Yangzijiang Financial Holding Ltd.
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(Co. Reg. No. 202143180K)

MEDIA RELEASE – FOR IMMEDIATE RELEASE

Yangzijiang Financial Reports Lower Earnings in Transitional Year; Remains Cautiously Optimistic About Year Ahead

- **Profit before allowances fell 24% year over year ("y-o-y") in a transitional year as the Group repositions its portfolio to maximise risk-adjusted returns for shareholders over the long term**
- **Net asset value per share of S$1.05 as of 31 December 2022**
- **Declares first and final dividend of S$0.018, translating to a payout ratio of 43%**
- **Cautiously optimistic about 2023 following China's efforts to support its economy**

SINGAPORE – 1 March 2023 – Yangzijiang Financial Holding Ltd. (the **"Company"**, together with its subsidiaries, the **"Group"**), which is principally engaged in investment management and the provision of wealth management and fund management services, today unveiled its financial results for the six months and year ended 31 December 2022 **("2H2022" and "2022").**

Financial Highlights

S$'million	2H2022	2H2021	y-o-y change	2022	2021	y-o-y change
Total Income	132.4	145.7	-9%	306.2	384.8	-20%
Interest Income	*147.9*	*178.1*	*-17%*	*332.8*	*368.7*	*-10%*
Non-Interest (loss)/income	*(15.5)*	*(32.4)*	*-52%*	*(26.5)*	*16.2*	*n.m.*
Profit before allowances	118.8	136.9	-13%	277.0	362.7	-24%
(Loss)/profit after allowances	(17.1)	111.9	n.m.	153.1	371.9	-59%
Net profit to equity holders of the company	25.6	130.7	-80%	162.0	327.2	-50%

Singapore cents	2022	2021
Net asset value per share	104.95	107.55
Basic and diluted earnings per share	4.22	8.28
Dividends per share	1.80	N.A
Payout ratio	43%	N.A

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For 2H2022, the Group's total income fell 9% y-o-y to S$132.4 million, due largely to lower interest income and dividend income. The decrease was partially offset by a smaller fair value loss on financial assets versus a year ago. Profit before allowances fell 13% y-o-y. The Group's allowances for credit and other losses increased by more than 400% to S$135.9 million in 2H2022 due to additional allowances made for non-performing debt investments and microfinance loans. This was partially offset by the reversal of unutilised allowances on performing debt investments. Overall, net profit decreased by approximately 80% to S$25.6 million y-o-y for 2H2022. For the entire year of 2022, the Group recorded a S$306.2 million in total income and a net profit of S$162.0 million. A decline in total income of 20% y-o-y and fall of net profit 50% y-o-y.

Interest Income

Interest income from the Group's debt investment business dropped 25% y-o-y to S$132.7 million for 2H2022, mainly due to lower average debt investment balance, and increased non-performing loans as compared to the same period last year. On the other hand, interest income from cash and cash equivalents increased significantly to S$15.2 million in 2H2022, as a result of higher average cash balances and higher returns from cash management products denominated in USD and SGD.

Non-interest Income

Dividend income from the Group's investments declined nearly 100% y-o-y, as no dividends were declared by its venture capital investments in China in 2H2022. The Group recorded S$0.1 million of dividend income in 2H2022, which is attributable to dividend income from its maritime-related investments in Singapore. Fair value losses on financial assets, narrowed from S$96.3 million in 2H2021 to S$15.9 million in 2H2022. Other income had increased 54% y-o-y to S$0.3 million in 2H2022 due to higher rental income earned from investment properties.

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Profit/ Loss Before and After Allowances

Profit before allowances decreased by 13% from a year ago to S$118.8 million for 2H2022. The decline was exacerbated by a S$135.9 million allowance for credit losses made in 2H2022. As a result, a S$17.1 million loss after allowances was recorded, as compared to a profit after allowance of S$111.9 million in 2H2021.

Mr Ren Yuanlin, Executive Chairman of Yangzijiang Financial Holding Ltd., commented: ***"2022 was a challenging year for the Group, as we focused on diversifying our portfolio across vintages, asset classes and geographies to maximise returns for shareholders over the long term. The Group's performance was also hit by the adverse impact of the COVID-19 pandemic on the Chinese economy. Nonetheless, we were able to remain profitable through the year. As China reopens its borders, coupled with the government's support measures for the domestic property sector, barring any unforeseen circumstances, we are cautiously optimistic of our prospects for 2023."***

The Group declared a dividend of 1.80 Singapore cents for 2022, representing a dividend payout ratio of 43%.

2023 Outlook

Since the end of last year, China has dismantled its zero-COVID policy measures and reopened its borders, all of which have helped to boost economic activity and market sentiment. This bodes well for the Group's outlook in 2023.

Investment Management

As of 31 December 2022, the Group had S$4.1 billion of assets under management (AUM), predominantly in China. The Group will progressively reduce its China exposure to 50% of AUM as it further diversifies its investment portfolio outside of China. In November 2022, the Group's wholly-owned subsidiaries were awarded a liquidity pool scheme by the People's Bank of China, enabling such subsidiaries to grant intercompany transfers of up to RMB10

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billion. This allows the Group to efficiently deploy capital in and out of China through intra-group transfers, which facilitates the Group's aim of reallocating funds outside China. As part of the Group's portfolio rebalancing strategy, the Group has reduced its debt investments in China to approximately 59% (including microfinance loans) of its total portfolio as of 31 December 2022. Cash and yield enhancement products, and equity and other investments now form approximately 22% and 19% of the total portfolio respectively, while 13% of the Group's assets are located in Singapore as of the same date.

In terms of asset allocation, the Group has identified targeted areas for investments that leverage its know-how and networks to gain a competitive advantage. Most recently, the Group has set up a new maritime fund, Yangzijiang Maritime Private Equity Fund #2 ("Maritime Fund"), to generate stable returns from investments in maritime assets. The Group is targeting to transfer projects which have been invested earlier into the Maritime Fund, while continuing to seek opportunities in the gas sector, including liquefied natural gas, liquefied petroleum gas, liquefied ethane gas, methanol, hydrogen, ammonia and carbon dioxide. Additionally, the Group has partnered Heliconia Capital to invest in promising small and medium enterprises ("SMEs") in Singapore and other Southeast Asian countries. The Heliconia Generation Fund Limited Partnership has been set up with an initial fund closing size of S$130 million, with the Group being its anchor limited partner, contributing S$80 million.

For its direct equity investments, the Group has seen a strong rebound in its portfolio from 4Q2022 along with the general market. This helped the Group to reverse from a loss from share of results of associated companies in 1H2022 to a profit from share of associates in 2022. The Group will continue to deploy its capital across vintages (i.e. deploying capital over a period), geographies and products to ensure sustainability of returns across various economic cycles.

For its debt investments, the outlook remains mixed. The Chinese authorities have relaxed Covid-19 management measures, which spurred an improvement in economic sentiment. China's GDP is now projected to grow at 5.0% in 2023, primarily led by consumption and recovery of broader activities[1]. The Chinese authorities have also introduced measures to support the local real estate sector, including a liquidity package last November – bank credits, bond issuance and equity financing – along with measures aimed at boosting home sales. In January 2023, the Chinese central bank also established a dynamic adjustment mechanism on mortgage rates, in which the floor on mortgage rates can be lowered or abolished for first-time home buyers in phases[2].

Nonetheless, the Group has experienced higher non-performing loans in 2H2022 due to interest and principal repayment delays by borrowers, as China's property sector remains sluggish, despite the easing of Covid-19 management measures. In lieu of the cautious China property outlook and the Group's conservative policy to actively manage its non-performing loans, we have increased the amount of loan provisions being made. The Group will continue to actively manage its debt portfolio, and review the adequacy of provisions periodically.

The Group is also setting up partnerships to explore private credit opportunities in Asia (ex-China).

Fund Management and Wealth Management

Singapore has seen a surge in family offices over the years, with about 700 family offices in operation currently, a significant boost and sevenfold increase since 2017[3]. This provides a good opportunity for the Group's fund management and wealth management services, to generate recurring revenue.

During 2022, the Group set up two new funds – the Maritime Fund and GEM Asia Private Equity Fund ("PE Fund"). The Maritime Fund has a target AUM of US$500 million, of which up to US$200 million will be funded by the Group. The PE Fund has a target AUM of S$100 million, with the Group providing up to S$80 million in funding. The Group intends to raise the

[1] https://www.reuters.com/world/china/fitch-raises-chinas-growth-forecast-5-2023-2023-02-08/

[2] https://www.reuters.com/markets/asia/china-property-shares-rise-easing-mortgage-rules-some-buyers-2023-01-06/

[3] https://www.channelnewsasia.com/singapore/family-offices-ultra-rich-set-singapore-financial-sector-3182131

remaining capital from external investors. In 2022, the Group also announced that it will provide investment advisory services to a family office, which has an AUM of S$500 million.

Mr Vincent Toe, Chief Executive Officer and Chief Investment Officer – (Singapore) of Yangzijiang Financial Holding Ltd., said: ***"Over the last year, we have made progress in setting up the infrastructure and team to invest our capital efficiently outside of China. The allocation of funds to assets outside of China will help to diversify our sources of income and to achieve sustainable risk-adjusted returns."***

Mr Ren Yuanlin, Executive Chairman of Yangzijiang Financial Holding Ltd., added: "Building on our 50-year track record in shipbuilding, we are pursuing a strategy that optimises synergies between our overseas maritime funds and domestic financial leasing business. We are also leveraging our domestic financial platform and overseas funding advantages to establish investment entities and funds. Our traditional lending business will undergo a smooth transition and gradually contract as we expand our overseas portfolio through fund investments, strategic investments via Co-General Partner structures and direct investments in private equity and direct lending. All these strategies reflect our unwavering commitment to creating sustainable value for our shareholders."

- End Of Press Release -

Company Profile

Yangzijiang Financial Holding Ltd. is a Singapore-incorporated company whose principal businesses comprise the following: (i) investment management, which seeks capital appreciation and investment income from investments in both public and private companies, funds and debt investments; (ii) provision of wealth management services for advisory income, and (iii) fund management to generate recurring fee-based income from the management of third-party investment funds.

For more information, please visit the website at: www.yzjfin.com

Issued for and on behalf of Yangzijiang Financial Holding Ltd.

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