YANGZIJIANG FINANCIAL HOLDING LTD.
(Company Registration No. 202143180K)
(Incorporated in the Republic of Singapore on 14 December 2021)

1H2023 FREQUENTLY ASKED QUESTIONS

To improve the quality of communications and engagement with its stakeholders, Yangzijiang Financial Holding Ltd. (SGX: YF8) (the "**Company**", together with its subsidiaries, the "**Group**") has compiled a list of answers to address certain questions that are frequently asked by various stakeholders.

Group Overview

The Company, which was listed in April 2022, is the investment arm spinoff of Yangzijiang Shipbuilding (Holdings) Ltd (SGX: BS6) ("**Yangzijiang Shipbuilding**"). Prior to the spinoff, the Group had primarily invested in China with a focus on debt investments.

Following the spinoff, the Group aims to create a more diversified portfolio across asset classes and geographies to maximise risk-adjusted returns for shareholders. Over the long term, the Group intends to allocate 50% of its funds to investments in China and the balance to investments beyond China. As of 30 June 2023, the Group's portfolio is composed of 61.1% in debt investments, 20.9% in cash and yield enhancement products, 15.4% in equity investments, 2.1% in the Yangzijiang Maritime Fund (the "**Maritime Fund**"), a fund managed by the Group's wholly owned subsidiary, GEM Asset Management Pte. Ltd., and the remaining 0.5% in investment property. The Group also intends to grow its fund and wealth management business as an additional source of recurring income for the Group.

Investment Strategies:

Strategy 1: Leveraging Shipbuilding Expertise to Grow Maritime Fund Exposure

Leveraging management's 50 years of in-depth knowledge in the shipbuilding industry, the Group is well positioned to capitalise on prime investment opportunities both within and outside of China through its newly established Maritime Fund. This initiative responds to the global trend of rising demand for vessels with an emphasis on clean energy. To achieve this, the Group is collaborating with professionals and institutions globally, aiming to serve as both a facilitator and a strategic investor for this burgeoning demand. Further, the Group is expanding its joint ventures by partnering with institutions in the shipbuilding sector, both domestic and international. This expansion encompasses funding for ship ownership, ship financing and leasing, second-hand ship trading, and other ship agency functions. Through these endeavours, the Group intends to maximize potential gains in this sector.

Strategy 2: Use Capital Access to Exploit Global Opportunities

The Group is fortunate to have access to both domestic and foreign capital and seeks to leverage this access by collaborating with other international institutions to establish fund investment entities or joint partnerships with the goal of nurturing, developing, and restructuring domestic and foreign-listed companies at an opportune time. This three-step approach represents the Group's primary focus and direction of its China investment activities.

Strategy 3: Strategic Business Diversification

The Group will continue to leverage its strong internal funding position complemented by its unique foreign exchange advantages. This will enable its investments to be deployed in both markets with currency flexibility. The Group is also proactively diversifying its operations, such as acquiring and realising the potential of distressed assets through strategic collaborations, as well as increasing its exposure globally, where there is greater potential for capital preservation and appreciation. These efforts are part of the Group's diversification strategy to reduce its reliance on its traditional business.

Strategy 4: Managing Non-Performing Assets

The Group is doing its utmost to address its non-performing assets and litigation situations. A key objective is to settle the non-performing projects associated with or secured by real estate properties in 2024 and to manage the Group's principal and interest exposure, including via loan restructuring and legal channels where necessary.

The Group targets to reduce its non-performing loans **("NPLs")** by year-end. To achieve this target, three key policies have been introduced:

1. Reduction of Real Estate Exposure: The Group has abstained from increasing its exposure to the real estate sector within China.
2. Asset seizure: In cases of NPLs backed by land on which development has not taken place, the Group is actively exercising its option to seize such assets to facilitate recovery.
3. Debt Restructuring: For NPLs tied to projects being developed, the Group will extend the debt tenure and reduce interest rates. This is anticipated to increase the likelihood of borrowers completing and selling off their development projects and eventually settling their debt.

General:

Are any of your funds involved in any anti-money laundering ("AML") operations in Singapore?
The Group's fund management subsidiary, GEM Asset Management Pte. Ltd., is licensed by the Monetary Authority of Singapore ("**MAS**") and has in place stringent policies and procedures for compliance with the relevant AML regulations and guidelines issued by MAS.

Investment Management:
Debt Investment
Will you be providing more provisions to the loans made to real estate developers in China in the second half of 2023?
The Group has already made adequate provisions and does not anticipate further provisions in 2H2023 unless China's economy deteriorates significantly.

Which industries are the companies that you recovered your NPLs from engaged in the first half of 2023?
Most of them are involved in the real estate sector.

Balance Sheet Statement:
Are there any strategies in place to diversify the company's funds into other markets like US equities to improve share price performance besides conducting share buybacks?
The Group currently does not have immediate plans to invest in US equities. The Group's current focus is China, Singapore, and the rest of Southeast Asia. Nevertheless, the Group is open to the prospect of investing in the US.

Dividend Policy:
Investors are hoping that the Company will pay dividends twice or four times a year. Will the Company consider paying more frequent dividends to generate more interest in its common shares?
At present, the Company's dividend distribution will continue to be on an annual basis. Given the Company's commitment to achieving earnings targets, 40% of its annual earnings are allocated for dividends. The Company considers its share buyback program as a more effective method of returning value to shareholders and will continue doing so when circumstances permit, including the amount of surplus cash available, the share price level, and prevailing market conditions.

Since the three Singapore banks have updated their commitment to pay out 50% of their earnings as dividends, will management consider increasing the payout ratio to reflect the payout ratios of Singapore banks?
The Company believes that maintaining a 40% payout ratio would optimise between growth and dividend payouts.

Business Updates:

When will 50% of the Group's capital be allocated outside of China?

The initial plan was to allocate 50% of the Group's capital outside of China over five years. However, the Group is now considering accelerating this timeline, contingent on regulatory approvals.

Do you have any exposure to Country Garden or Evergrande?

The Group has no exposure to Country Garden or Evergrande.

Business Outlook:

Can you provide us with some insights or highlights on China's property market and how you manage your Non-Performing Loans, given that real estate borrowers make up the largest component of your China portfolio?

When the Group was spun off, the Group's exposure to China's property market was significant. The Group's debt investments related to property market fall into two categories – one where borrowers pledge their unencumbered land as collateral for funding, and the other where the Group collaborates with real estate developers, with the Group as a preferred shareholder receiving fixed coupons. This second model operates within a closed loop, requiring all decision-making, including financing and project management, to be carried out under the supervision of the Group with the entire project serving as collateral for the Group. In the event of default, the project's yields might be diminished, but the principal investment amount remains secure. Losses on the project will only impact the Group if the loss on that project surpasses principal investment amount by the project developer.

The Company did well in the first half of 2023 in terms of profitability. Can the Company give us some indicators if the second half can be as good as the first half or even better due to lower NPLs and better collections?

In the scenario of a Chinese economic rebound, the Group is expected to perform robustly in the second half of 2023. However, if China's economy persists in a downward trajectory or deteriorates further, it would be difficult to expect a better performance in the second half of 2023.

Are there any difficulties that the company faces to remit money out of China?

No. The Company has secured a liquidity pool scheme from the People's Bank of China, allowing for cost-efficient inter-company transfers. Furthermore, funds can be remitted out of China by having the Group's subsidiaries in China declare dividends.

What are the top three concerns of Chairman Ren?

Chairman Ren's primary concerns include any changes in the Chinese government's policy regarding capital controls, the decelerating Chinese economy, and the geopolitical tensions between China and the US.