has subscribed for 9,012,256 new ordinary shares ("**New Shares**") in the Company on 20 May 2013 and exercised its call option to purchase an aggregate total of 11,904,762 ordinary shares in the Company at the completion of the subscription of New Shares from its substantial shareholders, namely Mr. Tan Tum Beng, Mr. Tan Seng Hee and Ms. Tan Guat Lian. As at 18 July 2017, Credence Capital Fund II (Cayman) Limited now holds approximately 18.80% of the total issued ordinary shares of the Company.
- (3) Based on 111,281,821 shares (excluding treasury shares and subsidiary holdings) as at 18 July 2017.

## Treasury Shares

As at 18 July 2017, the Company held 3,230,750 treasury shares, representing 2.90% of the total issued ordinary shares.

## Subsidiary Holdings

As at 18 July 2017, the number of subsidiary holdings held is nil.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of XMH Holdings Ltd. (the “**Company**”) will be held at 55 Tuas Crescent #07-01 Singapore 638743 on Friday, 25 August 2017 at 10.00 a.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company and the Group for the financial year ended 30 April 2017 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend (tax exempt one-tier) of 0.5 cents per ordinary share for the financial year ended 30 April 2017 (2016: 2.0 cents per ordinary share). **(Resolution 2)**
3. To approve the payment of Directors’ fees of S\$170,600 for the financial year ended 30 April 2017 (2016: S\$170,600). **(Resolution 3)**
4. To re-elect the following Directors of the Company retiring pursuant to Regulation 89 of the Constitution of the Company:
  - (a) Ms. Tan Guat Lian **(Resolution 4)**
  - (b) Mr. Ng Sey Ming **(Resolution 5)**

[See Explanatory Note (i)]
5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an AGM.

### AS SPECIAL BUSINESS

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

7. **Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

## NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of this Resolution is passed; and
  - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

**(Resolution 7)**

## NOTICE OF ANNUAL GENERAL MEETING

### 8. Authority to issue shares under the XMH Share Option Scheme

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the XMH Share Option Scheme (the “**Scheme**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of share options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 8)**

By Order of the Board

Shirley Tan Sey Liy  
Company Secretary  
Singapore, 7 August 2017

### Explanatory Notes:

- (i) Mr. Ng Sey Ming will, upon re-election as Director of the Company, remain as a Chairman of Remuneration Committee and the member of the Audit Committee and Nominating Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

## NOTICE OF ANNUAL GENERAL MEETING

- (iii) Resolution 8 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme (for the entire duration of the Scheme) provided that the aggregate additional shares to be issued pursuant to the Scheme do not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

### Notes:

1. A Member of the Company (other than a Relevant Intermediary\*) entitled to attend and vote at the AGM (the “**Meeting**”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
3. Where a member of the Company appoint two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
4. If the member is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 55 Tuas Crescent #07-01 Singapore 638743 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

## NOTICE OF ANNUAL GENERAL MEETING

### PERSONAL DATA PRIVACY

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

# XMH HOLDINGS LTD.

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

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No./Co. Registration No.)

of \_\_\_\_\_ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies\* to vote for me/us\* on my/our\* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 55 Tuas Crescent #07-01 Singapore 638743, on Friday, 25 August 2017 at 10.00 a.m. and at any adjournment thereof. I/We\* direct my/our proxy/proxies\* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies\* will vote or abstain from voting at his/her\* discretion.

| No.                      | Resolutions relating to:                                                                                                       | No. of Votes 'For'** | No. of Votes 'Against'** |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------|
| <b>Ordinary Business</b> |                                                                                                                                |                      |                          |
| 1                        | Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 30 April 2017             |                      |                          |
| 2                        | Declaration of a first and final dividend (tax exempt one-tier)                                                                |                      |                          |
| 3                        | Approval of Directors' fees amounting to S\$170,600 for the financial year ended 30 April 2017                                 |                      |                          |
| 4                        | Re-election of Ms. Tan Guat Lian as a Director                                                                                 |                      |                          |
| 5                        | Re-election of Mr. Ng Sey Ming as a Director                                                                                   |                      |                          |
| 6                        | Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration |                      |                          |
| <b>Special Business</b>  |                                                                                                                                |                      |                          |
| 7                        | Authority to allot and issue new shares                                                                                        |                      |                          |
| 8                        | Authority to allot and issue shares under the XMH Share Option Scheme                                                          |                      |                          |

\* Delete where inapplicable

\*\* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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

\_\_\_\_\_  
Signature of Shareholder(s)  
and / or, Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



#### Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a Relevant Intermediary\* entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member who is not a Relevant Intermediary\* appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a Relevant Intermediary\* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
- 6., The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 55 Tuas Crescent #07-01 Singapore 638743 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

#### General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

#### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 August 2017.



XMH HOLDINGS LTD.  
55 TUAS CRESCENT  
#07-01  
SINGAPORE 638743