Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Yongmao Holdings Limited

Stock code: BKX

Meeting details:
Date: 26 July 2022
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. As noted in the chairman's statement, the resurgence of COVID-19 in China significantly affected the group's second half performance of the financial year ended 31 March 2021. The group was also negatively affected by the sluggish property market in China.

(i) **Can management help shareholders better understand the current situation on the ground in Liaoning Province? Are the group's operations impacted by COVID-19 related measures?**

(ii) **What is management's view of the property market in the PRC and what are management's plans to mitigate any slow-down?**

The group's cranes were deployed for major landmark projects in China, including the Xinfeng Power Plant Project, China Hangzhou West Railway Station Project, Dalian Waste Incineration Power Plant Project, Phase IV expansion project of Guangdong Canton Fair Exhibition Hall; and Guangdong Lufeng Nuclear Power Station.

(iii) **How did the group secure such landmark projects?**

(iv) **In addition, are the group's crane designs (such as the new STF2080, a quick-loading boom tower crane that integrates convenient dismantling and assembly) protected by patents?**

As shown in Note 29 (page 123; Acquisition of non-controlling interest), the group acquired 34% of the issued and paid-up share capital of Beijing Yongmao in February 2021 for a cash consideration of RMB2.765 million when the net tangible liabilities of the acquired shares were RMB3.488 million.

(v) **What is the business/commercial rationale of acquiring the non-controlling interest at a premium of RMB6.3 million?**

Q2. The company announced on 10 February 2021 that the company and its wholly-owned subsidiary, YMM, had, on 8 February 2021 been served with a Writ of Summons and Statement of Claim filed by CMNT Investment Pty Ltd, an Australian company, in the Supreme Court of Queensland.

The suit is in relation to an industrial incident that occurred in October 2018 involving a tower crane that YMM had sold to CMNT in July 2016 (page 140). The company and YMM intent to vigorously defend the claims made by CMNT in the suit.

(i) **What is the progress of the suit?**

(ii) **Is the suit taking up significant management bandwidth?**

(iii) **Have the group's business activities slowed down in Australia/Oceania as a result of the suit?**

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Q3. In the corporate governance report, the board and the management stated their commitment to put in place corporate governance practices that protect shareholders' interests and enhance long-term shareholders' value.

The board comprises seven directors, three of whom are independent and non-executive directors, one non-executive and non-independent director and three executive directors.

While the board is cognisant that independent directors do not make up a majority of the board (Provision 2.2 of the Code of corporate governance 2018), the board and the nominating committee (NC) are satisfied that the board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs (page 25).

Listing Rule 710 of the SGX Listing Manual requires issuers to ***explicitly state***, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, ***the reason(s) for the variation***, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

(i) **Can the NC help shareholders better understand (a) the deliberations it had on and (b) the underlying reasons for the board's deviations from Provisions 2.2 of the Code?**

The three executive directors are:
- Mr Sun Zhao Lin, executive chairman
- Ms Tian Ruo Nan, executive director and CEO
- Mr Sun Tian, executive director and group general manager

Mr Sun Zhao Lin, the executive chairman, is the spouse of Ms Tian Ruo Nan, the CEO. Mr Sun Tian is the son of Mr Sun Zhao Lin (executive director and chairman) and Ms Tian Ruo Nan (executive director and chief executive officer). The executive directors collectively hold a majority stake in the company.

In addition, two of the independent directors, namely Mr Chua Kee Lock (also lead independent director) and Dr Steve Lai Mun Fook, were appointed to the board in December 2007. They both sit on Vertex Technology Acquisition Corporation Ltd as directors. Dr Steve Lai Mun Fook also sits on the board of Intraco Limited where Mr Hoon Chee Wai serves as the chief operating officer. Mr Ng San Tiong, the deputy chairman and non-executive director of the company, is a substantial shareholder and a controlling shareholder of both Intraco Limited and the company.

(ii) **How did the NC assess the level of independence in the board given the abovementioned relationships, especially the interlocking associations? Do the relationships interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interest of the company?**

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(iii) **Are the independent directors able to exercise objective judgement on corporate affairs independently from management and the substantial shareholders?**

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

(iv) **Will the continued appointments of the long-tenured directors, namely Mr Chua Kee Lock and Dr Steve Lai Mun Fook, impede/delay the progressive renewal of the board? What are the challenges faced by the board in identifying and onboarding of new independent directors?**

In addition, Mr Chua Kee Lock, is also the lead independent director.

(v) **Should Mr Chua Kee Lock lead by example by setting the tone with regard to capping the tenure of independent directors?**

(vi) **Would the NC be reviewing the board composition, with a view on how it could refresh the board composition to meet the requirements of the CG Code 2018, in particular, Provision 2.2?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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

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