

RESPONSE TO SGX QUERIES ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

Yongmao Holdings Limited (the “**Company**”) has received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) regarding the Annual Report for the financial year ended 31 March 2021 announced on 12 July 2021 (“**AR FY2021**”). The Company’s responses to the queries of SGX-ST are set out below:

SGX-ST Queries

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), the provision from which it has varied, an explanation for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

- a) **Please clarify how the practices the Company had adopted in regard to its board diversity policy and progress made towards implementing the board diversity policy, including objectives, 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.**

The Company’s Responses

The Board comprises seven (7) Directors, three (3) of whom are independent and non-executive Directors, one (1) Non-Executive and Non-Independent Director and three (3) Executive Directors. Majority of the Board is made up of Non-Executive Directors which is in compliance with Provision 2.3 of the Code.

The Company had provided the following explanation on page 25 of the AR FY2021 where it deviates from the Provision 2.2 of the Code:

“Although the Chairman is not independent and the Independent Directors of the Company do not make up a majority of the Board, the Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs. Matters requiring the Board’s approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively.” The Company is of the view that it has complied with Provision 2.4 of the Code as the practices it has 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.

The Company endeavours to ensure that the Board comprises individuals with diverse experience and expertise who, as a group, will provide an appropriate balance and range of skills, experience, perspectives and knowledge for effective stewardship of the Group’s business. Although the Company has yet to adopt a board diversity policy, the Company has embraced all aspects of diversity in the current Board composition, including gender and age diversity. However, the Board is collectively of the view that it should not be

considered as a requirement in the selection of potential candidate(s). The right blend of skills, industry knowledge, relevant experiences and suitability, shall remain as priority, as disclosed in page 27 of the AR FY2021.

As detailed in the Board Composition and Guidance section on page 25 of the AR FY2021, the Board and its board committees are of an appropriate size and with the right mix of skills and diverse expertise and experience given the nature and scope of the Group's operations. The Executive Directors have extensive experience in the crane manufacturing industry while the Non-Executive Directors are well established and competent in their respective professions. This balance is important in ensuring that the overall direction and strategies proposed by the Management are fully discussed and examined, taking into account the long-term interests of the Company.

Also, despite all the Directors bear an equal responsibility for the Group's operations, the Independent Directors play an important role in ensuring that the strategies proposed by the Management are constructively challenged and developed by taking into account the long-term interests of the shareholders. The Non-Executive and Independent Directors actively participated during the Board and Board Committee meetings to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning, as well as leadership development and the remuneration of the Executive Directors. Where necessary, the Company would coordinate at least one informal meeting sessions for the Non-Executive and Independent Directors to meet without the presence of the Management and feedback on issues discussed is thereafter provided to the Chairman of the Board, as disclosed in page 27 of the AR FY2021.

- b) 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's Responses

The Company had provided the names, amounts (in bands of S\$250,000) and percentage breakdown in terms of categories and components paid to each individual director, the CEO and the six key management personnel (who are not directors or the CEO) for FY2021, on pages 33 of the AR FY2021.

The Company had also provided the following explanation on page 34 of the AR FY2021 where it deviates from Provision 8.1 of the Code:

"The Board is of the view that the remuneration of each individual Director and CEO of the Company and the Group is kept confidential due to its sensitive nature and the long term performance of the Group, especially in a highly competitive industry. Similarly, the remuneration of the top key management personnel was shown in bands of S\$250,000 due to the Company's concern over poaching of these executives by competitors."

The Board is also of the view that the disclosure of the indicative range and percentage of the Directors' and key management personnel's remuneration provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the Directors and the key management personnel. The policy and criteria

for setting remuneration are also enumerated under Principle 6 and Principle 7 on page 32 and page 33 of the AR FY2021.

Based on the above, the Board is of the view that the Company is transparent in its remuneration policies and procedures and the practices the Company had adopted are consistent with the intent of Principle 8 of the Code.

- c) Separately, we understand that the Company will be seeking two-tier approval for Mr Chua Kee Lock and Dr Steve Lai Mun Fook. Please be reminded to put in place arrangements if Mr Chua and/or Dr Lai do not pass the two-tier vote.**

The Company's Responses

The Company has disclosed in the Notice of Annual General Meeting (“AGM”) under the explanatory notes that the Company will be seeking two-tier approval for Mr Chua Kee Lock and Dr Steve Lai Mun Fook, if the two-tier voting were not approved during the AGM, the Company will consider either re-designate both directors to Non-Independent directors and/or other alternative including refreshment of the Board.

The Company will ensure that alternative arrangement is put in place if Mr Chua Kee Lock and/or Dr Steve Lai Mun Fook do not pass the two-tier vote.

- d) We note that there was RMB 2,765K difference for figures for Net cash used in investing activities and Net cash generated from financing activities when comparing the Company's full year figures against the Annual Report figures.**

The Company's Responses

The difference pertains to the reclassification of the consideration paid for the acquisition of non-controlling interest during the financial year from net cash used in investing activities to net cash used from financing activities following the finalization of the Group financial statements after its audit. Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities in accordance to Singapore Financial Reporting Standards SFRS(I) 1-7-42A.

BY ORDER OF THE BOARD

Tian Ruo Nan
Chief Executive Officer
27 July 2021