



XMH HOLDINGS LTD.

Company No.: 201010562M

(Incorporated in the Republic of Singapore)

**UPDATE ON IMPACT OF COVID-19 ON THE OPERATIONS OF THE GROUP AND
PROFIT GUIDANCE**

The Board of Directors (the “**Board**”) of XMH Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to update shareholders on the impact of COVID-19 on the operations of the Group, and refers to the Singapore Government’s announcement on 21 April 2020 outlining the Government’s enhanced measures to deal with COVID-19 (the “**Enhanced Measures**”). As part of the Enhanced Measures, all non-essential workplaces were closed from 7 April 2020 to 1 June 2020 (“**Effective Period**”).

Update on Operations in Singapore

During the Effective Period, the Group had implemented its business continuity plans, including work from home arrangements for certain key functions, including the finance and operations team, subject to any further directives from the Singapore Government. As the offshore and marine industry falls under non-essential services based on guidelines from the Ministry of Trade & Industry of Singapore, the Group’s operations, including its warehouse operations, had been temporarily suspended during the Effective Period in compliance with the Enhanced Measures. In view of the above, the Group had during the Effective Period, applied to and obtained a General Exemption from the Ministry of Trade & Industry of Singapore to carry on its warehouse activities for the processing of some shipments in a limited capacity, and to provide maintenance services and replacement of parts for standby generators. Pursuant to the Singapore Government’s announcement on 19 May 2020 of Singapore’s entry into Phase 1 of the resumption of activities (Safe Re-opening) beginning 1 June 2020, the Group’s operations in Singapore have since resumed.

Update on Operations in Malaysia

The Malaysia Government imposed a Movement Control Order (“**MCO**”) in response to the global COVID-19 pandemic on 18 March 2020. All non-essential businesses and activities were stopped. The Group’s factory located in Johor, Malaysia, Mech Power Generator Sdn. Bhd. (“**MPGSB**”) complied and duly stopped manufacturing operations effective 18 March 2020. The MCO was reviewed and extended four times until 9 June 2020. The MCO was finally lifted on 10 June 2020, and selected businesses were allowed to resume operations subject to complying with the Malaysia Government’s safe distancing measures and approvals. MPGSB has implemented these measures and have resumed operations gradually from 9 June 2020.

Update on Operations in Indonesia

The governor of Jakarta had on 20 March 2020, declared a state of emergency in the city for two weeks in relation to the spread of the COVID-19 pandemic. On 28 March 2020, the state of emergency was extended to 19 April 2020. On 7 April 2020, the governor of Jakarta further declared a citywide status of Large-Scale Social Restriction (*Pembatasan Sosial Berskala Besar*) (“**PSBB**”) which took effect from 10 April 2020 to 24 April 2020. The PSBB has been extended a further four times, with the latest announcement by the governor of Jakarta on 1 July 2020 that the PSBB (Transitional Phase) would be in place until 15 July 2020.

During the implementation of the state of emergency and PSBB by the local authorities in Jakarta from 20 March 2020 to date, the Group’s Jakarta office, PT Xin Ming Hua Engine (“**PT XMH**”), experienced disruptions to its logistics, delivery and warehouse operations due to travel and social restrictions in place during the PSBB. While PT XMH has implemented its business continuity plans including work from home arrangements in compliance with the PSBB, PT XMH has experienced delays and disruptions in the processing and delivery of its orders. Since the announcement by the governor of Jakarta on 1 July 2020 of a transitional phase of the PSBB and in compliance with the requirements of the PSBB, PT XMH has since resumed operations in a reduced capacity with lower headcounts and safe distancing measures in place.

Profit Guidance

While the extent and impact of the business closure on the Group’s financial performance and operations for the year ended 30 April 2020 (“**FY2020**”) cannot be determined at this stage as the duration and extent of the spread of COVID-19 are uncertain, the Board wishes to issue a profit guidance note that based on available information and a preliminary review of its consolidated results for FY2020, the Group is expected to report a loss for FY2020.

A review of the Group’s financial assessments and estimates are as follows:

- **Reduction in revenue.** The Group’s operations were restricted in compliance with the Enhanced Measures during the Effective Period. The expected loss is primarily due to weak revenue arising from the challenging environment coupled with the COVID-19 pandemic which has affected the supply chain and the progress of the projects in which the Group undertakes.
- **Payment of fixed costs.** The Group had to continue paying certain fixed costs such as wages and overheads during business closure. However, the said costs were partially offset by various support measures from the Singapore Government such as the Job Support Scheme and waiver of foreign worker levy.
- **Collection of receivables.** The Group is expecting longer collection period of accounts receivables. To date, there is no indication of any major default of accounts receivables.

As a result of the decrease in net income, cash flow from operating activities is expected to decrease. The Group is taking a prudent approach in managing its cash flow to conserve cash. To this end, the Group has also applied for and obtained a S\$5 million bridging loan facility from the Singapore Government-assisted loan financing scheme. This loan facility can be drawn-down should the need arises. Further details of the Group’s financial performance will be disclosed

when the Company announces its unaudited consolidated financial results for FY2020 on or before 27 July 2020.

The Group is keeping a close watch on the development of the COVID-19 outbreak and is also putting in place stringent health and precautionary measures to ensure the well-being of our employees and visitors to our property. The Company will make appropriate announcement(s) to keep shareholders updated on any material developments.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

By Order of the Board

Tan Tin Yeow
Chairman and Managing Director
17 July 2020