



**YONGNAM HOLDINGS LIMITED**

(the “Company”)

(Company Registration No. 199407612N)

(Incorporated in the Republic of Singapore on 19 October 1994)

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**RESPONSE TO SGX QUERIES ON THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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The Board of Directors (the “**Board**”) of Yongnam Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) set out its responses to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 27 April 2020 in relation to the Company’s Annual Report for the financial year ended 31 December 2019, as follows:-

**Query 1:**

*With reference to the audited consolidated statement of financial position on pages 53 and 54 of the Company’s Annual Report 2019, please provide an explanation for the material differences in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the financial year ended 31 December 2019 which was announced on 28 February 2020:-*

- (i) The value for current liabilities; and*
- (ii) The value for non-current liabilities.*

**Company’s response to Query 1:**

The variation of current liabilities and non-current liabilities was mainly due to reclassification of a bank borrowing of \$60,820,000 from Non-Current Liabilities to Current Liabilities in the Annual Report. The total bank borrowings remain the same at \$111,268,000.

**Query 2:**

*We refer to the Disclosure on Remuneration in the Corporate Governance Report in the Annual Report. Listing Rule 710 requires an issuer to comply with the Principles of the Code (2018 Code of Corporate Governance). Where an issuer’s practices vary from any Provisions of the Code, it must explicitly state, in its annual report, the Provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant Principle.*

*Principle 8 of the 2018 Code of Corporate Governance, on Disclosure on Remuneration states that: “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” [Emphasis added]*

*Guideline 8.1(b) of the Code of Corporate Governance 2018 (the “Code”) states that the company should disclose in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.*

*The Exchange noted that the Company was not transparent on the level and mix of remuneration*

**as it has not disclosed the remuneration of any key management personnel who are not Directors or the CEO on a named basis. Please comply with Listing Rule 710 accordingly.**

**Company's response to Query 2:**

The remuneration packages for employees including the KMPs comprised a fixed component (base salary), a variable component (cash-based annual bonus) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry and market practices as well as information gather from market surveys. If required, the Company will engage professional advice to provide guidance on remuneration matters.

The range of gross remuneration received by each of the top 5 key management personnel (excluding Executive Directors or CEO) of the Group as named under the section on "Profile of Key Management" in the applicable band of S\$250,000 as disclosed on **page 23** of the Annual Report as follows:-

Remuneration Band
\$250,000-\$499,999

Names and profiles of the key management personnel of the Company ("KMPs") are disclosed on **pages 6 and 7** of the Annual Report.

As required in the Code, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 key management personnel in FY2019 is in aggregate of approximately \$1,734,000 as disclosed on **page 23** of the Annual Report.

For the KMPs, the Company has set out in the Corporate Governance Report in the Annual Report on **page 23**, the reasons for not disclosing their individual remuneration to the full extent as stated in the Code as follows:-

*The Board is of the view that given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration matters, the disclosure of remuneration in bands and not on named basis for key management personnel provides sufficient overview of the remuneration of the key management personnel and does not prejudice the Group's interest. There are no termination, retirement and post-employment benefits granted to Directors, the CEO and the top 5 key management personnel.*

**Query 3:**

***Listing Rule 1207(19) states that an officer should not deal in his company's securities on short-term considerations and during the period listed in Listing Rule 1207(19)(c). [Emphasis added]***

***We note that the Directors and the senior management are advised not to deal in the Company's shares. [Emphasis added]***

***Please explain how the Company has complied with Listing Rule 1207 and if not, please do so accordingly.***

**Company's response to Query 3:**

In compliance with Rule 1207(19) of the Listing Manual of the SGXST (the "Rule 1207(19)") on best practices in respect of dealing in securities, the Group has in place an internal compliance policy to inform and advise its Directors and the Senior Management as well as employees who are in possession of unpublished price-sensitive information, not to deal in the Company's shares during the "black-out" period, being two weeks and one month immediately preceding the announcement of the Company's quarterly and full year results respectively, or if they are in possession of unpublished price-sensitive information of the Group.

Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods and they are also discouraged from dealing in the Company's securities on short-term considerations. To facilitate compliance, reminders via electronic mail are issued prior to the applicable trading black-outs.

Other relevant disclosures pursuant to Rule 1207(19) have been made on **page 31** of the Company's Annual Report as follows:

*OTHER CORPORATE GOVERNANCE MATTERS* The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

*DEALINGS IN SECURITIES (Rule 1207(19) of the Listing Manual of SGX-ST)* The Company has adopted the SGX-ST's Listing Rule 1207(19) in relations to dealings in the Company's securities. The Directors and the senior management are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of the Group's quarterly financial results or one month before the announcement of the Group's full-year financial results, and ending on the date of announcement of the relevant results.

*The Directors and the senior management are also advised of the relevant provisions under the Securities and Futures Act of Singapore to prohibit dealing with the Company's securities on short-term considerations or while in possession of unpublished material price-sensitive information in relation to the securities. Directors who deal with Company's shares are required to notify the Company Secretary to make necessary announcements in accordance with the requirements of the SGX-ST. In view of the above, the Company has complied with the SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the FY2019.*

**By Order of the Board**

**SEOW SOON YONG**  
Chief Executive Officer  
29 April 2020