



YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.
(Company Registration No. 200517636Z)
(Incorporated in the Republic of Singapore on 21 December 2005)

SIAS Q&A TO ANNUAL REPORT 2021

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, Yangzijiang Shipbuilding (Holdings) Ltd. (the "Group" or "Yangzijiang") 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?

The COVID situation in Jiangsu is less severe than certain parts of China such as Shanghai, and Jiangsu is currently not under lockdown.

However, there are restrictions put in-place which have resulted in disruptions to the operations of the Group's shipyards. There have been mobility restrictions on cross-cities movements and workers travelling between cities may be subject to an isolation period. As a result, workers must stay within the same city and the Group has made relevant arrangements for its workers to live in its hostels or within the shipyards. COVID-related restrictions have also led to logistics challenges and have impacted the transport of raw materials across cities. Despite logistics challenges impacting transportation of raw materials across cities, operations at our shipyards continues to run smoothly.

Overall, productivity at the Group's shipyards have decreased but the Group will continue to mitigate potential disruptions to its business operations.

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

The Group is working closely with the local government to provide accommodation to our workers at our hostels or within the shipyards and continue to support our workers in quarantine when they travel between cities or when they are tested positive for COVID-19. All eligible employees have been vaccinated and the Group's shipyards continue to observe social distancing measures in-line with governmental regulations.

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

The Group remains on track to meet its delivery schedule for 1H2022. The Group will continue to monitor the situation closely to prevent disruptions to our delivery schedule and maintain constant communication with our customers to keep them updated on the delivery of vessels.

(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?

All shipyards of the Group are running at full utilization rate. The Group reactivated the Changbo shipyard in 2021 to increase shipbuilding capacity and it can deliver an additional six to eight small to mid-sized vessels in a year.

(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?

Higher steel prices have accounted for bulk of rise in raw material costs in FY2021. However, there are no instruments to allow the Group to hedge its steel input costs in China and the Group purchases steel three to six months ahead of construction of vessels.

Given that bulk of its orderbook are USD-denominated contracts, the Group hedges approximately 40% of its USD exposure. The Group also has a natural USD hedge for about 20% of the contract value as key machinery parts are priced in USD.

(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?

The Group recorded higher shipbuilding activities in FY2021 and delivered 50 vessels as compared to 45 vessels in FY2020. As a result, the Group recorded a higher shipbuilding revenue of RMB13,198 million in FY2021 as compared to RMB9,970 million of FY2020. The Group also reactivated operations at Jiangsu Yangzi Changbo Shipbuilding Co., Ltd ('Changbo') to increase its shipbuilding capacity in 2021. Higher expenses recorded in FY2021 were attributable to increased manpower, shipbuilding capacity and in line with higher shipbuilding activities.

(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%?

Both Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS") and Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("JXF") continue to benefit from the reduced income tax rate of 15% under the HNTE certification. Both JNYS and JXF will soon submit applications to relevant regulatory authorities to extend the tax benefit.

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

The long-term strategic plan of the Group is to increase R&D investments within China and overseas, especially within green vessels technologies and one of the initiatives would be to set up a maritime R&D center in Singapore. The Group is still in discussions with relevant parties to set up the center in Singapore and we will disclose more details once the Group sees greater clarity.

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

The Group has not set a target for net-zero goals but remains committed to promote greater sustainability in its operations and will provide further updates in its sustainability report.

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?***

By end April 2022.

- (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?***

Management has assessed feasible alternatives and has consulted with external independent advisors before arriving at its decision to list YZJFH on the SGX Mainboard. The Group is also of the view that the Singapore exchange is committed to high standards of corporate governance which is in-line with the Group's push for greater transparency for YZJFH.

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

The Group must obtain shareholders' approval on the upcoming EGM with regards to the spin-off and listing of YZJFH. While the board does not expect significant risks in operational changes which could delay the listing of YZJFH, it is still subject to potential adverse macroenvironmental changes or unforeseen circumstances.

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

Please refer to page 134-135 of the Introductory Document for YZJFH for a breakdown of major customers which accounted for 5.0% or more of YZJFH's total revenue or other income for FY2019 to FY2021.

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?***

Newyard Worldwide invested in GEM in May 2014.

Mr. Toe Teow Heng does not have any relationship with Mr Ren Yuanlin.

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

Please refer to page 151 of the Introductory Document for YZJFH for its business strategies and future plan with regards to fund management business:

“

we intend to continue to strengthen our position by pursuing growth via our Investment Management Business and by entering into the Fund/Wealth Management Business, underpinned by focused strategies to (a) grow our Investment Portfolio in the PRC; (b) recycle capital from the Debt Investment Business to Fund Investments in the Investment Management Business; (c) extend our investment footprint into Singapore by partnering prominent Fund management companies to launch co-GP Funds; (d) diversify into fast-growing sectors and new asset classes; and (e) establish the Fund/Wealth Management Business via the acquisition of a CMS-licensed fund management company or the setting up a fund management company in Singapore.

”

Please refer to page 148-154 of the Introductory Document for YZJFH for detailed write-up on YZJFH's strategies and future plans.

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

Please refer to page 155 of the Introductory Document for YZJFH:

“
GEM is an asset management firm founded and headquartered in Singapore that holds a CMS licence. It provides asset management and family incubation services, including providing and managing an efficient and private investment platform for investors through the establishment of variable capital companies. As at the Latest Practicable Date, GEM manages three (3) Funds, namely ICH Gemini Asia Growth Fund, GEM Tech Dev Holdings (a sub-fund under the GEM Tech Holdings VCC), and Golden Ox Medical Fund (a sub-fund under the Golden Ox Fund VCC). GEM is also the fund manager of all the sub-funds under GEM Tech Holdings VCC and Golden Ox Fund VCC. The total FUM under GEM amounted to approximately S\$58.3 million as at 31 December 2021, which is held via two (2) managed Funds – ICH Gemini Asia Growth Fund (S\$58.0 million) and GEM Tech Holdings (S\$257,047). Currently, ICH Gemini Asia Growth Fund is in the midst of exiting its investments, while GEM is fundraising for its four (4) sub-funds under GEM Tech Holdings VCC and Golden Ox Fund VCC. GEM is also licensed to manage third party investment funds in Singapore.
”

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.

(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-

Mr Teo Yi-dar was last re-appointed during the company's annual general meeting held on 30 April 2021.

(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?

The two-tier vote resolution to re-appoint Mr Teo Yi-dar as independent director was approved by shareholders with approval rate of 86.5% on 30 April 2021. As per SGX guidelines, it is not required to seek a two-tier vote for 3 years starting from 30 April 2021.

(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?

Mr Teo Yi-dar was re-appointed as independent director by shareholders on 30 April 2021 and will continue to be deemed independent.

(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)?

The nominating committee is committed to building a well-balanced board with focus on diversity, different skillsets and expertise. The search and nomination process for new directors will be through contacts, recommendations, recruiting companies and the nominating committee will evaluate all shortlisted candidates against desired profiles of new directors.

(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?

Mr Teo Yi-dar will act in-line with the SGX Code of Corporate Governance, and act objectively in the best interests of the company and hold Management accountable for performance.

Mr Teo Yi-dar has sought a two-tier vote by shareholder for his continued appointment as an independent director in accordance with the relevant rules of the Listing Manual of the SGX-ST.

(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?

The NC has proposed for the re-election of Teo Yi-dar and Chen Timothy Teck Leng in 2021 and 2022 respectively after considering their expertise and experience and is of the view that they will continue to contribute value to the Group as directors, and the board concurs with NC's view. However, The Group is committed to improving its corporate governance and will look to increase board diversity as part of its push for ESG, including a progressive renewal for 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?

Mr Xu Wen Jiong will step down as non-independent director of the company in the upcoming AGM on 18 April 2022 and thereafter the Group has plans to appoint an additional independent director as part of its progressive renewal process.

By Order of the Board

Ren Letian
Executive Chairman and Chief Executive Officer
15 April 2022