Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Yongmao Holdings Limited

Stock code: BKX

Meeting details:
Date: 18 September 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. During the financial year ended 31 March 2020, the group relocated its Beijing factory to a new manufacturing premise in close proximity to the existing factory in Fushun. The land and built-up area at the new site are approximately 160,000 square metre and 35,000 square metre respectively.

The move was successfully completed in September 2019 and production at the new site has commenced. Management expects the new site to be fully operational in FY2021.

(i) **Can management help shareholders understand the current production capacity of the group's manufacturing sites following the relocation of its Beijing factory?**

(ii) **What was the utilisation rate of the existing factory in Fushun in FY2020?**

(iii) **Has management taken the opportunity to introduce more smart manufacturing processes (commonly referred to as "Industry 4.0"), such as more automation, machine learning, IoT, real-time data?**

Q2. As shown in the financial highlights, the group's profit before taxation for FY2020 was RMB68.3 million (FY2019: RMB76.0). In Note 2(a) (page 64 – Basis of preparation: Critical accounting estimates and key sources of estimation uncertainty), the following was disclosed:

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.

(i) **Can the board/management help shareholders understand how it manages raw material price risks?**

(ii) **What is the ability of the group to pass on the increase in costs to its customers?**

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Q3. In Note 32 (page 129 – Significant related party transactions), it was disclosed that the group obtained a loan RMB2.64 million from Tian Ruo Nan, a director of a company (shown below).

32 Significant related party transactions (Cont'd)

The Group	2020 RMB'000	2019 RMB'000
Loan from director of the Company		
- Tian Ruo Nan (田若南)	2,640	–

(Adapted from company annual report)
As seen in Note 15 (page 106 – Cash and cash equivalents), the group has cash and cash equivalents of RMB167.3 million as at 31 March 2020.

(i) **Would the audit committee help shareholders understand the reason(s) for taking a loan from a director of the company when the group has cash and cash equivalents of RMB167.3 million?**

(ii) **What is the working capital required to support the group's operations and growth? Is it opportune for the group to further streamline its processes to better manage its working capital?**

[*A similar question was sent to the company based on the review of the FY2018 annual report. The question has been updated following the review of the FY2020 annual report as the issue remains and the company has not responded to the earlier question.*]

Q4. The "Impairment of trade receivables" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 51). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group has trade receivables of RMB422.9 million which represented approximately 51% of the net assets of the group.

The ageing of the trade and other receivables that are categorised as financial assets is shown in Note 10 (page 99; reproduced below).

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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 RMB'000	31 March 2019 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

(Source: company annual report)

(i) **Can management provide shareholders with better clarity by also disclosing the number of debtors, the amounts owed by each, location of debtors, and the overdue period (including the upper limit to the ageing analysis) for customers with trade receivables past due by more than 6 months?**

Previously, management had disclosed the amounts past in bands of 3 months for up to 12 months.

(ii) **Would management elaborate further on the impact of COVID-19 on the group's customers? Are there signs of material deterioration in the credit quality of the group's customers?**

In Note 33.3 (page 134 – Credit risk), the company stated the following:

> *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.*

(iii) **Would the board elaborate further on the group's credit risk framework? Has the board evaluated the robustness of the credit risk framework?**

(iv) **In view of the pandemic, what changes has the group made to better manage its credit risks and to improve on the collection of receivables?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)