



Yongmao Holdings Limited

2020

ANNUAL REPORT



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About Yongmao

Since 1992, our Group has been involved in the design, development and manufacture of wide range of tower cranes, components and accessories. Sold mainly to construction equipment distributors and equipment rental companies in overseas markets and to construction companies and equipment rental companies in the People's Republic of China (the "PRC"), our tower cranes are now exported to over 70 countries around the world.

Our tower cranes are well established and have been deployed in many prominent projects in the PRC and overseas. Our brand name "Yongmao" is recognised as a "Chinese Well-Known Brand" (中国驰名商标) in the PRC.

We currently offer a variety of tower cranes with lifting capacities in the range of 80 to 3300 tonne-metres and these are broadly classified under the four main series below:

- Topless STT series,
- ST series,
- Luffing STL series,
- Derrick Q series.

Our long term investment in research and development have enhanced our ability to compete effectively in our industry. Since we commenced manufacturing tower cranes, our research and development team has successfully designed and developed more than 60 models and sub-models of tower cranes. This in house capability has not only broadened our product range but also helped us remain competitive and respond more quickly to market needs.

Our established track record in the PRC include many important and prominent projects such as:

- China National Opera House in Beijing,
- Qinshan Nuclear Power Station,
- Beijing International Airport, Terminal 3,
- Shanghai South Railway Station,
- Changjiang River Bridge,
- Fujian LNG Project,
- Beijing Olympic Village & Sports Hub,
- Expo 2010 Shanghai,
- Guangzhou Yangxi Power Plant,
- Hebei Caofeidian Power Plant,
- Beijing Daxing International Airport,
- Nanjing Puyi Highway Bridge.

In the overseas markets, our tower cranes were deployed in a number of significant projects such as:

- Imperial Wharf, UK,
- 22 Marsh Wall (The Landmark), London, UK,
- City of Dreams casino, Macau,
- Studio City, Macau,
- Kai Tak Cruise Terminal, Hong Kong,
- AZ – St. Jan General Hospital, Brugge, Belgium,
- Gold Coast University Hospital, Australia,
- Marina One, Singapore,
- Hongkong-Zhuhai-Macau Bridge,
- Helsinki Vantaa International Airport, Finland,
- The Crimean Bridge, Russia and Ukraine.

We have a high level of expertise and experience required for design and development of tower cranes, a strong track record and a wide customer base. We have also achieved various safety standards prescribed for cranes by different countries and the required certifications and approvals for export and deployment in these countries.



Our Products & Manufacturing Facilities

MANUFACTURING FACILITIES AND PROCESS

Our production facilities are located in the PRC, namely Fushun City, Liaoning Province. Our latest state-of-the-art manufacturing facility in Fushun City incorporates modern manufacturing process flow, robotic welding arms and other high-tech machineries. With a stringent quality assurance system in place, we are generally able to deliver a tower crane within 30 to 90 days.



Our Products & Manufacturing Facilities

PRODUCTS

Our products are used mainly in construction sites, infrastructure projects and in the shipbuilding industry. Our tower cranes are broadly classified into 4 series namely ST series, Topless STT series, Luffing STL series and Derrick Q series.



First introduced in 1999, the Topless STT's design features a streamlined jib design and no tower head, which minimises space to allow jib overflight of adjoining tower cranes in a worksite. This makes the Topless STT tower cranes particularly suitable for worksites with space constraints. The Topless STT tower cranes are also designed to erect and dismantle quickly to save time which results in cost savings.



The ST tower cranes are suitable for use in construction sites of all sizes. Introduced in 2000, the ST tower cranes feature a conventional structural design where the tower head and tie bar reduces stress on the jib.



First sold in 2004, the Luffing STL tower cranes offer a small slewing working radius due to a variable jib angle. This feature makes the Luffing STL tower cranes particularly suitable for use in worksites that are surrounded by existing tall buildings or where jibs are not allowed to sail over existing buildings.



A tower crane under the Derrick Q series was successfully developed in 1998. The Derrick Q tower cranes are designed for dismantling internal climbing tower cranes in a safe and reliable manner. They are installed on the completed rooftops of buildings and can be assembled and dismantled by hand.

Our Global Presence



AMERICAS

Argentina
Brazil
Chile
Columbia
Dominican Republic
Ecuador
Panama
United States

EUROPE

Austria
Belgium
Finland
France
Germany
Netherlands
Hungary
Ireland
Poland
Romania
Russia
Turkey
Ukraine
United Kingdom

AFRICA

Algeria
Angola
Libya
Mauritius
Nigeria
Rwanda
South Africa
Tanzania
Tunisia
Zambia

Our Global Presence



MIDDLE EAST

- Bahrain
- Israel
- Jordan
- Kuwait
- Oman
- Qatar
- Saudi Arabia
- UAE

ASIA

- Azerbaijan
- Cambodia
- China
- Hong Kong
- India
- Indonesia
- Laos
- Macau
- Malaysia
- Myanmar
- Pakistan
- Philippines

OCEANIA

- Australia
- New Zealand



Chairman's Statement



“The resilient pioneering spirit that we have instilled and inculcated over the years which will provide the impetus to vault and surmount the hurdles ahead.”

Mr Sun Zhao Lin
(Executive Chairman)

Dear Shareholders,

The Year in Review

With deep rooted foundations, we stand strong against the harsh winds

(根深柢固, 抗击阴风)

Amidst the COVID-19 pandemic, Yongmao continues to break new ground in the financial year ended 31 March 2020 (“FY2020”) with the launch of new crane models, involvement in landmark infrastructure projects and further improving of standards via new internal processes and initiatives. Against this buzz of activity, the Group recorded a sturdy improvement in its performance during the first nine months in FY2020 but was subsequently softened in the fourth quarter due to the temporary pause in supply chain with containment measures imposed by the Chinese government to address the COVID-19 pandemic.

For the year under review, the Group marked a new high with revenue recorded at RMB962.4 million, rose 8.7% year-on-year. The increase was attributable to higher tower cranes sales and higher components sales backed by the demand for large and mega size tower cranes in Singapore amidst the adoption of the Prefabricated Prefinished Volumetric Construction (“PPVC”) method in the construction sector which continued to drive momentum. In addition, rental and service income also increased due to higher demand in rental projects in the PRC. In tandem with this growth in revenue, the Group’s gross profit grew 4.3% year-on-year to RMB248.8 million in FY2020. Gross profit margin, on the other hand, dipped slightly by 1.1 percentage points to 25.9% in FY2020, owing to higher production overhead costs absorption incurred during the relocation of our Beijing factory, as well as the implementation of government-mandated COVID-19 measures at our project worksites and production facilities. Consequently, net profit attributable to equity holders of the Company decreased 2.8% year-on-year to RMB59.7 million in FY2020.

Making A Landmark Presence

First introduced in FY2019, the STT3930 stands as our top-of-the-line tower crane model. The STT3930 was engaged as the primary lifting equipment for the large-scale Nanjing Puyi Highway bridge project in FY2020 after emerging from a stringent selection test. Our team on the ground accomplished their task safely, efficiently and ahead of schedule, overcoming the challenges of hoisting a 164-metre tall bridge tower (approximately 50 storeys), and garnering strong appraisal from our customer, CCCG Second Highway Engineering Bureau Co., Ltd (中交第二公路工程局有限公司).

The STT3930 embodies our progressive vision and technical ingenuity with its various capabilities including a maximum lifting capacity of 200 tonnes, world-leading hoisting speed, an adaptive synchronous dual-hoisting mechanism, real-time data transmission and early warning systems.

Our two other models in the mega-sized tower crane class, the STT3330 and STT2200, were also deployed in FY2020. The STT3330 was well received at the Anxin bridge construction project in Xindian Creek, Taiwan, and is the largest tower crane used in Taiwan to date. Meanwhile, the STT3330 was also deployed to the 150,000 sqm landmark Beijing-Xiongan intercity railway project, which will serve as a major transportation node. Along with multiple crawler cranes, the STT2200 will tackle the project's added complexities including an interspersed construction method for the transit hall and platforms, as well as a 25,500 ton steel roof comprised of an arched box girder assembly.

Projects involving our large and mega tower cranes serve as a platform for us to demonstrate the fullest potential of our capabilities and enhance our visibility in the industry. We are proud of our teams' abilities to take on notable projects such as these and overcome the various technical challenges, and we are heartened by our customers' confidence in our capabilities. It is this resilient pioneering spirit that we have instilled and inculcated over the years which will provide the impetus to surmount the hurdles ahead.

Raising Standards

The adoption and adherence to industry-wide standards remains an integral aspect of our product development. FY2020 saw the addition of the STT983 to our product range of TÜV-certified tower cranes, was designed for the Singapore and Hong Kong PPVC market. The STT983 with its efficient load chart of a maximum 50 tonnes capacity and the superior product design that provides greater ease of transportation and installation makes this a popular customer choice for products of this range.

As one of the leading players in the industry, we continued to participate in various industry events and collectives. In 2019, we hosted the mid-term council of the China Construction Machinery Association (中国工程机械工业协会). Together with representatives of various companies in the industry, we tabled various key topics for discussion, such as quality control, intellectual property protection and product quality. We also



Chairman's Statement

identified some of the core challenges faced by the industry, and outlined various imperatives the industry needed to recognise to thrive.

General manager Sun Tian, along with other Yongmao representatives, was also one of the main drafters and reviewers of the Technical Safety Regulations for Tower Crane attachments standards designated T/ASC 09-2020 and T/CCMA0097-2020. These newly-released standards were jointly approved by the China Construction Society (中国建筑学会) and China Construction Machinery Industry Association (中国工程机械工业协会). The standards encompassed design and calculation considerations of attachment pieces, manufacturing, installation and disassembly details, inspection protocols and other procedures. We are honoured to be able to collaborate with other academics and industry experts to further professionalise the construction machinery community.

We are also further encouraged to be ranked among the top 10 tower cranes manufacturers in the world and among the top 5 in China by China Construction Machinery Magazine (中国工程机械工业杂志). While ranking placements may not be a major point of focus for us, the results nevertheless spur us on to work harder to achieve even more in the future.

Business Outlook

The COVID-19 outbreak in January 2020 halted economic activities in the PRC and has swept across the globe, impacted livelihoods, businesses and economies alike. The scale of the pandemic's impact is unprecedented and has triggered

simultaneous plunges in GDP worldwide as supply chains are disrupted due to movement restrictions enforced by governments. Like most businesses, our Group's production and operations was adversely affected. The effect of these government containment measures meant that the business operations of many of our local and overseas customers and freight forwarders were also inadvertently disrupted, resulting in delays and/or postponement of deliveries of our products to them. Our production plants in the PRC has resumed production on 10 February 2020 upon approval obtained from the local authority.

Owing to the COVID-19 pandemic, the growth prospects for 2020 is expected to be dampened. The Group has continued to experience lower sales in the recent months. The financial performance of the Group for the first half of the financial year 2021 is expected to be lower as compared to the corresponding period in FY2020. While many countries have begun to loosen its containment measures gradually, the situation is still evolving. The COVID-19 pandemic continues



Chairman's Statement

to rage on in certain countries while in some other countries where the number of cases were reported to have reduced previously, they experienced a spike up in the number of COVID-19 cases recently. Further measures may be put in place by authorities in countries where our Group operates in and/or sell to. However, there are positive sign in the PRC where pockets of demand are starting to recover after the initial lockdown period and the Chinese government has resumed its investment in large-scale infrastructure projects.

The Group remains cautious and heightened vigilant whilst committed in exercising cost discipline and take necessary remedial actions, where possible.

Dividend and Acknowledgements

The global COVID-19 situation remains uncertain. Although our prospects and financial performance for FY2021 are expected to be lower than that of FY2020 in view of the challenges ahead, nevertheless, we will be proposing a final dividend of 1.0 Singapore cent per ordinary share for shareholders in appreciation for their support. This is subject to approval at the upcoming Annual General Meeting.

On behalf of the board, I would like to thank our business partners, staff and shareholders as we stand in solidarity with them for the uphill challenge ahead in the upcoming financial year. I would also like to pay tribute to healthcare workers around the world for their service in the frontline against COVID-19.

At this juncture, we wish to express our sadness on the loss of Mr Ho Chew Thim, Independent Non-Executive Director and Audit Committee Chairman who passed away in August 2019. Mr Ho was an inaugural member of the Board and we would like to place on record our appreciation for his invaluable contribution and dedicated service in the past twelve years.

We would like to extend our warmest welcome to Mr Hoon Chee Wai as Independent Non-Executive Director and Audit Committee Chairman. We look forward to his counsel and guidance as we bring the Group to greater heights in the decade ahead.

Sun Zhao Lin

Executive Chairman



Operations Review



“We will continue our drive to offer even greater innovation, quality and value to our customers while catering to their needs.”

Ms Tian Ruo Nan
(Chief Executive Officer)

Income Statement

FY2020 saw an 8.7% growth in the Group's revenue, from RMB885.4 million in FY2019 to RMB962.4 million in FY2020. With the capacity to support more complex projects involving Prefabricated Prefinished Volumetric Construction (“PPVC”), demand for large and mega-sized tower cranes remained robust. Three of our four geographical segments reported minor to moderate year-on-year revenue growth: RMB15.6 million growth in the PRC, RMB74.7 million growth in Asia (outside the PRC) and RMB16.5 million growth in USA & Europe. Meanwhile, revenue from the Middle East and Others region, was more subdued and saw a RMB29.8 million contraction.

In line with the overall rise in revenue, gross profit rose 4.3% to RMB248.8 million in FY2020. Average gross profit margin, however, slipped 1.1 percentage points to 25.9% in FY2020. This decrease in margin was mainly attributable to high production overhead cost absorbed during the transitional period of Beijing Yongmao factory relocation and during the first quarters of year 2020 with government containment measures

implemented in the PRC with the rapid spread of the COVID-19 pandemic. In addition, arising from the consolidation of Beijing Yongmao's plant to Fushun, the Group recorded a one-off obsolescence stocks adjustment and write off in FY2020.

Other income increased by RMB7.4 million to RMB16.5 million in FY2020, mainly due to government grants received for the relocation. Interest income rose by RMB0.4 million, mainly stemming from deposits placed to secure a trade facility, partially offset by a lower compensation and rental income of RMB0.9 million and RMB0.4 million respectively.

After factoring in the above, the Group attained a net profit attributable to equity holders of RMB59.7 million for FY2020, slightly below the RMB61.5 million recorded in FY2019.

Preserving Health and Safety

Despite mounting production pressures, we also paid heed to ensure that the situation on another front – safety management are not traded-off. Since the outbreak of COVID-19, a contingency

and safety committee was formed and has enacted a strict adherence to epidemic prevention and control measures across all departments, while still upholding production and operational capabilities as best possible. Production planning teams reviewed production procedures and revised production and goods delivery schedules to observe COVID-19 control measures. Personal protective equipment was requisitioned and issued to staff, while measures such as disinfection, safe distancing, flexible working arrangements, contact tracing and temperature-taking were implemented and enforced. Safety officers and team leaders stepped up to diligently oversee the conduct of safety measures.

Yongmao held its “Safety Production Month” (质量月) in June 2020, with the slogan “Prevention at the Fore: Safety First” (安全第一，预防为主). Safety awareness programmes were conducted for various staff members to ensure that they keep abreast of the latest national policies on production safety and related regulations. This was further supplemented by updates on workplace bulletins and messaging groups. Safety topics covered in these programmes include fire safety, heatstroke prevention and cooling, disaster relief, emergency drills and case studies of minor incidents.

The management takes safety management very seriously, and even more so in light of the current pandemic and we consistently remind our staff to be mindful for the greater good.

The Ongoing Quest for Quality

Even as the tides of turbulence threaten to disrupt the industry, high quality products will stand strong as resolute breakwaters. One key aspect of our quality control lies in our procurement, knowledge and management of inventory.

We hosted the “Yongmao Cup” (永茂杯) competition, another iteration of friendly competition came in the form of collaboration with the China Electric Power Construction Association (中国电力建设企业协会). Our Yongmao delegation pitted their tower crane operating skills against industry peers where exceptional numbers of employees and teams were engaged. The Company also held a “Quality Recognition Award” ceremony to foster the spirit of skilled craftsmanship as part of our Quality Month event.



Operations Review

Moving Towards Greater Synergy

For the year under review, we commenced the relocation of our Beijing factory exercise in July and completed the move successfully in September. The new manufacturing premise is located in close proximity to our existing factory in Fushun, with land and built-up area approximate to 160,000 and 35,000 square metre respectively. In line with the Beijing local government's drive to relocate manufacturing activities away from the capital city, the relocation has also allowed the Group to leverage on greater management efficiencies and sharing of group resources from the close proximity of our existing manufacturing facilities. Despite the initial of laying-off certain employees in the Beijing factory with compensation in accordance to the labour law, the Group likely sees the long term manpower cost savings due to lower average labour cost in Fushun as compared the capital city. Production in the relocated factory has commenced and is expected to be fully operational in FY2021.

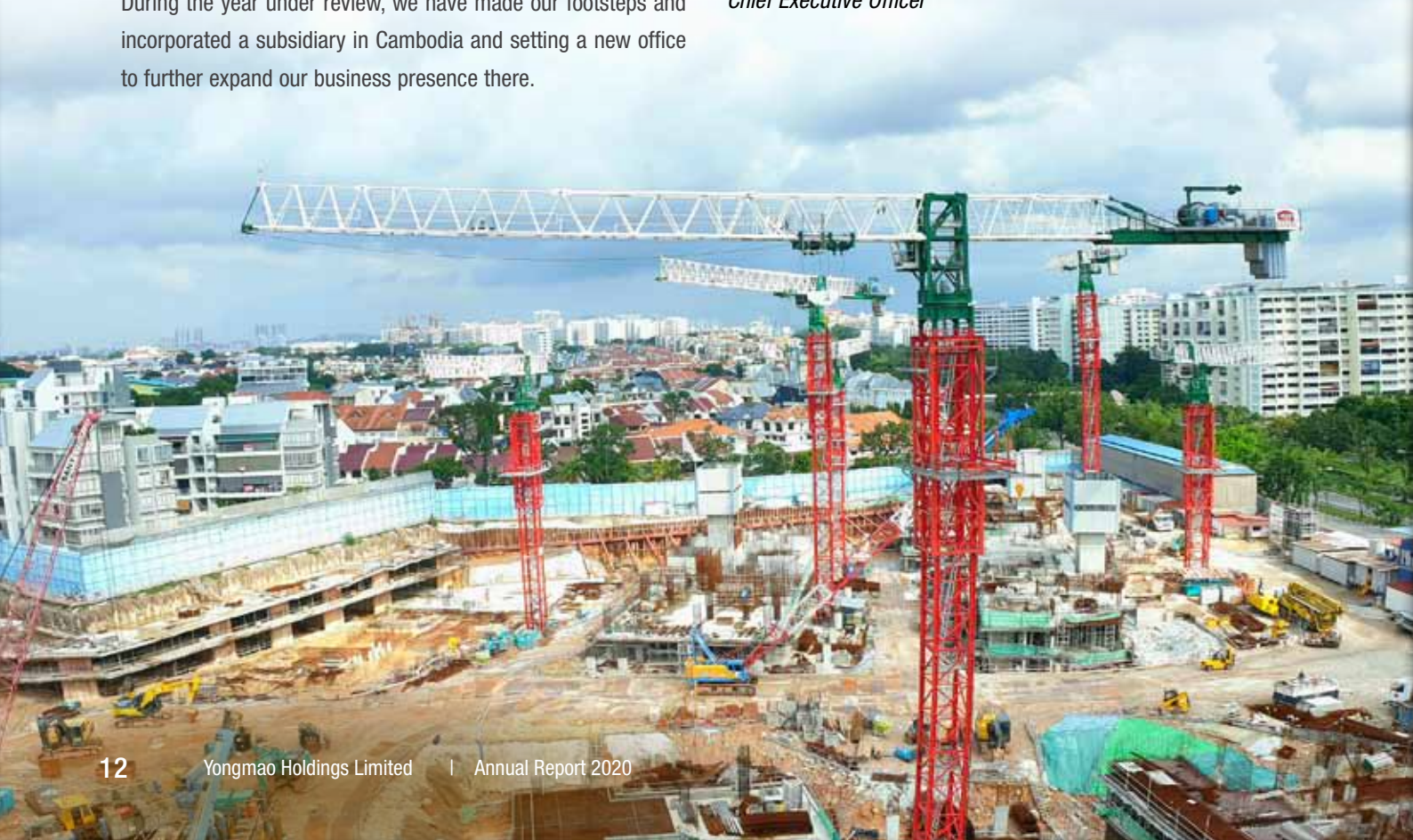
The Group is constantly seeking opportunities to expand our business presence especially in the faster growing economies. During the year under review, we have made our footsteps and incorporated a subsidiary in Cambodia and setting a new office to further expand our business presence there.

Looking Ahead

Since Yongmao's founding, we have always placed customers' needs at the forefront. Extensive development of our R&D, manufacturing and quality control departments has always been integral to the brand. While this vision has brought about successes like the recent STT3930, we will not be resting on our laurels. Instead, we will continue our drive to offer even greater innovation, quality and value to our customers, while delivering to their needs with precision. For the upcoming financial year, we will continue preparing new quality products for release, such as the STL1045 luffing tower crane and STT1530 flat top tower crane currently in the pipeline.

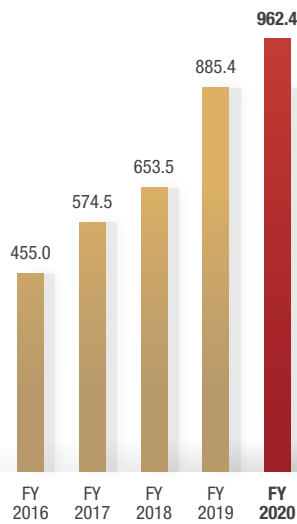
At this juncture, I would like to extend my thanks to our staff members, who have stepped up to implement and regulate COVID-19 measures in addition to their regular work schedules, as well as our shareholders, who have remained steadfast in their support in spite of these challenging times.

Tian Ruo Nan
Chief Executive Officer

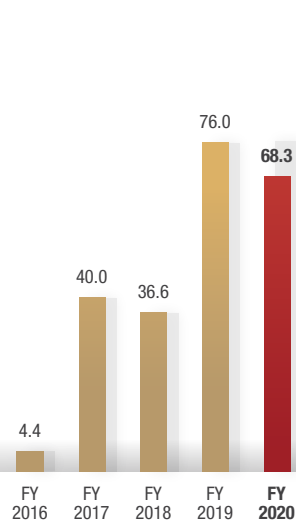


Financial Highlights

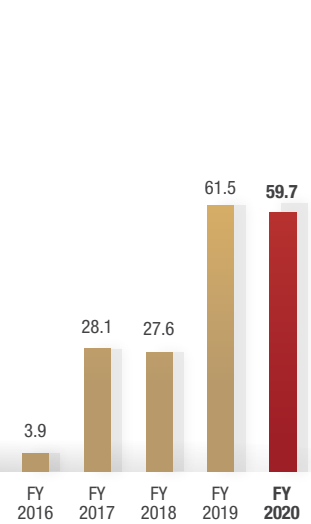
Revenue
(RMB million)



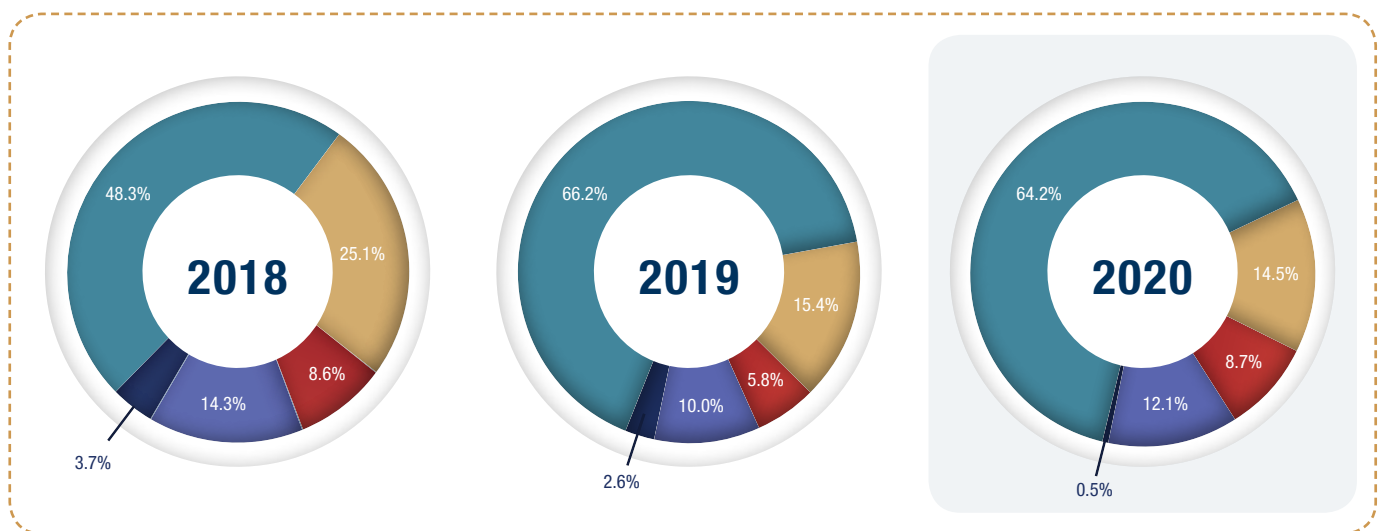
Profit Before Taxation
(RMB million)



Profit Attributable to Equity Holders of the Company
(RMB million)



Revenue Breakdown by Product (%)



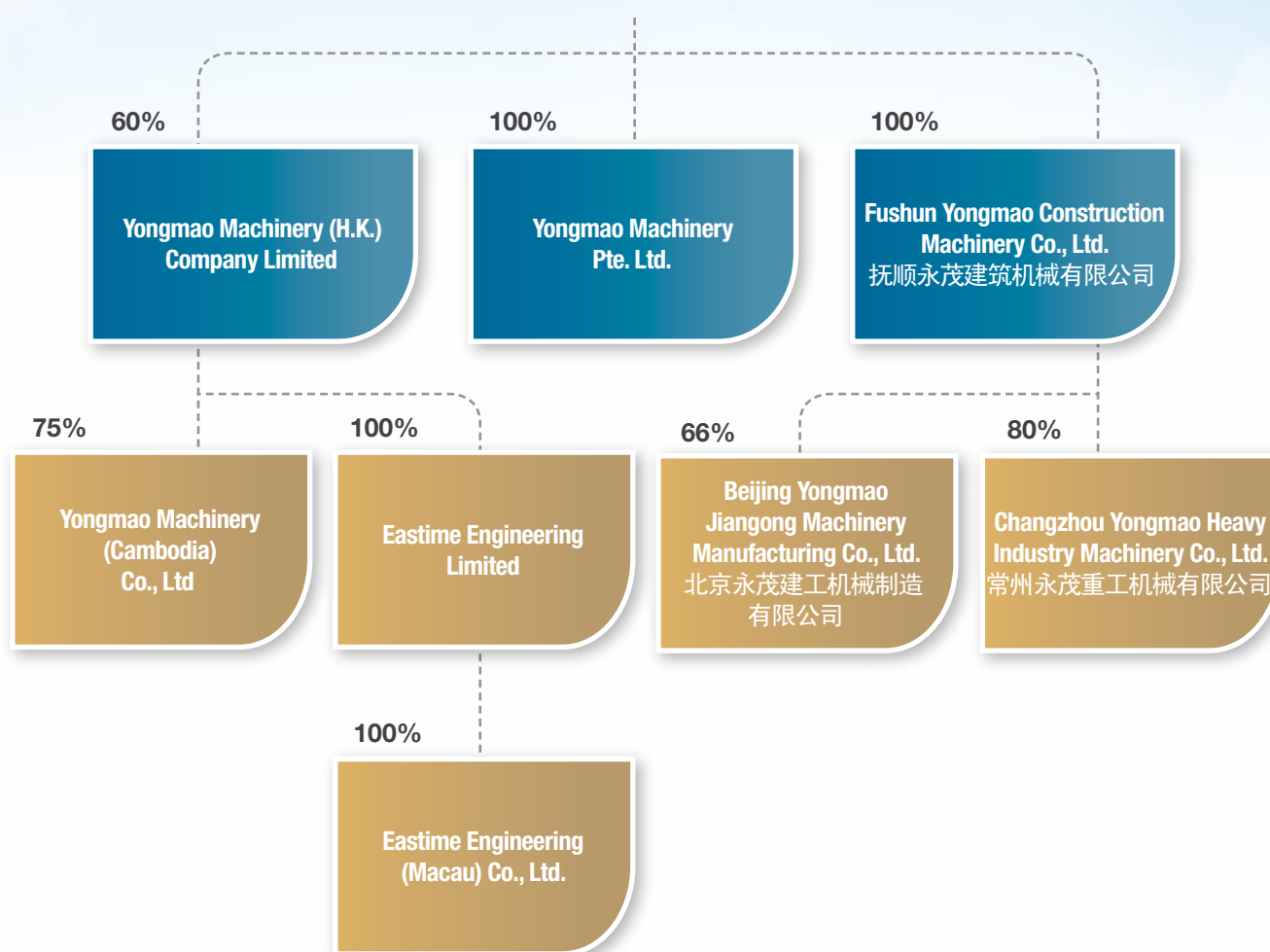
- Topless STT
- ST
- Luffing STL
- Components, Accessories and Others
- Rental and Service Income

Corporate Structure

as at 31 March 2020



Yongmao Holdings Limited





MR SUN ZHAO LIN

Executive Director and Chairman

Mr Sun Zhao Lin is our Executive Chairman. He is the founder of our Group and was appointed to our Board on 3 August 2005. Mr Sun is responsible for the formulation and execution of overall business strategy and policies and future direction as well as the overall management of our Group. He has more than 20 years' experience in the crane manufacturing industry. He started his career as a sales representative at Fushun No.4 Chemical Plant (抚顺市化工四厂). Mr Sun graduated from Liaoning Correspondence Party School (辽宁刊授党校) in 1998 having majored in Economics. In 2005, he was awarded the Professional Certificate of Specialty and Technology (Senior Engineer) (专业技术职称证书 (高级工程师)) from the Liaoning Provincial Personnel Department (辽宁省人事厅). In 2005, he received the Liaoning Province Outstanding Business Entrepreneur award (辽宁省优秀民营企业家) from the Liaoning Province Small-Medium Enterprise Association (辽宁省中小企业联合会). In 2006, Mr Sun received the "Model Labour Award for Year 2005" (2005年度劳动模范) and the "Liaoning Province Model Labour Award" from Shuncheng District People's Government (顺城区人民政府) and Liaoning Province People's Government (辽宁省人民政府) respectively. In 2011, he was awarded the Outstanding Contribution Award (抚顺市杰出贡献奖) by Fushun Municipal Government (抚顺市政府). In 2012, he was awarded the Outstanding Contribution Award for the Year (2012年度支持商会建设突出贡献奖) by Fushun Municipal Association of Industry and Commerce/ Fushun Municipal General Chamber of Commerce (抚顺市工商业联合会/抚顺市总商会). In 2014, he was awarded the Outstanding Entrepreneurs Honorary Award (抚顺市优秀企业家荣誉称号) by Fushun City Federation of Trade Unions (抚顺市总工会).

Mr Sun is currently Vice President of the Liaoning General Chamber of Commerce (辽宁省总商会副会长).



MS TIAN RUO NAN

Executive Director and Chief Executive Officer

Ms Tian Ruo Nan is our Chief Executive Officer. She is a co-founder of our Group and was appointed to our Board on 28 December 2007. Ms Tian is responsible for and oversees the day-to-day management of our Group. She has more than 20 years' experience in the crane manufacturing industry. Ms Tian started her career as a laboratory technician at Fushun No.4 Chemical Plant (抚顺市化工四厂) in December 1977. Ms Tian graduated from Dongbei Normal University (东北师范大学) in 1999 having majored in Economics. She received the "Model Worker" (劳动模范) award for 2004 and 2005 from Shuncheng District People's Government (顺城区人民政府) and the "Fushun Foreign Investment Enterprise Outstanding Business Entrepreneur" award for 2006 and 2008 from Fushun Municipal People's Government (抚顺市人民政府). In 2008, she was awarded the "Bohai Region Outstanding Woman Entrepreneur Award" (环渤海区域杰出创业女性) by Liaoning Province Women's Federation (辽宁省妇联). In 2009, she was also awarded the "Top 10 Most Outstanding Woman Award" (十大杰出女性) by Fushun Municipal Women's Federation (抚顺市妇女联合会). In 2010, she was awarded the Woman's Award Winner (三八红旗手) by Liaoning Provincial Women's Federation (辽宁省妇联), "The Heroine" (巾帼英雄) award by Liaoning Provincial Trade Union (辽宁省总工会) and the Good builder of Socialism with Chinese characteristics (优秀中国特色社会主义建设者) by Fushun Municipal Association of Industry and Commerce (抚顺市工商联). In 2011, she was named the National Woman's Award Winner (全国三八红旗手) by the China Women's Federation (全国妇联). In 2012 she was also named "Supervisor of the Government's Work Style in Quality Supervision Bureau" (质量监督局风行监督员). In 2013, she was awarded "National 1st May Women Pacesetter" (全国五一巾帼标兵2013年) by the All-China Federation of Trade Union (中华全国总工会). In 2012 and 2014, she was named the Outstanding Leader in National Construction Machinery & Elevator Industry QC Group (全国建机与电梯行业质量管理小组活动卓越领导者) by the China Quality Association Construction Machinery Industry Branch (中国质协建设机械行业分会).

Board of Directors



MR NG SAN TIONG

Non-Executive Director and Deputy Chairman

Mr Ng San Tiong is our Deputy Chairman and Non-Executive Director and was appointed to our Board on 28 June 2007.

Mr Ng is the Managing Director of one of the world's largest crane rental company Tat Hong Holdings Ltd and he is vastly experienced in the areas of corporate management, business development and business management. He sits on the board of Tat Hong Holdings Ltd as well as its regional subsidiaries and associates across Malaysia, Indonesia, Australia and China. He is also a director of Intraco Limited, a company listed on the Stock Exchange of Singapore.

In addition, Mr Ng is the President of the Singapore Chinese Chamber of Commerce & Industry (SCCCI), a member on the Board of Directors of the Business China and a member on the Board of Trustees of the Chinese Development Assistance Council (CDAC). He is also Singapore's non-resident Ambassador to Timor-Leste.

Mr Ng graduated with a Bachelor of Science (Honours) Degree from Loughborough University, College of Technology, in the United Kingdom. He was awarded the Public Service Star [BBM] in 2010, the Public Service Medal [PBM] in 2002. In September 2015, Mr Ng was appointed as the Justice of the Peace by the President of the Republic of Singapore. This year, he was awarded the Public Service Star (Bar) [BBM(L)] for his significant public service in Singapore.



MR SUN TIAN

Executive Director and Group General Manager

Mr Sun Tian started as a Non-Executive Director and was initially appointed to our Board on 31 December 2005. Subsequently in August 2009, he joined our Group as a Sales Manager and an Executive Director responsible for the Group's business development and sales to customers outside the PRC. In October 2012, he was appointed as Group General Manager assisting our Chief Executive Officer in the management of Group's business.

Mr Sun graduated with a Diploma in Mechantronic Engineering from Ngee Ann Polytechnic in 2006. He was awarded the Motorola Silver Medal for being the second most outstanding graduate in the Diploma in Mechantronic Engineering course by Ngee Ann Polytechnic.

In June 2009, Mr Sun graduated from National University of Singapore with a Bachelor's degree in Mechanical Engineering.

Board of Directors



MR CHUA KEE LOCK

Lead Independent Director

Mr Chua Kee Lock is our Lead Independent Director and was appointed to our Board on 28 December 2007. He is currently the CEO of Vertex Venture Holdings Ltd. Prior to that, from 2006 to 2008, Mr Chua was the President and Executive Director of Biosensors International Group, Ltd., a developer and manufacturer of medical devices used in interventional cardiology and critical care procedures. His other senior executive positions included Managing Director of Walden International Singapore from 2003 to 2006; Deputy President of NatSteel Ltd. from 2001 to 2003 and President & Chief Executive Officer of Intraco Ltd., a Singapore-listed trading and distribution company, from 2000 to 2001. Before joining Intraco Ltd., he was Co-Founder and President of MediaRing.com Ltd., a Singapore-listed company providing voice-over-Internet services, from 1998 to 2000. Mr Chua holds a Bachelor of Science in Mechanical Engineering from the University of Wisconsin, U.S. and a Masters of Science in Engineering from Stanford University, U.S..

MR HOON CHEE WAI

Independent Director



Mr Hoon Chee Wai is one of our Independent Directors and was appointed to our Board on 2 September 2019. Mr Hoon has been a finance and banking professional for 28 years. Mr Hoon started his career in Deloitte & Touche as an auditor from 1992 to 1994. Since 1994, Mr Hoon has been a corporate finance and investment banker in various regional financial institutions in Singapore where he was involved in numerous initial public offerings on the Stock Exchange of Singapore, equity and debt fund raising exercises for publicly listed companies from the capital markets as well as financial advisory on mergers, acquisitions, joint ventures and corporate restructuring. From 2012 to 2016, he became the senior vice president of the corporate development department of a hospitality, leisure and entertainment group that is listed on the Main Board of the Stock Exchange of Singapore, where he was primarily responsible for the corporate development, investments and investors' relations activities of the group. From 2017 to 2020, Mr Hoon was the senior vice president of a real estate developer and operator of integrated leisure and entertainment resorts that is listed on the Main Board of the Stock Exchange in Hong Kong. His main responsibility is leading and overseeing the finance, corporate development, investments and investors' and media relations activities in the group.

Mr Hoon obtained his Bachelor of Accountancy from Nanyang Technological University, Singapore in May 1992. He has also completed an INSEAD Leadership Program from November 2010 to September 2011. He has been a member of the Singapore Institute of Directors since April 2019.

DR STEVE LAI MUN FOOK

Independent Director



Dr Steve Lai Mun Fook is one of our Independent Directors and was appointed to our Board on 28 December 2007. He is also currently a Director on the Board of the publicly listed Intraco Ltd and a number of other private limited Singapore companies.

From November 2007 to August 2012, Dr Lai was the Chief Executive Officer of PSB Academy Pte Ltd. Dr Lai was previously the Deputy Chief Executive Officer of TUV SUD PSB Corporation and PSB Corporation Pte Ltd from April 2006 to March 2007 and from April 2001 to March 2006, respectively. From April 1996 to March 1998, Dr Lai was the General Manager (Standards & Technology) of Singapore Productivity & Standards Board. Dr Lai holds a Bachelor of Science (Hons) in Industrial Chemistry and a PhD from the Loughborough University of Technology, United Kingdom.

Key Management

MR YAP SOON YONG

Mr Yap Soon Yong is our Chief Financial Officer and Joint Company Secretary and is responsible for the financial, accounting functions and corporate matters of our Group. His responsibilities include overseeing matters relating to financial administration, compliance and reporting obligations, corporate secretarial and investor relations of our Group. Mr Yap joined our Group in July 2007. Prior to joining our Group, he was the Chief Financial Officer of China Marine Foods Group Pte Ltd from September 2006 to June 2007. From April 2005 to June 2006, he was with Oceanus Bio-tech Holdings Pte Ltd. From May 1996 to April 2005, Mr Yap was with York Transport Equipment (Asia) Pte Ltd where he started as a senior accountant and last held the post of financial controller. From 1992 to 1996, Mr Yap was with Ernst & Young where he last held the position as Audit Senior. Mr Yap obtained a bachelor's degree in accountancy from the Nanyang Technological University in 1992, and is currently a member of the Institute of Singapore Chartered Accountants.

MR XU GUANG HUI

Mr Xu Guang Hui is our Deputy General Manager of Fushun Yongmao Construction Machinery Co., Ltd. and is responsible for assisting the Chairman/CEO and Group General Manager in overseeing the overall operation matters of the Group's Fushun plant in PRC. Mr Xu joined our Group in 2008. Prior to joining our Group, Mr Xu was the Chief Financial Officer of Liaoning North Investment Co., Ltd (辽宁北方投资有限公司) from 2004 to 2008. From 1989 to 2004 he was with Bank of China, Fushun Branch-Business Department (中国银行抚顺分行公司业务部) first as a bank officer and rose to the post of General Manager. Mr Xu graduated from China Institute of Finance (中国金融学院) with a bachelor's degree in finance in 1989.

MR SHI YONG

Mr Shi Yong is our Group Sales and Marketing Manager and is responsible for the sales and marketing operations of our Group in PRC. Mr Shi joined our Group in 2008. Prior to joining our Group, Mr Shi was an engineer of Shenyang Construction Machinery Co., Ltd (沈阳建筑机械厂) from 1985 to 1993 and subsequently from 1993 to 2003 he was the sales manager. From 2003 to 2008, he was the sales manager with Shenyang Sanyo Building Machinery Co., Ltd. (沈阳三洋建筑机械有限公司). Mr Shi graduated from Shenyang Construction University (沈阳建筑大学) in 1985 with a bachelor's degree in engineering.

MR ZHANG SHI JIE

Mr Zhang Shi Jie was appointed as our Deputy General Manager (Production and Supply Chain Management) on 18 August 2020 and is responsible for the overall production and supply chain management of the Group. Mr Zhang first joined Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd. ("BJYM"), a subsidiary of the Group, as Deputy General

Manager in 2007 in charge of the production and supply chain management and was subsequently responsible for the overall operations of BJYM. From 1998 to 2006, he was the purchase director with Manitowoc Crane (China) Co., Ltd. (马尼托瓦克起重设备(中国)有限公司). Mr Zhang graduated from Taiyuan University of Science and Technology (太原科技大学) with a bachelor's degree in Mechanical Design and Manufacturing in 1982.

MR LIU XIAO MING

Mr Liu Xiao Ming is our Production and Quality Control Manager and is responsible for our Group's production process and production plans. Mr Liu joined our Group in August 2006. He was the head of the production department of Fushun Excavator Manufacturing Co., Ltd (抚顺挖掘机机械制造有限责任公司) and was the head of the sales department of Fushun Hydraulic Manufacturing Works (抚顺液压挖掘机制造厂) from December 2002 to August 2006 and from June 1999 to November 2002, respectively. Mr Liu was in charge of the production department of Beijing Juli Engineering Machinery Co., Ltd (北京巨力工程有限公司) from August 1998 to May 1999. From July 1996 to July 1998, Mr Liu was in charge of the technology department of Fushun Hydraulic Manufacturing Works (抚顺液压挖掘机制造厂) and prior to that, he was a technician of Fushun Excavator Manufacturing Works (抚顺挖掘机制造厂). Mr Liu graduated with a Bachelor of Engineering from Northeast Heavy Machinery College (东北重型机械学院) in 1994.

MR YU HAO BO

Mr Yu Hao Bo is our Finance Manager and is responsible for the financial and accounting functions of Fushun Yongmao Construction Machinery Co., Ltd. Mr Yu joined our Group in August 2005. Mr Yu started his career as a projects manager at Fushun Zhongtian Certified Public Accountants Co., Ltd (抚顺中天会计师事务所有限公司) from July 1996 to July 2005. Mr Yu graduated with a degree in Management from Bohai University (渤海大学) in 2006 and is currently a member of The Chinese Institute of Certified Public Accountants.

MS WANG LIAN

Ms Wang Lian is our Deputy General Manager of Fushun Yongmao Construction Machinery Co., Ltd. in charge of Research & Development. She is also responsible for the purchasing function of the Group. Ms Wang first joined Fushun Yongmao Construction Machinery Co., Ltd., as an Design Engineer in 2001 and was subsequently promoted to Engineering Supervisor and then to Chief Engineer in 2015. Ms Wang graduated from The Open University of China (中央广播电视大学) in 2009 having majored in Electric Automation. She also holds a Master in Engineering from Shenyang Jianzhu University.

Sustainability Reporting

The COVID-19 pandemic has emphasised the sustainability imperative in many ways. As we enter our third year of sustainability reporting, Yongmao remains committed to upholding the highest standards of responsible and sustainable operations in our business practices. We adopt a holistic approach to economic, social and environmental issues, striving to balance business objectives with the concerns of our diverse stakeholders.

The Group recognises the importance of sound corporate governance and has assigned the Board the responsibility of determining Yongmao's material topics and overseeing the integration of sustainability into the Group's overall strategy. The Board in turn works closely with key management to mitigate arising risks and to ensure that the Group achieves its yearly sustainability targets.

We believe that the health of our business and the health of our employees, suppliers and customers are intrinsically linked. In response to the pandemic, the Group has established taskforces to oversee and enforce health and safety measures in accordance with local directives and best practices. As the Group adapts to these extraordinary times, we also endeavour to support our stakeholders to the best of our ability.

Below is table summarising the material topics that have been identified by the Group for FY2020.

Business Sustainability	Responsible Operations	Environmental
Economic Performance	Procurement Practices Anti-Corruption Occupational Health and Safety	Materials

More information on the Group's sustainability efforts in FY2020 can be found in our upcoming Sustainability Report, which will be published in October 2020.



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CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or the “**Directors**”) and the management (the “**Management**”) of Yongmao Holdings Limited (the “**Company**”) recognises the importance of sound corporate governance in protecting the interest of its shareholders as well as strengthening investors’ confidence in its management and financial reporting.

The Company, together with its subsidiaries (the “**Group**”), continue to be committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of shareholders’ interests and enhancement of long-term shareholders’ value are met.

This report outlines the Company’s corporate governance practices with specific reference made to the Code of Corporate Governance 2018 (the “**Code**”), which supersedes the Code of Corporate Governance issued in 2012, undertaken with respect to each of the principles and guidelines; and the extent of its compliance with the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and any deviations from the Code are explained in this report.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: *The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The Company is headed by an effective Board comprising seven Directors of whom three are Executive Directors and four are Non-Executive with three Independent Directors. Their combined wealth and diversity of skills, experience, gender and knowledge of the Company enables them to contribute effectively to the strategic growth and governance of the Group.

The Board assumes responsibility for stewardship of the Company and the Group, and is primarily responsible for the protection and enhancement of long-term shareholders’ value and returns for the shareholders. It strives to achieve this by providing the leadership and guidance to the Management to develop and drive business directions and goals. The Board also sets the tone for the Group where ethics and values are concerned.

Besides its statutory responsibilities, the Board also:-

- Provides entrepreneurial leadership, and guidance on the overall strategic direction, oversees the proper conduct of the business, performance and affairs of the Group and ensure that the necessary financial, human and operational resources are in place for the Company to meet its objectives;
- Oversees the processes of evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance;
- Ensures the Management discharges business leadership and management skills with the highest level of integrity;
- Approves major investment and divestments proposals, material acquisitions and disposal of assets, major corporate policies on key areas of operations, annual budget, the release of the Group’s quarterly and full year financial results and interested person transactions of a material nature;
- Sets the Company’s values and standards, and ensuring that obligations to shareholders and others are understood and met;
- Assumes responsibility for corporate governance;
- Considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and
- Identifies the key stakeholder groups and recognise that their perceptions affect the Company’s reputation.

CORPORATE GOVERNANCE REPORT

Independent Judgement

The Board provides shareholders with a balanced and clear assessment of the Group's performance, position and prospects on a semi-annually basis. All Directors exercise due diligence and independent judgment and are obliged to act in good faith and consider at all time the interest of the Company. The Directors on the Board have the appropriate core competencies and diversity of experience that enable them to contribute effectively. They are able to objectively raise issues and seek clarification as and when necessary from the Board and the Management on matters pertaining to their area of responsibilities and actively help the Management in the development of strategic proposals and oversees the effective implementation by the Management to achieve the objectives set. The Board puts in place a code of conduct and ethics, set desired organizational culture and ensure proper accountability within the Group.

Conflict of Interest

Every Director of the Company is required to disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as practicable after the relevant facts have come to his/her knowledge. On an annual basis, each Director is also required to submit details of his/her associates for the purpose of monitoring interested persons transactions. When there is an actual or potential conflict of interest, the concerned Directors shall, abstain from voting, and recuse themselves from discussion or decision making, on the conflict related matters.

Director Induction, Training and Development

The Company conducts briefing and orientation programs for new Directors to familiarise themselves with the Company's structure and organisation, businesses and governance policies. Upon appointment, each newly appointed Director will be briefed by the Chief Executive Officer ("CEO") and/or senior Management of the Company on the business activities of the Group and its strategic directions, as well as setting out their duties and responsibilities as Directors. The aim of the orientation program is to give Directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. New Directors are also informed about matters such as the Code of Dealing in the Company's shares. Changes to regulation and accounting standards are monitored closely by the Management. The Board as a whole is updated regularly on risk management, corporate governance, insider trading and key changes in the relevant laws and regulations, changing commercial risks and business conditions to enable them to make well-informed decisions to properly discharge their duties as Board or Board Committee members. Our Independent Directors are also engaged full time in their respective professions and keep updated in their fields of knowledge.

Directors also have the opportunity to visit the Group's operational facilities, including overseas offices, and meet with the Management to facilitate a better understanding of the Group's business operations.

New releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority ("ACRA"), which are relevant to the Directors are circulated to the Board. The Company Secretary also informs the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. The External Auditors would update the AC and the Board on new and revised financial reporting standards annually.

The Company has an on-going budget for all Directors to attend appropriate courses, conferences, exhibitions, fairs and seminars for them to stay abreast of relevant business developments and outlook. These include programmes conducted by the Singapore Institute of Directors or other training institutions.

CORPORATE GOVERNANCE REPORT

Matters Requiring Board Approval

The Company has adopted internal guidelines setting forth matters that require the Board's approval which has been clearly communicated to the Management. Matters that specifically require Board's approval are those involving annual plans, major funding and investment proposals, mergers and acquisition transactions, release of results announcements and any other announcements, appointment of Directors and key management personnel and all other matters of material importance. The Board will review the guidelines on a periodical basis to ensure their relevance to the operations of the Company.

The Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board. The Company has adopted a set of Approving Authority and Limit, setting out the level of authorisation required for specified transactions, including those that require the Board's approval.

Board Committees

Our Directors recognise the importance of good corporate governance and in offering high standards of accountability to our shareholders. In order to provide an independent oversight and discharge its responsibilities more efficiently and to ensure that specific issues are subject to considerations and review before the Board makes its decisions, the Board has delegated certain functions to various Board Committees. The Board Committees consist of Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”) (collectively “**Board Committees**”). These Board Committees are chaired by Independent Directors and operate within clearly written terms of reference and operating procedures, compositions, authorities and duties, including reporting back to the Board and play an important role in ensuring good corporate governance in the Company and within the Group. These terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance and to enhance the effectiveness of these Board Committees. The Chairman of the respective Committee will report to the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the Committee by the Board. Please refer to the relevant principle on the composition of the Board and the Board Committees for FY2020.

The Board is free to request for further clarification and information from the Management on all matters within their purview. The schedule of all the Board Committees' meetings for the financial year is usually given to all the Directors well in advance. The Board conducts at least four meetings on a quarterly basis to review the Group's financial results and where necessary, additional Board meetings are held to address significant issues or transactions.

The Company's Constitution (the “**Constitution**”) provide for Directors to conduct meetings by tele-conferencing or by means of similar communication equipment whereby all Directors participating in the meeting are able to hear each other clearly. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees also approve transactions through circular resolutions, which are circulated to the Board and Board Committees together with all the information relating to the proposed transactions.

The agenda for meetings is prepared in consultation with the Executive Chairman and the Executive Directors and/or the Chairman of the Board Committees. The agenda and meeting materials are circulated to the Board and Board Committees in advance of the scheduled meetings.

The Directors are encouraged to make enquiries on any aspects of the Company's operations or business issues from the Management. The Executive Chairman or Non-Executive Deputy Chairman and CEO or the Company Secretary will make the necessary arrangements for briefings, informal discussions or explanations, as and when required.

CORPORATE GOVERNANCE REPORT

During the financial year, the Board members had met four times. The number of meetings held by the Board and Board Committees and attendance of each Board member at the meetings are disclosed in the table reflected below:-

	Board Committees			Annual General Meeting	
	Board	Audit Committee	Nominating Committee		Remuneration Committee
No. of meetings held	4	4	1	1	
Name of Director	No. of meetings attended				
Executive Director					
Mr Sun Zhao Lin	4	4*	–	–	1
Ms Tian Ruo Nan	4	4*	–	–	–
Mr Sun Tian ¹	4	4*	1*	1*	1
Non-Executive Director					
Mr Ng San Tiong	3	3*	–	–	–
Mr Chua Kee Lock	4	4	1	1	1
Dr Steve Lai Mun Fook	4	4	1	1	1
Mr Hoon Chee Wai ²	2	2	–	–	–
Mr Ho Chew Thim ³	1	1	1	1	1

* By invitation

¹ Son of Sun Zhao Lin and Tian Ruo Nan and Alternate Director to Sun Zhao Lin

² Appointed on 2 September 2019

³ Passed away on 6 August 2019

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

Despite some of the Directors having multiple Board representations, the NC had reviewed the Directorship of the Directors and is satisfied that these Directors are able to ensure that sufficient time and attention are given to the affairs of the Company and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal of these Directors.

Currently, the NC and Board do not limit the maximum number of listed Board representations which any Director may hold as long as each of the Board members is able to commit his/her time and attention to the affairs of the Company. The NC and Board believe that each individual director is best placed to determined and ensure that he/she is able to devote sufficient time and attention to discharge his/her duties and responsibilities as a Director of the Company, having regard to his/her other commitments.

Access to Information

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board Meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Group. Directors are also informed of any significant developments or events relating to the Group. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

CORPORATE GOVERNANCE REPORT

Independent Access to Management, the Company Secretary and Other Professional Advisers

Board members have separate and independent access to Management and the Company Secretary and where required, can obtain additional information to facilitate informed decision-making. Information provided includes background or explanatory materials related to matters to be reviewed and matters under review by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained.

Minutes of all Board and Board Committee meetings are circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Company Secretary or her representative attends all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees operate effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional adviser to render advice at the cost of the Company.

Board Composition and Guidance

Principle 2: 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.

The Board comprises seven (7) Directors, three (3) of whom are independent and non-executive Directors (the “**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. 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 composition of the Board is as follows:

Executive Directors

Mr Sun Zhao Lin	Executive Director and Chairman
Ms Tian Ruo Nan	Executive Director and Chief Executive Officer
Mr Sun Tian	Executive Director and Group General Manager
(Alternate Director to Mr Sun Zhao Lin)	

Non-Executive Directors

Mr Ng San Tiong	Non-Executive Director and Deputy Chairman
Mr Chua Kee Lock	Lead Independent Director
Dr Steve Lai Mun Fook	Independent Director
Mr Hoon Chee Wai ¹	Independent Director

¹ Appointed on 2 September 2019

The profiles of the Directors are set out on pages 15 to 17 of this Annual Report.

The Board’s structure, size and composition are reviewed annually by the NC with a view to determine the impact of its number upon effectiveness. The NC is of the view that the Board is of the 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.

CORPORATE GOVERNANCE REPORT

The NC has adopted the criteria on an Independent Director given in Provision 2.1 of the Code and Rule 210(5)(d) of the SGX-ST Listing Manual. All Directors are required to disclose any relationships or appointment which would impair their independence to the Board in a timely manner. The NC reviews annually the independence of each Director in accordance with the Code's definition of what element constitutes an Independent Director. The NC has reviewed the "Confirmation of Independence" forms completed by each Independent Director and is of the view that the three Independent Directors (who represent at least one-third of the Board) are independent, i.e, they have no relationship with the Company, its related companies, its substantial shareholders with shareholdings of 5% or more in the voting shares of the Company, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group, and they are able to exercise objective judgement on corporate affairs independently from the Management and the substantial shareholders with shareholdings of 5% or more in the voting shares of the Company.

The NC had conducted a rigorous review on the independence of the Non-Executive and Independent Directors, Mr Chua Kee Lock and Dr Steve Lai Mun Fook who have served the Board beyond 9 years. Each member of the NC has abstained from participating in the discussion and voting on any resolution related to his independence.

In considering whether an Independent Director who has served on the Board for more than nine (9) years is still independent, the Board has taken into consideration the following factors:-

- a. The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company.
- b. The attendance and active participation in the proceedings and decision making process of the Board and Board Committee meetings.
- c. Provision of continuity and stability to the Management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business.
- d. Whether the Independent Director's qualification and expertise provide reasonable checks and balances on the Management.
- e. Whether the Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company, including whether he is adequately prepared, responsive and heavily involved in the discussions in meetings.
- f. Whether the Independent Director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.
- g. Whether the Independent Director has led the Board Committees effectively in making independent and objective decisions.

The NC with the concurrence of the Board has reviewed the suitability and assessed the independence of Mr Chua Kee Lock and Dr Steve Lai Mun Fook individually, and is satisfied that there are no relationships which would deem them not to be independent.

Board Diversity

Although 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.

CORPORATE GOVERNANCE REPORT

The key information regarding Directors such as academic and professional qualifications, board committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found under the “Board of Directors” section of the Annual Report.

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.

To-date, none of the Independent Directors of the Company has been appointed as Director of the Company’s principal subsidiary, which is based in Singapore.

Chairman and Chief Executive Officer

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

There is a balance of power and authority in the Company, such that no one individual represents a concentration of power. The roles and responsibilities between the Chairman and the Chief Executive Officer (“CEO”) are held by separate individuals to ensure an appropriate distribution of power.

Mr Sun Zhao Lin, one of the founders of the Group, is our Executive Chairman of the Company. He is responsible for the formulation and execution of overall business strategies and policies and future directions, as well as the overall Management of the Group.

As the Chairman, he is also responsible for representing the Board to shareholders, ensuring that Board meetings are held when necessary and Board members are provided with adequate and timely information. He approves the Board meeting agendas in consultation with the CEO, Chief Financial Officer (“CFO”) and Company Secretary, who act as facilitators at the Board meetings, ensures the agenda items are adequately debated at Board meetings and maintains regular dialogues with the CEO on operational matters. In the absence of the Chairman, the Deputy Chairman, Mr Ng San Tiong will chair the Board meetings. He also takes a leading role in promoting high standards of corporate governance.

The Board noted that Provision 3.1 of the Code requires the Chairman and CEO to be separate person in order to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Ms Tian Ruo Nan, spouse of Mr Sun Zhao Lin, is holding the position as CEO of the Company. She is also one of the founders of the Group and is responsible for and oversees the day-to-day operations of the Group. As the CEO, she is involved in the day-to-day business of the Group and leads Management in setting strategies, objectives and implementations and is also responsible for the development and financial performance of the Group.

All major decisions made by the Board are subject to final majority approval of the Board and are reviewed by the AC, whose members comprise of all Non-Executive Independent Directors. The Executive Directors’ performance and remuneration are reviewed annually by the NC and RC respectively, whose members comprise a majority of Non-Executive Independent Directors of the Company. The Board believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

In view that the Chairman and the CEO are immediate family members and part of the Executive Management team, Mr Chua Kee Lock has been appointed as our Lead Independent Director of the Company pursuant to the recommendation in Provision 3.3 of the Code. Where a situation arises that may involve conflict of interests between the roles of the Chairman and the CEO, it is the Lead Independent Director’s responsibility, together with the other Independent Directors to ensure that shareholders’ rights are protected. As the Lead Independent Director of the Company, Mr Chua Kee Lock is available to shareholders where they have concerns, or when contact through the normal channels to the Chairman, the CEO or the CFO is unsuccessful or inappropriate.

CORPORATE GOVERNANCE REPORT

All the Independent Directors including the Lead Independent Director, meet at least once annually without the presence of the other Executive and Non-Independent Directors to discuss matters of significance, which are thereon reported to the Chairman accordingly.

Hence, the Board believes that notwithstanding the close family ties between the Chairman and the CEO with the current composition and structure of the Board, it is able to make objective and prudent judgement on the Group's corporate affairs. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and are based on collective decisions without any individual exercising any considerable concentration of power or influence.

Board Membership

Principle 4: *The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.*

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at a general meeting and determining the independence of each Director.

As at the date of this report, the NC comprises of three members, all of whom including the Chairman, are Independent Directors, the Lead Independent Director Mr Chua Kee Lock is also a member of the NC:-

The members of the NC are:-

Dr Steve Lai Mun Fook	Chairman
Mr Chua Kee Lock	Member
Mr Hoon Chee Wai	Member

In accordance with the definition in the Code, the Chairman of the NC has no relationship with the Company, its related corporations, its substantial shareholders with shareholdings of 5% or more in the voting shares of the Company or its officer. The NC is established for the purposes of ensuring that there is a formal and transparent process for all board appointments. It has adopted written terms of reference defining its membership, administration and duties.

The NC meets at least once a year and at other times as required. The NC is regulated by its written terms of reference and its key functions include:-

- Making recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;
- Regularly reviewing the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the Directors as a group and making recommendations to the Board with regards to any adjustments that are deemed necessary;
- Identifying and nominating candidates for the approval of the Board, determining annually whether or not a Director is independent, filling Board vacancies as and when they arise as well as putting in place plans for succession, in particular for the Chairman, CEO and key management personnel;
- Determining the independence of Directors on an annual basis in accordance with Guideline 2.1 of the Code;
- Recommending Directors who are retiring by rotation to be put forward for re-election (including alternate Director);

CORPORATE GOVERNANCE REPORT

- Deciding whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
- Recommending to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;
- Assessing the effectiveness of the Board as a whole, its Board Committees and assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be carried out annually;
- Deciding on how the Board's performance may be evaluated and propose objective performance criteria, subject to the approval of the Board, which allow for comparison with industry peers and which address how the Board has enhanced long-term shareholders' value;
- Reviewing the training and professional development programs for the Board and its Directors; and
- Reviewing and approving any new employment of related persons and the proposed terms of their employment.

Regulation 117 of the Company's Constitution requires the number nearest to one-third of the Directors to retire by rotation and subject themselves to re-election by the shareholders at the Annual General Meeting ("AGM") of the Company. In addition, each Director of the Company shall retire from office once every three years. Directors who retire are eligible to stand for re-election. Regulation 121 of the Company's Constitution provides that additional Directors appointed during the year shall only hold office until the next AGM and shall then be eligible for re-election at that AGM. The Board and the NC have developed a process of evaluation of performance of the Board and Board Committees through establishment of quantifiable performance criteria.

The NC has recommended and the Board has approved the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors are Ms Tian Ruo Nan, Mr Ng San Tiong and Mr Hoon Chee Wai who will retire pursuant to Regulations 117 and 121 of the Company's Constitution. Details of the Directors seeking re-election are found in Table A set out on pages 43 to 47 of this Annual Report.

Each member of the NC shall abstain from voting on any resolutions and making recommendation and/or participating in any deliberations of the NC in respect of his/her re-nomination as a Director.

The dates of initial appointment and last re-election of each Director are set out below:-

Name of Directors	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Directorships in other listed companies	
				Current	Past three years
Mr Sun Zhao Lin	Chairman	5 August 2005	29 July 2019	–	–
Ms Tian Ruo Nan	Director	28 December 2007	23 July 2018	–	–
Mr Ng San Tiong	Director	28 June 2007	24 July 2017	1. Intraco Ltd	–
Mr Sun Tian	Director	31 December 2005	29 July 2019	–	–
Mr Chua Kee Lock	Director	28 December 2007	23 July 2018	–	1. Reebonz Holding Limited
Mr Hoon Chee Wai	Director	2 September 2019	–	–	–
Dr Steve Lai Mun Fook	Director	28 December 2007	29 July 2019	1. Intraco Ltd	–

CORPORATE GOVERNANCE REPORT

The NC decides how the Board's performance is evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders' value. The Board also implemented a process to be carried out by the NC to evaluate the effectiveness of the Board as a whole and its Board Committees annually.

The NC has also adopted internal guidelines addressing the commitments that are faced when Directors serve on multiple boards. During the financial year, the NC has reviewed the multiple Directorships disclosed by each Director of the Company and their other principal commitments. The NC is satisfied that each Director has allocated sufficient time and attention to the affairs of the Group to adequately discharge their duties as Director of the Company.

The Group has in place, policies and procedures for the appointment of new Directors, including the description on the search and nomination procedures. Where a vacancy arises, the NC will consider each candidate based on the selection criteria determined after consultation with the Board and after taking into consideration the qualification, experience, ability to contribute effectively to the Board and to add value to the Group's business, in line with its strategic objectives before recommending the suitable candidate to the Board for approval.

Candidates may be suggested by directors and Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant business and management experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidates who must stand for election at the next AGM of shareholders.

The NC does not have a practice of appointing alternate Directors to Independent Directors except for limited periods in exceptional cases such as when a Director has a medical emergency. There were no alternate Directors appointed in this financial year except that Mr Sun Tian, the Executive Director and Group General Manager, is the alternate Director to Mr Sun Zhao Lin, Executive Director and Chairman.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual Directors.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established a formal process for assessment of the effectiveness of the Board as a whole, its Board Committees and individual Directors annually.

The NC undertakes a process to assess the effectiveness of the Board as a whole, its Board Committees and individual Directors for FY2020. The appraisal parameters focus on evaluation of factors such as the size and composition of the Board and its Committees, the Board's access to information, Board's processes and accountability, Board's performance in relation to discharging its principal responsibilities, communication with the Management and the standards of conduct of the Directors. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

During the financial year under review, each Director was required to complete the evaluation form and individual Director's assessments adopted by the NC for annual assessment on the overall effectiveness of the Board, its Board Committees and each Director's contributions, and the results have been collated by the Chairman of NC for review or discussion. The results of the individual, Board and Board Committees' assessments are reviewed and discussed by the NC and, any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration on the appropriate measures to be taken. The NC has full authority to engage an external facilitator to assist the NC to carry out the evaluation process, if the need arises.

CORPORATE GOVERNANCE REPORT

The NC, in considering the re-nomination of any Director, had considered factors including their performance in the Board as a whole, its Board Committees and individual performance including his attendance, preparedness, participation and contributions in the proceedings of the meetings.

The evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice. The last Board of Directors' evaluation was conducted in 17 July 2020 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual Directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: *The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.*

As at the date of this report, the RC comprises of three members, all of whom including the Chairman are Independent Directors:-

Mr Chua Kee Lock	Chairman
Mr Hoon Chee Wai	Member
Dr Steve Lai Mun Fook	Member

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Director. The overriding principle is that no Director should be involved in deciding his/her own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC meets at least once a year and at other times as required. The RC is regulated by its written terms of reference and its key functions include:-

- Reviewing and recommending to the Board the remuneration packages and terms of employment of the Executive Directors, and senior management or key management personnel;
- Reviewing and recommending to the Board the grant of share options schemes or any long-term incentive schemes which may be set up from time to time;
- Carrying out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time;
- Ensuring that all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered; and
- Reviewing process shall take into consideration Principle 7 and Provisions 7.1 to 7.3 of the Code, that the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Director's and senior management's performance, and that the remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

CORPORATE GOVERNANCE REPORT

The RC has reviewed the framework of remuneration for the Directors and key management personnel, and has determined specific remuneration packages for the Executive Directors as well as for the key management personnel. The recommendations of the RC are made in consultation with the remaining Non-Executive Director(s) and submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefit-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his/her remuneration package.

In structuring and reviewing the remuneration packages, the RC seeks to align the interests of Directors and key management personnel with those of shareholders by linking rewards to corporate and individual performance, as well as roles and responsibilities of each Director. The RC will also review the Group's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

The RC is knowledgeable in the field of executive compensation, in considering the remuneration of all Directors, has not sought external professional advice nor appointed independent remuneration consultants.

The Directors' fees to be paid to the Directors are subject to shareholders' approval at the forthcoming AGM for FY2020.

Level and Mix of Remuneration

Principle 7: *The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board.

The Non-Executive Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. Directors' fees are recommended by the RC and submitted to the Board for endorsement, subject for approval by the shareholders at the AGM of the Company. The Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his/her own remuneration.

The Executive Directors do not receive Directors' fees. The remuneration of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component which is inclusive of bonuses and other benefits. The RC has reviewed and approved the services agreements entered into with the three Executive Directors namely Mr Sun Zhao Lin, Ms Tian Ruo Nan and Mr Sun Tian.

Having reviewed and considered the variable component of the remuneration packages of the Executive Directors and key management personnel, which are moderate, the RC is of the view that the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. Therefore, there is no necessity for the Company to institute contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The Company currently has no employee share option schemes or other long-term incentive scheme in place. The RC will explore a suitable incentive plan/scheme as and when it deems necessary.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8: *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

A breakdown of the remuneration of the Directors and key management personnel (who are not Directors or the CEO), in percentage terms showing the level and mix, for FY2020 falling within the bands of S\$250,000 is set out below:-

Remuneration Band and Name	Fixed Salary	Variable Bonus	Directors' Fees	Total
	%	%	%	%
Directors				
<i>Between S\$250,000 to S\$500,000</i>				
Mr Sun Zhao Lin	56%	44%	–	100%
Ms Tian Ruo Nan	56%	44%	–	100%
Mr Sun Tian	62%	38%	–	100%
<i>Below S\$250,000</i>				
Mr Ng San Tiong	–	–	100%	100%
Mr Chua Kee Lock	–	–	100%	100%
Mr Hoon Chee Wai ¹	–	–	100%	100%
Dr Steve Lai Mun Fook	–	–	100%	100%
Mr Ho Chew Thim ²	–	–	100%	100%
Key management personnel				
<i>Between S\$250,000 to S\$500,000</i>				
Mr Yap Soon Yong	63%	37%	–	100%
<i>Below S\$250,000</i>				
Mr Xu Guang Hui	76%	24%	–	100%
Mr Shi Yong	60%	40%	–	100%
Mr Liu Xiao Ming	64%	36%	–	100%
Mr Yu Hao Bo	66%	34%	–	100%
Ms Wang Lian ³	69%	31%	–	100%

¹ Appointed on 2 September 2019

² Passed away on 6 August 2019

³ Appointed on 8 May 2019

The aggregate total remuneration paid/accrued to the top 6 key management personnel (who are not Directors or the CEO) for FY2020 is approximately S\$698,000.

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.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 18 September 2020, for the payment of Directors' fees proposed for FY2020 amounting to an aggregate of S\$242,000.

CORPORATE GOVERNANCE REPORT

For FY2020, there were no termination, retirement and post-employment or other long-term incentive granted to the Directors or key management personnel.

Save as disclosed, there is no employee of the Group who is a substantial shareholder of the Company, or an immediate family member of Directors, the CEO or a substantial shareholder of the Company and whose remuneration has exceeded S\$100,000 during FY2020. (“**Immediate family member**” means the spouse, child, adopted child, step-child, brother, sister and parent.)

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group’s systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. The internal control and risk management functions are performed by the Group’s key management personnel and reported to the AC for review.

It should be noted, in the opinion of the Board, that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The Board understands its accountability to shareholders on the Group’s position, performance and progress. The Board will update shareholders on the operations and financial position of the Company through quarterly and full year financial results announcements, as well as timely announcements of other matters as prescribed by the relevant rules and regulations to provide the shareholders with a balanced and understandable analysis and explanation of the Group’s financial performance, position and prospects. The Management provides the Board on a quarterly basis, financial reports and other information on the Group’s performance, financial position and prospects for their effective monitoring and decision-making.

The Board has also taken steps to ensure compliance with legislative and regulatory requirements. In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year review, the CEO and CFO have provided assurance to the Board on the integrity of the Group’s financial statements.

The Directors and executive officers of the Company have provided undertakings of compliance with the requirements of the SGX in accordance with Rule 720(1) of the Listing Manual of SGX-ST.

It is the Board’s policy to provide the shareholders with all important and price sensitive information on a timely basis. These are done through the SGXNET in the form of half-yearly announcements, or as and when necessary in order to discharge their duties effectively.

The Board, with assistance from the Enterprise Risk Management Committee (“**ERMC**”) and the AC, is responsible for the governance of risk by ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the Group’s assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives. The Board acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

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The ERM, which comprises of key management of the Group, was formed in year 2012 to assist Management in its role of managing risks, as part of the Group's efforts to strengthen its risk management processes and enable accountability for its adequacy and effectiveness. The ERM reports to the AC which, in turn, reports to the Board.

An Enterprise Risk Management (“ERM”) programme has been implemented to identify, prioritise, assess, manage and monitor key risks. The risk management process in place covers, inter alia, financial, operational (including information technology) and compliance risks faced by the Group. From year 2012 to year 2015, the Group has engaged Messrs Mazars LLP to assist in enhancing the ERM programme over the identification, prioritisation, assessment, management and monitoring of key risks. The Management continued to adopt the risk management framework established from FY2016 to FY2020. Key risks identified are deliberated by key management, and reported to the AC on a regular basis. The AC reviews the adequacy and effectiveness of the ERM programme against identified significant risks vis-à-vis changes in the Group's operating environment.

Relying on the reports from the Internal and External Auditors, the AC carried out assessment of the effectiveness of key internal controls during the financial year. Any material non-compliance or weaknesses in internal controls or recommendations from the Internal and External Auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the Internal and External Auditors.

For FY2020, the Board has received assurance from:-

- (a) the CEO and CFO of the Company that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management systems and internal control systems in addressing financial, operational, compliance and information technology risks are operating effectively.

Based on the internal controls in place, the reports from the Internal and External Auditors, as well as reviews conducted by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's system of internal controls and risk management procedures in addressing the financial, operational, compliance and information technology controls, and risk management systems maintained by the Group during the FY2020 are adequate and effective.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

As at the date of this report, the AC comprises of three members, all of whom are Independent Directors:-

Mr Hoon Chee Wai	Chairman
Mr Chua Kee Lock	Member
Dr Steve Lai Mun Fook	Member

The AC is established to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experience to discharge its responsibilities properly.

The AC is governed by its terms of reference, which was reviewed and amended, where appropriate, to adopt relevant best practices set out in the Guidebook and the Code. The terms of reference is used as a reference to assist the AC in discharging its responsibilities and duties, which include:-

- Reviewing the audit plans of the Company's External Auditors, including the results of the Auditors' review and audit report, the management letter and the Management's response and evaluation of the Company's system of internal controls;

CORPORATE GOVERNANCE REPORT

- Ensuring coordination where more than one audit firm is involved;
- Reviewing the semi-annually and annual financial statements of the Group focusing in particular, on significant financial reporting issues and judgements, any significant adjustments, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, stock exchange and statutory/regulatory requirements before submission to the Board for approval;
- Reviewing any formal announcements relating to the Company's financial performance;
- Discussing problems and concerns, if any, arising from the audits, in consultation with the External Auditors and Internal Auditors where necessary and to meet the External Auditors and Internal Auditors without the presence of the Management, at least once annually;
- Reviewing the assistance and cooperation given by the Management to the External Auditors;
- Reviewing annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors;
- Reviewing the internal audit programme and ensure coordination between External Auditors and Internal Auditors and the Management;
- Reviewing the adequacy of the Company's internal controls;
- Reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit functions and ensure that the said functions are adequately resourced;
- Reviewing with the External Auditors, any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position and the Management's response;
- Reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions;
- Reviewing any potential conflict of interest;
- Reporting to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- Reviewing Interested Person Transactions, falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- Recommending to the Board the appointment, re-appointment and removal of the External Auditors and approve the remuneration and terms of engagement of the External Auditors;
- Determining the Company's level of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems;
- Undertaking such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- Undertaking generally such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

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Apart from the above functions, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore laws, rules or regulations which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions and/or participating in any deliberations of the AC in respect of matters in which he/she is interested.

The AC has full access to and cooperation of the Management, External Auditors and Internal Auditors. It also has the discretion to invite any Director and/or key management personnel to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

The AC has reviewed all Interested Person Transactions for FY2020 and is of the opinion that Chapter 9 of the Listing Manual of the SGX-ST has been complied with.

For FY2020, the AC met once with the External Auditors and Internal Auditors without the presence of the Management. The AC, having reviewed the scope and value of non-audit services provided to the Group by the External Auditors, which comprise of the tax advisory services and is satisfied that the nature and extent of such services will not prejudice and affect the independence and objectivity of the External Auditors. The audit and non-audit fees paid/payable to the External Auditors for FY2020 would be S\$201,000 and S\$3,000 respectively.

The Company has complied with Rule 715 of the Listing Manual of the SGX-ST as all principal subsidiaries of the Company are audited by Messrs Foo Kon Tan LLP. All other foreign-incorporated subsidiaries are audited by suitable auditing firms for the purposes of the consolidated financial statements of the Group and audited by Messrs Foo Kon Tan LLP for consolidation purposes.

The AC undertakes a review of the scope of services provided by the External Auditors, the independence and the objectivity of the External Auditors on an annual basis. Messrs Foo Kon Tan LLP, the External Auditors of the Company, has confirmed that they are a Public Accounting Firm registered with ACRA and provided a confirmation of their independence to the AC. The AC had assessed the External Auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group. Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with, and has recommended to the Board that Messrs Foo Kon Tan LLP be nominated for re-appointment as External Auditors at the forthcoming AGM of the Company.

The AC had evaluated the performance of the External Auditors based on the key indicators of audit quality and guidance, where relevant, as set out in the "Guidance to Audit Committee on Evaluation of Quality of Work performed by the External Auditors" such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, taking into account the size and complexity of the Group.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the External Auditors in their meetings with the AC. In line with the Provision 10.3 of the Code, no former partner or Director of the Company's existing auditing firm has acted as a member of the AC.

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In the review of the financial statements, the AC has discussed with Management and the External Auditor the accounting principles that were applied and their judgment of items that might affect the true and fair view of the financial statements. In particular, the following key audit matters impacting the financial statements were discussed with Management and the External Auditor and were reviewed by the AC.

Key audit matters	How the AC reviewed these matters and what decisions were made
Impairment of trade receivables	The AC is regularly updated on the status of trade receivables and their aging. The collectability of long outstanding debts and the reasonableness of impairment provisions made were reviewed by the AC and the Management.
Valuation of financial assets at fair value through other comprehensive income (“FVOCI”).	The AC was satisfied that Management had relied on independent reputable external valuer for the FVOCI valuation exercise.
Revenue recognition on sale of manufactured tower cranes	The AC reviewed Management’s approach and assessment of the internal controls over the recognition of revenue. The AC was satisfied that Management’s approach and assessment of internal controls over revenue recognition were appropriate.

The AC had reviewed, approved and implemented a whistle-blowing framework which provides well-defined and accessible channels in the Group through which employees of the Group may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters within the Group. The framework includes arrangements for independent investigations and appropriate follow-up of such matters. Details of the whistle-blowing policies and arrangements have been made available to the employees. As at the date of this report, there was no report received through the whistle-blowing mechanism.

The AC had reviewed the Company’s key financial risk areas and noted that apart from the foreign exchange rate differences which arise when transactions are denominated in foreign currencies, the Group has not entered into any financial derivatives contracts which will give rise to financial risks.

The AC has explicit authority to investigate any matter within its terms of reference. The AC has, within its terms of reference, the authority to obtain independent professional advice at the Company’s expenses as and when the need arises.

Internal Audit

The Board recognises the importance of maintaining a system of internal controls in order to safeguard the shareholders’ investments and the Company’s assets. The Company has outsourced its internal audit functions of the Group to Messrs Mazars LLP, a professional firm to perform the review and test of controls of its processes. As recommended by the AC, the Board approved the re-appointment of Messrs Mazars LLP as Internal Auditors of the Group. The internal audit function is expected to meet the standard set by internationally recognized professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditors has unfettered access to all the Company’s documents, records, properties and personnel, including access to the Board, the AC and Management, where necessary, and has the right to seek information and explanation.

The appointed Internal Auditors reports directly to the AC and is responsible for assessing the reliability, adequacy and effectiveness of the system of internal controls designed to protect the fund and assets of the Group. The Internal Auditors also ensure that control procedures are complied with, by assessing that the operations of the business processes under review are conducted efficiently and effectively and identifying and recommending improvement to internal control procedures, where required.

The Internal Auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the Internal Auditors, including overseeing and monitoring of the implementation of improvements on internal control weaknesses identified.

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For FY2020, the AC met once with the Internal Auditors without the presence of the Management. The AC is of the opinion that Messrs Mazars LLP is adequately resourced with qualified personnel to discharge its responsibilities. The AC has reviewed the internal audit reports based on the controls in place and is satisfied that the internal audit functions has been (i) adequately resourced, (ii) staffed by suitably qualified and experienced professionals with the relevant experiences and has the appropriate standing within the Group; and (iii) in accordance with the standards set by professional bodies.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: *The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights, and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

All shareholders are treated fairly and equitably to facilitate their ownership rights to participate effectively in and vote at general meetings. Shareholders are also informed on the procedures for the poll voting at the general meetings. The Regulations of Constitution allow a member of the Company, who is unable to attend the general meeting in person, to appoint up to two (2) proxies to attend and vote at the meeting in place of the member.

The Company believes in high standards of transparent corporate disclosure in line with the continuous obligations of the Company under the Listing Manual of the SGX-ST and the Companies Act. The Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group. Half yearly financial results and news releases (if any) will be published through the SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The Board notes that there should be separate resolutions on each substantially separate issue that may be tabled at the general meeting. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions.

At the AGM, shareholders are given opportunities to express their views and the Board welcomes the views of shareholders who wish to raise issues concerning the Company, either informally or formally before or during these general meetings. The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the External Auditors are present to assist our Board in addressing any relevant queries raised by our shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A relevant intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

The Company's constitution does not allow for absentia voting methods such as voting via mail, email or fax, until security, integrity and other pertinent issues are satisfactorily resolved.

For greater transparency and fairness in the voting process, voting at shareholders' meetings were conducted by poll since 2013. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis. The voting results of all votes cast for or against each resolution is then announced at the meeting and broadcasted via SGXNet after the meeting.

CORPORATE GOVERNANCE REPORT

The Company prepares minutes of general meetings incorporating the substantial and relevant comments or queries from shareholders that is relevant to the agenda of the meeting and responses from the Board and the Management. These minutes are available to shareholders upon their request and will be available on the Company's website at <http://www.yongmaoholdings.com/>.

As for FY2020, the Company will be publishing the minutes of its AGMs on its corporate website as soon as practicable and in line with the requirement of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Company will be publishing the minutes of the forthcoming AGM to be held by way of electronic means within 1 month after the AGM on SGXNet and its corporate website.

In view of the COVID-19 control measures in place within Singapore under the COVID-19 (Temporary Measures) Act 2020 and subsidiary legislation, such as the COVID-19 (Temporary Measures) (Control Order) Regulations 2020, physical attendance of shareholders at the Company's AGM is prohibited, and general meetings may only be conducted by way of electronic means pursuant to the Order or held in accordance with existing law or legal instrument, if doing so would not breach prevailing safe management measures. It is presently uncertain when the COVID-19 control measures may be lifted, and when the COVID-19 outbreak will fully stabilise within Singapore. In the interest of transparency and accountability, and taking these factors into account, the Board is of the view that the Company should, notwithstanding it has obtained an automatic extension to 29 September 2020 for its AGM to be held, proceed with its AGM for FY2020 by electronic means. The Board is satisfied that the alternative means for shareholders to submit questions are adequate to provide shareholders with the necessary oversight regarding the Company's operations.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends paid will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

Although declaring and recommending dividend is not fixed, the Board of Directors' policy is to recommend dividends consistent with the Company's objective, inter alia of maximising shareholders' value. The Board will carefully consider and evaluate the aforementioned before proposing any dividend.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company recognises the importance of actively engaging with stakeholders to promote effective and fair communication. The Board acknowledges that the Company has to fulfill its obligation to furnish timely and material information to shareholders and to ensure full and appropriate disclosure of such information is made for complying with statutory requirements, as well as rules prescribed under the Listing Manual of SGX-ST. Any price sensitive information will be publicly released through on SGXNet.

The Company does not have a dedicated investor relations team. However, the Company's CEO and CFO are responsible for the Company's communication with shareholders. The Board also acknowledges its obligation to furnish timely information to shareholders and ensure that full disclosure of material information to comply with statutory requirements and the Listing Manual of the SGX-ST is made. Any price sensitive information will be publicly released on SGXNet first before being announced to any group of investors or analysts.

Although the Company has not adopted a formal investor relations policy to regularly convey pertinent information to the shareholders, the Board acknowledges its obligation to furnish timely information to shareholders and ensures that full disclosure of material information in its Annual Report to comply with statutory requirements and the Listing Manual of the SGX-ST is made. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company focuses on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries or concerns, as well as keeping the investors publicly apprised of the Group's corporate developments and financial performance.

CORPORATE GOVERNANCE REPORT

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board considers the Company's obligations to its shareholders and also the interests of its material stakeholders as the relationships with material stakeholders may have an impact on the Company's long-term sustainability. Stakeholders are parties who may be affected by the Company's activities or whose actions can affect the ability of the Company to conduct its activities. The Board has identified and engaged its material stakeholder groups as customers, constructors, suppliers, employees, landlords, investors, media, government, institutions and the communities.

In addition to the Company's material stakeholders, sustainability efforts (including its strategy and key areas of focus) and performance can be found in the Company's sustainability report. This is to keep the stakeholders informed on the commitment made by the Company in fostering the creation of long-term value for the stakeholders and a sustainable development of the global economy.

To keep all stakeholders of the Company updated, the Company maintains on its corporate website the latest announcements, press releases, and stock details of the Company. Stakeholders have 24-hour access to the Company's website at <http://www.yongmaoholdings.com/>.

DEALINGS IN SECURITIES

The Group has adopted its Code of Best Practices on dealings in securities by setting out the implications of insider trading and its regulations with regard to dealings in the Company's securities by its Directors and officers, that is modeled, with some modification, on Rule 1207(19) of the Listing Manual of the SGX-ST. The Group's Code of Best Practices provides guidance for Directors, officers and employees on their dealings in the Company's securities.

The Group's Code of Best Practices prohibits the Company and its officers and employees who have access to unpublished material price sensitive information from dealing in the Company's securities. The Company and its officers and employees are advised not to deal in the Company's securities during the period commencing two weeks immediately preceding the announcement of the Company's semi-annually financial results and one month immediately preceding the announcement of the Company's full year financial results and ending on the date of the announcement of such results on the SGX-ST, or when they are in possession of any unpublished price sensitive information of the Group. In addition, the Directors, key management personnel and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares for short term considerations.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control policy to ensure that transactions with interested persons are properly reviewed, approved and conducted at arms' length basis.

The AC has reviewed the Interested Person Transactions ("IPTs") for FY2020 and noted that the transactions have been conducted in accordance with the IPT Mandate obtained at the Company's AGM held on 29 July 2019 and that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

CORPORATE GOVERNANCE REPORT

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for FY2020:-

Name of interested person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
		RMB'000	RMB'000
Sales to			
China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd (中核华兴达丰机械租赁有限公司)	Related Corporation of a Substantial Shareholders	–	3,503
Jiangsu Hengxingmao Financial Leasing Co., Ltd. (江苏恒兴茂融资租赁有限公司)	Related Corporation of a Substantial Shareholders	–	58,047
Jiangsu Zhongjian Tat Hong Equipment Rental Co., Ltd. (江苏中建达丰机械租赁有限公司)	Related Corporation of a Substantial Shareholders	–	681
Beijing Weiteng Special Purpose Auto Co., Ltd. (北京威腾专用汽车有限责任公司)	Associate of the Controlling Shareholder	513	–
Liaoning Yongmao Hydraulic Machinery Co., Ltd (辽宁永茂液压机械有限责任公司)	Associate of the Controlling Shareholder	1,480	–
Purchases from			
Fushun Yongmao Industry and Trade Co., Ltd. (抚顺市永茂工贸发展有限公司)	Associate of the Controlling Shareholder	–	815
China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd (中核华兴达丰机械租赁有限公司)	Related Corporation of a Substantial Shareholders	972	–
Rental fee charged by related party			
Fushun Yongmao Engineering Machinery Co., Ltd (抚顺永茂工程机械有限公司)	Associate of the Controlling Shareholder	3,000	–
Rental fee charged by			
Sun Tian (孙田)	A director of the Company	809	–

The current IPT Mandate will be expiring on 18 September 2020, being the date of the forthcoming AGM of the Company. The Company is proposing to seek shareholders' approval at the AGM of the Company to be held on 18 September 2020 to renew the IPT Mandate pursuant to Chapter 9 of the Listing Manual of the SGX-ST. The IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the next AGM of the Company.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

Save as disclosed in the Directors' report and financial statements, there were no material contracts entered into by the Company or any of its subsidiaries, involving the interest of the CEO, any Director or the controlling shareholder subsisting at the end of the FY2020.

RISK MANAGEMENT

The Management reviews regularly the Group's business and operational activities to identify areas of significant business risks, as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, both the Internal and External Auditors conducted the annual review of effectiveness of the Company's material internal controls, including financial, operational and compliance, and information technology controls and risk management. Any material non-compliance and internal control weaknesses noted during their audit are reported to the AC together with their recommendations. The Management will follow up on the auditors' recommendations so as to strengthen the Group's risk management procedures.

Information in relation to the risks arising from the Group's financial operations is disclosed in the notes to the accompanying Audited Financial Statements on pages 63 to 147.

TABLE A

INFORMATION REQUIRED PURSUANT TO RULE 720(6) UNDER APPENDIX 7.4.1 OF THE LISTING MANUAL

To provide the information as set out in [Appendix 7.4.1](#) relating to the candidate who is proposed to be appointed for the first time or re-elected to the board at a general meeting, in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting.

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:-

Name of Director	Tian Ruo Nan	Ng San Tiong	Hoon Chee Wai
Date of appointment	28 December 2007	28 June 2007	2 September 2019
Date of last re-appointment (if applicable)	23 July 2018	24 July 2017	N.A.
Age	64	68	52
Country of principal residence	The People Republic of China	Singapore	Singapore
The Board's comments on NC's recommendation for re-election	The Board of Directors of the Company is of the opinion that Ms Tian can continue to contribute positively to the Company after reviewing the NC's recommendation and Ms Tian's extensive experience.	The Board of Directors of the Company is of the opinion that Mr Ng can contribute positively to the Company after reviewing the NC's recommendation and Mr Ng's qualifications, experience and suitability.	The Board of Directors of the Company is of the opinion that Mr Hoon can contribute positively to the Company after reviewing the NC's recommendation and Mr Hoon's qualifications, experience and suitability.

CORPORATE GOVERNANCE REPORT

Name of Director	Tian Ruo Nan	Ng San Tiong	Hoon Chee Wai
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Officer	Non-Executive Director and Deputy Chairman	Non-Executive and Independent Director, Chairman of Audit Committee, Member of Nominating Committee and Remuneration Committee
Professional qualifications	Ms Tian graduated from Dongbei Normal University (东北师范大学) having majored in Economics.	Mr Ng graduated with a Bachelor of Science (Honours) Degree from Loughborough University, College of Technology, in the United Kingdom.	Mr Hoon graduated from the Nanyang Technological University with a Bachelor of Accountancy.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Mr Sun Zhao Lin (Executive Director and Chairman) and mother of Mr Sun Tian (Executive Director and Group General Manager)	Managing Director of Tat Hong Holdings Ltd, a Substantial Shareholder of the Company.	None
Conflict of interest (including any competing business)	None	None	None
Working experience and occupation(s) during the past 10 years	Ms Tian is the Executive Director and Chief Executive Officer of Yongmao Holdings Limited. She is a co-founder of our Group.	Mr Ng is the Managing Director of one of the world's largest crane rental company Tat Hong Holdings Ltd and he is vastly experienced in the areas of corporate management, business development and business management. He sits on the board of Tat Hong Holdings Ltd as well as its regional subsidiaries and associates across Malaysia, Indonesia, Australia and China. He is also a director of Intraco Limited, a company listed on the Stock Exchange of Singapore.	Mr Hoon has been a corporate finance and investment banker in various regional financial institutions in Singapore where he was involved in numerous initial public offerings on the Stock Exchange of Singapore, equity and debt fund raising exercises for publicly listed companies from the capital markets as well as financial advisory on mergers, acquisitions, joint ventures and corporate restructuring. From 2012 to 2016, he became the senior vice president of the corporate

CORPORATE GOVERNANCE REPORT

Name of Director	Tian Ruo Nan	Ng San Tiong	Hoon Chee Wai
		In addition, Mr Ng is the President of the Singapore Chinese Chamber of Commerce & Industry (SCCCI), a member on the Board of Directors of the Business China and a member on the Board of Trustees of the Chinese Development Assistance Council (CDAC).	development department of a hospitality, leisure and entertainment group that is listed on the Main Board of the Stock Exchange of Singapore, where he was primarily responsible for the corporate development, investments and investors' relations activities of the group. From 2017 to 2020, Mr Hoon was the senior vice president of a real estate developer and operator of integrated leisure and entertainment resorts that is listed on the Main Board of the Stock Exchange in Hong Kong. His main responsibility is leading and overseeing the finance, corporate development, investments and investors' and media relations activities in the group.
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Ms Tian holds 66,600 shares in Yongmao Holdings Limited and is deemed to be interested in 50,942,870 shares of Yongmao Holdings Limited by virtue of the shares held by Sun & Tian Investment Pte. Ltd..	Mr Ng is deemed to be interested in 21,253,153 shares of Yongmao Holdings Limited by virtue of the shares held by Tat Hong Holdings Ltd.	Mr Hoon does not hold any shares in Yongmao Holdings Limited and its subsidiaries.

CORPORATE GOVERNANCE REPORT

Name of Director	Tian Ruo Nan	Ng San Tiong	Hoon Chee Wai
Other Principal Commitments* Including Directorships#	<p><u>Past (for the last 5 years)</u> Nil</p> <p><u>Present</u></p> <ul style="list-style-type: none"> Fushun Yongmao Concrete Machinery Co Ltd Fushun Yongmao Engineering Machinery Co Ltd Fushun Yongmao Industry and Trade Co Ltd Fushun Yongmao Industry Group Co Ltd Tat Hong Zhaomao investment Co., Ltd Beijing Tat Hong Zhaomao Equipment Rental Co., Ltd Beijing Weiteng Special Vehicle Co., Ltd Sun & Tian Investment Pte. Ltd. 	<p><u>Past (for the last 5 years)</u> Nil</p> <p><u>Present</u></p> <ul style="list-style-type: none"> Tat Hong Belt Road Pte. Ltd. Tat Hong Equipment (China) Pte. Ltd. Tat Hong Holdings Ltd Chwee Cheng & Sons Pte Ltd Edmund Tie Holdings Pte Ltd ET Investment Holdings Pte Ltd Tat Hong Investments Pte Ltd TH Investments Pte Ltd TH60 Investments Pte Ltd THSC Investments Pte Ltd <p><u>Others</u></p> <ul style="list-style-type: none"> Singapore Chinese Chamber of Commerce & Industry 	<p><u>Past (for the last 5 years)</u></p> <ul style="list-style-type: none"> Algonia Pte. Ltd Autumnglow Pte Ltd Bestlink Global Holdings Pte Ltd Genting Integrated Resorts Management Pte Ltd Genting Integrated Resorts (Singapore) Pte Ltd Genting Integrated Resorts (Singapore) II Pte Ltd Genting Integrated Resorts (Singapore) III Pte Ltd Genting International Management Services Pte Ltd Landsdale Pte Ltd Legold Pte Ltd Medo Investment Pte Ltd Prestelle Pte Ltd Prospero Global Holdings Pte Ltd Genting International Services (HK) Limited Fitzroy Limited Blackford Limited Propero Development Limited Phoenix Express Limited Bestlink Global International Limited Dynamics Sales Investments Limited Grand Knight International Limited Greenfield Resources Capital Limited Northspring Resources Ltd Northspring Management Ltd Northspring International Ltd Northspring Global Ltd

CORPORATE GOVERNANCE REPORT

Name of Director	Tian Ruo Nan	Ng San Tiong	Hoon Chee Wai
			<ul style="list-style-type: none"> • Northspring Capital Ltd • North Spring capital Mongolia LLC • North Spring Capital Blue LLC • Blue Shell International Limited • Callisto business Limited • Happy Bay Pte Ltd • Landing Jeju Development Co., Ltd • Landing Resorts Philippines Development Corporation <p><u>Present</u></p> <ul style="list-style-type: none"> • Dajoga Consulting Ltd • MJF Capital Pte. Ltd.

The retiring Directors have responded negative to items (a) to (k) listed in Rule 720(6) of the Listing Rules of SGX-ST.

DIRECTORS' STATEMENT

The directors are pleased to submit this annual report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2020 and the statement of financial position of the Company as at 31 March 2020.

In the opinion of the directors,

- (a) the accompanying financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are:

Sun Zhao Lin
Sun Tian (also alternate to Sun Zhao Lin)
Tian Ruo Nan
Ng San Tiong
Chua Kee Lock
Hoon Chee Wai (appointed on 2 September 2019)
Dr Steve Lai Mun Fook

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director or nominee		Holdings in which a director is deemed to have an interest	
	As at 1.4.2019	As at 31.3.2020	As at 1.4.2019	As at 31.3.2020
The Company - <u>Yongmao Holdings Limited</u> (Number of ordinary shares)				
Sun Tian	841,900	841,900	–	–
Sun Zhao Lin	–	–	50,942,870	50,942,870
Tian Ruo Nan	66,600	66,600	50,942,870	50,942,870

DIRECTORS' STATEMENT

Directors' interest in shares or debentures (Cont'd)

	Holdings registered in the name of director or nominee		Holdings in which a director is deemed to have an interest	
	As at 1.4.2019	As at 31.3.2020	As at 1.4.2019	As at 31.3.2020
The immediate and ultimate holding company - <u>Sun & Tian Investment Pte. Ltd.</u> (Number of ordinary shares)				
Sun Tian	10,000	10,000	–	–
Sun Zhao Lin	45,000	45,000	–	–
Tian Ruo Nan	45,000	45,000	–	–

There are no changes to the above shareholdings as at 21 April 2020.

Messrs Sun Zhao Lin and Tian Ruo Nan, by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, are deemed to have an interest in the whole of the issued share capital of the subsidiaries of the Company and Sun & Tian Investment Pte. Ltd..

Share options

No options to take up unissued shares of the Company or any subsidiary have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of the options to take up unissued shares of the Company or any subsidiary.

There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit committee

The Audit Committee at the end of the financial year comprises the following members:

Hoon Chee Wai (Chairman) (appointed on 2 September 2019)
Chua Kee Lock
Dr Steve Lai Mun Fook

All members of the Audit Committee were non-executive directors.

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the Singapore Exchange Securities Trading Limited ("SGX") Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology internal controls via reviews carried out by the internal auditors and risk management system via reviews carried out by the Enterprise Risk Management Committee;

DIRECTORS' STATEMENT

Audit committee (Cont'd)

- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2020 as well as the independent auditor's report thereon; and
- (iv) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the "Corporate Governance Report" section of the annual report.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

TIAN RUO NAN

SUN TIAN

Dated: 28 August 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Yongmao Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yongmao Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Our responses and work performed
<p>Impairment of trade receivables</p> <p>As at 31 March 2020, the Group has trade receivables of RMB422,883,000 which represented approximately 51% of the net assets of the Group.</p> <p>Trade receivables arise mainly from manufacturing, sale, rental and servicing of tower cranes and construction machinery and related components.</p> <p>Due to the COVID-19, the management reviewed and assessed whether there is any significant increase in credit risk and address the impairment, if required, according to the changes in credit risk for the trade receivables.</p>	<p>Our procedures are designed to challenge the impairment assessment of trade receivables. These procedures included, amongst others:</p> <ul style="list-style-type: none"> - we discussed with management regarding the level and ageing of receivables and recoverability of amounts due from customers, along with the consistency and appropriateness of receivables and recoverability of amounts due from customers by assessing recoverability with reference to cash received and credit enhancement. In addition, we considered the Group’s previous experience of bad debt exposure and the individual counterparty credit risk in compliance with SFRS(I) 9 simplified impairment approach; - we assessed the recoverability of overdue unprovided debt with reference to the historical levels of bad debt expense and credit profile of the counterparties; - we tested these balances on a sample basis through agreement to post period end invoicing, post period end cash receipt or agreement to the terms of the contract in place, as appropriate;

INDEPENDENT AUDITOR'S REPORT

To the Members of Yongmao Holdings Limited

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<p>Impairment of trade receivables (Cont'd)</p> <p>We have identified impairment of trade receivables as a Key Audit Matter as it involved significant judgements and accounting estimates in the evaluation of the collectability of trade receivables by management.</p>	<p>Our procedures are designed to challenge the impairment assessment of trade receivables. These procedures included, amongst others: (Cont'd)</p> <ul style="list-style-type: none"> - we obtained evidence of cash receipts during the year and subsequent to the year end, noting the level of account activity with customers, reviewed the past history of recovery and any repossession, if possible, and correspondences and/or agreements with customers to settle their outstanding balances; - we evaluated the credit terms and credit quality of certain customers, particularly those that are significantly overdue including a review of correspondences and/or plans by the Group to recover the outstanding customer balances; - we considered the consistency of judgements regarding the recoverability of trade receivables made year on year through discussion with management on their rationale and obtaining evidence to support judgement areas; - assessing the estimated realisable value calculated by management with reference to the estimated selling prices adopted by management and checked to the latest actual selling prices of selected repossessed machinery together with other observable market information; - we corroborated management's own impairment assessment against the collectability of individually significant receivables as set out in our audit thresholds including those that are individually insignificant but considered material in aggregate through analytical procedures and tested the accuracy of ageing of customers' balances; - the Group has provided expected credit loss on past due trade receivables after deducting their subsequent receipts and credit enhancements. We held discussion with management and corroborated the expected credit loss rates using internal available information; and - we considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. <p>The trade receivables, if have the possible effect of recoverability, the Group will cause the debtor to settle the receivables by way of repossession which is considered highly collateralised financial asset. The measurement of the expected credit losses will reflect the recovery expected from the collateralised machinery (with adjustments for the cost of obtaining and selling the collateral).</p> <p>Where the credit risk is regarded as low, there is no impairment to be made unless otherwise.</p> <p>Please refer to Notes 2(b), 10, 13, 14 and 33.3 to the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Yongmao Holdings Limited

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<p>Valuation of financial assets at fair value through other comprehensive income ("FVOCI").</p> <p>The Company and the Group owns 15,735,099 unquoted ordinary shares in Tat Hong Equipment (China) Pte. Ltd. ("THEC"), which represent approximately 11.6% in THEC. The Company has classified these shares as investments in financial assets at fair value through other comprehensive income ("FVOCI") and has measured them at their fair values with changes in fair value recognised in equity.</p> <p>The Company has appointed an independent professional valuer to perform a valuation of the FVOCI investment. As at 31 March 2020, the fair value of the FVOCI approximated to RMB119,029,000 based on the income and market approach. A fair value gain of RMB184,000 has been recognised in equity under Other Comprehensive Income - fair value reserves for the financial year ended 31 March 2020.</p> <p>The valuation exercise requires significant judgement and estimation. There is a risk that the FVOCI may not be appropriately valued if the valuation methodology used and the key assumptions applied by management and its valuers are inappropriate.</p>	<p>Our procedures are designed to challenge the valuation of the FVOCI. These procedures included, amongst others:</p> <ul style="list-style-type: none"> - we evaluated the competency, capability and independence of the valuer used by management in arriving at the fair value of the FVOCI; - we engaged our auditors' expert in the review of the valuer's valuation and also evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes; - we obtained the key inputs used in determining the fair value using the income approach such as the assumptions in projecting revenue forecast, gross margins, inflation and discount rate, and critically assessed the reasonableness by reference to historical performance and any relevant external data and cross checked the valuation obtained under the income approach with the valuation obtained under the market comparable approach; and - we evaluated the sensitivity analysis performed by management and assessed the adequacy of the Company's and the Group's disclosures relating to the assumptions and key estimates used in determining the fair value. <p>We concluded that the assumptions and estimates used in the valuation were supportable.</p> <p>Please refer to Notes 2(b), 9 and 35 to the financial statements.</p>
<p>Revenue recognition on sale of manufactured tower cranes</p> <p>The Group's revenue is principally derived from the sale of manufactured tower cranes to numerous customers.</p> <p>Revenue of manufactured tower cranes is recognised when the Group satisfies the performance obligation by transferring the control over products promised in the contract with customer, which is the point of time when a customer accepts the machinery and signs on the goods delivery note.</p>	<p>Our procedures are designed to assess the recognition of revenue of manufactured tower cranes. These procedures included, amongst others:</p> <ul style="list-style-type: none"> - we performed walkthrough of the revenue process and tested the design, implementation and operating effectiveness of internal controls in relation to revenue recognition from sales of manufactured tower cranes; - we performed tests of details on selected revenue transactions against underlying documentation including shipping documents, sales invoices, customer acknowledgment and receipts; - we inspected key customer contracts to identify performance obligations and terms and conditions relating to goods acceptance and the right of return;

INDEPENDENT AUDITOR'S REPORT

To the Members of Yongmao Holdings Limited

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<p>Revenue recognition on sale of manufactured tower cranes (Cont'd)</p> <p>Sales of manufactured tower cranes contributed approximately 76.8% of the Group's revenue for the year ended 31 March 2020.</p> <p>We have identified revenue recognition on sale of manufactured tower cranes as a key audit matter under SSA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>, and also because the Group's construction machinery has a variety of sales models and payment methods, including long-term payment, finance lease or guarantee arrangement, which is more susceptible to misstatement.</p>	<p>Our procedures are designed to assess the recognition of revenue of manufactured tower cranes. These procedures included, amongst others: (Cont'd)</p> <ul style="list-style-type: none"> - we assessed whether revenue is recognised when a performance obligation is satisfied with reference to the requirements of the prevailing accounting standards; - we verified to selected revenue transactions to goods delivery notes, online courier tracking record, bill of lading, customer acknowledgement and receipts to assess whether the related revenue was recognised in accordance with the Group's revenue accounting policy; and - we performed detailed cut-off procedures on revenue to assess whether the related revenue had been recognised in the appropriate financial period. <p>Please refer to Notes 2(b), 21 and 34 to the financial statements.</p>

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors, Corporate Governance Report and Directors' Statement section of the annual report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the other sections of the annual report ("Other Sections") which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITOR'S REPORT

To the Members of Yongmao Holdings Limited

Responsibility of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Yongmao Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yeo Boon Chye.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 28 August 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2020

		The Company			The Group	
		31 March	31 March	1 April	31 March	31 March
	Note	2020	2019	2018	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)		
ASSETS						
Non-Current						
Property, plant and equipment	4	–	–	–	436,679	407,218
Intangible assets	5	–	–	–	–	–
Lease prepayments	6	–	–	–	–	18,986
Subsidiaries	7	344,363	344,363	344,363	–	–
Available-for-sales, financial asset	8	–	–	88,127	–	–
Financial assets, at FVOCI	9	119,029	118,845	–	119,029	118,845
Trade and other receivables	10	–	–	–	171	225
Deferred tax assets	11	–	–	–	17,667	17,996
		463,392	463,208	432,490	573,546	563,270
Current						
Inventories	12	–	–	–	392,204	358,641
Trade and other receivables	10	259	229	183	432,257	424,496
Amounts owing by subsidiaries	7	40,466	34,387	32,078	–	–
Amounts owing by related parties	13	–	–	–	68,504	83,845
Amounts owing by a corporate shareholder of a subsidiary	14	–	–	–	3,468	3,345
Cash and cash equivalents	15	1,388	2,558	858	167,343	193,651
		42,113	37,174	33,119	1,063,776	1,063,978
Total assets		505,505	500,382	465,609	1,637,322	1,627,248
EQUITY						
Capital and Reserves						
Share capital	16	312,484	312,484	312,484	312,484	312,484
Reserves	17	187,909	181,959	150,251	464,795	413,058
Equity attributable to equity holders of the Company		500,393	494,443	462,735	777,279	725,542
Non-controlling interests		–	–	–	51,595	57,001
Total equity		500,393	494,443	462,735	828,874	782,543
LIABILITIES						
Non-Current						
Borrowings	18	–	–	–	4,891	708
Deferred capital grants	19	–	–	–	9,542	9,771
Deferred tax liabilities	11	84	–	–	25,847	22,412
Trade and other payables	20	–	–	–	16,100	18,434
		84	–	–	56,380	51,325
Current						
Trade and other payables	20	5,028	4,927	2,874	422,830	476,087
Borrowings	18	–	–	–	272,354	251,895
Deferred capital grants	19	–	–	–	229	229
Amount owing to a subsidiary	7	–	994	–	–	–
Amounts owing to/advances from related parties	13	–	–	–	9,610	18,615
Amounts owing to a corporate shareholder of a subsidiary	14	–	–	–	34,277	34,325
Current tax payable		–	18	–	12,768	12,229
		5,028	5,939	2,874	752,068	793,380
Total liabilities		5,112	5,939	2,874	808,448	844,705
Total equity and liabilities		505,505	500,382	465,609	1,637,322	1,627,248

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 March 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	21	962,352	885,413
Cost of sales		(713,522)	(646,737)
Gross profit		248,830	238,676
Other income	22(a)	16,517	9,083
Distribution costs	22(b)	(79,690)	(69,885)
Administrative expenses	22(c)	(84,828)	(88,952)
Other operating expenses	22(d)	(15,659)	5,636
Finance costs	22(e)	(16,891)	(18,520)
Profit before taxation	23	68,279	76,038
Taxation	24	(19,318)	(17,232)
Profit for the year		48,961	58,806
Other comprehensive income after tax:	25		
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange translation difference			
- foreign operations		8,864	8,354
		8,864	8,354
<u>Items that cannot be reclassified subsequently to profit or loss:</u>			
Fair value gain on financial assets, FVOCI		184	30,718
		9,048	39,072
Total comprehensive income for the year, net of tax		58,009	97,878
Profit/(Loss) attributable to:			
Equity holders of the Company		59,709	61,453
Non-controlling interests		(10,748)	(2,647)
		48,961	58,806
Total comprehensive income/(expense) attributable to:			
Equity holders of the Company		65,157	97,494
Non-controlling interests		(7,148)	384
		58,009	97,878
Earnings per share	27	RMB cents	RMB cents
- basic		67.3	69.2
- diluted		67.3	69.2

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2020

	Share capital	Merger reserve	Statutory common reserve	Fair value reserve	Retained earnings	Exchange fluctuation reserve	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 April 2018	312,484	(26,769)	60,326	9,452	277,724	(836)	632,381	56,617	688,998
Profit/(Loss) for the year	-	-	-	-	61,453	-	61,453	(2,647)	58,806
Other comprehensive income for the year	-	-	-	30,718	-	5,323	36,041	3,031	39,072
25									
Total comprehensive income for the year	-	-	-	30,718	61,453	5,323	97,494	384	97,878
Transfer from statutory common reserve	-	-	5,244	-	(5,244)	-	-	-	-
Dividends	-	-	-	-	(4,333)	-	(4,333)	-	(4,333)
31									
Total transaction with owners, recognised directly to equity	-	-	5,244	-	(9,577)	-	(4,333)	-	(4,333)
Balance as at 31 March 2019	312,484	(26,769)	65,570	40,170	329,600	4,487	725,542	57,001	782,543
Profit/(Loss) for the year	-	-	-	-	59,709	-	59,709	(10,748)	48,961
Other comprehensive income for the year	-	-	-	184	-	5,264	5,448	3,600	9,048
25									
Total comprehensive income for the year	-	-	-	184	59,709	5,264	65,157	(7,148)	58,009
Transfer from statutory common reserve	-	-	3,871	-	(3,871)	-	-	-	-
Investment by non-controlling interests	-	-	-	-	-	-	-	1,742	1,742
Dividends	-	-	-	-	(13,420)	-	(13,420)	-	(13,420)
31									
Total transaction with owners, recognised directly to equity	-	-	3,871	-	(17,291)	-	(13,420)	1,742	(11,678)
Balance as at 31 March 2020	312,484	(26,769)	69,441	40,354	372,018	9,751	777,279	51,595	828,874

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

	Note	2020 RMB'000	2019 RMB'000
Cash Flows from Operating Activities			
Profit before taxation		68,279	76,038
Adjustments for:			
Amortisation of deferred capital grants	19	(229)	(229)
Amortisation of lease prepayments	6	–	443
Depreciation of property, plant and equipment	4	63,552	53,563
(Gain)/Loss on disposal of property, plant and equipment, net	23	(358)	29
Property, plant and equipment written off	22(d)	795	1
Allowance for expected credit loss, net	10	2,106	(3,752)
Allowance for obsolete and slow-moving inventories, net	12	(2,214)	829
Reversal of over-accrual of housing fund contribution	20	(7,462)	–
Provision for warranty	20	1,370	–
Interest expense	22(e)	16,891	18,520
Interest income	22(a)	(1,579)	(1,159)
Unrealised exchange loss		22	343
Operating profit before working capital changes		141,173	144,626
Increase in inventories (Note A)		(54,257)	(68,876)
Decrease/(Increase) in operating receivables		4,918	(53,895)
(Decrease)/Increase in operating payables		(53,241)	113,689
Cash generated from operations		38,593	135,544
Interest paid		(14,911)	(17,182)
Tax paid		(15,936)	(9,843)
Net cash generated from operating activities		7,746	108,519
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment (Note B)		(27,077)	(17,240)
Proceeds from disposal of property, plant and equipment		2,154	2,621
Repayment to a corporate shareholder of a subsidiary		(337)	(477)
Interest received		1,579	1,159
Net cash used in investing activities		(23,681)	(13,937)
Cash Flows from Financing Activities			
Capital injection by non-controlling interests		1,742	–
Proceeds from borrowings		269,500	304,630
Repayment of borrowings		(263,895)	(322,533)
Proceeds from finance lease liabilities		–	7,325
Proceeds from lease liabilities		11,124	–
Repayment of principal portion of finance lease liabilities		–	(9,357)
Repayment of principal portion of lease liabilities		(8,178)	–
Restricted bank balances		11,469	(3,142)
Repayment to related parties, net		(7,913)	(6,359)
Repayment to a director		(1,487)	(3,213)
Dividends paid to equity holders of the Company	31	(13,420)	(4,333)
Net cash used in financing activities		(1,058)	(36,982)
Net (decrease)/increase in cash and cash equivalents		(16,993)	57,600
Cash and cash equivalents as at beginning of year		123,849	65,307
Exchange differences on translation of cash and cash equivalents as at beginning of year		2,154	942
Cash and cash equivalents as at end of year	15	109,010	123,849

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

Note:

A. Increase in inventories

Included in increase in inventories were tower cranes and tower crane components and accessories that were self-constructed amounting to RMB36,812,000 (2019 - RMB57,288,000) (Note 4) which were held for rental purposes and have been presented under operating activities in accordance with SFRS(I) 1-7 *Statement of Cash Flows*.

B. Acquisition of property, plant and equipment

During the financial year ended 31 March 2020, the Group acquired property, plant and equipment with an aggregate cost of RMB30,562,000 (2019 - RMB16,613,000). As at 31 March 2020, RMB830,000 (2019 - RMB697,000) (Note 20) remains unpaid to suppliers of property, plant and equipment and down-payments were made to suppliers of property, plant and equipment of RMB1,067,000 (2019 - RMB4,419,000) (Note 10). Cash payment of RMB27,077,000 (2019 - RMB17,240,000), inclusive of RMB2,925,000 (2019 - RMB341,000) self-constructed property, plant and equipment transferred from inventories, were made to purchase property, plant and equipment.

C. Reconciliation of liabilities arising from financing activities

The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	31 March 2019 RMB'000	Cash flows		Non-cash movements		31 March 2020 RMB'000
		Proceeds RMB'000	Repayments RMB'000	Adoption of SFRS(I) 16 RMB'000	Exchange difference RMB'000	
Bank loans	242,569	269,500	(263,895)	–	845	249,019
Finance lease liabilities	10,034	–	–	(10,034)	–	–
Lease liabilities	–	11,124	(8,178)	23,614	1,666	28,226
Borrowings	252,603	280,624	(272,073)	13,580	2,511	277,245
Restricted bank balance	69,802	(11,469)	–	–	–	58,333
Amount owing to related parties (Note 13.2)						
- Loan	8,820	1,000	(8,820)	–	–	1,000
- Non-trade	5,680	12	(105)	–	22	5,609
	14,500	1,012	(8,925)	–	22	6,609
Advances from a director of the Company (Note 20)	1,487	–	(1,487)	–	–	–

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

C. Reconciliation of liabilities arising from financing activities (Cont'd)

	31 March 2018 RMB'000	Cash flows		Non-cash movements Exchange difference RMB'000	31 March 2019 RMB'000
		Proceeds RMB'000	Repayments RMB'000		
Bank loans	260,151	304,630	(322,533)	321	242,569
Finance lease liabilities	11,324	7,325	(9,357)	742	10,034
Borrowings	271,475	311,955	(331,890)	1,063	252,603
Restricted bank balance	66,660	–	3,142	–	69,802
Amount owing to related parties (Note 13.2)					
- Loan	10,350	–	(1,530)	–	8,820
- Non-trade	10,167	–	(4,829)	342	5,680
	20,517	–	(6,359)	342	14,500
Advances from a director of the Company (Note 20)	4,700	–	(3,213)	–	1,487

The annexed notes form an integral part of and should be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

1 General information

The financial statements of the Company and of the Group for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is listed on the Singapore Exchange Mainboard and incorporated and domiciled in Singapore as a limited liability company.

The registered office and principal place of business of the Company is located at 81 Ubi Avenue 4, #09-01 UB. One, Singapore 408830.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are listed in Note 7 to the financial statements.

The immediate and ultimate holding company of the Company is Sun & Tian Investment Pte. Ltd., a company incorporated in Singapore.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards International ("SFRS(I)"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, rounded to the nearest thousand ("RMB'000"). All financial information is presented in Renminbi, unless otherwise stated.

The financial statements of the Company and of the Group for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

Significant judgements and accounting estimates

The preparation of the financial statements in accordance with this basis of preparation requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

Critical accounting estimates and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of buildings and plant structure and plant and machinery (Note 4)

Buildings and plant structure and plant and machinery are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these assets to be 1 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's buildings and plant structure and plant and machinery at the end of the reporting period is disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(a) Basis of preparation (Cont'd)

Critical accounting estimates and key sources of estimation uncertainty (Cont'd)

Useful lives of buildings and plant structure and plant and machinery (Note 4) (Cont'd)

If the actual useful lives of buildings and plant structure and plant and machinery increase/decrease by 10% from management's estimates, the carrying amount of the Group's buildings and plant structure and plant and machinery will be approximately RMB6,079,000 (2019 - RMB5,618,000) lower and RMB4,973,000 (2019 - RMB4,597,000) higher.

Allowance for obsolete and slow-moving inventories (Note 12)

The Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable value of the inventory decreases by 1% from management's estimates, the Group's profit before taxation will decrease by RMB3,900,000 (2019 - RMB3,600,000).

A 10% increase in the price of steel for the financial year ended 31 March 2020 would have the effect of decreasing the Group's profit before taxation by RMB13,028,000 (2019 - RMB16,059,000) as the Group may be unable to pass on the increase in costs to its customers. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% decrease in the price of steel for the financial year ended 31 March 2020 would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

Determining the appropriate rate to discount lease payments

The Group cannot readily determine the interest rate implicit in the leases, therefore, it uses the incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset to the right-of-use asset in a similar economic environment.

The Group estimates the IBR relevant to each lease by using observable inputs such as market interest rate and asset yield, where available, and making certain lessee specific adjustments relevant to the Group.

Fair value estimation on unlisted securities (Note 8 and Note 9)

The Group holds unlisted shares in Tat Hong Equipment (China) Pte Ltd ("THEC") that are not traded in an active market with a carrying amount of RMB119,029,000 (2019 - RMB118,845,000) as at 31 March 2020. The Group has adopted income approach for valuing these financial assets and made estimates about expected future cash flows.

If the weighted average cost of capital used in the discounted cash flow analysis had been higher/lower by 1% from management's estimates, the Group's carrying amount of financial assets - FVOCI would have been lower by RMB15,080,000 (2019 - RMB16,239,000) and higher by RMB19,915,000 (2019 - RMB21,804,000) respectively. Management will, in evaluating the fair value, continue to monitor the financial performance and conditions of THEC going forward and where necessary provide for impairment losses if and only if, there are objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(a) Basis of preparation (Cont'd)

Critical accounting estimates and key sources of estimation uncertainty (Cont'd)

Impairment of financial assets (Notes 7.1, 10, 13, 14 and 15)

The management determines the loss allowance for expected credit losses (“ECLs”) on trade receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The management reassesses the loss allowance at each reporting period end.

The Group carries out both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment which includes forward-looking information specific to the debtors and the economic environment.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in Note 33.3 to the financial statements.

The impairment provisions for other financial assets including financial guarantee, intercompany balances, other receivables and cash and cash equivalents are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s and the Company’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amount of the Group’s financial assets at the end of the reporting period is disclosed in Notes 7.1, 10, 13, 14 and 15 to the financial statements.

Determining the lease term

The lease liabilities are initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group’s operations. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group’s control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Significant judgements in applying accounting policies

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amount recognised in the financial statements:

Transfer of inventories to property, plant and equipment (Note 4)

The Group reviews the recognition of its self-constructed assets and reclassifies inventories of tower cranes to property, plant and equipment when tower cranes are used and held for rental and are expected to be rented for more than one accounting period.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(a) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Income tax (Note 24)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets (Note 11 and Note 24)

The Group recognises deferred tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

As at 31 March 2020, the Group recognised shareholdings of certain group entities, for which deferred tax assets amounting to RMB17,667,000 (2019 - RMB17,996,000) are recognised based on the anticipated future use of tax losses carried forward by those entities. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred tax assets will have to be written off as income tax expense.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(b) Interpretations and amendments to published standards effective in 2019/2020

On 1 April 2019, the Company and the Group have adopted all the new and revised SFRS(I), SFRS(I) interpretations (“SFRS(I) INT”) and amendments to SFRS(I), where applicable, that are mandatory for application for the financial year. Changes to the Company’s and the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I). This includes the following:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) 9	Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to SFRS(I)</u>		
SFRS(I) 1-12	Income Tax Consequences of Payments on Financial Instruments Classified as Equity	1 January 2019
SFRS(I) 1-28	Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 1-19	Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 1-23	Borrowing Costs Eligible for Capitalisation	1 January 2019
SFRS(I) 3, SFRS(I) 11	Previously held Interests in a Joint Operation	1 January 2019

The adoption of these new or amended SFRS(I) and SFRS(I) INT, where applicable, did not result in substantial changes to the Company’s and the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

Adoption of SFRS(I) 16 *Leases*

(a) *When the Group is the lessee*

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the statements of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group’s accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 3 “Leases” to the financial statements.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- i) For all contracts entered into before 1 April 2019 and that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- ii) On a lease-by-lease basis, the Group has:
 - a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(b) Interpretations and amendments to published standards effective in 2019/2020 (Cont'd)

Adoption of SFRS(I) 16 Leases (Cont'd)

(a) *When the Group is the lessee (Cont'd)*

- ii) On a lease-by-lease basis, the Group has: (Cont'd)
 - c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
 - d) applied lease of low-value assets recognition exemption for certain leases; and
 - e) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application.

There were no onerous contracts as at 1 April 2019.

For leases previously classified as operating leases on 1 April 2019, the Group has applied the following transition provisions:

- (i) On a lease-by-lease basis, the Group chose to measure its ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of transition. Comparative information is not restated.
- (ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 April 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
- (iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liabilities as at 1 April 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) *When the Group is the lessor*

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor.

(c) *When the Group is the intermediate lessor*

The Group leases certain underlying assets under head lease arrangements and subleases the same assets to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the subleases are classified as operating leases when the head leases are operating leases. The intermediate lessor recorded rental income in respect of the subleases on a straight-line basis over the terms of the subleases and recorded rental expense in respect of the head leases on a straight-line basis over the terms of the head leases.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the subleases with reference to the ROU asset arising from the head leases rather than the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(b) Interpretations and amendments to published standards effective in 2019/2020 (Cont'd)

Adoption of SFRS(I) 16 Leases (Cont'd)

(c) When the Group is the intermediate lessor (Cont'd)

On 1 April 2019, the Group has reassessed the classification of the subleases based on the remaining contractual terms and conditions of the head leases. Based on the assessment, the Group acts as an intermediate lessor under arrangements in which it subleases out warehouse space to third parties for monthly lease payments. The sublease period does not form a major part of the remaining lease terms under the head leases and the present value of the lease payments do not amount substantially to the fair value of the underlying assets. Accordingly, the sub-leases are classified as operating leases.

The accounting policy for subleases are disclosed in Note 3 "Leases" to the financial statements.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 April 2019 are as follows:

	Note	Increase/ (decrease) RMB'000
ROU assets (included in property, plant and equipment)	4(c)	47,637
Lease prepayments	6	(18,986)
Borrowings:		
- lease liabilities		23,614
- finance lease liabilities	18.2	(10,034)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 March 2019 and the lease liabilities recognised in the statements of financial position as at 1 April 2019 is as follows:

	Note	Increase/ (decrease) RMB'000
Operating lease commitment disclosed as at 31 March 2019	29	15,859
Less: Short-term leases and low-value asset exempted from recognition		(1,807)
Less: Discounting effect using weighted average incremental borrowing rate of 2.5%		(472)
Add: Finance lease liabilities recognised as at 31 March 2019 reclassified to lease liabilities	18.2	10,034
Lease liabilities recognised as at 1 April 2019		23,614

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(c) SFRS(I) not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and where relevant, which the Group has not early adopted:

Reference	Description	Effective date (Annual periods beginning on or after)
Various	Amendments to References to the Conceptual Framework in SFRS(I)	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7	Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors do not anticipate that the adoption of the above SFRS(I)s in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

3 Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Information on its subsidiaries is given in Note 7 to the financial statements.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee, if and only if, the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

A change in the ownership interest

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Acquisition

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business combination comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to allocate the depreciable amount of these assets after deducting the residual value over their estimated useful lives as follows:

Land use rights	Over the lease term of 45 years to 50 years
Warehouse space	Over remaining period of lease
Buildings and plant structure	20 years
Leasehold property	Over remaining tenure of lease
Plant and machinery ¹	1 - 12 years
Motor vehicles ¹	1 - 10 years
Electronic system and equipment ¹	1 - 10 years
Furniture and fittings	5 years
Renovation ¹	2 - 10 years

¹ Certain items of property, plant and equipment were depreciated between 1 - 3 years as these were acquired from third parties and such items are already in use.

No depreciation is provided on construction-in-progress.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate at the end of each reporting period as a change in estimates. The useful lives and depreciation method are reviewed at each financial year-end to ensure that the method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in the period in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month after acquisition and to the month of disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Right-of-use of assets under leasing arrangements are presented together with the owned assets of the same class in property, plant and equipment. Details of such leased assets are disclosed in Note 4(c) to the financial statements. See also accounting policy "Leases".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Lease prepayments

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated depreciation and accumulated impairment. Land use rights are amortised on a straight-line basis over the lease term of 45 years to 50 years.

Land use rights have been reclassified to right-of-use assets presented within "Property, plant and equipment" in the consolidated balance sheets. See accounting policy "Leases".

Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Investments in subsidiaries

A subsidiary is an entity controlled by the Group. The Group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses on an individual subsidiary basis. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Financial assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, amount owing by related companies and amount owing by a corporate shareholder of a subsidiary.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other income/other operating expenses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income".

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Impairment

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a “12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a “lifetime ECL”).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group’s management determines the loss allowance for expected credit losses on trade receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions.

In determining the ECL, the Group takes into account the recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date), if any, based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the economic environment in which the customers operate in. Trade receivables are written off when there is no reasonable expectation of recovery.

For other receivables, amount owing by related parties, amount owing by a corporate shareholder of a subsidiary and cash and bank deposits, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that were factored out to banks and other financial institutions with recourse to the Group were not derecognised until the recourse period had expired and the risks and rewards of the receivables had been fully transferred. The corresponding cash received from the financial institutions was recorded as borrowings.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include goodwill and other intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted-average basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost consists of cost of raw materials, direct labour and an appropriate proportion of production overheads based on the normal operating capacity.

Allowance is made, where necessary, for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company and the Group if that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.
- (b) An entity is related to the Company and the Group if any of the following conditions applies:
 - (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with financial institutions, which are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of restricted bank balances.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Dividends

Final dividends proposed by the directors are not accounted for in the equity attributable to equity holders as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends, if any, are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Company's and the Group's financial liabilities include trade and other payables, amount owing to subsidiary, a corporate shareholder of a subsidiary, related party balances and borrowings.

Financial liabilities are recognised when the Company and the Group become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Company's and the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

Trade and other payables, amount owing to subsidiary, a corporate shareholder of a subsidiary and related party balances are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on "Leases").

Dividend distributions to shareholders, if any, are included in current financial liabilities when the dividends are payable.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Financial guarantees

The Company has issued corporate guarantees to banks for borrowings granted to its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the entities fail to make principal or interest payments when due in accordance with the terms of their respective borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction, if any.

Leases

The accounting policy for leases before 1 April 2019 is as follows:

Where the Group is the lessor:

Operating leases

Rental income of assets and sub-leased assets (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Where the Group is the lessee:

Finance leases

When assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment and depreciation".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The accounting policy for leases before 1 April 2019 is as follows: (Cont'd)

Where the Group is the lessee: (Cont'd)

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

The accounting policy for leases from 1 April 2019 is as follows:

(i) *Where the Group is the lessee*

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- **ROU assets**

The Group recognised a ROU asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU assets.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term which is determined on the same basis as property, plant and equipment.

- **Lease liabilities**

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The accounting policy for leases from 1 April 2019 is as follows: (Cont'd)

(i) *Where the Group is the lessee (Cont'd)*

● Lease liabilities (Cont'd)

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for all leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

● Short-term and low-value leases

The Group has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

● Variable lease payments

Variable lease payments, if any, that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

(ii) *Where the Group is the lessor*

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, if any, the Group derecognises the ROU asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the ROU asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease retains in the statements of financial position, which represents the lease payments owed to the head lessor.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The accounting policy for leases from 1 April 2019 is as follows: (Cont'd)

(ii) *Where the Group is the lessor (Cont'd)*

When the sublease is assessed as an operating lease, the Group recognises lease income from sublease in profit or loss within "Other income". The ROU asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Provisions

Provisions, including provision for warranty costs, are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Provisions (Cont'd)

The Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is calculated based on historical experience of the level of repairs and replacements.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue excludes goods and services taxes ("GST") and value-added taxes ("VAT"), where applicable, and is arrived at after deduction of trade discounts.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue from the sale of goods is measured based on the consideration to the Group expects to be entitled in exchange for transferring promised goods to a customer. Revenue is recognised when the Group satisfied a performance obligation by transferring a promised goods to the customer, which is when the customer obtains control of the goods. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from sale of goods is recognised when control of the goods has transferred to the customer at the point in time. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rental income

Rental income receivable under operating leases is recognised on a straight-line basis over the lease term of the lease. Rental income is recognised over time. Lease incentives, if any, granted are recognised as an integral part of the total rental income to be received. Contingent rentals, if any, are recognised as income in the accounting period in which they are earned.

Rendering of services

Service income is recognised in the accounting period in which the relevant services are rendered at the point of time.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution national pension and other welfare schemes as provided by the laws of the countries in which it has operations. The contributions to these schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised for the Singapore incorporated companies in the Group when they accrue to employees. Accrual is made for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

No provision has been made for employee leave entitlements of the other entities as any unconsumed annual leave not utilised will be forfeited.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain managerial personnel are considered key management personnel.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's equity holders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in RMB, which is also the functional currency of the Company, rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, if any, are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

When a foreign operation is disposed of or any borrowing forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses are presented on a net basis in profit or loss within “Other operating expenses”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities’ financial statements

The results and financial position of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the date of the end of the reporting period;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations, if any, are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Summary of significant accounting policies (Cont'd)

Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The Group enters into foreign exchange contract to manage exposure arising from fluctuations in foreign exchange rates. The derivative financial instrument does not qualify for hedge accounting and accordingly, the change in fair value of the derivative financial instrument is recognised in the profit or loss.

The carrying amount of a derivative financial instrument is presented as a non-current asset or liability if the remaining expected life is more than 12 months, and as a current asset or liability if the remaining expected life is less than 12 months.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

Disclosures on the Group's operating segments are provided in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

4 Property, plant and equipment

The Group	Land use rights RMB'000	Warehouse space RMB'000	Buildings and plant structure RMB'000	Leasehold property RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electronic system and equipment RMB'000	Furniture and fittings RMB'000	Renovation RMB'000	Construction -in-progress RMB'000	Total RMB'000
<u>Cost</u>											
Balance as at 1 April 2018	-	-	211,274	2,263	423,207	35,072	8,486	213	7,791	1,191	689,497
Additions	-	-	-	3,562	5,676	1,104	430	-	5,841	-	16,613
Disposals/write-off	-	-	-	-	(1,326)	(2,211)	(56)	(1)	(3,596)	-	(7,190)
Transfer during the year	-	-	-	-	1,290	-	-	-	-	(1,290)	-
Transfer from inventories ¹	-	-	-	-	56,974	-	-	-	-	314	57,288
Transfer to inventories ¹	-	-	-	-	(44,979)	-	-	-	-	(215)	(45,194)
Exchange translation difference	-	-	-	-	14,905	526	24	1	261	-	15,717
Balance as at 31 March 2019	-	-	211,274	5,825	455,747	34,491	8,884	213	10,297	-	726,731
Adoption of SFRS(I)16 ²	21,934	13,580	-	-	-	-	-	-	-	-	35,514
Balance as at 1 April 2019, restated	21,934	13,580	211,274	5,825	455,747	34,491	8,884	213	10,297	-	762,245
Additions	-	-	-	3,377	24,325	725	639	1	1,495	-	30,562
Disposals/write-off	-	-	(1,302)	(500)	(11,571)	(652)	(708)	-	-	-	(14,733)
Transfer during the year	-	-	-	-	287	-	-	-	-	(287)	-
Transfer from inventories ¹	-	-	-	-	35,595	-	-	-	-	1,217	36,812
Transfer to inventories ¹	-	-	-	-	(20,791)	-	-	-	-	-	(20,791)
Exchange translation difference	-	938	-	-	16,133	503	13	-	392	-	17,979
Balance as at 31 March 2020	21,934	14,518	209,972	8,702	499,725	35,067	8,828	214	12,184	930	812,074

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

4 Property, plant and equipment (Cont'd)

The Group	Land use rights		Buildings		Leasehold property	Plant and machinery	Motor vehicles	Electronic system and equipment	Furniture and fittings	Renovation	Construction -in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000								
<u>Accumulated depreciation</u>												
Balance as at 1 April 2018	-	-	58,852	-	-	185,293	26,369	7,511	177	5,803	-	284,005
Depreciation for the year	-	-	9,530	115	41,033	1,851	344	-	-	690	-	53,563
Disposals/write-off	-	-	-	-	(1,192)	(983)	(55)	(2,308)	-	-	-	(4,539)
Transfer to inventories ¹	-	-	-	-	(20,650)	-	-	-	-	-	-	(20,650)
Exchange translation difference	-	-	-	-	6,660	259	19	1	1	195	-	7,134
Balance as at 31 March 2019	-	-	68,382	115	211,144	27,496	7,819	177	4,380	-	-	319,513
Adoption of SFRS(I) 16 ²	2,948	-	-	-	-	-	-	-	-	-	-	2,948
Balance as at 1 April 2019, restated	2,948	-	68,382	115	211,144	27,496	7,819	177	4,380	-	-	322,461
Depreciation for the year	442	5,159	9,518	237	45,190	1,568	281	1	1,156	-	-	63,552
Disposals/write-off	-	-	(685)	(28)	(10,198)	(557)	(674)	-	-	-	-	(12,142)
Transfer to inventories ¹	-	-	-	-	(7,038)	-	-	-	-	-	-	(7,038)
Exchange translation difference	-	121	-	-	8,060	321	12	-	48	-	-	8,562
Balance as at 31 March 2020	3,390	5,280	77,215	324	247,158	28,828	7,438	178	5,584	-	-	375,395
<u>Net book value</u>												
Balance as at 31 March 2020	18,544	9,238	132,757	8,378	252,567	6,239	1,390	36	6,600	930	-	436,679
Balance as at 31 March 2019	-	-	142,892	5,710	244,603	6,995	1,065	36	5,917	-	-	407,218

¹ Plant and equipment that are held for rental to others are transferred to inventories at their carrying amount when they cease to be rented and become held for resale.

² See Note 2(b) to the financial statements for details on adoption of SFRS(I) 16 on 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

4 Property, plant and equipment (Cont'd)

The Group	Note	31 March 2020 RMB'000	31 March 2019 RMB'000
Depreciation expenses charged to:			
Cost of sales		50,753	47,582
Distribution costs	22(b)	8,578	3,006
Administrative expenses	22(c)	4,221	2,975
	23	63,552	53,563

- (a) As at the end of the reporting period, the carrying amount of property, plant and equipment of the Group which have been secured for certain bank borrowings is as follows:

The Group	Note	31 March 2020 RMB'000	31 March 2019 RMB'000
At net book value,			
- Plant and machinery	18	17,867	20,527

- (b) Included in the additions of property, plant and equipment is an amount of RMB3,377,000 (2019 - RMB Nil) [see Note 10(ii)] pertaining to a leasehold property received in settlement for an amount owing by related parties.
- (c) Right-of-use of assets under leasing arrangements are presented together with property, plant and equipment with carrying amounts of RMB55,781,000 as at 31 March 2020 (1 April 2019 - RMB47,637,000).

Right-of-use of assets classification within property, plant and equipment

The Group

	Note	Land use rights RMB'000	Warehouse space RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
<u>Cost</u>						
Balance as at 1 April 2019		-	-	-	-	-
Reclassification on adoption of SFRS(I)16		21,934	13,580	14,145	4,329	53,988
Balance as at 1 April 2019, restated		21,934	13,580	14,145	4,329	53,988
Additions		-	-	1,161	536	1,697
Transfer from inventories		-	-	13,167	-	13,167
Exchange translation difference		-	938	1,312	219	2,469
Balance as at 31 March 2020		21,934	14,518	29,785	5,084	71,321
<u>Accumulated depreciation</u>						
Balance as at 1 April 2019		-	-	-	-	-
Reclassification on adoption of SFRS(I)16		2,948	-	1,573	1,830	6,351
Balance as at 1 April 2019, restated		2,948	-	1,573	1,830	6,351
Depreciation for the year	28(b)	442	5,159	2,372	827	8,800
Exchange translation difference		-	120	164	105	389
Balance as at 31 March 2020		3,390	5,279	4,109	2,762	15,540
<u>Net book value</u>						
Balance as at 31 March 2020		18,544	9,239	25,676	2,322	55,781

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

4 Property, plant and equipment (Cont'd)

- (d) As at 31 March 2019, the net book value of plant and machinery and motor vehicles under finance leases of the Group amounted to RMB17,964,000.
- (e) Right-of-use assets consist of prepaid land use rights held by the Group.

Land use rights

Land use rights relate to the following plots of land at No. 2, Qianlingerlu Road, Shuncheng District, Fushun City, Liaoning Province, the People's Republic of China ("PRC"), 113126 where the Group's PRC manufacturing and storage facilities reside:

	Land area Square metres	Amount paid RMB'000	Tenure years	Expiry date
Parcel of land #1	182,373	9,858	50	13 January 2060
Parcel of land #2	29,395	9,902	50	31 December 2063
Parcel of land #3	1,421	479	50	31 December 2063
Parcel of land #4	106	35	45	13 January 2060
Parcel of land #5	4,916	1,660	45	13 January 2060
	218,211	21,934		

The land use rights are transferable and will be amortised as follows:

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
Amount to be depreciated:		
Not later than one year	443	443
Later than one year and not later than five years	1,772	1,772
Later than five years	16,329	16,771
	18,544	18,986

- (f) As at 31 December 2019, the cost of the buildings and plant structure of RMB211,274,000 relates to structural costs incurred on the office and factory buildings on the land located at No. 2, Qianlingerlu Road, Shuncheng District, Fushun City, Liaoning Province, the PRC, 113126 and the leasehold buildings together with plant structure in Beijing.

Included in the cost of the buildings and plant structure is a sum of RMB1,302,000 which relates to the structural costs incurred on the factory buildings on the leasehold land belonging to Beijing Construction Group Co., Ltd. ("Beijing Construction") [北京建工集团有限责任公司] for which the subsidiary, Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd. ("Beijing Yongmao") leases the buildings on the leasehold land for a period of 10 years, commencing 1 October 2006 [see Note 29A(a)]. The net book value of the plant structure as at 31 March 2019 is RMB657,000. During the financial year ended 31 March 2020, the said asset with a carrying amount of RMB617,000 has been derecognised upon relocation of Beijing Yongmao's manufacturing plant to Fushun.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

5 Intangible assets

	Crawler crane design and manufacturing drawings	
	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Group		
<u>Cost</u>		
Balance as at beginning and end of year	1,000	1,000
<u>Accumulated amortisation</u>		
Balance as at beginning and end of year	1,000	1,000
<u>Net book value</u>		
Balance as at end of year	–	–

Crawler crane design and manufacturing drawings purchased from a related party, Fushun Engineering Machinery Manufacturing Co., Ltd. (抚顺工程机械制造有限公司) is for the purpose of providing capabilities to the Group to manufacture crawler cranes in the future.

6 Lease prepayments

		31 March 2020	31 March 2019
	Note	RMB'000	RMB'000
The Group			
<u>Cost</u>			
Balance as at beginning of year		21,934	21,934
Reclassification on adoption of SFRS(I) 16	4	(21,934)	–
Balance as at end of year		–	21,934
<u>Accumulated amortisation</u>			
Balance as at beginning of year		2,948	2,505
Reclassification on adoption of SFRS(I) 16	4	(2,948)	–
Amortisation for the year	22(c), 23	–	443
Balance as at end of year		–	2,948
<u>Net book value</u>			
Balance as at end of year		–	18,986

The reclassification to right-of-use assets within property, plant and equipment as at 1 April 2019 on adoption of SFRS(I) 16 is as disclosed in Note 2(a) and Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

7 Subsidiaries

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Company		
<u>Unquoted equity investments, at cost</u>		
Balance as at beginning and end of year	344,363	344,363

7.1 Amounts owing by subsidiaries

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Company		
Amounts owing by subsidiaries presented as current assets		
- Non-trade		
- Interest-free	31,391	26,154
- Interest-bearing	9,075	8,233
	40,466	34,387

Amounts owing by subsidiaries are denominated in the following currencies:

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Company		
Singapore dollar	31,391	26,154
United States dollar	2,345	2,147
Hong Kong dollar	6,730	6,086
	40,466	34,387

The non-trade amounts owing by subsidiaries, relate to advances made, are unsecured and receivable on demand. The interest-bearing advances owing by a subsidiary is charged at the interest of 3.75% (2019 - 3.75%) per annum.

7.2 Amount owing to a subsidiary

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Company		
<u>Amount owing to a subsidiary presented as current assets</u>		
- Non-trade		
- Interest-free	-	994

Amount owing to a subsidiary are denominated in Singapore dollar.

The non-trade amount owing to a subsidiary, relates to advances made, are unsecured and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

7 Subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments		Proportion of ownership interest and voting rights held by the Group		Principal activities
		31 March 2020	31 March 2019	31 March 2020	31 March 2019	
		RMB'000	RMB'000	%	%	
<u>Subsidiaries held by the Company</u>						
Fushun Yongmao Construction Machinery Co., Ltd. ("Fushun Yongmao") [抚顺永茂建筑机械有限公司] ¹³	PRC	320,569	320,569	100	100	Manufacturing, sale and rental of tower cranes and construction machinery
Yongmao Machinery Pte. Ltd. ²	Singapore	2,490	2,490	100	100	Sale and servicing of tower cranes and construction machinery
Yongmao Machinery (H.K.) Company Limited ("YMHK") ⁵	Hong Kong	21,304	21,304	60	60	Sale, distribution, rental and servicing of tower cranes, construction machinery and related components
<u>Subsidiaries held by Fushun Yongmao</u>						
Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd. (北京永茂建工机械制造有限公司) ¹⁴	PRC	- ⁷	- ⁷	66	66	Manufacturing and sale of tower cranes and construction machinery
Changzhou Yongmao Heavy Industry Machinery Co., Ltd. (常州永茂重工机械有限公司) ¹³	PRC	- ⁷	- ⁷	80	80	Manufacturing and sale of tower cranes and construction machinery (Dormant)
<u>Subsidiaries held by YMHK</u>						
Eastime Engineering Limited ("EEL") ⁵	Hong Kong	- ⁷	- ⁷	60	60	Sale, distribution, rental and servicing of tower cranes, construction machinery and related components
Yongmao Machinery (Cambodia) Co., Ltd. ("YMC") ⁵	Cambodia	- ⁷	-	75	-	Sale, distribution, rental and servicing of tower cranes, construction machinery and related components
<u>Subsidiary held by EEL</u>						
Eastime Engineering (Macau) Co., Ltd. ⁶	Macau	- ⁷	- ⁷	60	60	Sale, distribution, rental and servicing of tower cranes, construction machinery and related components
		344,363	344,363			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

7 Subsidiaries (Cont'd)

- ¹ Audited by Foo Kon Tan LLP for consolidation purposes.
- ² Audited by Foo Kon Tan LLP.
- ³ Audited by PRC auditors, Liao Ning ZhongHuaXin Certified Public Accountants Co., Ltd. (辽宁中华信会计师事务所有限公司), for local statutory reporting purposes.
- ⁴ Audited by PRC auditors, Beijing Xin Hao Certified Public Accountants (北京欣昊会计师事务所), for local statutory reporting purposes.
- ⁵ Audited by Procon CPA Limited (2019 - Shinewing LLP, Certified Public Accountants) for local statutory reporting purposes and reviewed by Foo Kon Tan LLP for consolidation purposes.
- ⁶ Audited by Procon CPA Limited (2019 - Shinewing LLP, Certified Public Accountants) for the purpose of SFRS(I) reporting and reviewed by Foo Kon Tan LLP for consolidation purposes.
- ⁷ Interest held through subsidiaries.

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have material NCI:

Name of subsidiary	Proportion of ownership interest held by non-controlling interest %	(Loss)/Profit allocated to NCI during the reporting period RMB'000	Accumulated NCI RMB'000	Dividends paid to NCI RMB'000
31 March 2020				
Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd. (北京永茂建工机械制造有限公司)	34	(13,401)	(5,727)	–
Yongmao Machinery (H.K.) Company Limited group of companies	40	7,996	58,308	–
31 March 2019				
Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd. (北京永茂建工机械制造有限公司)	34	(4,998)	7,674	–
Yongmao Machinery (H.K.) Company Limited group of companies	40	2,351	50,312	–

Summarised financial information about subsidiaries with material NCI

Summarised financial information in respect of each of the Group's subsidiaries that have material NCI is set out below. The summarised financial information below represents amounts before intragroup eliminations.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

7 Subsidiaries (Cont'd)

Summarised statement of financial position

	Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd.		Yongmao Machinery (H.K.) Company Limited group of companies	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Non-current assets	8,544	10,376	158,244	115,353
Current assets	42,948	144,835	96,469	89,836
Total assets	51,492	155,211	254,713	205,189
Non-current liabilities	16,100	18,434	19,074	12,689
Current liabilities	66,199	107,852	92,640	66,234
Total liabilities	82,299	126,286	111,714	78,923
Net assets	(30,807)	28,925	142,999	126,266

Summarised statement of profit or loss and other comprehensive income

	Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd.		Yongmao Machinery (H.K.) Company Limited group of companies	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Revenue	76,990	176,950	113,269	111,410
(Loss)/Profit before taxation	(43,096)	(13,993)	8,629	7,531
(Loss)/Profit after taxation	(43,639)	(13,993)	6,541	5,855
Other comprehensive income	–	–	–	–
Total comprehensive (expense)/income	(43,639)	(13,993)	6,541	5,855
Total comprehensive income allocated to non-controlling interests	(13,401)	(4,998)	7,996	2,351

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

7 Subsidiaries (Cont'd)

Summarised cash flows

	Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd.		Yongmao Machinery (H.K.) Company Limited group of companies	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Cash flows (used in)/generated from:				
Operating activities	(11,417)	11,611	57,177	18,002
Investing activities	(158)	(906)	(50,451)	(4,876)
Financing activities	–	–	(899)	5,099

Summarised financial information in respect of the material NCI in YMHK has been presented in so far as it relates to the consolidated financial information of YMHK and its subsidiaries as the NCI of 40% is held at YMHK who in turns holds 100% of its subsidiaries.

Management is of the view that presenting the consolidated summarised financial information of YMHK is more relevant and appropriate that allows users to better understand the interest that NCI has in that group's activities and cash flows.

8 Available-for-sales, financial assets

		31 March 2020 RMB'000	31 March 2019 RMB'000
The Company and The Group	Note		
<u>Unquoted equity investments</u>			
Balance as at beginning of year		–	88,127
Reclassification as at 1 April 2018 on adoption of SFRS(I) 9	9	–	(88,127)
Balance as at end of year		–	–

9 Financial assets, at FVOCI

		31 March 2020 RMB'000	31 March 2019 RMB'000
The Company and The Group	Note		
<u>Unquoted equity investments</u>			
Balance as at beginning of year		118,845	–
Reclassification as at 1 April 2018 on adoption of SFRS(I) 9	8	–	88,127
Fair value gain recognised in other comprehensive income, net of nil tax	25	184	30,718
Balance as at end of year		119,029	118,845

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

9 Financial assets, at FVOCI (Cont'd)

The Group has elected to measure this equity security at FVOCI due to the Group's intention to hold this equity instrument for long-term appreciation as part of the Group's business model.

The fair value of unquoted equity investments in Tat Hong Equipment (China) Pte Ltd ("THEC") is based on the valuation conducted by a firm of independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Hong Kong. The details to the methodology of the valuation is disclosed in Note 35 to the financial statements.

10 Trade and other receivables

	Note	The Company		The Group	
		31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Trade receivables		–	–	356,310	327,967
Credit loss allowance for trade receivables					
Balance at beginning of year		–	–	(2,432)	(6,184)
Allowance for the year	22(d), 23	–	–	(3,145)	(808)
Allowance no longer required for the year	22(d), 23	–	–	1,039	4,560
Balance at end of year		–	–	(4,538)	(2,432)
Net trade receivables		–	–	351,772	325,535
Bills receivables		–	–	13,968	51,243
GST or VAT receivables		–	–	132	–
Staff loans		–	–	225	322
Staff advances		–	–	3,396	2,957
Advances made to suppliers of raw materials		–	–	50,803	31,081
Advances made to freight forwarder		–	–	259	1,009
Down-payment for property, plant and equipment		–	–	1,067	4,419
Refundable deposits		71	41	918	868
Prepayments		188	188	2,600	2,027
Prepaid interest		–	–	1,543	2,215
Other tax receivables		–	–	1,096	–
Amounts owing by related companies of corporate shareholders of a subsidiary					
- non-trade		–	–	1,648	1,293
Other receivables		–	–	3,001	1,752
		259	229	432,428	424,721
Less: Other receivables (staff loans)					
- non-current		–	–	(171)	(225)
		259	229	432,257	424,496

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for the financial year ended 31 March 2020

10 Trade and other receivables (Cont'd)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	–	–	268,761	284,287
Singapore dollar	259	229	89,213	14,896
United States dollar	–	–	23,341	68,165
Euro dollar	–	–	558	2,070
Hong Kong dollar	–	–	47,545	50,834
Macanese pataca	–	–	2,555	4,469
Russian ruble	–	–	455	–
	259	229	432,428	424,721

Trade receivables are non-interest bearing and generally have credit terms of 30 to 180 days (2019 - 30 to 180 days), excluding the retention money withheld.

As at the end of the reporting period, ageing analysis of trade and other receivables that are categorised as financial assets is as follows:

	31 March 2020	31 March 2019
	RMB'000	RMB'000
Current	104,954	177,618
Past due 0 to 3 months	135,899	88,834
Past due 3 to 6 months	50,266	42,541
Past due over 6 months	83,809	74,977
	374,928	383,970

- (i) Trade receivables include retention money of RMB30,306,000 (2019 - RMB27,141,000) that are considered current and not past due.
- (ii) Included in down-payment for property, plant and equipment of RMB4,419,000 as at 31 March 2019 was an amount of RMB3,395,000 relating to leasehold properties which was received from related parties as settlement for their trade amount owing to the Group. A sum to the extent of RMB3,377,000 [Note 4(b)] has been capitalised as property, plant and equipment during the financial year ended 31 March 2020.
- (iii) The unsecured bills receivables from third parties which are interest-free mature as follows:

	31 March 2020	31 March 2019
The Group		
The earliest date	20 July 2020	3 April 2019
The latest date	25 March 2021	18 March 2020

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

10 Trade and other receivables (Cont'd)

- (iv) The advances made to suppliers of raw materials relate to down-payments placed with suppliers for the supply to be made.
- (v) The advances made to staff are for business purposes. The carrying value approximates the fair value of the advances.
- (vi) The non-trade amounts owing by related companies of corporate shareholders of a subsidiary relate to payments made on behalf, are unsecured, interest-free and repayable on demand.

11 Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

11.1 Deferred tax assets

The movement in deferred tax assets (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Note	The Company		The Group	
		31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Balance as at beginning of year		–	–	17,996	13,720
Transfer (from)/to profit or loss - current	24	–	–	(329)	4,277
		–	–	17,667	17,997
Exchange translation difference		–	–	–	(1)
Balance as at end of year		–	–	17,667	17,996
To be recovered within one year		–	–	–	–
To be recovered after one year		–	–	17,667	17,996
		–	–	17,667	17,996

The deferred tax assets comprise tax on the following temporary differences:

	Deferred income RMB'000	Deferred capital grants RMB'000	Provisions RMB'000	Unrealised intra group profits RMB'000	Others RMB'000	Total RMB'000
The Group						
At 1 April 2018	26	1,535	4,038	7,758	363	13,720
Credited/(Charged) to income statement	508	(35)	(448)	22	4,230	4,277
Exchange fluctuation difference	(1)	–	–	–	–	(1)
At 31 March 2019	533	1,500	3,590	7,780	4,593	17,996
(Charged)/Credited to income statement	(279)	(34)	346	(415)	53	(329)
At 31 March 2020	254	1,466	3,936	7,365	4,646	17,667

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for the financial year ended 31 March 2020

11 Deferred taxes (Cont'd)

11.1 Deferred tax assets (Cont'd)

The Group has unabsorbed tax losses amounting to approximately RMB49,604,000 (2019 - RMB44,900,000), which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. These unabsorbed losses cannot be allowed to offset the taxable profits of other subsidiaries.

Deferred tax assets are recognised for tax losses and other deductible temporary differences carried forward to the extent that realisation of the related tax benefit through future taxable profit is probable.

Deferred tax assets have not been recognised in respect of the following items:

	The Company		The Group	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Tax losses				
- expire in 2020	-	-	-	1,734
- expire in 2022	-	-	-	16
- expire in 2023	-	-	-	3,449
- expire in 2025	-	-	1,734	-
- expire in 2027	-	-	16	-
- expire in 2028	-	-	3,449	-
- expire in 2029	-	-	636	-
- do not expire	-	-	1,766	1,689
Other deductible temporary differences	-	-	509	143
	-	-	8,110	7,031

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

11 Deferred taxes (Cont'd)

11.2 Deferred tax liabilities

The movement in deferred tax liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Note	The Company		The Group	
		31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Balance as at beginning of year		–	–	22,412	21,432
Transfer to profit or loss					
- current	24	84	–	2,279	166
- underprovision in respect of prior years	24	–	–	268	(108)
		84	–	24,959	21,490
Exchange translation difference		–	–	888	922
Balance as at end of year		84	–	25,847	22,412
To be recovered within one year		–	–	–	–
To be recovered after one year		84	–	25,847	22,412
		84	–	25,847	22,412

The deferred tax liabilities comprise tax on the following temporary differences:

The Company	Unremitted foreign interest income RMB'000	Total RMB'000
At 1 April 2018	–	–
Charged to income statement	–	–
At 31 March 2019	–	–
Charged to income statement	84	84
At 31 March 2020	84	84

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

11 Deferred taxes (Cont'd)

11.2 Deferred tax liabilities (Cont'd)

The Group	Fair value gains on acquisition of subsidiary RMB'000	Accelerated tax depreciation RMB'000	Unremitted foreign interest income RMB'000	Undistributed earnings of PRC subsidiaries RMB'000	Total RMB'000
At 1 April 2018	91	13,514	149	7,678	21,432
(Credited)/Charged to income statement	(9)	(1,688)	90	1,665	58
Exchange fluctuation difference	–	911	11	–	922
At 31 March 2019	82	12,737	250	9,343	22,412
(Credited)/Charged to income statement	(82)	1,340	143	1,146	2,547
Exchange fluctuation difference	–	888	–	–	888
At 31 March 2020	–	14,965	393	10,489	25,847

Foreign income not remitted to Singapore - undistributed earnings of the PRC subsidiaries

Pursuant to the PRC Corporate Income Tax Law and the tax treaty between the PRC and Singapore, a 5% withholding tax is levied on the dividends to the Company from the subsidiaries established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group made provision for deferred tax liabilities on withholding tax at 5% of all retained earnings subject to withholding taxes of its PRC subsidiaries.

12 Inventories

The Group	Note	31 March 2020 RMB'000	31 March 2019 RMB'000
<u>Trading stocks, at cost</u>			
Raw materials		99,079	107,640
Work-in-progress		234,939	194,906
Finished goods		105,552	105,675
		439,570	408,221
Less: Allowance for obsolete and slow-moving inventories			
Balance at beginning of year		(49,580)	(48,751)
Provision for the year	23	(1,719)	(4,443)
Provision no longer required	23	3,933	3,614
Balance at end of year		(47,366)	(49,580)
		392,204	358,641
Included in cost of sales are inventories charged of:		629,462	561,945

The Group reversed allowance for obsolete and slow-moving inventories of RMB3,933,000 (2019 - RMB 3,614,000) made in prior years and was included in cost of sales as the inventories have been realised during the financial year ended 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

13 Related party balances

13.1 Amounts owing by related parties

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
Amounts owing by related parties - trade	68,504	83,845

Related parties mainly relate to Tat Hong Holding group of companies which are usually due within 30 - 180 days and are non-interest bearing. An amount of RMB Nil (2019 - RMB57,954,000) was pledged to a bank for bank loan obtained (Note 18).

Trade amounts owing by related parties are denominated in Renminbi.

13.2 Amounts owing to/advances from related parties

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
Amounts owing to related parties		
- trade	1,673	2,059
- non-trade	5,609	5,680
- loan	1,000	8,820
- interest payable	-	727
Advances from related parties	1,328	1,329
	9,610	18,615

Amounts owing to/advances from related parties are denominated in the following currencies:

	31 March 2020 RMB'000	31 March 2019 RMB'000
Renminbi	4,001	13,040
Singapore dollar	5,609	5,575
	9,610	18,615

The non-trade amounts owing to related parties relate to advances and payments made on behalf, are unsecured, interest-free and repayable on demand.

The loan of RMB1,000,000 (2019 - RMB8,820,000) is unsecured and is repayable on demand. Interest is charged at 5.2% (2019 - 5.2%) per annum.

The advances from related parties represent deposits received for sales orders made.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

14 Corporate shareholder of a subsidiary balances

14.1 Amounts owing by a corporate shareholder of a subsidiary

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
Amounts owing by a corporate shareholder of a subsidiary		
- trade	2,607	2,821
- non-trade	861	524
	3,468	3,345

The non-trade amount owing by a corporate shareholder of subsidiary relates to payments made on behalf, is unsecured, interest-free and receivable on demand.

Amounts owing by a corporate shareholder of a subsidiary is denominated in Renminbi.

14.2 Amounts owing to a corporate shareholder of a subsidiary

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
Amounts owing to a corporate shareholder of a subsidiary		
- loan	18,355	18,355
- interest payable	422	220
- rental payable	15,500	15,750
	34,277	34,325

The loan of RMB18,355,000 (2019 - RMB18,355,000) is unsecured and is repayable on 31 March 2020 (2019 - 31 March 2019). The said loan has been renewed on 31 March 2020 for a further period of 1 year. Interest is charged at 4.6% (2019 - 4.8%) per annum.

Rental payable relates to the lease on the subsidiary's, Beijing Yongmao's workshop, warehouse, factory buildings and relevant supporting facilities located at No. 12, Shuanghe Avenue, Linhe Industrial Development Zone, Shunyi District, Beijing, the PRC, 101300. The total floor and land area are approximately 40,915 square metre ("m²") and approximately 148,700 m² respectively. The last rental payable was RMB4,500,000 per annum [Note 29A(a)].

Amounts owing to a corporate shareholder of a subsidiary is denominated in Renminbi.

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for the financial year ended 31 March 2020

15 Cash and cash equivalents

	The Company		The Group	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Cash on hand	—*	—*	123	89
Bank balances	1,388	2,558	165,720	193,562
Fixed deposits	—	—	1,500	—
	1,388	2,558	167,343	193,651

* Represents amount less than RMB1,000.

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Renminbi	—	—	91,813	135,986
Singapore dollar	1,339	2,512	29,481	8,527
United States dollar	49	46	5,938	16,946
Euro	—	—	3,891	1,930
Hong Kong dollar	—	—	34,909	29,567
Macanese pataca	—	—	1,311	695
	1,388	2,558	167,343	193,651

For the purpose of the consolidated statement of cash flows, the year-end cash and bank balances comprise the following items:

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
Cash and bank balances	167,343	193,651
Less: Restricted bank balances	(58,333)	(69,802)
Cash and cash equivalents per consolidated statement of cash flows	109,010	123,849

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

15 Cash and cash equivalents (Cont'd)

Restricted bank balances are pledged in relation to the following items:

	Note	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group			
Bank loans	18.1	45,500	36,500
Bills payables	20	4,515	23,376
Seller Undertaking	30(a)	5,534	9,926
Letter of guarantee		2,784	–
		58,333	69,802

16 Share capital

	No. of shares	RMB'000
The Company and The Group		
Issued and fully paid with no par value:		
Balance as at beginning and end of the year	88,749,997	312,484

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

17 Reserves

	The Company		The Group	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
<u>Non-distributable</u>				
Merger reserve	–	–	(26,769)	(26,769)
Fair value reserve	40,354	40,170	40,354	40,170
Statutory common reserve	–	–	69,441	65,570
Exchange fluctuation reserve	–	–	9,751	4,487
	40,354	40,170	92,777	83,458
<u>Distributable</u>				
Retained earnings	147,555	141,789	372,018	329,600
	187,909	181,959	464,795	413,058

The merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital of the subsidiary acquired under the pooling-of-interests method of consolidation.

Fair value reserve represents the fair value changes of financial assets, at FVOCI until they are disposed of.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

17 Reserves (Cont'd)

According to the current PRC Company Law, the subsidiaries incorporated in the PRC are required to transfer between 5% and 10% of its profit after taxation to statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous year's losses and for conversion to capital, if any, provided that the balance remains not less than 25% of the registered capital.

Exchange fluctuation reserve arises from the translation of the financial statements of the entities whose functional currencies are different from the functional currency of the Company.

18 Borrowings

The Group	Note	31 March 2020 RMB'000	31 March 2019 RMB'000
<u>Non-current</u>			
Finance lease liabilities	18.2	–	708
Lease liabilities	18.3	4,891	–
		4,891	708
<u>Current</u>			
Bank loans	18.1	249,019	242,569
Finance lease liabilities	18.2	–	9,326
Lease liabilities	18.3	23,335	–
		272,354	251,895
		277,245	252,603

The carrying amounts of current and non-current portion of the borrowings approximate their fair value.

Borrowings are denominated in the following currencies:

The Group	31 March 2020 RMB'000	31 March 2019 RMB'000
Renminbi	239,500	228,514
Singapore dollar	497	595
Hong Kong dollar	37,248	23,494
	277,245	252,603

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

18 Borrowings (Cont'd)

18.1 Bank loans

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
Bank loans		
- secured	107,519	87,055
- unsecured	141,500	131,000
	249,019	218,055
Trust receipts ¹		
- secured	-	24,514
	-	24,514
	249,019	242,569

¹ Trust receipts are presented as current liabilities.

Bank loans and trust receipts of the Group are secured by way of certain bank deposits (Note 15), certain trade receivables from related parties (Note 13.1) and property, plant and equipment [Note 4(a)].

Unsecured bank loans facilities are guaranteed by the Company, a fellow subsidiary and certain directors of the Company.

The bank loans have an average effective interest rate of 5.9% (2019 - 6.1%) per annum. Interest is repriced between monthly and yearly respectively.

As at the end of the reporting period, the Group has unutilised credit facilities of RMB70,500,000 (2019 - RMB27,101,000). These facilities which expire within one year from the reporting date are subject to annual review.

The table below analyses the maturity profile of the Group's bank loans based on contractual undiscounted cash flows:

	31 March 2020		31 March 2019	
	Carrying amount RMB'000	Contractual cash flows RMB'000	Carrying amount RMB'000	Contractual cash flows RMB'000
The Group				
<u>Variable interest rate loans</u>				
Less than one year	249,019	254,683	242,569	248,143
Between one to five years	-	-	-	-

The Group manages the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

18 Borrowings (Cont'd)

18.2 Finance lease liabilities

As at 31 March 2019, the Group leases motor vehicles and plant and machinery from non-related parties under finance leases. Finance lease liabilities were reclassified to lease liabilities on 1 April 2019 arising from the adoption of SFRS(I) 16 i.e. the Group is not required to make any adjustments at the date of initial application of SFRS(I) 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases liabilities", these amounts are included within "Lease liabilities" (Note 18.3), and the depreciated carrying amount of the corresponding leased assets are identified as ROU assets (Note 4). Lease liabilities have been recognised for the remaining lease payments.

The impact of adoption is also as disclosed in Note 2(b) and Note 4 to the financial statements.

	31 March 2019 RMB'000
The Group	
Minimum lease payments payable:	
Due not later than one year	10,063
Due later than one year and not later than five years	783
	<hr/> 10,846
Less: Finance charges allocated to future periods	(812)
Present value of minimum lease payments	<hr/> <hr/> 10,034
Present value of minimum lease payments:	
Due not later than one year	9,326
Due later than one year and not later than five years	708
	<hr/> <hr/> 10,034

The Group leases motor vehicles and plant and machinery under finance leases. Lease facilities to the sum of RMB10,790,000 granted to a subsidiary, Yongmao Machinery (H.K.) Company Limited is secured by the underlying assets and corporate guarantee provided by the Company.

The lease agreements did not have renewal clauses but provided the Group with options to purchase the leased assets at nominal value at the end of the lease term. The finance lease obligations are secured by the underlying assets.

The obligations under finance leases had an average effective interest rate of 3.9% per annum.

The carrying amounts of obligation under finance leases approximated their fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

18 Borrowings (Cont'd)

18.3 Lease liabilities

The Group leases land use rights, warehouse space, plant and machinery and motor vehicles. The movements of the lease liabilities are as follows:

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Group		
Minimum lease payments payable:		
Due not later than one year	24,730	–
Due later than one year and not later than five years	4,962	–
	29,692	–
Less: Interest expenses allocated to future periods	(1,466)	–
Present value of minimum lease payments	28,226	–
Present value of minimum lease payments:		
Due not later than one year	23,335	–
Due later than one year and not later than five years	4,891	–
	28,226	–

The lease liabilities have an average effective interest rate of 3.7% per annum.

19 Deferred capital grants

		31 March 2020	31 March 2019
	Note	RMB'000	RMB'000
The Group			
<u>Cost</u>			
Balance as at beginning and end of year		11,264	11,264
<u>Accumulated amortisation</u>			
Balance as at beginning of year		1,264	1,035
Amortisation for the year	22(a), 23	229	229
Balance as at end of year		1,493	1,264
Net carrying amount		9,771	10,000
Amount to be amortised:			
Not later than one year		229	229
Later than one year and not later than five years		915	915
Later than five years		8,627	8,856
		9,542	9,771
		9,771	10,000

Deferred capital grants relate to government grants received for the acquisition of land use rights undertaken by the Group's subsidiary in the PRC (see Note 4 and Note 6). There are no unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

20 Trade and other payables

	The Company		The Group	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Trade payables	–	–	180,147	170,874
Bills payables	–	–	4,515	72,439
Accrual for purchases	–	–	108,701	75,167
Advances from customers	–	–	35,957	65,092
GST or VAT payable	–	–	–	2,960
Amount owing to suppliers of property, plant and equipment	–	–	830	697
Provision for warranty for after-sale services	–	–	2,045	675
Provision for directors' fees	1,204	1,100	1,204	1,100
Deposits received	–	–	2,184	1,033
Rental payables to a director of the Company	–	–	2,519	3,589
Advances from a director of the Company	–	–	–	1,487
Liability assumed for payments made on behalf for subsistence allowances	–	–	17,794	19,963
Accrued interest expenses	–	–	2,365	532
Amount owing to a related company of a corporate shareholder of subsidiary - non-trade	–	–	16	80
Other accrued expenses	3,699	3,643	65,887	64,846
Other payables	125	184	14,766	13,987
	5,028	4,927	438,930	494,521
Less:				
Trade and other payables - non-current	–	–	(16,100)	(18,434)
	5,028	4,927	422,830	476,087

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Renminbi	2,080	2,080	381,009	449,600
Singapore dollar	2,948	2,847	34,665	18,959
United States dollar	–	–	10,905	13,353
Euro	–	–	–	398
Hong Kong dollar	–	–	11,646	10,920
Macanese pataca	–	–	696	1,256
British pound	–	–	9	35
	5,028	4,927	438,930	494,521

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

20 Trade and other payables (Cont'd)

The fair value of trade and other payables approximate their carrying amounts due to their short duration.

Bills payables mature within 4 months (2019 - within 1 month to 12 months) from year-end. As at 31 March 2020, certain bills payables are secured by bank deposits of RMB4,515,000 (2019 - RMB23,376,000).

The accruals for purchases relate to purchase orders placed and goods were received but suppliers' invoices not yet been received.

The advances from customers represent deposits for sales order made.

The advances from a director of the Company are unsecured, interest-free and repayable on demand.

The non-trade amount owing to a related company of a corporate shareholder of subsidiary relates to payments made on behalf, is unsecured, interest-free and payable on demand.

Provision for warranty for after-sale services

The Group accounts for the warranty assurance that the product complies with agreed-upon specifications in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. The customer does not have the option to purchase such warranty separately. Provision for warranty for after-sale services relates to the estimated costs of after-sale services and warranty costs for sale of tower cranes and tower crane components and accessories to the Group's customers. The warranty sum is recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns.

The movements in provision for warranty for after-sale services are as follows:

		31 March 2020	31 March 2019
The Group	Note	RMB'000	RMB'000
Balance at beginning of year		675	675
Provision during the year	23	1,370	–
Balance at end of year		2,045	675

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

20 Trade and other payables (Cont'd)

Liability assumed for payments made on behalf for subsistence allowances

Liability assumed for payments made on behalf for subsistence allowances relates to ex-employees of 北京市建筑工程机械厂, a wholly-owned subsidiary of Beijing Construction which is not related to the Group. This liability is regarded as payment on behalf. Pursuant to a restructuring exercise signed between Fushun Yongmao Industry Group Co., Ltd. ("FYIG") and Beijing Construction in 2006, this was transferred to Beijing Yongmao, whereby Beijing Yongmao is to administer the liability by virtue of the liability from FYIG, the payment of subsistence allowances/staff welfare benefits is to be made out of the assets acquired from Beijing Construction. Beijing Yongmao is incorporated in the PRC in 2006 pursuant to the restructuring exercise and whose shareholders were then FYIG (66%) and Beijing Construction (34%). In 2008, the Group through its wholly-owned subsidiary, Fushun Yongmao acquired 66% of the equity interests in Beijing Yongmao from FYIG (the "Acquisition"). This liability is assumed when Fushun Yongmao took over from FYIG pursuant to the sale and purchase agreement dated 18 August 2008 ("S&P Agreement") entered into between FYIG and Fushun Yongmao. As the liability assumed for the subsistence allowances had crystallised at the time the Group took over Beijing Yongmao, the liability to Beijing Yongmao is deemed fixed at the point of acquisition. The liability provided was based on agreed figures ("the fair value at inception") in the S&P Agreement with FYIG at the time the Group took over Beijing Yongmao from FYIG. By virtue of the warranty from FYIG to the Group pursuant to the Acquisition, the Group is only responsible for this payment to be made on behalf for subsistence allowances as stated therein. The fair values at inception are determined based on discount rate of 0% per annum. In the opinion of the directors of the Group, there is no actuarial risk to the Group.

This accrual is not a defined contribution nor a defined benefits plan under SFRS(I) 1-19. The carrying amount of this liability assumed for payments made on behalf for subsistence allowances approximates the fair value when the liability was assumed. The movements in the liability assumed for payments made on behalf for subsistence allowances are as follows:

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Group		
Balance at beginning of year	19,963	22,210
Payments made during the year	(2,169)	(2,247)
Balance at end of year	17,794	19,963

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Group		
Amount due within one year	1,694	1,529
Amount due after one year and not after five years	6,776	6,116
Amount due after five years	9,324	12,318
	17,794	19,963

Other accrued expenses

The Group

As at the reporting date, other accrued expenses of RMB65,887,000 (2019 - RMB64,846,000) mainly relate to accruals of salaries and related costs and freight and transportation charges. During the financial year ended 31 March 2020, the Group reversed over-accrual of housing fund contributions of RMB7,462,000 (2019 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

21 Revenue

Revenue representing sale, rental and servicing of tower cranes, tower crane components and accessories, excluding applicable goods and services taxes or value-added taxes.

The Group derives revenue from transfer of goods and services over time and at a point in time as follows:

	2020			2019		
	At a point in time	Over time	Total	At a point in time	Over time	Total
The Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sale of manufactured tower cranes	738,912	–	738,912	698,526	–	698,526
Sale of tower crane components and accessories	84,133	–	84,133	50,152	–	50,152
Rental income	–	96,366	96,366	–	84,322	84,322
Service income	42,941	–	42,941	52,413	–	52,413
	865,986	96,366	962,352	801,091	84,322	885,413

Service income relates mainly to servicing, maintenance, installation, erection and dismantlement charges for tower cranes.

The segment analysis of the Group is disclosed in Note 34 to the financial statements.

Assets recognised from costs to fulfil contracts

Management assessed that there are no assets recognised from costs to fulfil contract as at 31 March 2020 and 31 March 2019.

22(a) Other income

	Note	2020 RMB'000	2019 RMB'000
The Group			
Amortisation of deferred capital grants	19	229	229
Compensation income		82	951
Gain on disposal of property, plant and equipment	23	910	43
Government grants		8,912	2,218
Interest income		1,579	1,159
Rental income of premises	28(b)	2,904	3,320
Sale of scrap materials		1,564	745
Others		337	418
		16,517	9,083
Effective interest rate (per annum)			
- bank deposits		0.88%	0.71%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

22(b) Distribution costs

The Group	Note	2020 RMB'000	2019 RMB'000
Depreciation expenses	4	8,578	3,006
Employee benefit expenses	22(f)	15,555	12,176
Freight charges		44,862	40,642
Office expenses		451	433
Operating lease rentals	28(b)	1,105	6,388
Promotion and advertising expenses		833	1,875
Sales service expenses		4,666	1,319
Transportation expenses		2,721	3,427
Others		919	619
		79,690	69,885

22(c) Administrative expenses

The Group	Note	2020 RMB'000	2019 RMB'000
Amortisation of lease prepayments	6	–	443
Depreciation expenses	4	4,221	2,975
Directors' fee	23	1,331	1,100
Employee benefit expenses	22(f)	47,293	56,285
Entertainment expenses		2,770	2,485
Office expenses		5,615	5,397
Operating lease rentals		1,554	1,804
Other governmental taxes		5,137	5,139
Professional fees		2,549	1,762
Transportation and travelling expenses		5,796	6,175
Others		8,562	5,387
		84,828	88,952

Included in other administrative expenses of RMB8,562,000 (2019 - RMB5,387,000) is a one-off amount of RMB2,659,000 incurred for discharging the Group's responsibility to repair and maintain a state-owned property previously enforced on a subsidiary, Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd., by the local authority.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

22(d) Other operating expenses

The Group	Note	2020 RMB'000	2019 RMB'000
Allowance for expected credit loss, net	10	2,106	(3,752)
Bank charges		689	1,231
Donation		400	3
Exchange gain	23	(4,972)	(3,258)
On relocation of Beijing factory:			
- employee compensations		11,393	–
- transportation expenses		4,203	–
Loss on disposal of property, plant and equipment	23	552	72
Property, plant and equipment written off	23	795	1
Others		493	67
		15,659	(5,636)

22(e) Finance costs

The Group	Note	2020 RMB'000	2019 RMB'000
Interest expenses:			
- loan from related parties	32	137	486
- loan from a corporate shareholder of a subsidiary	32	1,292	870
- bank loans		14,763	16,766
- finance lease liabilities		–	398
- lease liabilities	28(b)	699	–
		16,891	18,520
Effective interest rate (per annum):			
- loan from related parties		5.2%	5.2%
- loan from a corporate shareholder of a subsidiary		4.6%	4.8%
- bank loans		5.9%	6.1%
- finance leases		–	3.9%
- leases		3.7%	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

22(f) Employee benefit expenses

		2020 RMB'000	2019 RMB'000
The Group			
Directors' remuneration:			
- Directors of the Company			
- salaries and related costs		6,655	6,602
- defined contributions		80	105
- Directors of the subsidiaries:			
- salaries and related costs		2,247	2,232
- defined contributions		190	290
Key management personnel (other than directors):			
- salaries and related costs		3,106	2,745
- defined contributions		223	195
Other than directors and key management personnel:			
- salaries and related costs		111,977	115,286
- defined contributions		11,316	20,369
		135,794	147,824

		2020 RMB'000	2019 RMB'000
The Group	Note		
Included in:			
Cost of sales		72,946	79,363
Distribution costs	22(b)	15,555	12,176
Administrative expenses	22(c)	47,293	56,285
		135,794	147,824

Key management personnel are as disclosed in the "Key Management" section of the annual report.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

23 Profit before taxation

The Group	Note	2020 RMB'000	2019 RMB'000
Profit before taxation has been arrived at after charging/(crediting):			
Allowance for expected credit loss, net	10	2,106	(3,752)
Allowance for obsolete and slow-moving inventories, net	12	(2,214)	829
Audit fee paid/payable to:			
- auditors of the Company		990	922
- other auditors		177	166
Non-audit fee paid/payable to auditors of the Company		13	17
Amortisation of deferred capital grants	19	(229)	(229)
Amortisation of lease prepayments	6	–	443
Depreciation of property, plant and equipment	4	63,552	53,563
Directors' fee	22(c)	1,331	1,100
Exchange gain	22(d)	(4,972)	(3,258)
(Gain)/Loss on disposal of property, plant and equipment, net	22(a), 22(d)	(358)	29
Operating lease rentals		7,459	11,792
Property, plant and equipment written off	22(d)	795	1
Reversal of over-accrual of housing fund contribution	20	7,462	–
Provision for warranty	20	1,370	–
Sub-contractor costs and costs of rental of tower cranes		84,060	84,792

24 Taxation

The Group	Note	2020 RMB'000	2019 RMB'000
Current taxation		16,325	21,361
Deferred tax assets	11.1	329	(4,277)
Deferred tax liabilities	11.2	2,279	166
		18,933	17,250
Under/(Over) provision in respect of prior years			
- current taxation		117	90
- deferred tax liabilities	11.2	268	(108)
		385	(18)
		19,318	17,232

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

24 Taxation (Cont'd)

The tax expense on the Group's results before tax differs from the theoretical amount that would arise using the various applicable corporate tax rate of income tax as follows:

	2020	2019
	RMB'000	RMB'000
The Group		
Profit before taxation	68,279	76,038
Tax at domestic rate applicable to profits in the countries concerned ¹	13,233	16,416
Corporate tax rebate/exemption	(2,368)	(4,435)
Tax incentives	(1,162)	(1,423)
Tax effect on non-deductible expenses	4,462	2,712
Deferred tax assets not recognised	3,795	3,180
Benefits from previously unrecognised deferred tax assets	(173)	(864)
Tax on undistributed earnings of PRC subsidiaries	1,146	1,664
Under/(Over) provision in respect of prior years		
- current taxation	117	90
- deferred tax liabilities	268	(108)
	19,318	17,232

¹ This is prepared by aggregating separate reconciliations for each national jurisdiction.

On 1 June 2015, the local tax authority of Liaoning Province had granted Fushun Yongmao and regarded the subsidiary as a "high technological company (高新技术企业)". Pursuant to relevant PRC's taxation law, the subsidiary is subject to taxation at a preferential rate of 15%. Such incentive is valid till December 2019 and is subject to renewal.

On 11 November 2013, the local tax authority of Beijing City had granted Beijing Yongmao and regarded the subsidiary as a "high technological company (高新技术企业)". Pursuant to relevant PRC's taxation law, the subsidiary is subject to taxation at a preferential rate of 15%. Such incentive is valid till November 2019, and is subject to renewal.

The domestic tax rates applicable to the profit of the following companies are as follows:

	Country	Rate	Basis
Yongmao Holdings Limited	Singapore	17.0%	Full tax
Yongmao Machinery Pte. Ltd.	Singapore	17.0%	Full tax
Yongmao Machinery (H.K.) Company Limited	Hong Kong	16.5%	Full tax
Yongmao Machinery (Cambodia) Co., Ltd.	Cambodia	20.0%	Full tax
Eastime Engineering Limited	Hong Kong	16.5%	Full tax
Eastime Engineering (Macau) Co., Ltd.	Macau	12.0%	Full tax
Changzhou Yongmao Heavy Industry Machinery Co., Ltd. (常州永茂重工机械有限公司)	The PRC	25.0%	Full tax

The subsidiary, Changzhou Yongmao Heavy Industry Machinery Co., Ltd. (常州永茂重工机械有限公司), does not have any taxable profit during the financial year as it is dormant.

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for the financial year ended 31 March 2020

25 Other comprehensive income after tax

The Group	Note	2020 RMB'000	2019 RMB'000
Net of tax			
Fair value gain on financial assets - FVOCI	9	184	30,718
Exchange translation difference			
- foreign operations		8,864	8,354
		9,048	39,072

As the financial assets at FVOCI is held on a long-term basis, the Company is of the view that its subsequent disposal will not attract any capital gains tax.

26 Defined contribution national pension benefits

The eligible employees of subsidiaries, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to profit or loss for the financial year, representing defined contribution national pension plan, are as follows:

The Group	2020 RMB'000	2019 RMB'000
Defined contribution national pension benefits	8,209	10,736

27 Earnings per share

The Group

The basic and diluted earnings per share of the Group is calculated based on the Group's profit after taxation attributable to equity holders of the Company of RMB59,709,000 (2019 - RMB61,453,000) on the existing number of ordinary shares in issue of 88,749,997 at the end of the reporting periods.

As there are no dilutive potential ordinary shares that are outstanding during the financial year, the basic earnings per share is the same as the diluted earnings per share.

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for the financial year ended 31 March 2020

28 Leases

Nature of the Group's leasing activities - Where the Group is a lessee

Leasehold land

The Group leases parcels of leasehold land (Note 4) where a subsidiary's buildings and operations are located at in China. The Group has made full payment to the right-of-use of the leasehold land (Note 6). Leases of land have lease term of 45 or 50 years which will expire on 13 January 2060, at earliest and 31 December 2063, at latest date. There is no externally imposed covenant on these lease arrangements.

Warehouse space

The Group leases warehouse space. The Group makes monthly payments for the warehouse and office space. The leases for warehouse space have lease terms of 4 years which will expire on 31 December 2021. There is no externally imposed covenant on these lease arrangements.

Plant and machinery and motor vehicles

The Company has lease contracts for various items of plant and machinery and related tools and motor vehicles used in its operations. Leases of plant and machinery generally have lease terms between 2 and 4 years, while motor vehicles generally have lease terms of 4.5 years. There is no externally imposed covenant on these lease arrangements.

Office equipment

The Group leases office equipment (eg photocopier) for use in its operations. Leases of office equipment have a lease term of 5 years. The Group applies the "low-value asset" recognition exemption for these leases.

Staff accommodation and office space

The Group leases residential units in Hong Kong, Macau and China for staff accommodation and office space in Singapore, Hong Kong, Macau and China. These leases generally have lease terms of 12 months or less. As the lessees and lessors each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty and cost from exercise of termination option, the management has assessed and is of the view that these perpetual lease contracts qualify as short-term leases.

(a) Carrying amounts of right-of-use assets and lease liabilities

The carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the financial year ended 31 March 2020 are disclosed in Note 4 and Note 18.3 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

28 Leases (Cont'd)

Nature of the Group's leasing activities - Where the Group is a lessee (Cont'd)

(b) Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	Note	2020 RMB'000
<u>Leases under SFRS(l) 16</u>		
Depreciation of right-of-use assets, included in:		
- cost of sales		2,372
- distribution costs		5,754
- administrative expenses		674
	4(c)	8,800
Interest expense on lease liabilities, included in finance costs	22(e)	699
Income from subleasing, included in other income	22(a)	2,904
Expenses in relation to short-term leases, included in:		
- cost of sales		4,800
- distribution costs	22(b)	1,105
- administrative expenses		1,543
		7,448
Expenses in relation to low-value asset, included in:		
- administrative expenses		11
	Note	2019 RMB'000
<u>Leases under SFRS 1-17</u>		
Lease expenses, included in:		
- cost of sales		3,600
- distribution costs	22(b)	6,388
- administrative expenses	22(c)	1,804
Rental income included in other income	22(a)	3,320

(c) Total cash outflows

The Group had total cash outflows for leases of RMB16,337,000 in the financial year ended 31 March 2020.

The Group's cash outflows for all the leases in 2019 was RMB11,792,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

28 Leases (Cont'd)

Nature of the Group's leasing activities - Where the Group is an intermediate lessor

Subleases - classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it subleases out certain warehouse space and equipment to third parties for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and the present value of the lease payments do not amount substantially to the fair value of the underlying assets. Accordingly, the subleases are classified as operating leases.

Income from subleasing certain warehouse space and equipment recognised during the financial year ended 31 March 2020 was RMB2,904,000 (2019 - RMB3,320,000).

Undiscounted lease payments from these operating leases to be received after the reporting date are as follows:

	31 March 2020 RMB'000
The Group	
Less than one year	1,991
One to two years	-
Two to three years	-
Total undiscounted lease payment	1,991

29 Commitments

Operating lease commitments (non-cancellable)

The Group

(A) *Where the Group is the lessee*

At the end of the reporting period, the Group is committed to making the following lease rental payments under non-cancellable operating leases for leasehold land, office, workshop, warehouse and factory premises, office equipment and accommodation for employees:

	31 March 2019 RMB'000
The Group	
Not later than one year	6,577
Later than one year and not later than five years	9,282
	15,859

(a) The lease on the Group's workshop, warehouse, factory buildings and relevant supporting facilities on which rental is payable is located at No. 12, Shuanghe Avenue, Linhe Industrial Development Zone, Shunyi District, Beijing, the PRC, 101300. The total floor and land area are approximately 40,915 m² and approximately 148,700 m² respectively. The last rental payable was RMB4,500,000 per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

29 Commitments (Cont'd)

Operating lease commitments (non-cancellable) (Cont'd)

The Group

(A) Where the Group is the lessee (Cont'd)

- (b) The leases on the Group's office premises on which rental is payable is located at 2307, 2308 & 2309, Block A, Fangheng Building, Wangjing East Road, Beijing, the PRC (北京市望京东路方恒国际大厦A座2307, 2308 和 2309号). The office area is 450.27 m². The lease expired on 31 March 2020 and rental payable was RMB810,000 per annum.
- (c) The leases on the Group's office premises on which rental is payable is located at 86/24B Pudong New Area, Maoxing Road, Shanghai, the PRC (上海市浦东新区茂兴路86号24B室). The office area is 137.16 m². The lease expired on 31 March 2020 and rental payable was RMB148,000 per annum.
- (d) The leases on the Group's office and warehouse premises and office equipment in Singapore on which rentals are payable will expire on 31 March 2020, the earliest date and 24 January 2023, the latest date. The rental payable ranges from SGD180 to SGD6,274 per month, which is subject to revisions on renewal.
- (e) The leases on the Group's office and warehouse premises and accommodation for certain employees in Hong Kong and Macau on which rentals are payable will expire on 31 July 2019, the earliest date and 31 December 2021, the latest date. The rental payable ranges from HKD8,400 to HKD308,000 per month, which is subject to revision on renewal.

As disclosed in Note 2(b) to the financial statements, the Group has adopted SFRS(I) 16 on 1 April 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheets as at 1 April 2019, except for short-term leases and low-value asset.

(B) Where the Group is the lessor

At the end of the reporting period, the Group had the following rental income under non-cancellable lease for office premises with original term of more than one year:

	31 March 2019 RMB'000
The Group	
Not later than one year	2,159
Later than one year and not later than five years	–

The leases on the Group's warehouse premises on which rentals were received will expire on 31 December 2019 with renewal at the then prevailing rates.

On 1 April 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 March 2020 is as disclosed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

30 Financial guarantees

The Group

Seller Undertaking provided to banks or financial institutions

- (a) A subsidiary, Fushun Yongmao has agreed to provide guarantee under the Seller Undertaking to a maximum sum of RMB17,920,000 (2019 - RMB16,160,000) to a bank for certain customers who have obtained bank loans to finance their purchase of tower cranes and tower crane accessories and components of the Group. To the extent of the bank loans that remained outstanding as at 31 March 2020, the balances are RMB3,364,000 (2019 - RMB7,437,000) and are secured by bank deposits of RMB5,534,000 (2019 - RMB9,926,000) (Note 15);
- (b) A subsidiary, Fushun Yongmao has agreed to provide guarantee under the Seller Undertaking to a maximum sum of RMB236,025,000 (2019 - RMB189,229,000) to hire purchase companies for certain customers who have purchased tower cranes through hire purchase financing. To the extent of the purchase amount that remained outstanding as at 31 March 2020, the balance is RMB82,585,000 (2019 - RMB89,347,000).

Certain of the Group's sale of tower cranes to the customers in the PRC are financed by borrowings from banks or financial institutions using revolving master credit facility granted by the banks or financial institutions coupled with an undertaking ("Seller Undertaking") provided by the Group to the relevant banks or financial institutions that in the event of default of the customers in making the instalment payments, the Group has to make good the loans outstanding and upon the Group making good the loans, the ownership of the tower cranes will be transferred back to the Group.

Under such sales arrangement, the customer makes an upfront payment of up to 30% (non-refundable) in general of the sales price to the Group and obtains a loan from the bank or financial institution for the balance payment. Upon approval of the bank or financial institution, the bank or financial institution disburses the loan amount in full to the Group. The Group ceased effective control of the tower crane sold upon delivery. In return, the bank or financial institution requires the tower crane to be mortgaged to them.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. The Group is required to pay the bank or financial institution the balance outstanding and repossesses the tower crane acting as collateral for credit enhancement pursuant to the Seller Undertaking.

If the Seller Undertaking were to be crystallised on the assumption of default by customers in making the instalment payments to the bank or financial institution, the Seller Undertaking deemed payable would be:

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Group		
Seller Undertaking provided to certain banks	3,364	7,437
Seller Undertaking provided to hire purchase companies	82,585	89,347
	85,949	96,784

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

30 Financial guarantees (Cont'd)

The Group

Seller Undertaking provided to banks or financial institutions (Cont'd)

The manner in which the Seller Undertaking arrangement is agreed whereby the Group received an upfront non-refundable cash deposit which constitute up to 30% of the selling price of the respective tower cranes, the reimbursable unpaid sum to the banks or financial institutions to repossess the tower crane acting as collateral for credit enhancement is unlikely to cause any loss (if material) should the debtor defaulted. The management expected the credit loss for financial guarantee to be immaterial.

In respect of COVID-19, management has reassessed the impact of the pandemic as to the possible effect that the liabilities may be materialised. As of the date of this report, there is no indication or known cases of occurrence to which this event may be possible.

31 Dividends

The Group	2020 RMB'000	2019 RMB'000
Ordinary dividends		
Final one-tier tax exempt dividends paid in respect of the previous financial year of S\$0.03 (2019 - S\$0.01) per share	13,420	4,333

At the forthcoming Annual General Meeting, a final exempt (one-tier) dividend of 1.0 Singapore cents per share amounting to a total of RMB4,415,000 (SGD887,500) will be proposed. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2021.

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for the financial year ended 31 March 2020

32 Significant related party transactions

Other than the related party information disclosed elsewhere in the financial statements, the followings are the significant related party transactions entered into by the Company and its related parties at mutually agreed amounts:

	2020 RMB'000	2019 RMB'000
The Group		
Sales/rental income charged to related parties		
- Beijing Weiteng Special Purpose Auto Co., Ltd. (北京市威腾专用汽车有限公司)	513	2,867
- China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd. (中核华兴达丰机械工程有限公司)	3,503	4,552
- Jiangsu Zhongjian Tat Hong Equipment Rental Co., Ltd. (江苏中建达丰机械租赁有限公司)	681	4,503
- Jiangsu Hengxingmao Financial Leasing Co., Ltd. (江苏恒兴茂融资租赁有限公司)	58,047	41,832
- Liaoning Yongmao Hydraulic Machinery Co., Ltd. (辽宁永茂液压机械有限公司)	1,480	1,945
- Changzhou Tat Hong Zhaomao Equipment Rental Co., Ltd. (常州达丰兆茂机械租赁有限公司)	20	92
- Tat Hong Intraco Pte Ltd	88	-
- Tat Hong Plant Leasing Pte Ltd	23	-
Sales/rental income charged to a corporate shareholder of a subsidiary		
- Beijing Construction Group Co., Ltd. (北京建工集团有限责任公司)	873	2,482
Purchases from related parties		
- Beijing Weiteng Special Purpose Auto Co., Ltd. (北京市威腾专用汽车有限公司)	168	3,038
- Fushun Yongmao Industry and Trade Co., Ltd. (抚顺市永茂工贸发展有限公司)	815	823
- Liaoning Yongmao Hydraulic Machinery Co., Ltd. (辽宁永茂液压机械有限公司)	483	294
- China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd. (中核华兴达丰机械工程有限公司)	972	-
Rental fee charged by ultimate holding company		
- Sun & Tian Investment Pte. Ltd.	492	480
Rental fee charged by a corporate shareholder of a subsidiary		
- Beijing Construction Group Co., Ltd. (北京建工集团有限责任公司)	2,250	4,500
Rental fee charged by related parties		
- Fushun Yongmao Engineering Machinery Co., Ltd. (抚顺永茂工程机械有限公司)	3,000	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

32 Significant related party transactions (Cont'd)

	2020 RMB'000	2019 RMB'000
The Group		
Rental fee charged by directors of the Company		
- Sun Tian (孙田)	809	809
- Tian Ruo Nan (田若南)	148	148
Loan interest charged by a corporate shareholder of a subsidiary		
- Beijing Construction Group Co., Ltd. [Note 22(e)] (北京建工集团有限责任公司)	1,292	870
Other income charged to related parties		
- Changzhou Tat Hong Zhaomao Equipment Rental Co., Ltd. (常州达丰兆茂机械租赁有限公司)	-	3
Other expenses charged by related parties		
- Fushun Yongmao Hydraulic Machinery Co., Ltd. (抚顺永茂液压机械有限公司)	10	14
- Fushun Yongmao Industry and Trade Co., Ltd. (抚顺市永茂工贸发展有限公司)	256	-
- Liaoning Yongmao Hydraulic Machinery Co., Ltd. (辽宁永茂液压机械有限公司)	-	13
Other expenses charged by a corporate shareholder of a subsidiary		
- Beijing Construction Group Co., Ltd. (北京建工集团有限责任公司)	2,659	-
Loan interest charged by related parties [Note 22(e)]		
- Fushun Yongmao Engineering Machinery Co., Ltd. (抚顺永茂工程机械有限公司)	54	199
- Beijing Weiteng Special Purpose Auto Co., Ltd. (北京市威腾专用汽车有限公司)	83	287
	137	486
Loan from director of the Company		
- Tian Ruo Nan (田若南)	2,640	-
Payments on behalf for related parties		
- Beijing Weiteng Special Purpose Auto Co., Ltd. (北京市威腾专用汽车有限公司)	7	29
Payments on behalf for a corporate shareholder of a subsidiary		
- Beijing Construction Group Co., Ltd. (北京建工集团有限责任公司)	336	477

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies

The Group has policies which set out the Company's and the Group's overall business strategies and its risk management philosophy and financial risk management policies.

The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included interest rate risk, currency risk, credit risk, liquidity risk and price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rate and foreign exchange.

33.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates.

The exposure of the Company to interest rate risk is mainly with non-trade advances to subsidiaries as shown in Note 7 to the financial statements.

The exposure of the Group to interest rate risk is mainly with loan from related parties as shown in Note 13, loan from a corporate shareholder of a subsidiary, Beijing Construction as shown in Note 14 and borrowings as shown in Note 18 to the financial statements.

Sensitivity analysis for interest rate risk

For the variable rate financial liabilities owing for borrowings and loan from a corporate shareholder of a subsidiary, a change of 50 basis points ("bp") in interest rate at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2020		2019	
	Profit net of tax RMB'000	Equity RMB'000	Profit net of tax RMB'000	Equity RMB'000
The Group				
Interest rate				
- decreased by 0.5% per annum	905	905	1,015	1,015
- increased by 0.5% per annum	(905)	(905)	(1,015)	(1,015)

This arises mainly as a result of lower/higher interest expenses on borrowings and loan from a corporate shareholder of a subsidiary.

The Company has no interest-bearing financial instruments, hence, is not exposed to any movements in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company and the Group operate and sell its products in several countries other than the PRC and transacts in foreign currencies including Singapore dollar ("SGD"), United States dollar ("USD"), Euro, Hong Kong dollar ("HKD"), Macanese pataca ("MOP"), Russian ruble ("RUB") and British pound ("GBP"). As a result, the Company and the Group are exposed to movements in foreign currency exchange rates. However, the Company and the Group do not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

The currency exposure of the Company and the Group based on the information provided to key management was as follows:

	SGD	USD	Euro	HKD	MOP	RUB	GBP	Total
The Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2020								
Financial assets								
Cash and cash equivalents	29,481	5,938	3,891	34,909	1,311	-	-	75,530
Trade and other receivables	88,021	23,341	558	45,231	2,365	455	-	159,971
	117,502	29,279	4,449	80,140	3,676	455	-	235,501
Financial liabilities								
Borrowings	(497)	-	-	(37,248)	-	-	-	(37,745)
Amounts owing to related parties	(5,609)	-	-	-	-	-	-	(5,609)
Trade and other payables	(11,277)	(10,537)	-	(11,646)	(696)	-	(9)	(34,165)
	(17,383)	(10,537)	-	(48,894)	(696)	-	(9)	(77,519)
Currency exposure on financial assets and liabilities	100,119	18,742	4,449	31,246	2,980	455	(9)	157,982
Less:								
Net financial assets denominated in respective entity's functional currency	(107,265)	4,183	-	(31,246)	(2,980)	-	-	(137,308)
Currency exposure on financial assets and liabilities	(7,146)	22,925	4,449	-	-	455	(9)	20,674

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.2 Currency risk (Cont'd)

The Group	SGD RMB'000	USD RMB'000	Euro RMB'000	HKD RMB'000	MOP RMB'000	RUB RMB'000	GBP RMB'000	Total RMB'000
At 31 March 2019								
Financial assets								
Cash and cash equivalents	8,527	16,946	1,930	29,567	695	–	–	57,665
Trade and other receivables	14,065	68,165	2,070	49,877	4,230	–	–	138,407
	22,592	85,111	4,000	79,444	4,925	–	–	196,072
Financial liabilities								
Borrowings	(595)	–	–	(23,494)	–	–	–	(24,089)
Amounts owing to related parties	(5,575)	–	–	–	–	–	–	(5,575)
Trade and other payables	(3,391)	(11,321)	–	(10,920)	(1,256)	–	(35)	(26,923)
	(9,561)	(11,321)	–	(34,414)	(1,256)	–	(35)	(56,587)
Currency exposure on financial assets and liabilities	13,031	73,790	4,000	45,030	3,669	–	(35)	139,485
Less:								
Net financial assets denominated in respective entity's functional currency	(18,900)	–	–	(45,030)	(3,669)	–	–	(67,599)
Currency exposure on financial assets and liabilities	(5,869)	73,790	4,000	–	–	–	(35)	71,886

The Company	SGD RMB'000	USD RMB'000	HKD RMB'000	Total RMB'000
At 31 March 2020				
Financial assets				
Cash and cash equivalents	1,339	49	–	1,388
Amounts owing by subsidiaries	31,391	2,345	6,730	40,466
Trade and other receivables	71	–	–	71
	32,801	2,394	6,730	41,925
Financial liabilities				
Trade and other payables	(2,948)	–	–	(2,948)
	(2,948)	–	–	(2,948)
Currency exposure on financial assets and liabilities	29,853	2,394	6,730	38,977

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.2 Currency risk (Cont'd)

The Company	SGD RMB'000	USD RMB'000	HKD RMB'000	Total RMB'000
At 31 March 2019				
Financial assets				
Cash and cash equivalents	2,512	46	–	2,558
Amounts owing by subsidiaries	26,154	2,147	6,086	34,387
Trade and other receivables	41	–	–	41
	28,707	2,193	6,086	36,986
Financial liabilities				
Amount owing to subsidiary	(994)	–	–	(994)
Trade and other payables	(2,847)	–	–	(2,847)
	(3,841)	–	–	(3,841)
Currency exposure on financial assets and liabilities	24,866	2,193	6,086	33,145

Sensitivity analysis for currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in the SGD, USD, Euro, RUB, GBP and HKD exchange rates (against RMB), with all other variables held constant, of the Company's and the Group's profit net of tax and equity.

The Group		2020		2019	
		Profit net of tax RMB'000	Equity RMB'000	Profit net of tax RMB'000	Equity RMB'000
SGD	- strengthened 5% (2019 - 5%)	(304)	(304)	(249)	(249)
	- weakened 5% (2019 - 5%)	304	304	249	249
USD	- strengthened 5% (2019 - 5%)	974	974	3,136	3,136
	- weakened 5% (2019 - 5%)	(974)	(974)	(3,136)	(3,136)
Euro	- strengthened 5% (2019 - 5%)	189	189	170	170
	- weakened 5% (2019 - 5%)	(189)	(189)	(170)	(170)
RUB	- strengthened 5% (2019 - 5%)	19	19	–	–
	- weakened 5% (2019 - 5%)	(19)	(19)	–	–
GBP	- strengthened 5% (2019 - 5%)	–*	–*	(1)	(1)
	- weakened 5% (2019 - 5%)	–*	–*	1	1

* Represents amount less than RMB1,000.

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for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.2 Currency risk (Cont'd)

Sensitivity analysis for currency risk (Cont'd)

		2020		2019	
		Profit net of tax RMB'000	Equity RMB'000	Profit net of tax RMB'000	Equity RMB'000
The Company					
SGD	- strengthened 5% (2019 - 5%)	1,239	1,239	1,032	1,032
	- weakened 5% (2019 - 5%)	(1,239)	(1,239)	(1,032)	(1,032)
USD	- strengthened 5% (2019 - 5%)	99	99	91	91
	- weakened 5% (2019 - 5%)	(99)	(99)	(91)	(91)
HKD	- strengthened 5% (2019 - 5%)	279	279	253	253
	- weakened 5% (2019 - 5%)	(279)	(279)	(253)	(253)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's and the Group's exposure to currency risk.

33.3 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk; and
- High credit quality counterparties rating by external credit rating companies.

The Company's and the Group's exposure to credit risk arises primarily from trade and other receivables, amount owing by related companies, amount owing by a corporate shareholder of a subsidiary and bank balances. Cash is held with reputable financial institutions. For trade receivables, the Group and the Company adopt the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

For sale of tower cranes in the PRC, the Group typically requires a down-payment of up to 30% of the contract price upon the order being placed. Upon delivery, up to 65% of the contract price is payable and the balance is to be paid by the customer at the expiry of the 12-month warranty period for manufacturing defects. For certain customers in the PRC, the Group gives credit terms of approximately 180 days from the date of invoice.

For the Group's overseas sale of tower cranes, the Group typically requires a down-payment of up to 30% of the contract price upon the order being placed. Upon shipment, the balance of the contract price is payable by way of letter of credit or telegraphic transfer.

The credit terms granted to customers are recommended by the Group's sales department and approved by the Group's Chief Executive Officer, Tian Ruo Nan and are determined based on the credit worthiness, payment history, transaction volume, financial background, market reputation and the existing relationship that the Group has with its customers.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.3 Credit risk (Cont'd)

The carrying amounts of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk other than as at 31 March 2020, the five largest trade receivables which represent approximately 39% (2019 - 26%) of the total trade receivables at the end of the reporting period. No other financial assets carry a significant exposure to credit risk.

The credit risk for trade and other receivables of the Group by geographical areas is as follows:

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Group		
The PRC	214,955	245,569
Singapore	88,021	14,060
Hong Kong and Macau	47,598	54,106
Other countries	24,354	70,235
	374,928	383,970

The allowance for expected credit loss of trade and other receivables is based upon a review of the expected collectability of all trade and other receivables. As at the date of this report, the money received from debtors amounted to RMB152.5 million.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except for financial guarantees provided by the Group to subsidiaries. The Group's policy is to provide financial guarantees only to subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee (see Note 18) at the reporting date if the facilities are fully drawn down by the subsidiaries is RMB161,585,000 (2019 - RMB149,542,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee. The Company expects the credit loss for intra-group financial guarantees to be immaterial.

The Group's major classes of financial assets are bank deposits, trade receivables, amounts owing by related parties and a corporate shareholder of a subsidiary. Cash is held with banks of good standing.

Trade receivables

The Group assesses the ECL associated with its trade receivables on a forward-looking basis and historical information which is used for any significant increase in credit risk. A provision for impairment is made for the lifetime ECL on initial recognition of the receivable. These assessments are made on a customer by customer basis.

To limit the Group's exposure to credit risk on trade receivables, the Group's assesses internally, the size of the deposit that is required from the customers at inception. In general, these deposits represent up to 30% of sale contract price. The extent of the expected credit losses will reflect the recovery amount expected from the collateralised machinery upon repossession from customers.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.3 Credit risk (Cont'd)

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 365 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 365 days past due. Where receivables are written off, the Group and the Company continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 is as follows:

The Group	Trade receivables RMB'000	Amount owing by related parties - trade RMB'000	Amount owing by a corporate shareholder of a subsidiary - trade RMB'000	Total RMB'000
Balance at 31 March 2020	356,310	68,504	2,607	427,421
Cash flow expected from collateral, other credit enhancements and subsequent receipts	(351,772)	(68,504)	(2,607)	(422,883)
Balance subject to expected credit loss	4,538	–	–	4,538
Expected loss rate on debt default	100%	–	–	100%
Loss allowance	4,538	–	–	4,538
Balance at 31 March 2019	327,967	83,845	2,821	414,633
Cash flow expected from collateral, other credit enhancements and subsequent receipts	(325,535)	(83,845)	(2,821)	(412,201)
Balance subject to expected credit loss	2,432	–	–	2,432
Expected loss rate	100%	–	–	100%
Loss allowance	2,432	–	–	2,432

Other financial assets

Cash and cash equivalents, non-trade amount owing by related parties, amount owing by a corporate shareholder of a subsidiary and other receivables are subject to immaterial credit loss.

The Company

The Company is not exposed to significant expected credit losses on its bank balances, amount owing by subsidiaries and trade and other receivables. No adjustment has been made to the allowance for trade and other receivables and amount owing by subsidiaries as the amount to be adjusted is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.4 Liquidity risk

Liquidity or funding risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The exposure of the Company and the Group to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group manage its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

		Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
The Group					
At 31 March 2020					
Trade and other payables		367,555	6,776	9,324	383,655
Borrowings (excluding lease liabilities)		254,683	–	–	254,683
Lease liabilities		24,730	4,962	–	29,692
Amounts owing to related parties		8,282	–	–	8,282
Amount owing to a corporate shareholder of a subsidiary		35,119	–	–	35,119
		690,369	11,738	9,324	711,431
At 31 March 2019					
Trade and other payables		390,404	6,116	12,318	408,838
Borrowings (excluding lease liabilities)		248,143	–	–	248,143
Finance lease liabilities		10,063	783	–	10,846
Amounts owing to related parties		17,747	–	–	17,747
Amount owing to a corporate shareholder of a subsidiary		35,202	–	–	35,202
		701,559	6,899	12,318	720,776
The Company					
		Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 March 2020					
Trade and other payables		5,028	–	–	5,028
Corporate guarantees		33.3	161,585	–	161,585
		166,613	–	–	166,613
At 31 March 2019					
Trade and other payables		4,927	–	–	4,927
Corporate guarantees		33.3	149,542	–	149,542
		154,469	–	–	154,469

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

33 Financial risk management objectives and policies (Cont'd)

33.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company and the Group do not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

34 Operating segments

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision-maker that are used to make strategic decisions, allocate resources, and assess performance.

The Group's chief operating decision-maker considers the business from a geographic segment perspective. Management manages and monitors the business in the two primary geographical areas of operations namely, 1) the PRC and 2) Hong Kong and Macau. The following summary describes the operations in each of the Group's reportable segments:

The PRC	:	Engaged predominantly in the manufacture and sale, with some rental and servicing of tower cranes and tower crane components and accessories
Hong Kong and Macau	:	Engaged predominantly in the rental and servicing, with some sale of tower cranes and tower crane components and accessories

Other segments included corporate functions and the sale and servicing of tower cranes and tower crane components and accessories in Singapore. These are not included within the reportable operating segments as they are not separately reported to the Group's chief operating decision-maker and does not meet the quantitative thresholds required by SFRS(I) 8 for reportable segments. The results of these operations are included in the "All other segments" column.

The segment information provided to the Group's chief operating decision-maker for the reportable segment is included below. Performance is measured based on segment profit before taxation, as included in the internal management reports that are reviewed by the Group's chief operating decision-maker. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

34 Operating segments (Cont'd)

2020	The PRC RMB'000	Hong Kong and Macau RMB'000	All other segments RMB'000	Total RMB'000
Sales				
Total segment sales	921,324	113,269	287,432	1,322,025
Inter-segment sales	(361,855)	4,786	(2,604)	(359,673)
Sales to external parties	559,469	118,055	284,828	962,352
Comprises:				
Sale of manufactured tower cranes and tower crane components and accessories	524,544	16,800	281,701	823,045
Rental and service income	34,925	101,255	3,127	139,307
	559,469	118,055	284,828	962,352
Results				
Interest income	1,579	–	–	1,579
Depreciation expenses	31,755	30,770	1,027	63,552
Relocation of Beijing factory				
- employee compensation	11,393	–	–	11,393
- transportation expenses	4,203	–	–	4,203
Interest expenses	14,265	669	1,957	16,891
Reportable segment profit before taxation	21,355	10,340	36,584	68,279
Other segment information				
Reportable segment assets	1,134,045	214,039	270,343	1,618,427
Additions to property, plant and equipment	7,433	23,110	19	30,562
Reportable segment liabilities	674,725	57,722	37,386	769,833

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

34 Operating segments (Cont'd)

2019	The PRC RMB'000	Hong Kong and Macau RMB'000	All other segments RMB'000	Total RMB'000
Sales				
Total segment sales	974,979	111,839	211,118	1,297,936
Inter-segment sales	(422,392)	9,869	–	(412,523)
Sales to external parties	552,587	121,708	211,118	885,413
Comprises:				
Sale of manufactured tower cranes and tower crane components and accessories	515,239	24,720	208,719	748,678
Rental and service income	37,348	96,988	2,399	136,735
	552,587	121,708	211,118	885,413
Results				
Interest income	1,159	–	–	1,159
Depreciation expenses	27,867	24,295	1,401	53,563
Amortisation of lease prepayments	443	–	–	443
Interest expenses	17,427	935	158	18,520
Reportable segment profit before taxation	42,708	8,433	24,897	76,038
Other segment information				
Reportable segment assets	1,232,991	168,405	207,856	1,609,252
Additions to property, plant and equipment	7,096	8,510	1,007	16,613
Reportable segment liabilities	739,046	35,670	32,388	807,104

Sales between segments are carried out at market terms. The revenue from external parties reported to the Group's chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

34 Operating segments (Cont'd)

Reconciliation of reportable segment profit or loss, assets and liabilities and other material items:

	2020 RMB'000	2019 RMB'000
Profit or loss		
Profit before taxation for reportable segments	31,695	51,141
Profit before taxation for other segments	36,584	24,897
	68,279	76,038
Assets		
Total reportable segment assets	1,618,427	1,609,252
Deferred tax assets	17,667	17,996
GST or VAT receivables	132	–
Other tax receivables	1,096	–
Consolidated total assets	1,637,322	1,627,248
Liabilities		
Total reportable segment liabilities	769,833	807,104
Deferred tax liabilities	25,847	22,412
Current tax payable	12,768	12,229
GST or VAT payable	–	2,960
Consolidated total liabilities	808,448	844,705

Revenue information based on geographical location of customers is as follows:

	2020 RMB'000	2019 RMB'000
The Group		
The PRC	456,172	440,599
Hong Kong and Macau	114,958	121,708
Singapore	265,110	177,955
Asia - others	27,799	33,517
Middle East	69,931	99,716
United States of America and Europe	28,362	11,862
Others	20	56
	962,352	885,413

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

34 Operating segments (Cont'd)

Non-current assets¹ information based on geographical location is as follows:

	2020	2019
	RMB'000	RMB'000
The Group		
The PRC	313,617	339,246
Hong Kong and Macau	118,838	80,660
Others	4,224	6,298
	436,679	426,204

¹ Non-current assets exclude financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately RMB118,895,000 (2019 - RMB99,434,000) are derived from a single external customer who solely account for 12% or more of the Group's revenue. These revenues are attributable to the sales in the Asia-others segment.

35 Fair value measurement

Definition of fair value

SFRS(I)s define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : unobservable inputs for the asset or liability.

		Level 1	Level 2	Level 3	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000
The Company and The Group					
At 31 March 2020					
Assets					
Financial assets - FVOCI	9	–	–	119,029	119,029
At 31 March 2019					
Assets					
Financial assets - FVOCI	9	–	–	118,845	118,845

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

35 Fair value measurement (Cont'd)

Fair value measurement of financial instruments (Cont'd)

The fair value of financial instruments that are not traded in an active market is determined by using valuation technique. The Company and the Group use income approach to determine fair value for the financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

There were no transfers into or out of fair value hierarchy levels for financial years ended 31 March 2020 and 2019.

Measurement of fair value of financial instruments

Fair value of the Group's unquoted equity investment is estimated based on appraisals performed by independent, professionally-qualified valuer. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

The valuation techniques used for instruments categorised in Level 3 are described below:

Valuation techniques and significant unobservable inputs

The income approach was used to estimate the fair value of investment in Tat Hong Equipment (China) Pte Ltd. The valuation involves estimation of Free Cash Flows to Firm, which is defined as the cash generated from operation after taking into account requirements for capital expenditure and incremental working capital. These cash flows are then discounted at an appropriate weighted average cost of capital ("WACC") to arrive at the business value.

Financial assets, at FVOCI were carried at fair value at the end of each reporting period with changes in fair value recognised in equity. The following table shows the Group's valuation techniques used in measuring fair values, as well as the significant unobservable inputs used:

Valuation technique	Significant unobservable input	31 March	31 March	Inter-relationship between key unobservable inputs and fair value measurement
		2020	2019	
		%	%	
WACC	Risk-free rate	2.6	3.1	The estimated fair value would increase/(decrease) if: - The risk-free rate was higher/(lower)
	Expected market return	10.0	10.4	- The expected market return was higher/(lower)
	Tax rate	25.0	25.0	- The tax rate was lower/(higher)
	Debt/Equity ratio	87.0	99.5	- The debt/equity ratio was higher/(lower)
	Risk premium	5.0	5.2	- The risk premium was higher/(lower)
	Cost of equity	16.0	15.3	- The cost of equity was higher/(lower)
	Cost of debt	4.9	4.9	- The cost of debt was higher/(lower)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

35 Fair value measurement (Cont'd)

Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 1-13 fair value measurement guidance to perform the valuation.

Management has reassessed the expected market return of 10% considering the impact of the pandemic both at the date of this report and the reporting date. Critically, there is a strong resilience in the PRC where the state continues to show commitment in the infrastructure. The investee continues to have strong market share in this business.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	The Company		The Group	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Financial assets				
Financial assets, at FVOCI	119,029	118,845	119,029	118,845
Trade and other receivables	71	41	374,928	383,970
Amounts owing by subsidiaries	40,466	34,387	–	–
Amounts owing by related parties	–	–	68,504	83,845
Amount owing by a corporate shareholder of a subsidiary	–	–	3,468	3,345
Cash and cash equivalents	1,388	2,558	167,343	193,651
Financial assets, at amortised costs	41,925	36,986	614,243	664,811
Trade and other payables	5,028	4,927	399,755	427,272
Amount owing to subsidiary	–	994	–	–
Borrowings	–	–	267,599	252,603
Lease liabilities	–	–	9,646	–
Amounts owing to related parties	–	–	8,282	17,286
Amount owing to a corporate shareholder of a subsidiary	–	–	34,277	34,325
Financial liabilities, at amortised costs	5,028	5,921	719,559	731,486

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

36 Capital management

The Group's objectives when managing capital are:

- (a) to safeguard the Group's ability to continue as a going concern;
- (b) to support the Group's stability and growth;
- (c) to provide capital for the purpose of strengthening and the Group's risk management capability; and
- (d) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the financial year. The Group is not subject to externally imposed capital requirements.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2020 and 31 March 2019.

Gearing has a significant influence on the Group's capital structure and the Group monitors capital using a gearing ratio. The Group's policies are to keep the gearing ratio between 40% and 80%. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables plus amounts owing to/advances from related parties, a corporate shareholder of a subsidiary less cash and cash equivalents.

Total capital is calculated as equity plus net debt.

	31 March 2020	31 March 2019
	RMB'000	RMB'000
The Group		
Net debt	592,719	606,413
Total equity	777,279	725,542
Total capital	1,369,998	1,331,955
Gearing ratio	43.3%	45.5%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

37 Comparative figures

Comparative figures have been reclassified to conform with current year's presentation:

	As reported 2019 RMB'000	Reclassification 2019 RMB'000	As restated 2019 RMB'000
The Group			
Statements of financial position			
<u>Current assets</u>			
Trade and other receivables	455,030	(30,534)	424,496
Amounts owing by related parties	89,199	(5,354)	83,845
<u>Current liabilities</u>			
Trade and other payables	506,621	(30,534)	476,087
Amounts owing to/advances from related parties	23,969	(5,354)	18,615

There is no impact on other notes to the financial statements.

	As reported 2019 RMB'000	Reclassification 2019 RMB'000	As restated 2019 RMB'000
Consolidated statement of cash flows			
<u>Cash flows from operating activities</u>			
Allowance for obsolete and slow-moving inventories, net	4,443	(3,614)	829
Increase in inventories	(72,490)	3,614	(68,876)
Increase in operating receivables	(75,655)	21,760	(53,895)
Increase in operating payables	135,449	(21,760)	113,689
<u>Cash flows from financing activities</u>			
Proceeds from borrowings	288,625	16,005	304,630
Repayment of borrowings	(315,032)	(7,501)	(322,533)
Proceeds from finance lease liabilities	23,330	(16,005)	7,325
Repayment of principal portion of finance lease liabilities	(16,858)	7,501	(9,357)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

38 Prior year adjustment

The comparative financial statements of the Company has been restated due to error in recognition of deferred tax liabilities on undistributed profits of PRC subsidiaries at the Company level. As the undistributed earnings of subsidiaries are not consolidated at the Company level, taxable temporary differences would not arise at Company level.

The effects of the restatement are summarised as follows:

	← 1 April 2018 →		
	As reported RMB'000	Adjustments RMB'000	As restated RMB'000
The Company			
<u>Statements of financial position</u>			
Reserves - retained earnings	142,573	7,678	150,251
Deferred tax liabilities	7,678	(7,678)	–
	← 31 March 2019 →		
Reserves - retained earnings	172,616	9,343	181,959
Deferred tax liabilities	9,343	(9,343)	–

39 Subsequent event

Following the outbreak of the global COVID-19 pandemic, government containment measures and restrictions of movements were implemented in many countries globally. The effect of these government containment measures meant that the business operations of many of the Company's and the Group's local and overseas customers and freight forwarders were also inadvertently disrupted, resulting in delays and/or postponement of deliveries of products to them.

As at the date of these financial statements, the global COVID-19 situation remains challenging, as a result of which the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 March 2021.

STATISTICS OF SHAREHOLDINGS

As at 14 August 2020

Total Number of Shares	:	88,749,997
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share (excluding treasury shares)
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.80	60	0.00
100 - 1,000	115	30.58	68,700	0.08
1,001 - 10,000	188	50.00	774,817	0.87
10,001 - 1,000,000	65	17.29	5,855,535	6.60
1,000,001 AND ABOVE	5	1.33	82,050,885	92.45
TOTAL	376	100.00	88,749,997	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SUN & TIAN INVESTMENT PTE LTD	50,942,870	57.40
2	TAT HONG HOLDINGS LTD	21,253,153	23.95
3	CITIBANK NOMINEES SINGAPORE PTE LTD	6,751,400	7.61
4	2G CAPITAL PTE LTD	1,960,000	2.21
5	DBS NOMINEES (PRIVATE) LIMITED	1,143,462	1.29
6	SUN TIAN	841,900	0.95
7	CHIA KEE KOON	611,800	0.69
8	UOB KAY HIAN PRIVATE LIMITED	513,980	0.58
9	PHILLIP SECURITIES PTE LTD	469,000	0.53
10	TAN ENG ANN	320,340	0.36
11	SEE BENG LIAN JANICE	170,000	0.19
12	OCBC SECURITIES PRIVATE LIMITED	151,300	0.17
13	CHEN LAY GEOK	151,000	0.17
14	YING SIEW KHAY	144,448	0.16
15	YAP SOON YONG	140,040	0.16
16	HO KIM HONG	120,000	0.14
17	YAU KOK SAN	115,885	0.13
18	LEE SWEE KHIM	114,000	0.13
19	OH CHUN SIANG	108,000	0.12
20	CHIA SIONG LIM	100,000	0.11
	TOTAL	86,122,578	97.05

STATISTICS OF SHAREHOLDINGS

As at 14 August 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sun Zhao Lin ¹	–	–	50,942,870	57.40
Tian Ruo Nan ¹	66,600	0.08	50,942,870	57.40
Sun & Tian Investment Pte. Ltd.	50,942,870	57.40	–	–
Tat Hong Holdings Ltd	21,253,153	23.95	–	–
THSC Investments Pte. Ltd. ²	–	–	21,253,153	23.95
TH60 Investments Pte. Ltd. ³	–	–	21,253,153	23.95
Chwee Cheng & Sons Pte Ltd ³	–	–	21,253,153	23.95
Ng San Tiong Roland ⁴	–	–	21,253,153	23.95
Ng Sun Ho Tony ⁴	–	–	21,253,153	23.95
Ng San Wee David ⁴	–	–	21,253,153	23.95
Ng Sun Giam Roger ⁴	–	–	21,253,153	23.95
Augusta Investments Zero Pte. Ltd. ⁵	–	–	21,253,153	23.95
Augusta AB Holdco Pte. Ltd. ⁵	–	–	21,253,153	23.95
Augusta Fundco Pte. Ltd. ⁵	–	–	21,253,153	23.95
Augusta Fund 1, LP ⁶	–	–	21,253,153	23.95
Augusta GP Pte. Ltd. ⁶	–	–	21,253,153	23.95
Affirma Capital Managers (Singapore) Pte. Ltd. ⁶	–	–	21,253,153	23.95
Affirma Capital (Singapore) Pte. Ltd. ⁷	–	–	21,253,153	23.95
Affirma Capital Limited ⁷	–	–	21,253,153	23.95

The percentage of shareholding above is computed based on the total issued shares of 88,749,997 excluding treasury shares

Notes:-

- Mr Sun Zhao Lin and Ms Tian Ruo Nan are deemed to be interested in the shares of the Company by virtue of the shares held by Sun & Tian Investment Pte Ltd.. Mr Sun Zhao Lin and Ms Tian Ruo Nan are directors and substantial shareholders of Sun & Tian Investment Pte. Ltd..
- THSC Investments Pte. Ltd. (“THSC”) owns 100% interest in Tat Hong Holdings Ltd (“THH”). Accordingly, THSC is deemed to be interested in the shares of the Company held by THH.
- TH60 Investments Pte. Ltd. (“TH60”) owns approximately 70.8% interest in THSC, which in turn is wholly owned by Chwee Cheng & Sons Pte Ltd (“CCSPL”). Accordingly, each of TH60 and CCSPL is deemed to be interested in the shares of the Company held by THH.
- Pursuant to the terms of a trust deed dated 29 July 1997 (as amended) (the “Trust Deed”), Mr Ng San Tiong Roland and his brothers, Messrs Ng Sun Ho Tony, Ng San Wee David and Ng Sun Giam Roger, are joint trustees of the Chwee Cheng Trust (collectively, the “Trustees”) constituted under the Trust Deed and which owns approximately 39.44% of CCS. As Trustees, each Trustee has a deemed interest in the shares of CCSPL held by Chwee Cheng Trust and accordingly, is deemed to be interested in the shares of the Company held by THH.
- Augusta Investments Zero Pte. Ltd. (“Augusta Investments Zero”), which owns approximately 29.2% interest in THSC, is wholly owned by Augusta AB Holdco Pte. Ltd. (“Augusta AB”), which in turn is wholly owned by Augusta Fundco Pte. Ltd. (“Augusta Fundco”). Accordingly, each of Augusta Investments Zero, Augusta AB and Augusta Fundco is deemed interested in the shares of the Company held by THH.
- Augusta Fund 1, LP owns 100% interest in Augusta Fundco. Augusta GP Pte. Ltd. (“Augusta GP”) is the general partner of Augusta Fund 1, LP and Affirma Capital Managers (Singapore) Pte. Ltd. (“Affirma Capital Managers”) is the fund manager of Augusta Fund 1, LP. Accordingly, Augusta Fund 1, LP acts on the directions of Augusta GP and Affirma Capital Managers. As a result, each of Augusta Fund 1, LP, Augusta GP and Affirma Capital Managers is deemed interested in the shares of the Company held by THH.
- Affirma Capital (Singapore) Pte. Ltd. (“Affirma Singapore”) owns 100% interest in each of Affirma Capital Managers and Augusta GP and in turn, Affirma Capital Limited (“Affirma Capital”) owns 100% interest in Affirma Singapore. Accordingly, each of Affirma Singapore and Affirma Capital is deemed interested in the shares of the Company held by THH.

PERCENTAGE OF SHAREHOLDING IN PUBLIC’S HANDS

14.65% of the Company’s shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Yongmao Holdings Limited (the “**Company**”) will be held by way of electronic means on Friday, 18 September 2020 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statements and the Audited Financial Statements of the Company and the Group for the year ended 31 March 2020 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend (tax exempt one-tier) of 1 Singapore cent per ordinary share for the financial year ended 31 March 2020. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulations 117 and 121 of the Constitution of the Company:-
 - (i) Ms Tian Ruo Nan – Regulation 117 **(Resolution 3)**
 - (ii) Mr Ng San Tiong – Regulation 117 **(Resolution 4)**
 - (iii) Mr Hoon Chee Wai – Regulation 121 **(Resolution 5)**

[See Explanatory Note (i)]

4. To approve the payment of Directors’ fees of S\$242,000 for the financial year ended 31 March 2020 (2019: S\$242,000). **(Resolution 6)**
5. To re-appoint Messrs Foo Kon Tan LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:-

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 (“**Companies Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:-

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

provided that:-

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:-
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with 7(2)(a) or 7(2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of the Share Issue Mandate.

- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments, whichever is earlier. **(Resolution 8)**

[See Explanatory Note (ii)]

NOTICE OF ANNUAL GENERAL MEETING

8. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:-

- (a) approval be and is given for the renewal of the mandate for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the Appendix to the Annual Report dated 3 September 2020 (the "**Appendix**") with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Appendix (the "**Shareholders' Mandate**");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate and/or this Resolution. **(Resolution 9)**

[See Explanatory Note (iii)]

NOTICE OF RECORD DATE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Yongmao Holdings Limited (the "**Company**") will be closed on 6 October 2020 for the purpose of determining the entitlements to the first and final dividend (tax exempt one-tier) of 1 Singapore cent per ordinary share to be proposed at the Annual General Meeting ("**AGM**") of the Company to be held on 18 September 2020.

Duly completed registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. of 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, up to 5.00 p.m. on 5 October 2020 will be registered to determine members' entitlements to the said dividend.

Members whose Securities Account with The Central Depository (Pte) Limited are credited with shares up to 5.00 p.m. on 5 October 2020 will be entitled to the proposed dividend.

The proposed payment of the dividend, if approved by the members at the AGM to be held on 18 September 2020, will be made on 20 October 2020.

By Order of the Board

Siau Kuei Lian / Yap Soon Yong
Joint Company Secretaries

3 September 2020
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

- (i) Mr Hoon Chee Wai will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee. Mr Hoon Chee Wai will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Report on page 43 to page 47 in the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.
- (ii) Resolution 8 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards which were issued and outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) Resolution 9 above, if passed, will authorise the Interested Person Transactions as described in the Appendix to the Annual Report and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:-

General

1. In view of the circuit breaker measures applicable and pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by electronic means and members of the Company will NOT be allowed to attend the AGM in person. Printed copies of this Notice and the Annual Report 2020 will not be sent to members. Instead, this Notice and the Annual Report 2020 will be made available to members by electronic means via publication on the SGX website at www.sgx.com/securities/company-announcements and on the Company's website at <http://www.yongmaoholdings.com>.
2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:-
 - a. watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Notes 3 to 6 below;
 - b. submitting questions ahead of the AGM. Please refer to Notes 7 to 9 below for further details; and
 - c. voting by proxy at the AGM. Please refer to Notes 10 to 19 below for further details.

Participation in AGM proceedings via "live webcast"

3. A member of the Company or their corporate representative(s) (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast, either, via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, member must pre-register with the Company by **10.00 a.m. on 16 September 2020** ("**Registration Deadline**"), at the URL: <https://sg.conveneagm.com/yongmaoagm2020> (the "**Yongmao AGM Website**"), to create an account. Corporate members must also submit the Corporate Representative Certificate to the Company at the following email address: investor@yongmaoholdings.com.
4. Following the authentication of his/her/its status as a member of the Company, such member will receive an email on their authentication status and will be able to access the Live Webcast using the account created.
5. Members who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 10.00 a.m. on 17 September 2020 should contact the Company at the following email address: investor@yongmaoholdings.com, with the following details included:-
 - (a) the member's full name; and
 - (b) his/her/its identification/registration number.
6. Non-CPF/SRS holders whose shares are registered under Depository Agents ("**DAs**") must **also** contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast.

NOTICE OF ANNUAL GENERAL MEETING

Submission of questions prior to the AGM

7. Shareholders will not be able to ask questions during the live webcast, therefore it is important for shareholders to register and submit their questions in advance of the AGM. A member of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company will endeavour to address questions which are substantial and relevant.
8. To do so, all questions must be submitted no later than the Registration Deadline through any one of the following means: (a) via the **Yongmao AGM Website**; or (b) in physical copy by depositing the same at the registered office of the Company at **81 Ubi Avenue 4, #09-01 UB. One, Singapore 408830**; or (c) by email to investor@yongmaoholdings.com.
9. If the questions are deposited in physical copy at the Company's registered office or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (i) the member's full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

Voting by proxy

10. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/ she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) is/are advised to specify his/her/its votes for the respective resolutions in the instrument appointing the Chairman of the Meeting as proxy ("**Proxy Form**"), failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
11. The Chairman of the Meeting, as proxy, need not be a member of the Company.
12. The Proxy Form must be submitted through any one of the following means: (a) via the **Yongmao AGM Website** in the electronic format accessible on the Yongmao AGM Website; (b) by depositing a physical copy at the registered office of the Company at **81 Ubi Avenue 4, #09-01 UB. One, Singapore 408830**; or (c) by sending a scanned PDF copy by email to investor@yongmaoholdings.com, in each case, no later than **10.00 a.m. on 16 September 2020**, and failing which, the Proxy Form will not be treated as valid.
13. In the case of submission of the Proxy Form other than via the Yongmao AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
14. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically.
15. In the case of submission of the Proxy Form other than via the Yongmao AGM Website, the Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
16. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act (Chapter 50 of Singapore) and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
17. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.
18. In the case of a member of the Company whose shares are entered against his/her name in the Depository Register, the Company may reject any Proxy Form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
19. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/ her Relevant Intermediary (including his/her CPF Agent Bank or SRS Operators) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

*A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:-

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of such member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration, analysis and facilitation by the Company (or its agents or service providers) of his/her/its participation in the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Due to the constantly evolving COVID-19 situation, the Company will closely monitor the situation and reserve the right to change our arrangements for the AGM at short notice. Shareholders should check SGXNET and the above URL for the latest updates of the AGM. The Company apologises for any inconvenience caused and seek the understanding and cooperation of all Shareholders in enabling the Company to hold its AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

APPENDIX

APPENDIX – SUMMARY SHEET FOR RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

Yongmao Holdings Limited (the “**Company**”) together with its subsidiaries (collectively the “**Group**”) is seeking approval from the Shareholders at the Annual General Meeting (“**AGM**”) to be held on 18 September 2020 for the renewal of the Shareholders’ Mandate to authorise the Group to enter into various Interested Person Transactions in compliance with Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

2. GENERAL

We anticipate that our Group would, in the ordinary course of business, enters into transactions with persons who are considered “Interested Persons” as defined in Chapter 9 of the Listing Manual of SGX-ST. It is likely that such transactions will occur with some degree of frequency and could arise at any time, and from time to time. Such transactions include, but are not limited to, the categories of transactions described below.

Chapter 9 of the Listing Manual of SGX-ST applies to transactions entered or to be entered into by an entity at risk with a party that is an interested person of the listed company. Save for transactions which are excluded under Chapter 9 of the Listing Manual of SGX-ST, an immediate announcement and (if applicable) shareholders’ approval would be required in respect of a transaction with interested persons if the value of that transaction is equal to or exceeds certain financial thresholds.

Under the SGX-ST’s Listing Manual:-

- (a) an “entity at risk” means:-
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “listed group”), or the listed group and its interested person(s), has control over the associated company;
- (b) an “interested person” means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder;
- (c) an “associate” means:-

in relation to an interested person who is a director, chief executive officer, substantial or controlling shareholder includes:-

 - (i) an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling and parent) of such director, chief executive officer or controlling shareholder;
 - (ii) the trustees of any trust of which the director or his immediate family, the chief executive officer or his immediate family or controlling shareholder or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object;
 - (iii) any company in which the director and his immediate family, the chief executive officer and his immediate family or controlling shareholder and his immediate family together has an aggregate interest (directly or indirectly) of 30% or more; and

APPENDIX

- (iv) where a substantial shareholder or a controlling shareholder which is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (d) An “associated company” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group;
- (e) An “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;
- (f) A “controlling shareholder” means a person who holds (directly or indirectly) 15% or more of the total voting rights in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder or in fact exercises control over a company; and
- (g) An “interested person transaction” means a transaction between an entity at risk and an interested person.

Pursuant to Rule 920(2) of the Listing Manual of SGX-ST, the Company may treat a general mandate as having been obtained from the Shareholders (“**Shareholders’ Mandate**”) for the Company to enter into certain categories of interested person transactions with the classes of interested person set out below, if the information required by Rule 920(1)(b) is included in the Prospectus. Rule 920(1)(b) of the Listing Manual of SGX-ST requires the following information to be disclosed:-

- (i) the class of interested persons with which the entity at risk will be transacting;
- (ii) the nature of the transactions contemplated under the mandate;
- (iii) the rationale for, and benefit to, the entity at risk;
- (iv) the methods or procedures for determining transaction prices;
- (v) an independent financial adviser’s opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the listed company and its minority shareholders;
- (vi) an opinion from the Audit Committee if it takes a different view to the independent financial adviser;
- (vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and
- (viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

The Shareholders’ Mandate will be effective from the date of the passing of the resolution to be proposed at the AGM and will continue to be in force until the next AGM. We will seek the approval of our Shareholders for a renewal of the Shareholders’ Mandate at each subsequent AGM of the Company.

In accordance with Rule 920(1)(b)(viii) of the Listing Manual, interested persons will abstain, and have undertaken to ensure that their associates will abstain from voting on resolutions approving interested person transactions involving themselves and the Group. Furthermore, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by shareholders who are unrelated to such interested persons or their associates.

Rule 905 and Rule 906 of the Listing Manual do not apply to any transaction which has a value that is below S\$100,000 with an interested person and therefore transactions below S\$100,000 need not be covered under the Shareholders’ Mandate.

APPENDIX

3. CLASSES OF INTERESTED PERSONS

The Shareholders' Mandate will apply to transactions between the Group and the following persons ("**Interested Persons**"):-

- (a) Mr Sun Zhao Lin, Ms Tian Ruo Nan and Mr Sun Tian (the "**Sun Family Members**") and their associates (other than the Company), including Fushun Yongmao Industry and Trade Co., Ltd ("**FYIT**") and their respective subsidiaries or associated companies, if any; and
- (b) Tat Hong Holdings Ltd and its subsidiaries and associated companies (the "**Tat Hong Group**").

Transactions with interested persons that do not fall within the ambit of the Shareholders' Mandate shall be subject to the provisions of Chapter 9 and/or any other applicable provisions of the Listing Manual of SGX-ST.

4. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The following transactions (the value of which is S\$100,000 or more) with the Interested Persons (the "**Interested Person Transactions**") are in connection with the provision to, or the obtaining from, these Interested Persons of products and services which are recurrent transactions of a revenue or trading nature or which are necessary for the day-to-day operations of the Group:-

- (i) the sale of products (including the sale of tower cranes and tower crane accessories to companies within the Tat Hong Group) and the provision of services; and
- (ii) the purchase of products and services (including the purchases of consumables from FYIT).

5. RATIONALE FOR AND BENEFITS OF THE SHAREHOLDERS' MANDATE

In view of the time-sensitive nature of commercial transactions, it would be advantageous to the Company to obtain the Shareholders' Mandate to enter into the Interested Person Transactions, provided that all such transactions are carried out on normal commercial terms. The Shareholders' Mandate (if approved and renewed on an annual basis) will eliminate, among others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions with interested persons arise. This will reduce substantially the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising its corporate objectives and adversely affecting its business opportunities.

The Interested Person Transactions are entered into or, are to be entered into, by the Group in the ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time.

The Directors are of the view that it will be beneficial to the Group to transact or continue to transact with the Interested Persons after the listing of the Company on the SGX-ST. Disclosure will be made where required under the prevailing listing rules, in the Company's annual report and financial results on the aggregate value of Interested Person Transactions conducted pursuant to the Shareholders' Mandate during the current financial year, and in the annual reports for the subsequent financial years during which the Shareholders' Mandate is in force.

6. GUIDELINES AND REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

The Audit Committee has reviewed and approved the following internal control procedures that will apply to Interested Person Transactions. These procedures are implemented with a view to ensuring that Interested Person Transactions are undertaken on normal commercial terms and/or on an arm's length basis; that is, the transactions are transacted on terms not more favourable to the Interested Persons than if they were transacted with an unrelated third party, and are not prejudicial to the interests of the Company and the minority Shareholders.

The Company shall monitor transactions with Interested Persons entered into by the Group and categorise these transactions as follows:-

- (a) any transaction, whose value is less than 3% of the latest audited net tangible assets of the Group will be reviewed and approved by a non-interested Executive Director. In the event that all the Executive Directors have an interest, whether directly or indirectly, in the transaction, it will be reviewed and approved by a non-interested and Non-Executive Director; and
- (b) any transaction, whose value is equal to or exceeds 3% of the latest audited net tangible assets of the Group will be reviewed and approved by at least one member of our Audit Committee.

For the purpose of the above review, where applicable, when supplying products or services to an Interested Person, the sale price or fee, and the terms, of at least two successful sales or supplies of a similar nature to non-Interested Persons within the last three months will be used for comparison. The sale price or fee for the supply of goods or services shall not be lower than the lowest sale price or fee of such other transaction(s) (of a similar nature) with non-Interested Persons.

Similarly, where applicable, when purchasing items from or engaging the services of an Interested Person, at least two successful purchases or quotations for the purchase or provision of same or similar items or services from non-Interested Persons within the last three months will be used (where available) for comparison. The purchase price or fee shall not be higher than the most competitive price, fee or quote of such other transaction(s) (of a similar nature) with non-Interested Persons. In determining the most competitive price or fee, non-price factors, including but not limited to quality, delivery time, and track record will be taken into account.

In the event that it is not possible for appropriate information (for comparative purposes) to be obtained, a Director (with no interest, direct or indirect, in the Interested Person Transactions) will determine whether the price, fees and/or the other terms offered by or to the Interested Persons are fair and reasonable, and approve such Interested Person Transactions. In so determining, such Director will consider whether the price, fees and/or other terms is in accordance with usual business practices and pricing policies and consistent with the usual margins and/or terms to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken at an arm's length and on normal commercial terms.

For all on-going and future Interested Person Transactions in respect of the renting of properties, appropriate steps will be taken with a view to ensuring that the rent is commensurate with the prevailing market rates, including adopting measures such as making enquiries with landlords of similar property and obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The amount payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant enquiries.

The Company will maintain a register of Interested Persons. This register will be updated regularly and will be sent to the Chief Financial Officer of the Group. The purpose of this register is to enable the Chief Financial Officer to identify the Interested Persons so as to facilitate the recording of all Interested Person Transactions excluding those below S\$100,000.

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The Company will also maintain a register of transactions carried out with Interested Persons including those pursuant to the Shareholders' Mandate (recording the basis, including the quotations obtained to support such basis, on which they were entered into). This register of transactions shall be reviewed by the Audit Committee on a quarterly basis.

In addition, the Group's internal audit plan will incorporate a review of the transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate. The internal auditor, if any, shall be required to review such transactions and report directly to the Audit Committee on them. In the event that the Company does not have any internal auditor, the Company's external auditor will be required to review such transactions and report directly to the Audit Committee. Such internal audit plan is subject to the approval of the Audit Committee and the Board.

In the event that our Chief Executive Officer, a member of the Board or a member of the Audit Committee (where applicable) is interested in any Interested Person Transactions, he/she will abstain from any decision making by the Audit Committee or the Board in respect of that transaction.

If during the quarterly reviews, the Audit Committee is of the view that the internal control procedures as stated above are not sufficient to ensure that the Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders, the Company will obtain a fresh mandate from Shareholders based on new guidelines and review procedures with interested persons. All Interested Person Transactions shall be reviewed and approved by at least one member of the Audit Committee prior to entry while a fresh mandate is being sought from Shareholders. In the event that a member of the Audit Committee is interested in any of the Interested Person Transactions, that member will abstain from reviewing that particular transaction.

The Audit Committee will also review transactions with interested persons on a quarterly basis with a view to ensuring that the prevailing rules of the SGX-ST (in particular, Chapter 9) are complied with. Our Audit Committee and our Board shall have the overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within the Group as they deem appropriate.

7. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company has reviewed the terms of the Shareholders' Mandate. Having considered, inter-alia, the categories, rationale and benefits, and guidelines on review procedures for the Interested Person Transactions, the Audit Committee confirms that (i) the review procedures for determining the prices of Interested Person Transactions have not changed since approval for the Shareholders' Mandate was last given; and (ii) the review procedures set out in the Shareholders' Mandate are sufficient to ensure that the Interested Person Transactions are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. However, should the Audit Committee subsequently find that the existing procedures require material changes and are no longer relevant, the Audit Committee will recommend to the Board that a Shareholders' meeting be convened for Shareholders' approval in respect of a fresh mandate.

APPENDIX

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders of the Company in the issued share capital of the Company as at 14 August 2020 are set out below:-

Directors	Number of Shares		Number of Shares	
	Direct Interest	%	Deemed Interest	%
Sun Zhao Lin ¹	–	–	50,942,870	57.40
Tian Ruo Nan ¹	66,600	0.08	50,942,870	57.40
Ng San Tiong Roland ⁴	–	–	21,253,153	23.95
Sun Tian ²	841,900	0.95	–	–
Chua Kee Lock	–	–	–	–
Hoon Chee Wai	–	–	–	–
Steve Lai Mun Fook	–	–	–	–
Sun & Tian Investment Pte. Ltd.	50,942,870	57.40	–	–
Tat Hong Holdings Ltd	21,253,153	23.95	–	–
THSC Investments Pte. Ltd. ³	–	–	21,253,153	23.95
TH60 Investments Pte. Ltd. ⁴	–	–	21,253,153	23.95
Chwee Cheng & Sons Pte Ltd ⁴	–	–	21,253,153	23.95
Ng Sun Ho Tony ⁵	–	–	21,253,153	23.95
Ng San Wee David ⁵	–	–	21,253,153	23.95
Ng Sun Giam Roger ⁵	–	–	21,253,153	23.95
Augusta Investments Zero Pte. Ltd. ⁶	–	–	21,253,153	23.95
Augusta AB Holdco Pte. Ltd. ⁶	–	–	21,253,153	23.95
Augusta Fundco Pte. Ltd. ⁶	–	–	21,253,153	23.95
Augusta Fund 1, LP ⁷	–	–	21,253,153	23.95
Augusta GP Pte. Ltd. ⁷	–	–	21,253,153	23.95
Affirma Capital Managers (Singapore) Pte. Ltd. ⁷	–	–	21,253,153	23.95
Affirma Capital (Singapore) Pte. Ltd. ⁸	–	–	21,253,153	23.95
Affirma Capital Limited ⁸	–	–	21,253,153	23.95

The percentage of shareholding above is computed based on the total issued shares of 88,749,997 excluding treasury shares

Notes:-

- 1 Mr Sun Zhao Lin and Ms Tian Ruo Nan are deemed to be interested in the shares of the Company by virtue of the shares held by Sun & Tian Investment Pte Ltd.. Mr Sun Zhao Lin and Ms Tian Ruo Nan are directors and substantial shareholders of Sun & Tian Investment Pte. Ltd..
- 2 Mr Sun Tian is the son of Mr Sun Zhao Lin and Ms Tian Ruo Nan.
- 3 THSC Investments Pte. Ltd. ("THSC") owns 100% interest in Tat Hong Holdings Ltd ("THH"). Accordingly, THSC is deemed to be interested in the shares of the Company held by THH.
- 4 TH60 Investments Pte. Ltd. ("TH60") owns approximately 70.8% interest in THSC, which in turn is wholly owned by Chwee Cheng & Sons Pte Ltd ("CCSPL"). Accordingly, each of TH60 and CCSPL is deemed to be interested in the shares of the Company held by THH.
- 5 Pursuant to the terms of a trust deed dated 29 July 1997 (as amended) (the "Trust Deed"), Mr Ng San Tiong Roland and his brothers, Messrs Ng Sun Ho Tony, Ng San Wee David and Ng Sun Giam Roger, are joint trustees of the Chwee Cheng Trust (collectively, the "Trustees") constituted under the Trust Deed and which owns approximately 39.44% of CCS. As Trustees, each Trustee has a deemed interest in the shares of CCSPL held by Chwee Cheng Trust and accordingly, is deemed to be interested in the shares of the Company held by THH.

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- 6 Augusta Investments Zero Pte. Ltd. (“Augusta Investments Zero”), which owns approximately 29.2% interest in THSC, is wholly owned by Augusta AB Holdco Pte. Ltd. (“Augusta AB”), which in turn is wholly owned by Augusta Fundco Pte. Ltd. (“Augusta Fundco”). Accordingly, each of Augusta Investments Zero, Augusta AB and Augusta Fundco is deemed interested in the shares of the Company held by THH.
- 7 Augusta Fund 1, LP owns 100% interest in Augusta Fundco. Augusta GP Pte. Ltd. (“Augusta GP”) is the general partner of Augusta Fund 1, LP, and Affirma Capital Managers (Singapore) Pte. Ltd. (“Affirma Capital Managers”) is the fund manager of Augusta Fund 1, LP. Accordingly, Augusta Fund 1, LP acts on the directions of Augusta GP and Affirma Capital Managers. As a result, each of Augusta Fund 1, LP, Augusta GP and Augusta Capital Managers is deemed interested in the shares of the Company held by THH.
- 8 Affirma Capital (Singapore) Pte. Ltd. (“Affirma Singapore”) owns 100% interest in each of Affirma Capital Managers and Augusta GP and in turn, Affirma Capital Limited (“Affirma Capital”) owns 100% interest in Affirma Singapore. Accordingly, each of Affirma Singapore and Affirma Capital is deemed interested in the shares of the Company held by THH.

9. ABSTENTION FROM VOTING

- (i) Mr Sun Zhao Lin, Ms Tian Ruo Nan, Mr Sun Tian and Tat Hong Holdings Ltd, and their respective associates, being the Interested Persons will abstain from voting on the Resolution 9.
- (ii) Mr Ng San Tiong who hold directorship and executive position in Tat Hong Group, and their respective associates will abstain from voting on the Resolution 9.

10. DIRECTORS' RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Chua Kee Lock, Mr Hoon Chee Wai and Dr Steve Lai Mun Fook (the “**Independent Directors**”). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of its business will enhance the efficiency of the Group and are in the best interests of the Company.

For the reasons set out in paragraph 5 of the Appendix, the Independent Directors recommend that Shareholders vote in favour of Resolution 9, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate for Interested Person Transactions at this AGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given herein and confirm; having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate and that there are no material facts the omission of which would make any statement herein misleading.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

The 2020 AGM will be convened by electronic means for the purpose of considering, and if thought fit, passing with or without any modifications, the resolutions as set out in the Notice of AGM.

Shareholders who wish to vote at the AGM may submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf. Shareholders should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible not less than forty-eight (48) hours before the time appointed for the AGM. Shareholders may watch the AGM proceeding through the live AGM webcast should refer to Notice of AGM for further details.

13. SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Appendix.

YONGMAO HOLDINGS LIMITED

(Company Registration No. 200510649K)
(Incorporated in the Republic of Singapore)

IMPORTANT:-

1. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the AGM are set out in the Company's announcement which, together with the Notice of Annual General Meeting dated 3 September 2020, have been uploaded on SGXNET. The announcement and the Notice of Annual General Meeting can also be accessed at the home page of the Company's corporate website (<http://www.yongmaoholdings.com>).
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, at least 7 working days before the Meeting, in which case, SRS investors shall be precluded from attending the Meeting.
3. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of **YONGMAO HOLDINGS LIMITED** (the "Company"), hereby appoint:-

Chairman of the Meeting	Proportion of Shareholdings	
	No. of Shares	%

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held by way of electronic means on Friday, 18 September 2020 at 10.00 a.m. and at any adjournment thereof. I/We direct the Chairman of the Meeting to vote for, against or to abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the Chairman of the Meeting will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:-	No. of votes 'For'*	No. of votes 'Against**	No. of votes 'Abstain**
Ordinary Businesses				
1	Directors' Statement and Audited Financial Statements for the year ended 31 March 2020			
2	Declaration of First and Final Dividend for the financial year ended 31 March 2020			
3	Re-election of Ms Tian Ruo Nan as Director			
4	Re-election of Mr Ng San Tiong as Director			
5	Re-election of Mr Hoon Chee Wai as Director			
6	Approval of Directors' fees amounting to S\$242,000 for the year ended 31 March 2020			
7	Re-appointment of Messrs Foo Kon Tan LLP as Auditors			
Special Businesses				
8	Authority to issue shares			
9	Renewal of Shareholders' Mandate for Interested Person Transactions			

* Voting will be conducted by poll. If you wish the Chairman of the Meeting, as your proxy, to exercise all your votes 'For', 'Against' or to 'Abstain' from voting, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing the Chairman of the Meeting not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this _____ day of _____ 2020

Total number of Shares held

Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE



Notes:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument shall be deemed to relate to all the Shares held by you.
2. In view of the circuit breaker measures applicable and pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person.
3. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) is/are advised to specify his/her/its votes for the respective resolutions in this Proxy Form.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. This Proxy Form must be submitted through any one of the following means: (a) via the following URL: <https://sg.conveneagm.com/yongmaoagm2020> (the "Yongmao AGM Website") in the electronic format accessible on the Yongmao AGM Website; or (b) by depositing a physical copy at the registered office of the Company at **81 Ubi Avenue 4, #09-01 UB. One, Singapore 408830**; or (c) by sending a scanned PDF copy via email to investor@yongmaoholdings.com, in either case, no later than **10.00 a.m. on 16 September 2020**, and failing which, this Proxy Form will not be treated as valid.
6. A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
7. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**
8. In the case of submission of this Proxy Form other than via the Yongmao AGM Website, this Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
10. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Operators) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

*A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:-

By submitting an instrument appointing the Chairman of the Meeting as the proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 September 2020.

General:-

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as the proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as the proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as the proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

COMPANY REGISTRATION NUMBER

200510649K

REGISTERED OFFICE

81 Ubi Avenue 4
#09-01 UB. One
Singapore 408830

DIRECTORS

Sun Zhao Lin
Sun Tian (also alternate to Sun Zhao Lin)
Tian Ruo Nan
Ng San Tiong
Chua Kee Lock
Hoon Chee Wai (appointed on 2 September 2019)
Dr Steve Lai Mun Fook

AUDIT COMMITTEE

Hoon Chee Wai (Chairman) (appointed on 2 September 2019)
Chua Kee Lock
Dr Steve Lai Mun Fook

REMUNERATION COMMITTEE

Chua Kee Lock (Chairman)
Hoon Chee Wai (appointed on 2 September 2019)
Dr Steve Lai Mun Fook

NOMINATING COMMITTEE

Dr Steve Lai Mun Fook (Chairman)
Chua Kee Lock
Hoon Chee Wai (appointed on 2 September 2019)

JOINT COMPANY SECRETARIES

Siau Kuei Lian (appointed on 12 November 2019)
Yap Soon Yong (appointed on 12 November 2019)

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
30 Cecil Street,
#19-08 Prudential Tower,
Singapore 049712

INDEPENDENT AUDITOR

Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place, #07-03
Clifford Centre
Singapore 048621

Partner-in-charge: Yeo Boon Chye
(appointed in financial year ended 31 March 2020)





Yongmao Holdings Limited

(Incorporated in the Republic of Singapore on 3 August 2005)
(Company Registration No: 200510649K)

81 Ubi Avenue 4, #09-01 UB. One
Singapore 408830
Tel: (65) 6636 3456
Fax: (65) 6636 2960
Email: investor@yongmaoholdings.com
Website: www.yongmaoholdings.com