



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

RESPONSE TO QUERIES FROM THE SHAREHOLDERS ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 APRIL 2021

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 shareholders of the Company with respect to the Company's Annual Report for the financial year ended 30 April 2021 ("**FY2021**") ("**Annual Report**").

Any defined term used shall have the same meaning ascribed thereto in the Annual Report, unless otherwise defined herein.

Query 1:

- (a) XMH Holdings Ltd was placed on the watch-list due to Financial Entry Criterion with effect from 4 December 2019. Given that the Company registered a modest profit for full year ended 30 Apr 2021, how will this affect the watch-list status?
- (b) Otherwise, with the 36 months deadline looming, does the Company has any plan to deal with it?

Company's response to Query 1:

The Group may apply to exit the watchlist if it:

- 1) records consolidated pre-tax profit for the most recently completed financial year (based on audited full year consolidated accounts); and
- 2) has an average daily market capitalisation of S\$40 million or more over the last 6 months.

The Group has achieved one of the aforesaid criteria having recorded a consolidated pre-tax profit for FY2021. To remain profitable, the Group's priorities now are to ensure sustainability of its core businesses and navigating the market challenges facing the marine industry, which has been further exacerbated by the impact of the global COVID-19 pandemic. At the same time, the Group has also been proactively exploring new business opportunities to further grow its business. In this regard, the Group has been considering and evaluating its options to fulfill the second criteria to exit the watch-list. These options include the proposal made by a shareholder in Query 3 below and the acquisition and/or divestment of assets /businesses. The Group will adopt a holistic approach and will take into account all relevant factors and market conditions before making a decision for the benefit of shareholders.

Query 2:

The Tuas building property was valued at S\$87 million based on the desktop valuation report done by Premas Valuers & Property Consultants Pte Ltd dated 30 March 2020. Are there any valuation done this year?

Company's response to Query 2:

As at the date of this announcement, no new valuation has been conducted this year.

Query 3:

On Page 128 of XMH Annual Report 2021, it was noted that the Group breached the covenants of the bank loan again. The management obtained a letter of waiver from the bank dated 12 April 2021 (2020: 29 October 2019) 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 and 2020.

On Page 149 & 150 of XMH Annual Report 2021 re "EVENTS OCCURRING AFTER REPORTING PERIOD of XMH", the Company warned of the continual challenges posed by the COVID19 pandemic which might have a negative impact to operations, asset valuation, liquidity etc.

In view of the above, I would like to urge the Company to seriously consider exploring "Selling & Leasing back" the Tuas building to an Industrial Reit or other similar buyers? By leasing back the building, there would be minimal disruption to the Group's operations. I understand that Company will be able to sell the building from 1 September 2021 subject to certain terms and conditions and JTC's approval.

The benefits of my suggestion will be as follow:

- (i) Assuming a valuation of S\$87mio and net book value of \$40.39mio (refer to Page 110 of Annual Report), there will be a potential capital gain of \$46.61mio before tax or 42.7c/share. That would have the potential to lift the current NAV at 43.1c/share to 85.8c/share.
- (ii) there will be a huge improvement in the Group's capital structure with the potential of swinging the Group from a Net Debt to a Net Cash position.
- (iii) this exercise should accelerate the company's effort to pull itself out of the SGX Watchlist.

Company's response to Query 3:

Please refer to response to Query 1.

For and on behalf of the Board**Tan Tin Yeow**

Chairman and Managing Director

25 August 2021