



XMH HOLDINGS LTD.
(Incorporated in Singapore)
(Company Registration No.: 201010562M)

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

The Board of Directors ("**Board**") of XMH Holdings Ltd ("**Company**" and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") with respect to the Company's Annual Report for the financial year ended 30 April 2020 ("**FY2020**") ("**Annual Report**").

SGX Query 1: The independence of any director who has served on the board beyond nine years from the date of his appointment should be subject to rigorous review and the Board should also explain why such director should be considered independent. Please do so accordingly.

Company's response:

As disclosed on page 25 of the Annual Report, the Nominating Committee ("**NC**") of the Company:

- (a) has reviewed, determined and confirmed the independence of each of the independent directors of the Company; and
- (b) considers an independent director as one:
 - (i) who is independent in conduct, character and judgement; and
 - (ii) who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company,

being the criterion of independence in line with Provision 2.1 of the Singapore Code of Corporate Governance 2018 ("**2018 Code**").

In connection with paragraph (b)(ii) above, the Company would like to add that the NC had also considered Rule 210(5)(d) of listing manual of the SGX-ST which states that a director will not be independent if (a) he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years; or (b) he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer. The NC noted that Mr Hong Pian Tee ("**Mr Hong**") and Mr Ng Sey Ming ("**Mr Ng**") do not fall under any category under Rule 210(5)(d).

In respect of Provision 2.1 of the 2018 Code, the NC has assessed Mr Hong and Mr Ng to be independent in conduct, character and exercise independent judgement in the best interest of the Company and its shareholders. The NC also noted that Mr Hong and Mr Ng and their respective associates do not hold any significant stake in the Company, and cannot exercise any significant influence in the Company and the Group, other than by virtue of their role as directors of the Company. Throughout FY2020, other than the option to subscribe for 25,000 ordinary shares of the Company held by each of Mr Hong and Mr Ng as at the start of FY2020 and which has since lapsed, Mr Hong and Mr Ng held interest in 651,750 and 125,000 ordinary shares of the Company respectively, representing approximately 0.60% and 0.11% of the issued

and paid-up capital of the Company. None of their associates hold any interest in the shares of the Company. Save for the above, each of Mr Hong and Mr Ng has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company. Based on the foregoing, the NC, having considered Provision 2.1 of the 2018 Code and Practice Guidance 2 on Board Composition and Guidance – Director Independence, has determined that Mr Hong and Mr Ng are considered “independent”.

Mr Chan Heng Toong (“**Mr Chan**”), Mr Ng and Mr Hong were appointed as independent directors of the Company upon its listing on the SGX-ST in October 2010. As disclosed on page 28 of the Annual Report, Mr Ng will be retiring at the forthcoming AGM in September 2020 and will not be seeking re-appointment as he has been on the Board for more than nine years. Mr Chan had also retired at the AGM held on 29 August 2019. It is also intended for Mr Hong to retire from the Board in 2021. The Company monitors the tenure of its directors and staggers the retirement of its independent directors to ensure that the Board is able to provide effective oversight on the affairs of the Company.

SGX Query 2: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company’s response:

Principle 2 of the 2018 Code states that: “the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company”.

Whilst the Company does not have a written Board diversity policy for FY2020, as discussed on page 25 of the Annual Report:

- (a) the Board consists of professionals from various disciplines;
- (b) the Board conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of the Board, thereby enabling the Board to maintain or enhance balance and diversity within the Board;
- (c) the Board consists of directors with a diversity of skills, knowledge and experience in accounting, finance, legal, corporate governance, industry knowledge, strategic planning as well as customer-based knowledge and experience, and has a 20% female representation;
- (d) the NC will periodically review the competencies of the directors to ensure effective governance of the Company and contribution to the Board and, to address the dynamic business environment, will recommend the Board to consider the appointment of new directors with the relevant skillset, expertise, experience and knowledge as and when necessary; and
- (e) the NC also reviews the size of the Board on an annual basis to ensure that it is of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, expertise and experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate; the NC also ensures that the Board collectively possesses the necessary core competencies for effective functioning and informed decision-making.

The aforesaid measures are undertaken with the objective of facilitating robust engagement and effective decision-making by the Board, and to ensure an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Regardless of gender, race, ethnicity, religion, age or other aspects of diversity, the Board is committed to attracting individuals with diverse experience and expertise to serve as directors. As a group, they will provide an appropriate balance and range of skills, experience, perspectives and knowledge for effective stewardship of the Group's business.

SGX Query 3: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration (and in particular, the remuneration of the directors). Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's response:

Provision 8.1 of the 2018 Code requires that the company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

The Company has disclosed the following in its Annual Report on pages 33 and 34:

- (a) names and remuneration breakdown of individual directors (including the Chairman and Managing Director, Mr Tan Tin Yeow, who was redesignated from Chairman and CEO to Chairman and Managing Director with effect from 8 September 2016) in bands of S\$250,000; and
- (b) names and remuneration breakdown of the top three key management personnel (who are not directors or the Chairman and Managing Director) in bands of S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

The policies and practices adopted by the Company in relation to remuneration, and the relationships between remuneration and performance in relation to the executive directors and key management personnel are set out on page 32 of the Annual Report.

As mentioned on page 32 of the Annual Report, the remuneration of individual executive directors and key management personnel comprises fixed components and variable components. The fixed component comprises salary plus other benefits. The variable component is performance-related and is linked to individual performance and the Group's performance. In determining the actual quantum of the variable component of remuneration, the Remuneration Committee ("RC") of the Company takes into account the extent to which the performance conditions have been met. The Company would like to add that the assessment of the performance of its executive directors and key management personnel is also based on a balanced approach, comprising both financial and non-financial metrics that promote commitment, performance and loyalty to the Group.

As mentioned on page 32 of the Annual Report, the independent directors are paid directors' fees that are appropriate to their level of contribution, taking into account factors such as frequency of meetings, efforts and time spent, and their responsibilities. The aggregate fees payable to the independent directors are subject to the approval of the shareholders at the annual general meeting of the Company.

As explained on page 34 of the Annual Report, the Company believes that full disclosure of the exact quantum of the remuneration of individual directors may be prejudicial to the Group's business interests, as such information is confidential and sensitive in nature and hamper its ability to retain and nurture its talent pool. Moreover, information on the amounts paid to directors of the Company is summarily provided

in Note 29 to the Financial Statements of the Financial Report in the Annual Report. The Board will also respond to questions from the shareholders on Company's remuneration policy and package, if any, at the annual general meeting.

The Company had also explained on page 33 of the Annual Report that it had only identified three key management personnel (who are not directors or the Chairman and Managing Director) and have disclosed in bands the remuneration of all such key management personnel. The Company wishes to add that, given the sensitivity of remuneration matters of its employees, the current disclosure is in the interest of maintaining good morale and a strong team spirit within the Group, and allowing employees to maintain some degree of personal confidentiality on remuneration matters.

Taking into account the reasons for the deviation on disclosure on the remuneration of the directors and key management personnel, the disclosure of the remuneration of directors and key management personnel in bands in the Annual Report, and the disclosures on Company's remuneration policies and practices, the Board believes that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, procedure for setting remuneration and the relationships between remuneration, performance and value creation, consistent with the intent of Principle 8 of the 2018 Code.

SGX Query 4: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.2 of the Code with regards to the disclosure of remuneration (and in particular, whether the disclosures pertaining to employees who are substantial shareholders or immediate family members of substantial shareholders), and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

The Company has stated the details of the employees who are immediate family members of a director or immediate family members of a substantial shareholder on page 34 of the Annual Report. Mr Tan Fuyuan is the nephew of Mr Tan Tin Yeow and Ms Tan Guat Lian, who are both directors and substantial shareholders of the Company, and his remuneration exceeds S\$100,000 for FY2020 as disclosed on page 34 of the Annual Report.

The Company confirms that except for Mr Tan Tin Yeow, the Chairman and Managing Director of the Company, and Ms Tan Guat Lian, an executive director of the Company, there are no other employees who are substantial shareholders of the Company. Disclosure of the remuneration mix and remuneration bands for Mr Tan Tin Yeow and Ms Tan Guat Lian (being directors of the Company) have been set out on page 33 of the Annual Report, accompanied by an explanation that full disclosure of the exact quantum of the remuneration of individual directors may be prejudicial to Group's business interests, as such information is confidential and sensitive in nature and would be prejudicial to the Group's interest and hamper its ability to retain and nurture its talent pool. As such, the remuneration of Mr Tan Tin Yeow and Ms Tan Guat Lian have been set out in bands of S\$250,000 in the Annual Report.

Notwithstanding the above, the Company has further set out information regarding its procedures for developing remuneration policies, policies and practices adopted by the Company in relation to remuneration, and the relationships between remuneration and performance in relation to the executive directors and key management personnel under Provisions 6, 7 and 8 of its Corporate Governance Report on pages 31 to 34 of the Annual Report. Accordingly, the Board is of the view that the information on the remuneration of directors and key management personnel as disclosed in the Annual Report would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice and that such practices are consistent with the intent of Provision 8 of the 2018 Code, taking into account the strategic objective of the Company pursuant to Principle 7 of the 2018 Code.

For and on behalf of the Board

Tan Tin Yeow

Chairman and Managing Director
18 September 2020