

**Issuer:** XMH Holdings Ltd.  
**Security:** XMH Holdings Ltd.

**Meeting details:**

**Date:** 29 August 2016  
**Time:** 10:00AM  
**Venue:** 55 Tuas Crescent, #07-01, Singapore 638743

**Company Description**

XMH Holdings Ltd., an investment holding company, provides diesel engine, propulsion, and power generating solutions in the marine and industrial sectors in Singapore, Indonesia, Vietnam, and internationally. The company conducts its operations through Distribution, After-sales, and Projects segments. It offers high-speed marine diesel engines for propulsion systems, pumps, deck machines, bow thrusters, power generating sets, and portable power packs; medium-speed marine diesel engines for propulsion systems and power generating sets; low-speed marine diesel engines for propulsion systems; power generating sets for auxiliary power supply to marine vessels; and industrial diesel engines for portable power packs, deck machines, and power generating sets. The company also supplies general machinery and machinery equipment for marine, agriculture, construction, and industrial use; manufactures and repairs machinery for mining, quarrying, and construction; and manufacturers, imports, and exports generating sets, spare parts, general engineering, and other related products. In addition, it undertakes assembly works or subcontract works for power generating sets; and offers spare parts and after sales services. The company offers its marine products to shipyards, vessel owners, and dealers; and industrial products to hotel proprietors, building owners, and main contractors. XMH Holdings Ltd. was founded in 1955 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BQF](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BQF))

1. The Tuas facility became fully operational in January 2016 and houses all the businesses of the group (including the newly acquired subsidiaries Mech-Power Generator and Z-Power Automation). This was hailed by the Chairman in his message as part of the transformation strategy (page 8 of the annual report) to achieve more sustainable growth in the future and the three businesses have made concerted efforts to pitch for jobs as a group. **With kind of synergistic benefits can the group enjoy now that the three businesses have been integrated? What are the board's targets for the group? With increased revenue coming from "Projects" and less from the distribution business, should shareholders expect higher gross profit margin as the group provides more value-add to the customers?**

2. The growth in Vietnam has been strong and it is one of the reasons why the group has been fairly resilient even though the group experienced prolonged weak demand for marine related products. **Can management help shareholders understand the potential of Vietnam and are there concrete plans to establish a stronger foothold in Vietnam?** There is probably a lot of potential for the group to tap on in the Vietnamese fishing industry and possibly in the infrastructure as well. For Indonesia, the drop-off in revenue has been quite steep and unrelenting. **What is the outlook for the Indonesia market and how does the group intend to capitalise on the opportunities in Indonesia given the lull?**

3. From the Results Presentation Slides FY2016 posted on SGXNet on 1 July 2016, the net gearing ratio has increased to 0.68x (as at 30 April 2016) from 0.13x (as at 30 April 2015). As noted on page 14 of the annual report, the higher gearing was due to an increase of approximately \$29.1 million of the group's loans and borrowings which resulted mainly from capital loans drawn down of approximately \$42.8 million to finance the purchase of equipment and the construction of the new factory building in Tuas. **What is the board's guidance on the group's capital structure? What would be the group's internal limit on leverage?** The net cash generated from operation activities for FY2016 was \$884,000 and cash and cash equivalents at 30 April 2016 was \$12.8 million. The dividend payout was reduced to 27.8% from 66.1% and the proposed dividend to be paid to shareholders was also reduced to \$2.2 million (from \$3.6 million). Coupled with the term loan repayment of about \$2.5 million a year, there is little buffer for error. **Can shareholders get assurance from the board and management that the group's current focus is to execute on its strategy to cross-sell and up-sell and improve the profitability and cashflow (and not on further acquisitions until the financial position is much stronger)?**