

RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED FULL YEAR RESULTS FOR THE PERIOD ENDED 31 MARCH 2023

Yongmao Holdings Limited (the “**Company**”) has received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) regarding the Company’s unaudited full year results for the period ended 31 March 2023 (“**FY2023**”) announced on 29 May 2023. The Company’s responses to the queries of SGX-ST are set out below:

SGX-ST Queries

- 1. Please provide information on the Group’s inventory turnover days as at 31 March 2023 and 31 March 2022, and provide an explanation for the increase/decrease in inventory turnover days from 31 Mar 22 to 31 Mar 23.**

Company’s Response

	Group	
	31 Mar 2023	31 Mar 2022
Inventory turnover days	215	184

The increase in inventory turnover days compared to the previous financial year, was partly due to the high inventory balance as at 31 March 2023 with anticipated sales for delivery in the subsequent quarter. The increase is also due to lower revenue in FY2023 as compared to last financial year.

- 2. In regard to the Company’s trade and other receivables as at FY2023, please disclose the following:-**
 - a) Aging of the Group’s trade receivables;**
 - b) Breakdown of the Group’s trade receivables;**
 - c) Details of the Group’s underlying transactions of its other receivables and the terms of the transactions;**
 - d) The Company’s plans to recover the trade and other receivables;**
 - e) Whether they are major customer(s) and whether the Company continues to transact with these customer(s);**
 - f) How long the debts are outstanding and in which period the sales were reported;**
 - g) Actions taken to recover the trade and other receivables;**
 - h) The Board’s assessment of the recoverability of the trade and other receivables.**
 - i) The Company’s policy in trade receivables collection;**
 - j) the general credit term extended to customers.**

Company's Response

The aging analysis of trade receivables are as follows:

	Group 31 Mar 2023 RMB'000	Financial year which respective sales were reported
Current	138,668	FY2023
Past due 0 to 3 months	138,304	FY2023
Past due 3 to 6 months	55,204	FY2023
Past due over 6 months	154,572	FY2023 - FY2019
	<u>486,748</u>	

Breakdown of trade and other receivables are as follows:

	Group 31 Mar 2023 RMB'000
Trade receivables	528,301
Credit loss allowance	(41,553)
Net trade receivables	<u>486,748</u>
Bills receivable	23,005
GST or VAT receivables	1,053
Staff advances	3,961
Advances made to suppliers of raw material	71,518
Advances made to freight forwarder	3
Accrued interest income	71
Down-payment for property, plant and equipment	149
Refundable deposits	2,211
Prepayments	6,931
Prepaid interest	267
Tax recoverable	2,174
Other tax receivables	723
Other receivables	4,913
	<u>603,727</u>

Bills receivable mainly refer to letters of credit and banker's acceptance notes received from banks.

The bills receivable from third parties which are interest-free mature as follows:

	Group 31 Mar 2023 RMB'000
The earliest date	3-May-23
The latest date	<u>17-Dec-24</u>

The advances made to suppliers of raw materials relate to down-payments placed with suppliers for the supply to be made.

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.

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 up to 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.

In assessing the recoverability of these receivables, the Group took into consideration the historical bad debt losses based on the age of the receivables and the customers' current financial position to identify any expected credit losses.

The Group provides expected credit loss on past due trade receivables where:

- a) there is no credit impair to be expected, a percentage has been applied to the debt on a general basis;
- b) there is a credit impair expected, a percentage has been applied to the specific debt if doubtful on the basis to the extent of the probability of default; and
- c) there is a credit-impaired and regarded as in default, a full sum of the specific debt will be written off to profit or loss.

Receivables that were determined to be impaired as at 31 March 2023 are related to those which have been past due and have insufficient information to justify recoverability of the respective receivables, including those which are related to customers who are facing financial difficulties in fulfilling their obligations. Those receivables that were determined to be impaired were not from the Group's major customers. The Group has ceased to transact with customers which outstanding debts are deemed doubtful of collection.

Based on the above and barring any unforeseen circumstances, the Board is of the view that the carrying value of the net trade and other receivables represents the recoverable amount as at 31 March 2023.

The Group continues to monitor the aging and collection of receivables on an on-going basis. For those receivables which are past due and doubtful of collection, reminders have been sent to the relevant customers before issuance of demand letters and the recovery of debts via legal proceedings where necessary.

- 3. In regard to the Company's trade and other payables, please disclose the following:-**
- a) Please disclose a breakdown of trade and other payables (non-current) of RMB11.1mil as at 31 Mar 2023.**
 - b) Please disclose a breakdown of trade and other payables (current) of RMB620.0mil and RMB582.3mil as at 31 Mar 2023 and 31 Mar 2022 respectively.**
 - c) For other payables, please disclose the aging and nature of these other payables and whether the counter parties are related parties.**

Company's Response

Trade and other payables (non-current) of RMB11.1mil as at 31 Mar 2023 pertains to liability assumed for payments made on behalf for subsistence allowances. Please refer to Note 19 on page 111-112 of the Annual Report for FY2022 for explanations.

The breakdown of trade and other payables (current) of RMB620.0mil and RMB582.3mil as at 31 Mar 2023 and 31 Mar 2022 are as follows:

	Group	
	31 Mar 2023	31 Mar 2022
	RMB'000	RMB'000
Trade payables	271,210	195,163
Bills payable	23,860	2,680
Accrual for purchases	94,061	90,456
Advances from customers	120,952	171,104
Amount owing to suppliers of property, plant and equipment	96	386
Provision for assurance warranty	4,167	4,352
Accrued directors' fees	1,251	1,134
Deposits received	11,054	2,996
Interest received	1,965	3,612
Rental payables to a director of the Company	1,785	941
Loan from a third party	-	10,749
Liability assumed for payments made on behalf for subsistence allowances	1,568	1,734
Accrued interest expenses	420	961
Other accrued expenses	70,428	81,491
Other payables	17,185	14,502
	620,002	582,261

Bills payable mature within 1 month from year-end. As at 31 March 2023, bills payable are secured by bank deposits of RMB7,920,000 (2022 - RMB2,680,000).

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

The loan from a third party as at 31 March 2022 was interest-bearing and had no fixed repayment terms. Interest was charged at 6.3% per annum and was repayable on demand.

The advances from customers represent deposits for sales orders made for the delivery of equipment when ready.

Provision for assurance warranty 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 recognized at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns, and probability and amounts of claims.

Other accrued expenses mainly relate to accruals of salaries and related costs and freight and transportation charges.

Except from the rental payable to a director of the Company as disclosed in the table above, none of the counter parties are related parties.

4. Borrowings increased by RM39.6mil in FY2023, mainly due to higher financing for new rental fleets. In this regard, please disclose the following:-

- a) Details of the loan, including the terms of the loan, interest on loans and maturity dates;
- b) breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if this is not a bank);
- c) When the loans were obtained and approved by the Board including the Audit Committee; Use of proceeds from the loan.

Company's Response

The increases in borrowings are mainly new loans from banks and financial institutions. The details of the loans are as follows:

	Loan 1	Loan 2	Loan 3	Loan 4
Borrower	FSYM ¹	YMHK ²	YMHK ²	YMHK ²
Nature of loan	Unsecured Bank Loan	Unsecured Bank Loan	Hire purchase with financial institution	Hire purchase with financial institution
Loan amount	RMB40,000,000	HKD4,000,000	HKD18,696,000	HKD5,700,000
Effective interest rate	5.5%	5.1%	6.4%	8.5%
Loan tenure	29/06/22 - 13/07/23	18/11/22 - 18/10/26	24/04/22 - 27/03/26	30/06/22 - 30/06/26
Date of Board Approval	16-Jun-22	26-Apr-22	16-Feb-22	16-Feb-22
Use of proceeds	Working capital for self-constructed tower cranes for rental	Working capital	Financing of new rental fleet	Financing of new rental fleet

¹ Fushun Yongmao Construction Machinery Co., Ltd., a subsidiary of the Company

² Yongmao Machinery (H.K.) Company Limited ("YMHK"), a subsidiary of the Company

BY ORDER OF THE BOARD

Tian Ruo Nan
Chief Executive Officer
10 July 2023