



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: XMH Holdings Ltd.

Stock code: BQF

Meeting details:

Date: 27 August 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. The group's performance by geography and by business for the past 5 years can be found on page 15 of the annual report (Financial highlights; extract reproduced below).

IN S\$'000	FY2021	FY2020	FY2019 (Restated) ¹	FY2018* (Restated) ²	FY2017* (Restated) ²
REVENUE BY GEOGRAPHICAL					
Singapore	30,433	21,769	34,101	40,026	50,230
Indonesia	23,498	23,302	25,739	15,491	13,222
Vietnam	1,935	1,492	3,673	8,739	21,965
Other Countries	8,331	7,401	3,633	8,577	4,572
REVENUE BY BUSINESS					
Distribution	20,512	21,292	27,202	24,326	32,505
After-Sales Services	9,588	9,146	7,406	7,331	6,216
Projects	34,097	23,526	32,538	41,176	51,268

(Source: company annual report)

In addition, as noted in the section titled "Outlook and strategy" in the chairman's message, the group will be focusing on Indonesia for the distribution business as demand for coal production and hence coal transportation has increased.

- (i) **Can management help shareholders better understand the scale of its operations in Indonesia (under PT Xin Ming Hua Engine)? How well positioned is the group to tap the growth in Indonesia?**
- (ii) **What are some of the key projects won by the group in the Projects segment? Can management elaborate further on the nature, scope and deliverables of the projects carried out by the group?**
- (iii) **How is the group affected by the current manpower situation in Singapore and what is management's strategy to mitigate the impact?**
- (iv) **What are the opportunities for the group as the approved System Integrator Framework and Original Equipment Manufacturer Framework by MTU Asia and as the Generator original equipment manufacturer by Volvo Group (page 9)?**

In addition, as of 30 April 2021, the group's cash and cash equivalents was \$7.7 million while total loans and borrowings amount to \$63.2 million (Note 27 – Loans and borrowings). The group had also breached the covenants of a bank loan for which management had obtained a letter of waiver from the bank dated 12 April 2021 stating the bank has provided consent to waive the requirement for the period of 12 months from the date of the audited financial statements for the financial year ended 2021. The group's financial position is also the subject of SGX's query which was announced by the company on 12 August 2021.

- (v) Does the group have the necessary financial resources to support its growth strategy?
- (vi) What are the pro-active measures by management to improve on the group's cash generative ability? In the past two years, net cash used in operating activities were \$(4.3) million (FY2021) and \$(3.3) million (FY2020). Has management experienced difficulties or delays in collecting its trade receivables?

Q2. The company was listed on the SGX-ST Mainboard on 26 January 2011 and the net asset value per share (adjusted for share consolidation) was 44.08 cents at FY2012. The financial highlights from the 2016 annual report and from the 2021 annual report are shown below:

In \$'000	FY2016	FY2015	FY2014	FY2013	FY2012
PROFIT AND LOSS					
Total Revenue	108,385	91,514	105,174	97,645	62,249
Gross Profit	26,864	27,588	27,309	22,918	15,656
Net Profit	7,873	5,429	6,125	11,431	9,514
PERFORMANCE INDICATORS					
Earnings per Share (cents)	7.19	4.85 ⁽¹⁾	5.88 ⁽¹⁾	11.84 ⁽¹⁾	9.60 ⁽¹⁾
Net Asset Value per Share (cents)	62.43	53.09 ⁽¹⁾	52.24 ⁽¹⁾	45.92 ⁽¹⁾	44.08 ⁽¹⁾

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

(Source: company annual report 2016)

IN S\$'000	FY2021	FY2020	FY2019 (Restated) ¹	FY2018* (Restated) ²	FY2017* (Restated) ²
PERFORMANCE INDICATORS					
Earnings/(Loss) per Share (cents)					
- Continuing Operations	0.86	(7.47)	(1.23)	(3.16)	(1.08)
- Discontinued Operation	-	(2.54)	(1.81)	-	-
Net Asset Value per Share (cents)	43.11	44.10	52.24	55.21	59.53

(Source: company annual report 2021)

As at 30 April 2021, after being listed for more than 10 years, the NAV per share is 43.11 cents. The company last paid shareholders a dividend (of \$0.005 per share) in September 2017.

- (i) **Has the board evaluated the long-term performance of management?** In the 10 years since the company was listed, the NAV per share has decreased to 43.11 cents per share, below the 44.08 cents per share level in FY2012. **If so, is the board satisfied with the long-term performance of the company?**

The group had also made acquisitions in the past, such as Z-Power Automation Pte. Ltd (ZPA) and Mech-Power Generator Pte Ltd (MPG Group), which resulted in goodwill of approximately \$11.9 million being recognised. The current carrying value of the goodwill for MPG Group has been impaired from \$9.4 million to \$8.5 million as at 30 April 2021. ZPA was disposed of on 8 October 2019 four years after its acquisition in March 2015. In FY2020, the company recognise impairment loss of \$7,404,000 in the profit or loss statement due to the underperformance of a subsidiary corporation (page 112).

- (ii) **Can the board/management clarify if it is still looking for acquisitions in Singapore and/or in the region? If so, what is the investment criteria used by the board in its approval process? What guidance has the board given to management to ensure that it does not overpay in its acquisitions and that it structures any such acquisitions so that the rewards/risks ratio is favourable for shareholders?**

Q3. The board comprises five members, three of whom are independent directors along with Mr. Tan Tin Yeow as chairman and managing director and Ms. Tan Guat Lian as executive director.

The profiles of the directors can be found on page 17 of the annual report. The independent directors, namely Mr. Hong Pian Tee, Mr. Khoo Song Koon and Mr. Raymond Lam Kuo Wei, have auditing, consulting and legal experience.

- (i) **Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (ii) **Can the board help shareholders understand if the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in power, marine, industrial services, manufacturing and in Indonesia, to engage in effective and constructive debate with the executive directors?**
- (iii) **How effective are the independent directors at providing guidance and leadership on operational matters?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)