永茂控股

Yongmao Holdings Limited

ON ROUTE TO A SUSTAINABLE FUTURE

SUSTAINABILITY REPORT

2019

CONTENTS

ABOUT THE GROUP

Yongmao Holdings Limited ("Yongmao" or the "Company") together with its subsidiaries (collectively as the "Group") are mainly engaged in the design, development and manufacture of a wide range of tower cranes, components and accessories. The Group serves the construction equipment distributors and equipment rental companies in overseas markets, as well as construction companies and equipment rental companies in the People's Republic of China (the "PRC"). At present, the Group's tower cranes have been sold to over 70 countries across the world.

The production facilities of the Group are mainly located in Fushun City of Liaoning Province and Beijing City in the PRC. Currently, the Group is generally able to deliver a tower crane within 30 to 90 days. Our tower cranes are broadly classified into 4 series namely ST series, Topless STT series, Luffing STL series and Derrick Q series.

As of the year ended 31 March 2019 ("FY2019"), the Group employed a total of 1,233 employees in Beijing and Fushun production facilities in the PRC and its Singapore office. In terms of economic performance, the Group's revenue rose by 35.5%, from RMB 653.5 million in the year ended 31 Mar 2018 ("FY2018") to RMB 885.4 million in FY2019. On the other hand, the Group's gross profit also rose a substantial 26.0% to RMB 238.7 million over a gross profit of RMB 189.5 million in FY2018. The Group is currently consolidating its Beijing manufacturing plant to Fushun as part of the Group's effort to streamline its operations and to improve overall management and cost efficiency.

VISION

We strive to be the leading provider for tower crane and construction machinery and to build a global presence through high-quality and innovative products and solutions.

MISSION

Products and Services
Produce consistently high quality and reliable products and services through innovation and product development

Shareholders
To have their interests in mind while making decisions and thereby enhancing economic value

Market
Promote our brand by expanding market presence to widen the geographical reach

Employees
Provide our employees a safe and stable work environment with expanding opportunities for development and personal growth

ABOUT THIS REPORT

As the second Sustainability Report (the "report") published by Yongmao, this report continues to disclose the policies, practices, targets and performances of the Group in terms of the material environmental, social and governmental factors that the Group has identified. The report aims to enable all stakeholders to understand the progress and sustainability directions of the Group.

Reporting Boundary

The report focuses on Yongmao's operation of design, development, manufacture and sale of tower cranes, components and accessories between April 2018 and March 2019 (the "reporting year", or FY2019). The reporting boundary covers the Beijing and Fushun production facilities in the PRC and its Singapore office, which is consistent with the reporting boundary in the first Sustainability Report. While the report does not fully cover the Group's operations (such as the sales and rental business operations in Hong Kong), Yongmao plans to consistently refine the internal data collection process and gradually expand the scope of disclosure in the coming reporting years.

Reporting Standard

The report is prepared in accordance with the 'comply or explain' provisions of SGX-ST Listing Rules 711 on sustainability reporting, as well as the guidance set out in the Practice Note 7.6: Sustainability Reporting Guide ("PN 7.6") issued by the SGX. The five reporting components prescribed by the SGX-ST Listing Rules 711B ("LR 711B") underline the key structure of this report. It takes reference from the sustainability reporting framework provided by Global Reporting Initiatives ("GRI"), the GRI Standards (version 2016 and 2018). The disclosures in this report seek to achieve the GRI's Reporting Principles for defining report quality – accuracy, balance, clarity, comparability, reliability, and timeliness.

To ensure the reporting quality and credibility, Yongmao commissioned an external consulting company to conduct stakeholder engagement and report compilation. In line with the material topics confirmed during the stakeholder engagement process, selected topic-specific disclosures are included for enhanced reporting. A complete GRI-SGX Content Index is inserted in the last section.

Opinion and Feedback

Yongmao values the opinion of stakeholders for continual improvement in sustainability performances. If you have any questions or suggestions regarding the content of the report, please contact the following channels:

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CHAIRMAN'S MESSAGE

"Yongmao has been exploring niche business opportunities through new manufacturing design and technological innovation, which demonstrates our capacity of advancing environmental efficacy."

With the concept of sustainability increasingly recognized by people from all walks of life, it is vital for enterprises to attach greater importance to balance economic, social and environmental values in their operations. This requires Yongmao to adopt a holistic approach to steer our relationship with the community and the environment in an effective and responsive manner.

It is undeniable that climate change is imposing impacts on humanity and the natural environment. Unregulated industrial activities have disturbed the balance in the ecosystem and are affecting the health and well-being of the human race. To proactively manage against any potential negative impacts, Yongmao has been exploring niche business opportunities through new manufacturing design and technological innovation, which demonstrates our capacity of advancing environmental efficacy through the Group's operations.

Due to the nature of the business, the Group pays great attention to the saving of raw materials in daily operations. The Group has started improving the utilization rate of steel through the upgrading of design and research. At present, the steel utilization rate can reach 83%-90%. With tightened national requirements on environmental protection, the Group also strives to fulfill our strong commitments to environmental compliance. As part of our strategy in corporate responsibility, we continue to support available means of local procurement and adopt locally-sourced renewable materials in our production process.

In terms of the social aspects of sustainability, the Group focuses on enhancing practices in occupational health and safety, product quality and anti-corruption. To effectively manage the Group's potential impacts in these areas, Yongmao has adopted a range of measures, such as established safety committees, upgrading technical capabilities, signing integrity agreements with suppliers, and so forth.

In addition, Yongmao values community investment activities, especially in the area of youth development with education and entrepreneurship. The Group has established the Yongmao Entrepreneurship Fund ("永茂创业基金") to encourage college students in nearby areas (such as Shenyang and Fushun) to start up their own businesses. Ongoing donations have been contributed to education support schemes for local college students.

Actively responding to China's international development strategy of the Belt and Road Initiative, the Group strives to scale up globalized branding of Yongmao's products. To support this goal, Yongmao also seeks to design, develop and manufacture innovative, smart and green tower cranes that meet the demands of the construction and the shipbuilding industries.

Mr Sun Zhao Lin
Executive Chairman
Yongmao Holdings Limited
August 2019

SUSTAINABILITY GOVERNANCE, RISKS AND OPPORTUNITIES

Sustainability Governance

The Group understands the importance of sound corporate governance and operation practices to the Group's long-term development that overcomes sustainability challenges. The Board is responsible for considering sustainability issues as part of the strategic formulation. In addition, the Board works with Yongmao's key managerial personnel to achieve sustainability objectives and the managerial personnel should report relevant issues to the Board in a timely manner.

In order to provide an independent oversight and discharge its responsibilities more efficiently and to ensure that specific issues are subject to consideration and review before the Board makes its decisions, the Board has delegated certain functions to various Board Committees, including the Audit Committee, Nominating Committee and Remuneration Committee. During the reporting year, the Group's Audit Committee has held four internal meetings and all directors of the Board have attended.

Sustainability Risks and Opportunities

The Board is responsible for identifying and managing risks and should ensure that the Group's operations apply a solid system of risk management and internal controls to safeguard shareholders' interests and the company's assets, as well as to address concerns from wider stakeholder groups. The Board should also determine the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives.

Yongmao considers risk management as an integral part of operational management and resource planning to meet with increasing demands for sustainability. Taking into account the potential impacts of material sustainability topics on operation and strategic planning, the Group has identified some potential risks and opportunities with the support of external consultants.

Months of intense preparatory work from our employees culminates in triumph, as yet another tower crane receives the CE Mark certification from an inspector from TÜV SÜD Industrie Service GmbH. The CE Mark certification process is a key step in our product development cycle.

Risks	Responses and Opportunities
Supply Chain Management Potential loopholes in managing the supply chain directly affect the product quality for customers, safety for the general public around construction sites and production safety for workers at Yongmao.	**Procurement Quality Assurance and Supplier Selection Procedures** The Group signs Procurement Product Quality Agreements with suppliers to specify the quality requirements for the products supplied by them, including technical specifications, regular inspections and the product recall process. The group has set up stringent supplier selection policies and practices to ensure the fair and transparent selection of quality suppliers.
Product Development Product development that becomes ineffective or disconnected from market demands for sustainability threatens the Group's ability to meet or exceed customers' needs.	**Product Quality Assurance** Yongmao has developed practices in various ways to maintain quality assurance in the product development stage, by improving the Group's technical ability, participating in industry associations, understanding market and clients' requests, improving the standardization of products during the design stage, and purchasing product liability insurance.
Environmental Risks Extreme weather events and natural disasters can impose impacts on the operations and service delivery of the Group (for instance, production halt due to cold waves or defaults in delivered products due to frequent typhoons). Other risks to managing environmental changes include raw material usage, energy and water usage and emission controls.	**Strengthening Resilience** The Group has been strictly managing the environmental impact of its daily production in accordance with the latest national policies related to environmental protection. Environmental aspects can present not only risks but also opportunities to the Group, for example, the Group actively manages the utilization rate of raw material steel which helps tackle environmental problems and improve our economic performance at the same time. By advancing the design standards of our tower crane products to meet the challenges of extreme weather events, Yongmao has attained a market niche and acquired business opportunities for sustainable growth.
Occupational Health and Safety The Group is vulnerable to occupational health and safety risks in its daily operations, such as occupational deafness and fractures.	**Improving Employee Well-being and Health** The Group has provided employees with personal protective equipment, regular safety training and fire drills to prevent work-related injuries and ill health.
Employee Retention Talent loss and an undesirable turnover rate may have negative impacts on the stability, morale and creativity of our staff.	**Enhancing Corporate Culture** Yongmao places emphasis on leadership training with staff of growth potentials. Annual performance reviews of employees are linked to annual bonus and promotion. On the other hand, staff engagement activities have been regularly organised to promote a postive and inclusive company culture. Heads of Departments are also equipped with skills and knowledge in understanding employee needs (both mental and physical) and to provide sufficient support for general staff.

STAKEHOLDER ENGAGEMENT

Understanding and responding to the needs and feedback of stakeholders is key to achieving business sustainability and satisfactory outcomes for stakeholders. The Group's stakeholders are those who are materially influencing or affected by the Group's business. Stakeholders' inputs lead the Group in determining priorities and arranging activities.

The Group constantly engages its key internal and external stakeholders through multiple channels.

Key Stakeholder Groups		Engagement Platforms
Internal stakeholders	**Employees**	• Staff dialogue sessions • Training and development program • Volunteering and charity events • Annual appreciation events and festival celebrations
External stakeholders	**Customer**	• Industry seminars, exhibitions and events • Yongmao's company website • Yongmao's social media subscription account • Dedicated customer support team
	Shareholders and investors	• Annual report and sustainability report • Announcements and circulars • Yongmao's company website • Annual General Meeting
	Business partners (including suppliers, professional groups, and industrial associations, etc.)	• Regular supplier visits and meetings • Events, trade shows and procurement fairs • Evaluation and monitoring
	Local communities	• Volunteering and charity events • Sponsorship and philanthropy foundations
	Government and regulators	• Participation in conferences, meetings and discussions • Site visits and checks
	Financiers	• Direct communication, meetings and discussion • Announcements and circulars

Responding to Stakeholder Concerns

Through active communication with different stakeholder groups in the established means of engagement platforms, Yongmao has identified the topics of interest or areas of concern of each key stakeholder group. Recognising their concerns, Yongmao's management team and the Board have rendered considered responses to different sets of stakeholder demands.

Identified key stakeholders	Topics of interest or areas of concern	Yongmao management's responses
Employees	The key concerns are related to employment practices, labour relations and health and well-being including: • talent retention and attraction; • employee safety protection and well-being initiatives; • provision of training and development opportunities; • promotion and practices of work-life balance • regular reviews of remuneration and benefits • support for employee volunteering activities	• Established procedures of human resources management are in place to provide guidance and support to the concerned areas of employment practices; • Resource support/ time-off compensation/ financial subsidies are provided to employees; and • Union based in Yongmao organises employee volunteering activities to foster teamwork and social interaction among employees.
Customers	The key concerns are related to product development and service quality, including: • Design and workmanship • Reviews of customer satisfaction and experience • Quality standards in products and services • After-sales services and support • Channels and effectiveness of communication between service providers and customers	• Maintaining a multimedia customer feedback mechanism; and • Ensuring responsive actions based on established after-sales and support services.

Executive Director Sun Tian at the Yongmao Booth at the Bauma China construction trade fair 2018. Our active participation at various trade conventions has enabled us to raise our profile and touch base with new and existing business partners.

STAKEHOLDER ENGAGEMENT

Identified key stakeholders	Topics of interest or areas of concern	Yongmao management's responses
Business partners	To maintain effective and mutually-supportive cooperation with various business partners, Yongmao has identified that the following areas are of special concern: • Quality assurance methods and practices in the procurement and service delivery processes; • Accreditation and certifications of service quality and safety controls; • Responsible supply chain management; • Responsive and fair channels of communication	• Yongmao has acquired the certification of ISO9001 in quality management for the operations in Fushun; • Responsible ways of procurement practices are defined in the Materials (Equipment) Procurement Tender Management Procedures; and • Yongmao's directors and management team have been actively participating in the meeting of standard setting process coordinated by regional or national professional groups and industrial associations[1].
Shareholders, investors and financiers	The concerns are mainly related to market positioning and financial aspects of the Group's operations: • Financial stability and performances • Long-term growth plans and strategy • Market diversification • Geographical expansion plan • Enterprise risk management • Adherence to good corporate governance • Timely dividend payout or repayments of loan principal and interest.	• Complying with relevant listing rules and regulations; • Periodic and transparent communication on financial and non-financial information; and • Establishing a shareholder communication mechanism.
Local communities	On the basis of close business and social relations with the local communities, special areas of concerns are Yongmao's social contributions and charity approach to community groups, and the potential impacts of Yongmao's business decisions on the natural environment.	• Driving local employment and economic development; • Supporting local suppliers; and • Contribution to charity activities for education for low-income families.
Government and regulators	The key areas of concerns are compliance to applicable laws and regulations, contributions to economic and social development through taxation and revenues, and Yongmao's environmental impact of operations.	• Ensuring compliance with all applicable laws and regulations; and • Keeping all relevant employees abreast with changes to statutory requirements.

[1] *Several key associations that the Group has been an active participating member include: China Construction Machinery Industry Association* (中国工程机械工业协?会)*; China Construction Machinery Industry Association User Working Committee (*中国工程机械工业协会用户工作委员会*); China Construction Machinery Association Construction Crane Branch (*中国工程机械工业协?会建筑起重机械分会*); China Construction Machinery Association Construction Mechanization Branch (*中国工程机械工业协?会施工机械化分会*); China Electric Power Construction Association of large machinery and equipment (*中国电力建设企业协会大型机械装备协作网*); National Crane Standardization Technical Committee Tower Crane Sub-Technical Committee (*全国起重机械标准化技术委员会塔式 起重机分技术委员会*); Shanghai Building Construction magazine committee (*上海建筑施工杂志委员会*); Fushun City Federation of Industry and Commerce (*抚顺市工商联合会*).*

Identifying Material Factors

Combining insights from the regular stakeholder engagement activities and results of management interviews, Yongmao continues to focus on the following topic as the material environmental, social and governance ("ESG") factors.

Economic performance	Procurement practices	Anti-corruption	Materials	Occupational health and safety
Possibility of economic losses due to factors such as management, pricing and changes in consumer demands.	Procurement is the process of acquiring goods, services, or works from an external source, often via a tendering or competitive bidding process.	Corruption is a considerable obstacle to economic and social development around the world. It has negative impacts on corporate sustainability and social justice.	Given the substantial use of raw materials in the design and manufacturing process, the selection of the right materials is critical in reducing impacts on the environment.	Due to the nature of operations, it is critical to protect employee health and safety at the workplace and to prevent improper handling of machinery or equipment failure.

Boundaries of Material Factors

The impact and influence of each material factor identified may extend beyond business operations of Yongmao or the Group itself, and thus require careful consideration. The table below summarizes where impacts occur for each material factor. All topics are material within[2] and outside[3] of the Group. The Group will continue monitoring any significant change in relation to the boundaries of each material factor.

Material ESG factors	Impacts addressed in this report	Employees	Business partners	Customers	Government/ regulators	Local communities	Shareholders/ investors	Financials
Economic performance	Strengthening Competitiveness	●	●		●	●	●	●
Procurement practices	Practicing Responsible Operations – Procurement Practices		●			●		
Anti-corruption	Practicing Responsible Operations – Anti-corruption	●	●	●	●		●	●
Materials	Protecting the Environment –Materials	●	●	●		●		●
Occupational health and safety	Enhancing Employment and Workplace Safety – Occupational Health and Safety	●			●			

[2] The boundary for impacts within the Group aligns with the reporting boundary.
[3] The boundary for impacts outside the Group takes reference from the key external stakeholders identified for the reporting year.

STRENGTHENING COMPETITIVENESS

The Group understands that economic performance is the basis for business survival, which also affects the well-being of and relationship with different stakeholders. Ensuring the organic and steady growth of the Group's outputs and economic values has always been a core agenda of different functional units in Yongmao.

Overview of Economic Performance

The Group's revenue experienced a 35.5% rise year-on-year to RMB885.4 million in FY2019, as compared to RMB653.5 million in FY2018. Meanwhile, the average gross profit margin decreased from 29.0% in FY2018 to 27.0% in FY2019. On the other hand, in absolute figures, the Group's gross profit rose 26.0% year-on-year to RMB238.7 million in FY2019, as compared to RMB189.5 million in FY2018. Consequently, net profit attributable to equity holders increased from RMB27.6 million in FY2018 to a more robust RMB61.5 million in FY2019.

Continuous innovation and developing state-of-the-art tower cranes is the core aspect of the Group's business and in line with the strategy of building and leveraging on the brand's reputation. In FY2019, the Group's intense research and development efforts continued to bear fruit, leading to the emergence of the STT3930 tower crane to the fore, the latest addition to the existing mega-sized topless tower crane series. It was designed to be highly suited for a wide range of mega-scale construction projects, including nuclear and thermal power plants, bridges, airports, high-speed railways and marine ports.

Economic Performance

Targets set in FY2018	Status	Progress in FY2019
Revenue and profit growth	Achieved	35.5% and 26.0% year-on-year increases were achieved in revenue and absolute gross profit respectively. Net profit attributable to equity holders increased more than double to RMB61.5 million in FY2019 from RMB27.6 million previously.
Sustainable dividend payout	Achieved	Final dividend of SGD 3 cents per share was issued.
Proliferate the use of our large and mega-sized tower cranes for mega scale projects	In Progress	With continued marketing effort affirming Yongmao's brand, several key deals were signed in FY2019, for example, a Memorandum of Understanding with Tiong Woon Corporation Holding Ltd of Singapore secured a monumental order for a total of 17 STT1330 and STT1830 topless tower cranes.
Prioritize the development of tower crane models to match up to the industry's needs for prefabrication work	In Progress	STT3930 tower crane was launched, which stands as one of the world's largest topless tower cranes, highly suited for a wide range of mega scale construction projects.
Prudent capital management	Achieved	Yongmao reported an increase in cash and cash equivalents in FY2019.

Future Development

In a bid to mitigate the US-China trade war's effects, the Chinese government has announced that it would ramp up infrastructure spending by RMB1.35 trillion. In addition, the prefabricated construction method in the PRC is also continuing to take root, and the Chinese government is targeting for 30 per cent of newly added buildings to be prefabricated by 2026.

Over in Singapore, local regulators have also prepared initiatives that are likely to give Prefabricated Prefinished Volumetric Construction ("PPVC") a further boost. An upcoming Off-site Construction Special Scheme is set to reduce labor costs at prefabrication facilities, while the SGD295 million Productivity Innovation Project scheme will help lower the adoption costs of technologies that improve productivity and reengineer work processes, including PPVC.

Looking ahead into FY2020, the Group has set out further quantifiable targets to measure and report on the economic performances:

Targets for FY2020

Economic Performance	• Achieve positive cash flow generated from operating activities

Group CEO Ms Tian Ruo Nan inking a landmark deal with Tiong Woon Corporation Chairman Mr Ang Kah Hong for a fleet of 17 tower cranes in November 2018.

PRACTICING RESPONSIBLE OPERATIONS

Responsible operations entail various aspects of practices in the Group's value chain, from sound management of procurement practices, to effective prevention of commercial corruption activities when dealing with business partners, competitors and regulatory agencies. Yongmao has formulated a range of management approaches to affirm values for integrity, fairness and partnership, which resulted in positive progress in the prescribed commitments and targets.

The procurement of raw materials forms an integral step in our supply chain, and a stringent procurement framework is built in place to ensure a fair, equitable procurement process.

Procurement Practices

To manage the Group's supply chain in an effective and responsible way, the Group has established the well-defined Materials (Equipment) Procurement Tender Management Procedures, in order to strengthen the Group's procurement management. The Group has established an Equipment (Materials) Procurement and Tender Management Team (the "Procurement Management Team"), with the General Manager as the group leader and Heads of Departments in procurement, production, sales and research and development as group members. The Procurement Management Team is also responsible for the following issues:

- validation, approval of procurement plans and tendering projects;
- examination and approval of procurement tendering methods and evaluation methods;
- determining the bid evaluation team and its relevant staff; and
- final confirmation of the successful bidder.

Bidders shall submit information on technical standards, specifications, quality requirements, supply methods and delivery times of the materials when submitting their bids. Besides, the Group requires suppliers to have ISO9001 quality system certification or other corresponding qualifications.

In order to ensure the fairness of the bidding process, the Procurement Management Team first determines the composition of the members in the Bid Evaluation Team in accordance with predefined policy terms. For instance, professional and technical staff shall take up at least two-thirds of the total number of members in the Bid Evaluation Team and no personnel with conflict of interests shall be selected into this team. Any organizations or individuals are prohibited from illegal interference with the process and results of the bid evaluation.

Yongmao's procurement policy also stipulates a code of professional practices for the employees. Employees or external bidders violating bidding provisions or engaging in bribery or illegitimate exchanges of benefits may cause fines or the termination of business contracts. The Group will conduct internal investigations, and reserves the right to report any suspected criminal involvement in bidding-related activities to the relevant authorities.

Corresponding Indicator	Singapore	Beijing City	Fushun City
Supplier type	Manufacturer, dealer, and freight and transportation provider	Manufacturer and raw material producer, freight and transportation provider, and sub-contractor	Dealer, Manufacturer, raw material producer, wholesaler, freight and transportation provider, and sub-contractor
Total number of suppliers	10	133	631
Proportion of procurement budget spent on local suppliers	1%	7%	38%
Total number of local suppliers	9	47	349
Yongmao's geographical definition of being local	Within Singapore	Within Beijing City	Within Fushun City

Targets set in FY2018	Status	Progress in FY2019
Continuous review and improvement on the Group's procurement policies and guidelines and Code of Conduct	Achieved	Procurement policies and practices were proactively adjusted according to market supply and demand; ratio of strategic partners increased within our supply chain; by strengthening bidding protocol.
Enhance business relationship with suppliers and subcontractors	In Progress	A supplier rating system was adopted to facilitate different modes of collaboration. Focal support was offered to suppliers with long-term commitments for mutual development.
Maintain and increase spending on local suppliers and subcontractors	In Progress	Preferential arrangements were offered to support local suppliers and subcontractors. With all conditions being equal, local suppliers would be selected over non-local suppliers.

Anti-corruption

The Group conducts business with integrity and fairness. No forms of corruption activities including bribery, extortion, fraud and money laundering should be tolerated or allowed. The Group communicates our anti-corruption policies in written documents including the Agreement on Administrative Integrity and Integrity Declaration of Managerial Personnel, to raise concerns about improprieties.

The Integrity Declaration of Managerial Personnel is signed by employees at the management ranks of the Group to acknowledge their strict adherence to integrity principles during the course of performing their duties at the prescribed positions. The staff must comply with the following regulations.

- Staff should not accept any gifts that can influence their business judgment, including but not limited to travel, fitness and entertainment arrangements;
- Staff should not use insider information such as funds, technology, prices and customer resources to gain personal benefits;
- Staff should not use corporate funds to pay for personal expenses;
- Nepotism is strictly prohibited. Staff should not use their positions to seek any form of benefits for their children, spouse, relatives, etc.

In addition, in order to ensure that the relationship with all partners is in compliance with relevant laws and regulations, the Group also requires the partners to sign the Agreement on Administrative Integrity. If any violation of law and regulations or other inappropriate business conducts occur, concerned parties can report to the Group or partners by designated telephone or email.

	Number and percentage of internal stakeholders communicated on anti-corruption policies		Number and percentage of internal stakeholders receiving training in anti-corruption	
Directors and Senior Management	20	100%	20	100%
Middle Management	68	100%	68	100%
Entry-level/General Staff	1,145	100%	36	3.1%
Overall	1,233	100%	135	10.8%

Targets set in FY2018	Status	Progress in FY2019
To continue the Group's strict adherence to our zero-tolerance policy towards fraud, corruption and unethical actions.	Achieved	No confirmed incident of corruption or any pending legal case regarding corruption.

Future Prospects

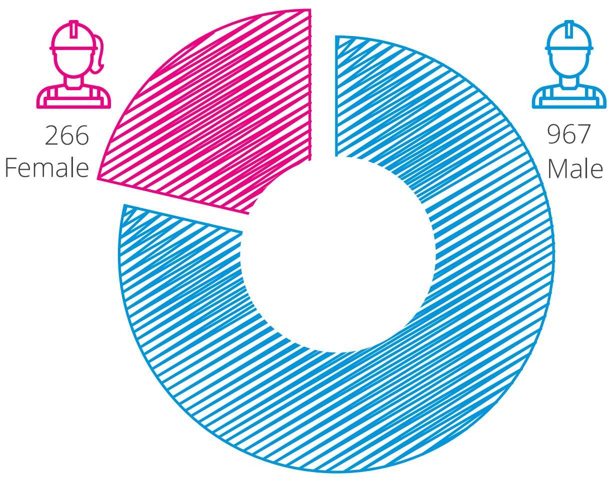
Moving forward, Yongmao aims to strengthen its management of procurement practices and anti-corruption based on the existing measures and policies.

	Targets for FY2020
Procurement Practices	• Increase ratio of procurement budget spent on local suppliers or local subcontractor to at least 40% (for manufacturing entities), in order to promote local economic development • Continue to apply a rating mechanism to new suppliers and suspend business relationships with underperforming suppliers (i.e. suppliers disqualified in the rating mechanism) for at least two years
Anti-corruption	• Communicate anti-corruption policies to 100% of employees • Provide anti-corruption training to an increased coverage of employees responsible for different types of operating activities.

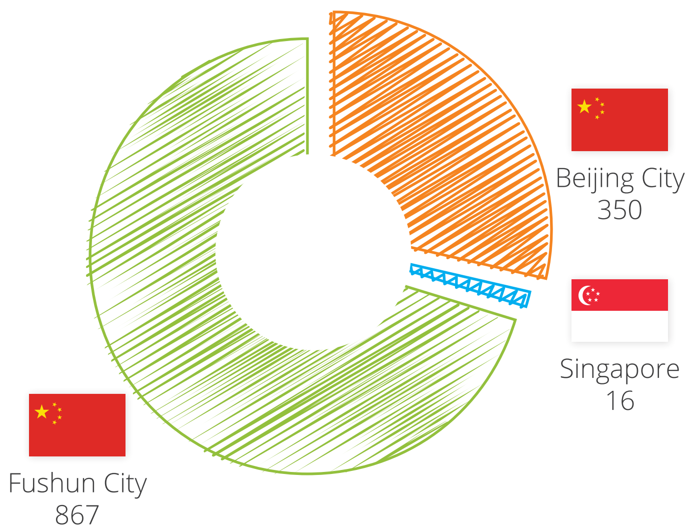
ENHANCING EMPLOYMENT AND WORKPLACE SAFETY

As a caring and responsible company, the Group is committed to promoting a harmonious and engaging workplace, providing a healthy and safe work environment, and supporting employee development.

Gender distribution of employees



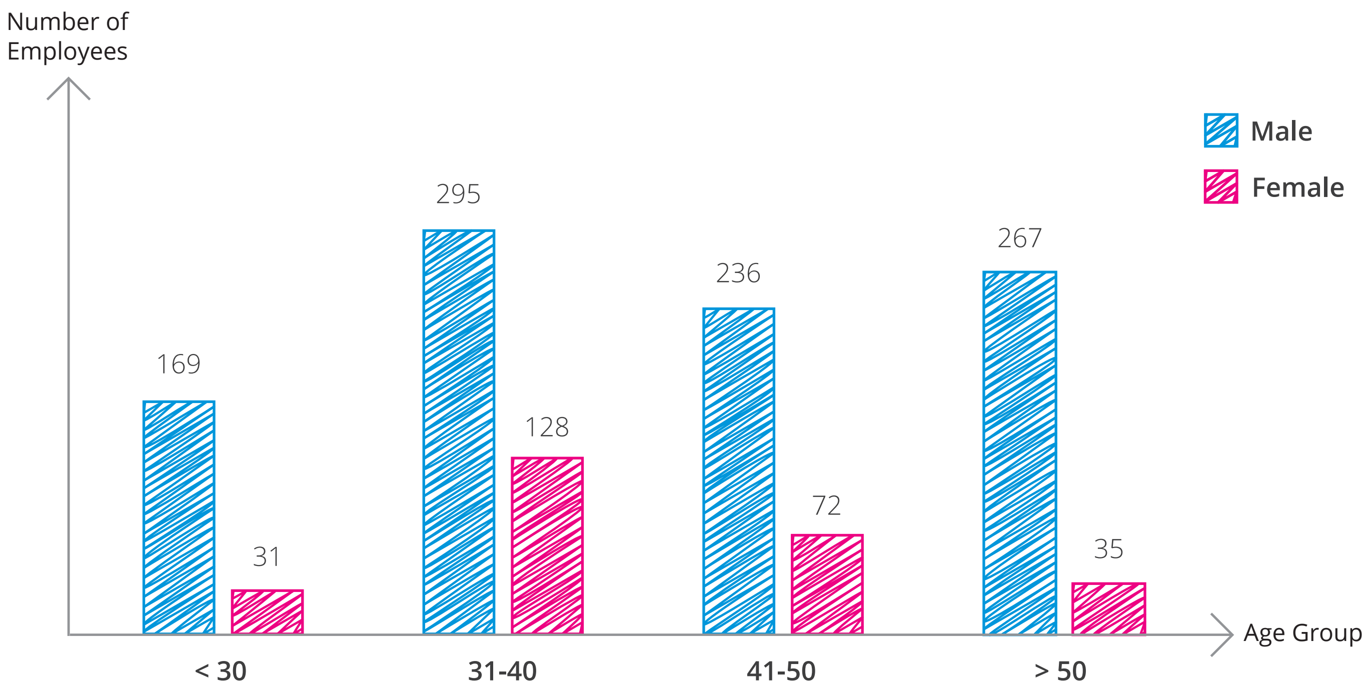
Regional distribution of employees



All the 1,233 employees within the reporting boundary were hired on full-time arrangements and on permanent contracts.

Yongmao's culture advocates for gender equality and age diversity with respect to seniority, which can be indicated in the employee composition.

Age distribution of employees



ENHANCING EMPLOYMENT AND WORKPLACE SAFETY

Occupational Health and Safety

Yongmao cares about health and safety of our employees across the Group's business operations. The Group has put together a set of established procedures in its Safety Management System, which serves as a guidance for different departments and production lines to implement health and safety measures. Safety at Yongmao has been treated as a serious issue in which employees of all levels have a role to play, in a collective effort to build a safe working environment.

The management team of Yongmao plays a key role in maintaining the Safety Management System with a clear description of responsibilities. The compiled procedures in the Safety Management System define the role and responsibility of management including overseeing workplace safety as well as formulate detailed processes and procedures to ensure a safe and secure environment for all workers. The policies stated in the Safety Management System are in line with local regulations and laws.

Position	Responsibilities
Chairman and General Manager	• Establish and improve the safety production responsibility system • Formulate the safety production regulations and operating procedures • Organize and implement the safety education and training program • Timely elimination of the risk of production accidents • Prepare the emergency response plan for safety accidents
Deputy General Manager	• Establish a safety management organization that is equipped with safety and health officers. The number of full-time safety and health officers must make up at least 0.2% of the total number of employees • Establish and implement a safety reward and punishment system • Confirm the company's annual safety performance target

The Group also regularly provides various safety training programmes for all employees, including new employees, managerial level employees and employees who engage in special lines of work duties.

Training Program	Training Content
Chairman and General Manager	• Basic knowledge of safety production and safety production obligations • Safety production rules and regulations • Major hazardous areas and safety risks • Potential occupational injuries and basic protection knowledge • Introduction of Personal Protective Equipment ("PPE") use
For managers	• Safety production policy, including but not limited to relevant national and local laws and regulations
For the employees who engage in special lines of work duties	• Employees who engage in special lines of work duties must be trained and qualified by relevant national departments and obtain operating certificates. In addition, the annual review will be conducted in accordance with relevant national laws and regulations.

The employees take the safety education exam once a year, and the test results are recorded in their personal profile.

Region	Fatalities	High-consequence work-related injury	Recordable work-related injury
Singapore	0	0	0
Beijing City	0	2	12
Fushun City	0	0	3

ENHANCING EMPLOYMENT AND WORKPLACE SAFETY

Reviewing the performance of Yongmao's operations in terms of occupational health and safety, the targets set in FY2018 have been mostly achieved during FY2019. Yongmao seeks to continue reducing and preventing any work-related injuries across different operation sites.

Targets set in FY2018	Status	Progress in FY2019
Zero fatalities and workplace safety incidents resulting in serious injuries across all business operations	Partially achieved	There were, unfortunately, two incidents resulting in serious injuries during the reporting period. The Occupational Health and Safety Committee conducted an accident site analysis meeting and corrective measures were implemented. There were no fire or contamination accidents in the reporting year.
Enforcement of wearing PPE	Achieved	PPE was dispensed to relevant employees based on the type of work they engage in according to labour protection management requirements; The Group has set up warning signs to alert staff and the Safety Management System.
Annual medical check-up	Achieved	Zero work-related ill health case; according to the established occupational health and safety management policy, annual medical check-ups were conducted for employees according to the policy.
Emergency drills and fire drills	Achieved	Two fire drills were conducted in accordance with the formulated emergency management policy and emergency response plan
Regular briefings and training courses on health and safety for employees	Achieved	Monthly briefings were carried out on work-related health and safety.

Moving ahead, the Group has set out a range of targets for its safety management system:

Targets for FY2020	
Occupational Health and Safety	• Establish occupational health and safety systems and include 100% of employees in the system • Provide occupational health and safety training to 100% of employees • Provide additional medical services to 80% of employees • Control the rate of work-related deaths or accidents

Employees attending a workshop on individual safety measures. Safety programmes and regimens such as these help instill a rigorous safety culture within the Group to help overcome occupational health and safety risks.

PROTECTING THE ENVIRONMENT

The Group understands that the essence of sustainable development is to meet the needs of the present generation without compromising the quality of life of the future generations, and therefore strives to minimise the adverse environmental impacts brought by its business operations at all times. Yongmao's Procurement Product Quality Agreement demonstrates its efforts in environmental protection through managing resources used and acquired in the procurement process.

Materials

Due to the nature of operations, the Group generates waste materials such as steel material offcut and iron filings during the production process. To maximise the utilisation rate of raw materials and reduce waste, the Group collects waste materials at designated recycle bins for recycling. Part of the steel material offcut will be used for manufacturing the counterweight of the tower crane. The remaining materials are disposed for recycling.

The Group has a policy in place setting forth the proper procedures to handle production waste. All waste materials, such as iron filings and carton boxes, are dispensed and sold to qualified waste treatment vendors contracted by the Group through competitive bidding processes. The Waste Management Department of the Group is responsible for overseeing the coordination, approval and processing of the waste materials.

Region	Type	Category	Materials	Weight
Beijing City	Raw materials	Renewable materials	Steel	8,985 tonnes
Fushun City	Raw materials	Renewable materials	Steel	38,903 tonnes

Considering the Group's practices in the use of materials, Yongmao has achieved the commitment and target set in FY2018.

Target set in FY2018	Status	Progress in FY2019
Continuous design optimization to maximize material utilization and reduce wastage	Achieved	An 83% utilisation rate for steel plates and a 90% utilisation rate for structural steel profiles.

Looking ahead, the Group will continue strengthening its endeavours in resource management with the following targets.

	Targets for FY2020
Materials	• Select reusable materials during the design and assembly phase
	• Increase the use of recyclable materials for precasted components

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GRI 102: General Disclosures 2016				
Organisational Profile				
102-1	Name of the organization	-	1	-
102-2	Activities, brands, products, and services	-	1	-
102-3	Location of headquarters	-	2	-
102-4	Location of operations	-	2	-
102-6	Markets served	-	1	-
102-7	Scale of the organization	-	1	-
102-8	Information on employees and other workers	-	15	-
102-9	Supply chain	-	13	-
102-10	Significant changes to the organisation and its supply chain	-	1	
102-11	Precautionary Principle or approach	-	4-5	
102-12	External Initiatives	-	3, 5, 7-8	
102-13	Membership of associations	-	8	
Strategy				
102-14	Statement from senior decision-maker	LR711B-1e	3	-
102-15	Key impacts, risks, and opportunities	PN7.6-3.3	5	-
Ethics and integrity				
102-16	Values, principles, standards, and norms of behaviour	-	1	-
Governance				
102-18	Governance structure	PN7.6-3.1	4	-
102-21	Consulting stakeholders on economic, environmental, and social topics	PN7.6-3.7	6-7	-
102-29	Identifying and managing economic, environmental, and social impacts	PN7.6-3.3	7-9	-
Stakeholder Engagement				
102-40	List of stakeholder groups		6	-
102-41	Collective bargaining agreements		-	Information unavailable
102-42	Identifying and selecting stakeholders		6	-
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102-44	Key topics and concerns raised		7-9	-

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102-47	List of material topics	-	9	-
102-50	Reporting period	-	2	-
102-52	Reporting cycle	-	2	-
102-53	Contact point for questions regarding the report	-	2	-
102-54	Claims of reporting in accordance with the GRI Standards	LR711B-1d	2	GRI-referenced claim
102-55	GRI content index	-	19-20	-
102-56	External assurance	PN7.6-3.8	-	In review
GRI 201: Economic Performance 2016				
103	Management approach disclosures	LR711B-1 b&c	9, 10	
201-1	Direct economic value generated and distributed		10	
GRI 204: Procurement Practices 2016				
103	Management approach disclosures	LR711B-1 b&c	9, 12	
204-1	Proportion of spending on local suppliers		13	
GRI 205: Anti-corruption 2016				
103	Management approach disclosures	LR711B-1 b&c	9, 13	-
205-2	Communication and training about anti-corruption policies and procedures	-	14	
205-3	Confirmed incidents of corruption and actions taken	-	14	-
GRI 301: Materials 2016				
103	Management approach disclosures	LR711B-1 b&c	9, 18	-
301-1	Materials used by weight or volume		18	
GRI 403: Occupational Health and Safety 2018				
103	Management approach disclosures	LR711B-1 b&c	9, 16	-
403-1	Occupational health and safety management system	-	16	-
403-2	Hazard identification, risk assessment, and incident investigation	-	16-17	-
403-3	Occupational health services	-	17	-
403-9	Work-related injuries	-	16	-

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