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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Yangzijiang Shipbuilding (Holdings) Ltd.

Stock code: BS6

Meeting details:
Date: 18 April 2022
Time: 3.00 p.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, management began to see strong recovery in global shipbuilding in the fourth quarter of 2020, led by strong underlying demand for containerships amidst a global container crunch and multi-year high spot container freight rates. Favourable supply-demand dynamics, improved earnings for shipowners and modest fleet supply growth undeniably led to the beginning of a shipbuilding up-cycle following years of depressed sentiments.

In 2021, the group secured record order wins for 124 vessels with total contract value of US$7.41 billion. This is the highest order wins since the group's listing on SGX. Management made the strategic decision to focus on new-build profitability and prioritised on building containerships and clean energy vessels. As of end 2021, Yangzijiang had an existing orderbook of US$8.50 billion for 157 vessels, with containerships accounting for US$7.08 billion or 83% of total existing contract value.

(i) **Can management help shareholders better understand the sentiments on the ground in the group's shipyards in Jiangsu with regard to the COVID situation?**

(ii) **How is management monitoring and managing the risk of the spread of COVID-19 in its shipyards?**

(iii) **What is the risk of significant project delays due to COVID related health measures, including lockdowns?**

(iv) In FY2021, the group reactivated operations at its Changbo yard. **What were the average utilisation rates at its shipyards? How much more growth can the shipyards support without additional significant capital expenditure?**

(v) The group's gross profit margin for the shipbuilding business fell to 12% in FY2021 from 21% in FY2020. This was due to rising raw material costs as well as the strengthening of RMB against USD**. How is the group managing the rising cost of raw materials? Are the hedging strategies effective?**

(vi) In addition, as shown in Note 7 (page 101 – Expenses by nature), employee compensation increased from RMB246 million to RMB281 million, and subcontracting costs increased from RMB1.03 billion to RMB2.15 billion. **How much of the increase is due to higher manpower costs?**

(vii) **Are there avenues to extend the tax benefit of "High and New Technology Enterprise" ("HNTE") certification to allow Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS") and Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("JXF") to continue to benefit from the reduced income tax rate of 15%?**

(viii) **How much will the group be committing to the maritime R&D center in Singapore?**

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(ix) **Has the board/management set the group a target to achieve its net-zero goals?**

Q2. On 29 November 2021, the company announced a proposed spin-off of the group's investment segment via the transfer of existing investments to a newly incorporated company and the proposed listing of the new entity on the Mainboard on the Singapore Exchange.

The proposed spin-off and the listing are subject to the approval of shareholders at the company's EGM to be held on 18 April 2022.

Mr Ren Yuanlin will be the executive chairman of Yangzijiang Financial Holdings ('YZJFH'). YZJFH will be placing strong focus on expansion into fund and wealth management. YZJFH will acquire a fund management company with a capital markets services license in Singapore and is looking to build a recurring income-base model.

(i) **If the transaction is approved and proceeds smoothly, when does management expect YZJFH to be listed?**

(ii) **Did the board consider a dual listing or a listing of YZJFH in other exchanges that may allow the group to attain better valuation?**

(iii) **Does the board see any significant risks that may delay or derail the spin-off and listing of YZJFH?**

(iv) **Does the group have any concentrated exposure to certain industries or counterparties in its existing debt investments?**

YZJFH is also proposing to acquire GEM Asset Management Pte. Ltd. (formerly known as ICH Gemini Pte Ltd), a fund management company. The shareholders of GEM are Ascenta Investments (40%), Newyard Worldwide (30%) and Mr. Toe Teow Heng (30%). Newyard Worldwide and Mr. Toe, are interested persons as Newyard Worldwide is controlled by Mr. Ren Yuanlin, the executive chairman of YZJFH and Mr. Toe is a director of YZJFH and also a former director of the company.

(v) **Can the company help shareholders understand when Newyard Worldwide invested in GEM? When Mr. Toe Teow Heng was appointed as an independent director of the company in April 2020, did Mr. Toe have any relationship with Mr Ren Yuanlin, the substantial shareholder of the company?**

(vi) **How will YZJFH be growing its AUM as a fund management company?**

(vii) **What is the track record of the fund manager?**

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Q3. At the annual general meeting scheduled to be held on 18 April 2022, Mr Teo Yi-dar (Zhang Yida), who is retiring by rotation pursuant to regulation 94 of the company's constitution and will be seeking his re-election as an independent director.

The profile of the directors can be found on pages 14 to 15 of the annual report. Additional information on directors seeking re-election can be found on pages 37 to 44.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 720(6) of the Listing Rules of the SGX-ST, the information relating to the retiring Directors as set out in Appendix 7.4.1 of the Listing Rules of the SGX-ST are disclosed below:

	TEO YI-DAR
Date of Appointment	28 July 2006
Date of last re-appointment (if applicable)	28 April 2017
Age	51
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Teo Yi-Dar as an Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration of his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Independent Non-Executive

(Source: extracted from company annual report 2021)

Mr Teo Yi-dar (Zhang Yida) was first appointed to the board 28 July 2006.

(i) **Can the board/director clarify/confirm that Mr Teo Yi-dar (Zhang Yida) was last re-appointed on 28 April 2017 as shown in the company's disclosure pursuant to Rule 720(6) of the Listing Rules of SGX-ST?**

As disclosed in the Notice of meeting for the AGM (dated 6 April 2021), the authority conferred by the passing of resolutions 8 and 9 on the continued appointment of Mr Teo Yi-dar (Zhang Yida) as independent director of the company for the purposes of Rule 210(5)(d)(iii) (A) and (B) of the Listing Manual of the SGX-ST will continue in force until the retirement or resignation of Mr Teo Yi-Dar (Zhang Yida) as a director.

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(ii) **Will the company confirm that Mr Teo Yi-dar (Zhang Yida) is not seeking a two-tier vote by shareholders for his continued appointment as an independent director at the AGM on 18 April 2022?**

(iii) **Given that no such two-tier vote is sought for Mr Teo Yi-dar (Zhang Yida) at the AGM to be held on 18 April 2022, if re-elected, would the director be deemed non-independent?**

In addition, it is also noted that Mr Xu Wen Jiong, who is retiring pursuant to regulation 94 of the company's constitution, will not be seeking re-election. With the retirement of Mr Xu Wen Jiong, the board will be reduced to three members.

(iv) **What is the search and nomination process for directors, especially independent directors? How widely did the nominating committee cast its net to identify potential director(s)?**

In addition, as the lead independent director of the board, Mr Teo Yi-dar (Zhang Yida) has been on the board for approximately 16 years since his appointment in July 2006.

(v) **Would Mr Teo Yi-dar (Zhang Yida) be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

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]. The only other director on the board, Chen Timothy Teck Leng @Chen Teck Leng, is also seeking his continued appointment as independent director. The director was first appointed on 26 April 2013, nearly 9 years ago.

(vi) **Did the NC consider how the proposed re-election of Teo Yi-dar (Zhang Yida) and the proposed continued appointment of Chen Timothy Teck Leng @Chen Teck Leng as a long-tenured independent director will delay the progressive renewal of the board?**

(vii) **Can the NC provide shareholders with greater clarity on the near-term plans to facilitate the progressive renewal of the board in view of the guidance from SGX RegCo?**

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

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^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.

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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^ 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)