Yangzijiang Shipbuilding (Holdings) Ltd.
扬子江船业（控股）有限公司

FORGING AHEAD
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2020
ANNUAL
REPORT

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CORPORATE **PROFILE**

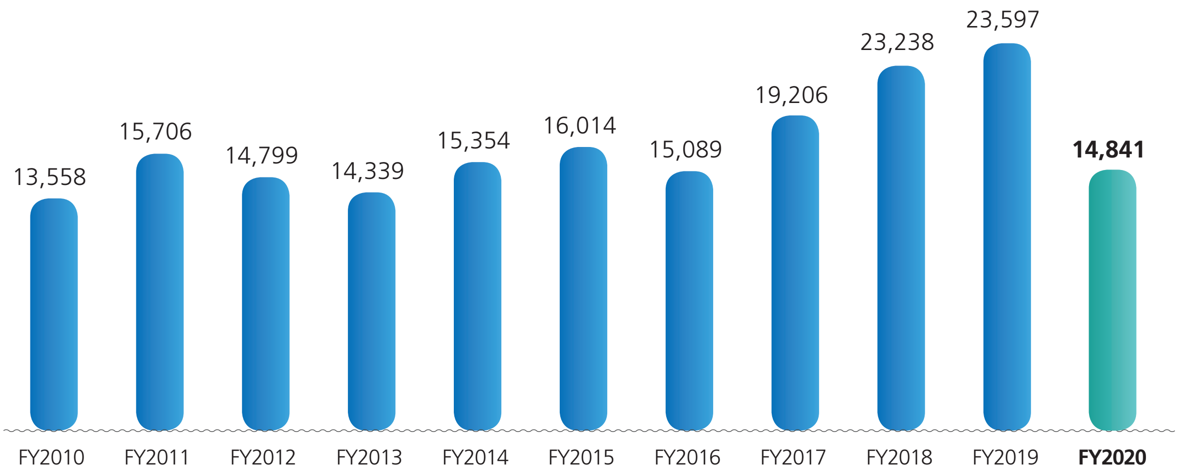
WE ARE ONE OF THE **BEST SHIPBUILDING ENTERPRISES** IN CHINA AND WE ASPIRE TO BE **ONE OF THE BEST** IN THE WORLD

We produce a broad range of commercial vessels such as containerships, bulk carriers and LNG vessels, our shipbuilding bases are strategically located along the Yangtze River:

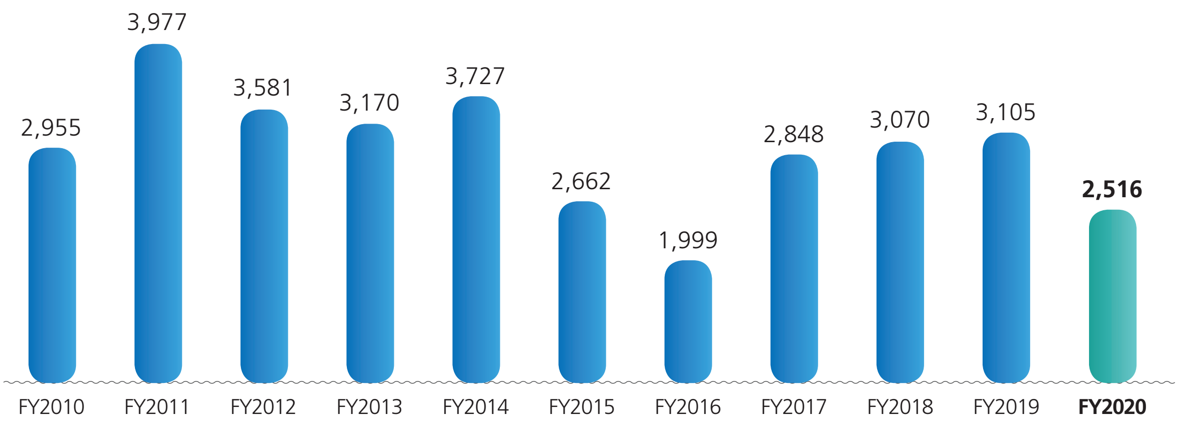
Jiangsu New Yangzi Shipbuilding Co., Ltd ("New Yangzi")
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("Xinfu")
Jiangsu Yangzi Changbo Shipbuilding Co., Ltd ("Changbo")
Jiangsu Yangzijiang Offshore Engineering Co., Ltd ("JYOEC")
Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd. ("YAMIC")

FINANCIAL **HIGHLIGHTS**

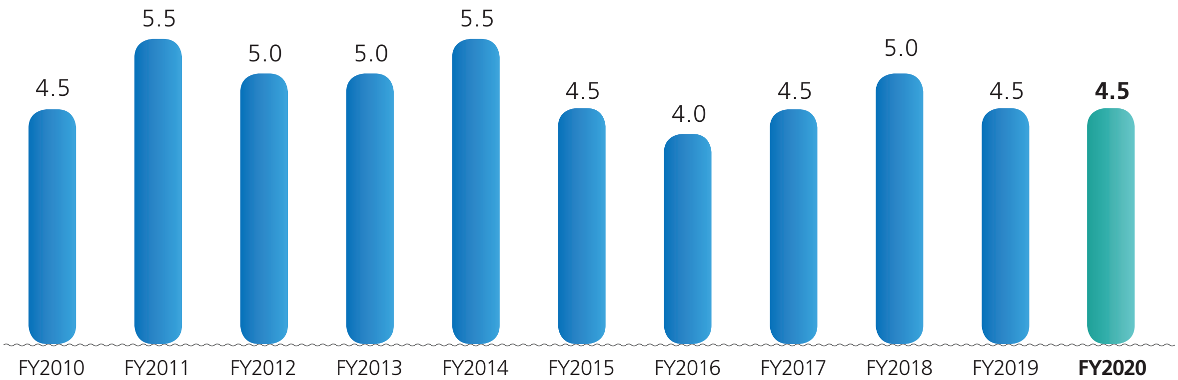
REVENUE (RMB'MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RMB'MILLION)



DIVIDEND (SINGAPORE CENTS)



FINANCIAL **HIGHLIGHTS**

	2020 31 December RMB'000	2019 31 December RMB'000	2018 31 December RMB'000	2017 31 December RMB'000	2016 31 December RMB'000
RESULTS					
Revenue	**14,841,266**	23,597,175	23,238,289	19,205,596	15,089,438
Gross Profit	**4,222,147**	4,328,554	4,111,776	3,311,963	3,636,622
Other Income	**478,850**	441,788	396,028	544,227	988,737
Other (Losses)/Gains	**-208,430**	125,948	290,946	215,806	521,322
Net Profit Attributable to Shareholders	**2,516,404**	3,105,069	3,070,345	2,848,483	1,998,943
Basic EPS (RMB cents)	**64.39**	78.88	77.60	73.45	52.16
FINANCIAL POSITION					
Total Assets	**44,910,661**	45,756,122	44,911,484	43,583,032	41,416,902
Shareholders' Equity	**32,342,355**	31,095,631	29,101,587	26,650,399	23,540,666
Cash and Cash Equivalents	**6,633,416**	10,183,019	6,594,143	6,195,431	7,085,796
Net Asset Value per Ordinary Shares (RMB cents)	**839.51**	793.51	737.54	671.49	614.34
MARKET CAPITALISATION AT PERIOD END					
Dividends (Singapore Dollar)	**0.045**	0.045	0.05	0.045	0.04
Share Price at Period End (Singapore Dollar)	**0.955**	1.12	1.25	1.47	0.815
Payout Ratio	**34%**	29%	32%	30%	37%
P/E	**7.21**	7.31	8.04	10.00	7.50
P/B	**0.56**	0.73	0.85	1.07	0.64
Dividend Yield	**4.71%**	4.02%	4.00%	3.06%	4.91%
No. of Shares ('000)	**3,852,516**	3,918,765	3,945,765	3,968,838	3,831,838

TRANSFORMATION AND GROWTH OF OVER 60 YEARS

Over the past 60 years, Yangzijiang has transformed itself from a small shipyard to the largest private shipbuilding company in China. It navigated its business through several business cycles and market consolidation to become a global market leader today, highly respected for its operational efficiency, vessel quality and outstanding profitability.

HONORARY CHAIRMAN'S **STATEMENT**

DEAR SHAREHOLDERS,

Since my appointment as Chairman of the Group in 2007, I have been addressing shareholders in the Annual Report on a yearly basis. This year, it is slightly different for me as I put pen to paper as Honorary Chairman of the Group after retiring from the post of Executive Chairman in April 2020. For shareholders that have been following Yangzijiang for some time, you would have known that there had always been a clear succession plan in place to ensure a smooth transition of leadership. Given Yangzijiang's scale of business, we were conscious of the exposure to the Group in terms of key-person risks. Through these years, it is heartening for me to see that we were always able to nurture our next generation of leadership from within the Group.

THE WAY FORWARD

Our younger generation of management team is led by Mr Ren Letian, who has been on board as Group CEO since 2015 and has been a part of Yangzijiang for more than a decade. Over the course of his tenure, Mr Ren Letian has displayed visionary thinking, a strong sense of commitment to the Group and an innate ability to lead the younger generation of management team. After taking a back seat in the past year, I was delighted to see how Mr Ren and his management team dealt with and cushioned the crushing impact from the pandemic.

In 2020, Yangzijiang maintained its operational efficiency, vessel quality and all vessels were delivered on time, receiving uplifting feedback from our customers. The management team also placed huge emphasis on research and development, knowing that they will reap benefits from these investments in time to come. Over the past year, the new management team has demonstrated remarkable resilience, dedication, drive and an unrelenting focus to lead Yangzijiang through any challenges.

IN APPRECIATION

To our customers and business partners, I will like to thank you for allowing Yangzijiang to deliver on our commitments to build quality, efficient and relevant vessels over the years. We have nurtured our employees and workers to consistently conduct themselves according to the highest standards, and I am proud that their combined efforts and hard work have led to many encouraging feedbacks from our customers.

To my colleagues that I have crossed path with over the years, I am thankful for your support and guidance. I also extend my sincere appreciation to Yangzijiang's new management team and all our employees. Through your dedication, vision and hard work, I believe that Yangzijiang is well-positioned to ride through these unprecedented times and I am confident we will emerge as one of the winners in the post pandemic world.

In closing, I will also like to express appreciation to all our shareholders and the support amassed over the years. Yangzijiang was able to weather multiple cyclical business cycles and industry consolidation through your steadfast support. I would like to encourage you to place your trust and support in the new management team, and I trust that they will provide sustainable and progressive returns to all shareholders.

REN YUANLIN
Honorary Chairman

CHAIRMAN'S **STATEMENT**

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Yangzijiang, I am pleased to present to you our annual report for the financial year ended 31 December 2020 ("FY2020"). 2020 was largely defined by the onset of the pandemic, which brought most global economic activities to a grinding halt for months and dampened economic growth prospects. Amid impact from the pandemic, many corporates have gone into cash preservation mode and have slashed or suspended dividend payout. Against this backdrop, Yangzijiang has demonstrated remarkable resilience in the face of crisis and has maintained its dividend sum of 4.5 Singapore cents per share, attesting to the strength of our financial position.

SHIPBUILDING MARKET REMAINED DEPRESSED

Any signs of recovery for the shipbuilding industry in 2020 were diminished as the pandemic spread globally. Weighed down by trade tensions and slowing economic growth, global trade volume fell by an estimated 9.2%[1]. In 2020, the Baltic Dry Index averaged 1,066 points, down 21% from 2019, and marked the lowest level since 2016, when the index averaged 673 points. Amidst major uncertainties for the shipping industry, shipowners' sentiments remained weak, impacting new orders placed in 2020. According to Clarksons Research, global new shipbuilding orders declined 29% in DWT terms in 2020, compared to a year ago. Global outstanding shipbuilding orderbook to fleet ratio had also declined to 7% in DWT terms in 2020, the lowest level since 1989.

CAPTURING OPPORTUNITIES AMID CHALLENGES, MAKING HISTORY

Amidst a turbulent time, it was yet another year of milestones added to Yangzijiang's shipbuilding history. The inflection point for Yangzijiang during the year was its clinching of two orders for 24,000TEU containerships in December 2020. Apart from being the largest containership currently in-use in the world, the 24,000TEU containership will be the largest containership ever built by Yangzijiang, a significant step-up from the Group's current portfolio and marks the Group's foray into the ultra-large containerships market. We have continued to secure more orders for ultra-large containerships (14,000 TEU, 15,000 TEU, 24,000 TEU) and I am optimistic that we will continue to see healthy business momentum in this market segment.

We closed 2020 on an encouraging note, with total order wins for 54[2] vessels worth about USD1.8 billion and an existing orderbook of USD3.1 billion for 83[3] vessels, which was remarkable for a year spent in pandemic mode. As we entered 2021, the orderbook pipeline for the Group remained healthy. Year-to-date in 2021, Yangzijiang has secured orders for 60 vessels with total value exceeding USD3 billion, the largest orderbook recorded since 2007. A global container crunch and multi-year high spot container freight rates led to a strong demand and orders placed for containerships, as are the majority of orders placed with Yangzijiang. Given Yangzijiang's credentials in containerships building, I am confident that Yangzijiang is well-positioned to capitalise on the upward trend of the containership market. Containership building has a higher barrier of entry compared to dry bulkers and commands a higher margin. We have made the strategic decision to focus on taking orders for containerships, which is expected to preserve overall shipbuilding margins.

In order to capture present opportunities, Jiangsu Yangzi Changbo Shipbuilding ("Changbo"), previously closed in 2012 will resume operations by mid-2021 and will increase the Group's capacity. The previous closure of the Changbo Shipyard plays to the Group's nimble execution, allowing us to consolidate construction at the Group's major yards to boost operational efficiency. The three major shipyards that are currently in operations are running at full capacity.

CHARTING SUSTAINABLE GROWTH

Yangzijiang has expertise in and has built and delivered liquified natural gas ("LNG") vessels and chemical tankers. As environmental regulation strengthens worldwide, we expect to see an increase in preference for eco-friendly vessels and we aim to capture market share in this segment. Specifically, Yangzijiang aims to expand its market share for mid-sized LNG vessels, especially amongst Chinese shipowners before further expanding our customer base. We have made some progress during the year. In 2021, we formed a company, Jiangsu Run Yuan Energy Co., Ltd. ("JREC"), with our venture partners Wuxi China Resources Gas Co., Ltd ("WCRG") and Jiangyin Xinyangchuan Enterprise Management Center ("Xinyangchuan"), which will operate in the gas utilities and energy space respectively. The main business activities

[1] Referenced from The World Trade Organization
[2] Out of 54 vessels, 5 vessels with a total contract value of USD136.25m will be built and delivered by YAMIC
[3] Out of 83 vessels, 11 vessels with a total contract value of USD306.6m will be built and delivered by YAMIC

CHAIRMAN'S STATEMENT

of JREC will be the construction of LNG storage facilities, natural gas trading and businesses related to parts of the LNG supply chain. Through this joint investment, Yangzijiang will gain initial exposure to a broader range of LNG-related business and develop relevant expertise which will allow us to capture the long-term growth potential in this market segment.

TRANSITION OF LEADERSHIP

Within Yangzijiang, there had always been a clear succession plan in place to ensure a smooth transition and handover of corporate leadership. In April 2020, Mr. Ren Yuanlin announced his retirement from the post of Executive Chairman of the Group. Mr. Ren was appointed to the Board in 2006 and made significant contributions to the Group during his 14 years of service. On behalf of the Board, I would like to express our greatest appreciation to Mr. Ren, of which without his expertise, insights, vision and dedication to the Group, Yangzijiang would not have become one of the best shipbuilding companies in China. We will continue to be supported and guided by Mr. Ren as he remains as the Honorary Chairman of the Group.

As the younger generation of management and myself take helm of Yangzijiang, we plan to adhere to Yangzijiang's founding values, which have guided us to where we are today – ethical conduct, a prudent and disciplined approach, a forward-looking vision, and a desire for innovation. Grounded by these values, we plan to take Yangzijiang to greater heights. Over the past years, we have spearheaded various initiatives in order to strengthen Yangzijiang's capabilities and operational efficiencies while maintaining the high standards of our vessels.

A constant work-in-progress is Yangzijiang's implementation of digital transformation, which began in 2015 with the ultimate aim of having an integrated end-to-end process including design, planning, procurement, production, quality, cost and capital control across our yards and companies, ultimately create greater efficiencies and profitability. Digitalisation will bring additional growth prospects, creating opportunities for Yangzijiang to tackle various crises from a position of strength.

CHAIRMAN'S **STATEMENT**

DELIVERING VALUE TO OUR SHAREHOLDERS

We are extremely grateful to our shareholders who have seen us through multiple business cycles and remain committed to rewarding our shareholders by delivering stable annual dividends. As other corporations began to slash or halt their dividend payouts, we wanted our shareholders to be able to receive a stable payout from us. I am glad that we were able to maintain the dividend payout amount of 4.5 Singapore cents for FY2020, similar to FY2019 despite significant economic impact of the pandemic.

Given our strong financial position and to better deploy cash on hand, Yangzijiang has conducted share buybacks to create greater value for our shareholders. In 2020, we spent about S$62.8 million on share buybacks to purchase 1.667% of total issued shares. Through share buybacks, the interests of our shareholders increase despite zero cash outlay from their end. This capital allocation decision also reflects the Board and management's affirmation towards the fundamental value of our shares. That being said, we aim to be opportunistic about our share repurchases as we seek to utilize cash in a way that brings about the greatest value for our shareholders.

Deploying cash towards our investment portfolio is also part of Yangzijiang's strategy to ensure greater use of cash on hand. Over the past years, this segment has delivered steady returns and yields for us, buffering for the cyclical nature of the shipbuilding business. However, shipbuilding remains as Yangzijiang's core business segment and we will continue to scale our business in this market segment.

APPRECIATION

In closing, I would also like to take this opportunity to thank the Board, the management and my colleagues for their commitment and contribution towards the Group, despite the widespread fear during the pandemic. Our people have portrayed tremendous grit and persistence and with them onboard I am confident that Yangzijiang will weather and emerge from these adversities as one of the winners. Our employees form one of the most important pillars of the Group and we have put in place precautionary measures to ensure that their health would not be compromised by the pandemic.

To our customers and business associates, I will also like to thank them for their endorsement of Yangzijiang and all the support that came along with it. Yangzijiang will continue to deliver on our commitments to build high-quality and efficient vessels. As I endeavour to take Yangzijiang to greater heights and becoming one of the best shipbuilding companies globally, I would appreciate your continued trust and support. I am certain that Yangzijiang will continue to create value for all our stakeholders.

REN LETIAN
Executive Chairman and Chief Executive Officer

CORPORATE **MILESTONES**

2007

- Successful listing on SGX
- Completion of New Yangzi Yard

2008

- Million square meters expansion plan completed

2009

- Runner-up for Most Transparent Company (Foreign Listing Category) at SIAS Investors Choice Awards 2009

2010

- First Chinese-majority owned company listed on Taiwan Stock Exchange
- Largest S-Chip company listed on SGX and most profitable Singapore-listed China company

2011

- YZJ Awarded Most Transparent Company Award 2011 (Foreign Listing Category) at SIAS Investors Choice Awards 2011
- YZJ Launches first Chinese-built ship with a groot cross-bow
- First Chinese yard to receive orders for 10,000 TEU containership vessels

2012

- The Group's Executive Chairman, Mr Ren Yuanlin, was voted by Lloyd's List as one of the top 100 most influential personalities in the shipping industry
- YZJ Awarded Most Transparent Company Award 2012 (Foreign Listing Category) at SIAS Investor Choice Awards 2012
- Our new vessel designs, the 45,000-DWT, 46,500-DWT and 8,500-DWT vessels were awarded "New High Technology" certifications by the Jiangsu Provincial Technology Board in 2012

2013

- Yangzijiang launched China's first ever 10,000TEU containership in September 2013.
- Yangzijiang became the first company to trade its shares in RMB on SGX, in addition to its existing SGD counter on SGX dual currency trading platform.
- Placement of 330,000,000 warrants at an issue price of RMB0.3072 (S$0.0605) for each warrant, with each warrant carrying the right to subscribe for one (1) new share in the capital of the company at the price of RMB7.617 for each new share.

CORPORATE **MILESTONES**

2014

- Yangzi Xinfu Yard become fully operational and successfully delivered six 10,000TEU containerships
- Group secured its four largest ever 260,000DWT very large ore carriers from its first Australian customer
- New Yangzi Yard was qualified as a High/New Technology Enterprise and is entitled to enjoy a preferential corporate income tax rate of 15% for three years from FY2013

2015

- The Group diversifies Shipbuilding to LNG Vessels with Orders worth US$135 Million
- Re-entered STI index from 21 September 2015
- Yangzijiang wins Gold at PR Awards 2015 for Best IR Campaign in March 2015
- Yangzijiang wins prestigious Shipbuilding & Repair Yard Award at Seatrade Maritime Awards Asia 2015 in November 2015

2016

- Successfully delivered our first 260,000DWT very large ore carrier, largest ever in terms of deadweight tonnage
- Awarded new shipbuilding orders for Six 400,000 DWT VLOCs by ICBC Leasing, marking a rare case where a state-owned ship owner in China places orders with a private shipyard

2017

- Successfully delivered our first Liquefied Natural Gas ("LNG") vessels
- Successfully delivered our largest 11,800TEU containerships
- Successfully launched the first batch of 400,000 DWT Very Large Ore Carrier ("VLOC"), largest dry bulk carriers in the world
- Xinfu Yard was qualified as a High/New Technology Enterprise and is entitled to enjoy a preferential corporate income tax rate of 15% for three years from FY2016

2018

- Successfully delivered the first batch of 400,000 DWT Very Large Ore Carrier ("VLOC")
- Entered into a Joint Venture agreement with prominent Japanese shipbuilding yards, Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. to set up a shipbuilding joint venture in Taicang

2019

- Jiangsu Yangzi-Mitsui Shipbuilding Company ("YAMIC"), the joint venture between Mitsui E&S Shipbuilding and Yangzijiang Shipbuilding Holdings, officially began operations in August 2019.

2020

- Mr Ren Letian, Group CEO was appointed as Executive Chairman in April 2020
- Successfully delivered our largest 12,690TEU containerships
- Received first ever 24,000TEU containerships orders in December 2020, the largest containership currently in-use in the world.

EXECUTION

CAPABILITY AND FLEXIBILITY STEMMING FROM A NET CASH POSITION

In 2020, Covid-19 has upended the global economy. While many continue to reel from the financial impact, our financial prudence over the years have given us the ability to pay a stable level of dividends and increase value for our shareholders through share buybacks.

BOARD OF **DIRECTORS**

REN LETIAN
(Aged 39, Chinese)
Executive Chairman and
Chief Executive Officer

Mr Ren Letian was appointed as Executive Chairman of the Company on 30 April 2020 and the Chief Executive Officer of the Group on 1 May 2015.

Mr Ren Letian joined the Group as a site project manager in year 2006. Since then, he has assumed several managerial roles at various levels and business divisions in the Group, and gained in-depth knowledge of the operations of the Group.

In 2014, under the management of Mr Ren Letian, the Group's Yangzi Xinfu Yard successfully delivered 6 vessels of 10,000TEU containerships despite numerous challenges faced by the Yangzi Xinfu Yard which only turned operational in 2013. He has also received several recognitions from the local government for his outstanding achievements.

He now helms the Group's overall operations, and exhibits increased maturity and capability in overseeing various business functions that are integral to the successful delivery of quality vessels.

Mr Ren Letian is the son of Mr Ren Yuanlin, the Honorary Chairman of the Group, and holds a Master's Degree from London Southbank University.

CHEN TIMOTHY TECK LENG
(Aged 67, Canadian)
Independent Director

Mr Chen was appointed as Independent Director of the Company on 26 April 2013.

Mr Chen has more than three decades of management experience in banking, insurance, investment fund and corporate advisory work. He has held positions in Bank of America, Wells Fargo Bank, Bank of Nova Scotia and Sun life Financial Inc. He was formerly the General Manager, China for Sun Life Financial Inc., and the President & CEO of Sunlife Everbright Life Insurance Company in China.

Mr Chen earned his Bachelor of Science degree from University of Tennessee and his Master's of Business Administration degree from Ohio State University. He is a graduate of Harvard Business School's Executive Management Program. He received his Certified Corporate Director (ICD.D) designation from the Canadian Institute of Corporate Directors.

TEO YI-DAR
(Aged 50, Singaporean)
Lead Independent Director

Mr Teo is the Lead Independent Director of our Company. Mr Teo was appointed as a Non-Executive Director of the Company on 28 July 2006, and was re-designated as Independent Director on 28 April 2009.

Mr Teo started his career as an Engineer in SGS-Thomson Microelectronics and moved on to Keppel Corporation Ltd, conducting business development activities for Keppel's offshore and marine businesses. In 1999, he joined Boston-based Advent International Private Equity Group to conduct direct investments into Asian based businesses. Mr Teo currently co-manages a Private Equity fund with Tokyo-based Polaris Capital Group, and focuses on Asian buyout transactions in the electronics, chemical, engineering and technology sectors.

Mr Teo holds two Masters' degrees: Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. Mr Teo was accredited as a Chartered Financial Analyst by the CFA Institute in 2001.

BOARD OF DIRECTORS

XU WEN JIONG
(Aged 72, Chinese)
Non-independent Non-executive Director

Mr Xu was appointed as Non-Independent, Non-Executive director on 30 April 2014. Mr Xu possesses more than 40 years of experience in marine industry, he graduated in Electrical Engineering from "Nan Jing Marine Institute" in the year of 1969. He joined Qing Dao Bei Hai Shipyard in the same year and later in 1975 he joined the COSCO Group to further his career until 1989.

In 1992, he acquired "West Gold International Pte Ltd" ("West Gold") (which was initially registered in Hong Kong). As the Chairman and Managing Director of West Gold, Mr Xu contributes greatly towards West Gold over the years, and shifted its headquarter from Hong Kong to Singapore in 1994.

West Gold is mainly engaged in shipbuilding, shipping-related businesses, including shipbuilding agency, ship chartering, ship navigation equipment and other marine equipment sales and technical services as well as business coverage in containers including reefer containers, storage as depot and repair and other related businesses with offices in Hong Kong, Shanghai and some major cities of Mainland China, as well as in Europe.

TOE TEOW HENG
(Aged 52, Singaporean)
Independent Director

Mr Toe Teow Heng was appointed as Independent Director of the Company on 30 April 2020.

Mr Toe used to work in DBS Bank Ltd. and JP Morgan Chase & Co (investment banking division). He was formerly an Associate Director of UBS AG in Hong Kong and Singapore, which he was actively involved in the Transport, Leisure and Hotel industries' M&A advisory in Asia. Previously, he was the director of certain companies which operates primarily in China. Mr Toe is currently the Managing Director of a licensed fund management company in Singapore (ICHAM Pte Ltd).

Mr Toe holds a Bachelor of Business (First Class Honours, Gold Medal) degree from the Nanyang Technological University, graduating at the top of his class, and obtained his Chartered Financial Analyst certification in 1997.

SONG SHUMING
(Aged 43, Chinese)
Executive Director and
Deputy General Manager

Mr Song was appointed as Executive Director of the Company on 30 April 2020 and the Deputy General Manager of the Group in 2013. Now he is also the General Manager of Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd and Jiangsu Yangzijiang Offshore Engineering Co., Ltd with one of the responsibilities to be dedicated to the market development and customer maintenance based on the Japanese market.

Mr Song has over 20 years of experience in the shipbuilding industry. From 2000 to 2003, he worked at Tsuji Co. in Japan. From 2003 to May 2009, he was the Director of Shipbuilding Division and the Manager of Production Management Department, responsible for the production management of the shipbuilding site in Tsuji Heavy Industry (Jiangsu) Co., Ltd. From June 2009 and after joining the Group, he successively was the Deputy General Manager and General Manager of Jiangsu Zhongzhou Offshore Engineering & Equipment Co., Ltd. From 2013 to 2019, he was appointed as the Deputy General Manager of the Group and the General Manager of Jiangsu Yangzijiang Shipbuilding Factory and Jiangsu Yangzijiang Offshore Engineering Co., Ltd.

Mr Song ever studied in Ocean University of Qingdao and Jiangsu University of Science and Technology with the major of Naval Architecture and Ocean Engineering.

SENIOR MANAGEMENT

WANG JIANSHENG
(Aged 64, Chinese)
General Manager

Mr Wang was appointed as General Manager of Jiangsu New Yangzi Shipbuilding Co., Ltd on 1 January 2008. He is now the Deputy Chairman of the Group and responsible for operation of the Shipping Logistics & Ship Design Segment.

Mr Wang has over 30 years of experience in the shipbuilding industry. Prior to joining the Group, between 2004 and 2007 Mr Wang was the Vice President of Shanghai Waigaoqiao Shipbuilding Co., Ltd., and was responsible for the management of manufacturing. He joined Shanghai Shipyard Co. Ltd in 1982 as Assistant Manager in the workshop and was promoted to Vice General Manager in 1997.

Mr Wang holds a Degree from Wuhan University of Technology which he was conferred in 1982.

DU CHENGZHONG
(Aged 53, Chinese)
Deputy General Manager

He was appointed as the Deputy General Manager and Head of Quality Control Department in New Yangzi in January 2006. He is now the Deputy General Manager of the Group and the General Manager of Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. and Chief Engineer of the Group, and is responsible for operations of Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.

Mr Du has over 20 years of experience in the shipbuilding industry. In July 1991, he started as a trainee in the turbine workshop of the then Jiangyin Shipbuilding Factory. In July 1992, he became a technician in the same workshop where he held the position till December 1996. During the period between January 1997 and December 2001, he worked as a construction manager in the Production Department of Jiangsu Yangzijiang. In January 2002, he was promoted to the position of Deputy Head of Engineering Department of Jiangsu Yangzijiang and served in the position till December 2004. Thereafter, between January 2005 and December 2005, he held concurrent positions as Assistant General Manager cum Head of Technical Preparation Department.

Mr Du holds a Bachelor's Degree in Mathematics and Engineering from Harbin Engineering University (formerly known as Harbin Shipbuilding Engineering Institute) which he was conferred in 1991. He was accredited as an Engineer by the Wuxi City Human Resource Bureau in 1998 and he is now the research-tier Senior Engineer.

SENIOR **MANAGEMENT**

DING JIANWEN
(Aged 48, Chinese)
Deputy General Manager

Mr Ding has been appointed as the Deputy General Manager in 2020, and Chief accountant of the Group since 2017, and is responsible for Group's financial, accounting, taxation, risk management as well as overseeing trading logistic division.

Mr Ding has over 20 years of experience in the shipbuilding industry. Prior to joining the Group, from 1995 to June 2004, Mr Ding worked in Chengxi Shipyard Co. During the period 2004 to August 2010, he was the finance manager in Cosco Shipyard Group Co., Ltd. From September 2010 and after joining the Group, he became the Head of financial department and Chief Accountant of Jiangsu New Yangzi Shipbuilding Co., Ltd. In January 2020, he was promoted as Deputy General Manager and continued to assume the role of Chief Accountant of Jiangsu New Yangzi Shipbuilding Co., Ltd.

Mr Ding holds a Degree from Hebei GEO University which he was conferred in 1995.

ZHANG HONGFEI
(Aged 46, Chinese)
Deputy General Manager

Mr Zhang has been appointed as the Deputy General Manager in 2021, and Assistant General Manager since 2010, He is now the Deputy General Manager of the Group and concurrently serves as the Secretary of the Communist Party Branch in Group and the Chairman of the Labour Union of the Group. He is responsible for the Party affairs, Labour Union, enterprise management, human resources and port management of the Group.

Mr Zhang has over 20 years of experience in the shipbuilding industry. Prior to joining the Group, from 1997 to November of 2002, Mr Zhang worked in Chengxi Shipyard Co. From November 2004 and after joining the Group, He served as Director of Construction Department and Assistant General Manager of Jiangsu New Yangzi Shipbuilding Co., Ltd., and was promoted to Deputy General Manager in January 2016.

Mr Zhang holds an Engineering Degree from Jiangxi Science and Technology University which he was conferred in 1997.

GOING BEYOND AND ABOVE

While global developments slowed during the pandemic, Yangzijiang continued to advance ahead as our continuous pursuit for R&D efforts come to fruition. The path forward is clear – we will continue to develop our core business and push for innovation-related initiatives to capture new growth opportunities.

FINANCIAL & **OPERATIONS REVIEW**

FINANCIAL REVIEW

Revenue

In FY2020, we delivered 45[1] vessels (all vessels were delivered according to schedule) as compared to 59 vessels in FY2019. This led to a decline of revenue contributed by the shipbuilding segment, recording RMB10.0 billion for FY2020 compared to RMB13.0 billion for FY2019.

As a result of lower volume of trading business, revenue contribution from trading business decreased from RMB7.7 billion for FY2019 to RMB2.1 billion for FY2020. Other shipbuilding related businesses such as shipping logistics & chartering and ship design services generated revenue of RMB719 million in FY2020, compared to RMB749 million in FY2019, mainly due to lower charter rates during the year. The size of our investment portfolio increased in FY2020, but due to lower average interest rates for new investments made in 2020, interest income declined marginally to RMB2.0 billion for FY2020. Overall, revenue on the Group level declined 37% year-on-year ("yoy") to RMB14.8 billion in FY2020.

Gross Profits and Gross Profit Margin

For FY2020, the Group built and delivered comparatively more containerships with higher margins and coupled with a unit of 157,000DWT oil tanker being resold, gross margin for the shipbuilding segment improved by 6 percentage points ("ppt") yoy to 21%. The shipbuilding segment contributed gross profits of RMB2.1 billion in FY2020, compared to RMB1.9 billion in FY2019. Trading business typically records a low gross profit margin, and recorded 1% gross profit margin for FY2020.

Other shipbuilding related business generated gross profit of RMB187 million in FY2020 compared to RMB230 million in FY2019, with a gross profit margin of 26% compared to 31% in FY2019. This was mainly due to lower charter rates during the year. In line with the lower interest income from investment segment, net interest income was RMB1.9 billion for FY2020, compared to RMB2.0 billion for FY2019. Gross profit margins for the investment segment were 95% for both FY2020 and FY2019. At the Group level, the gross profit margin for FY2020 improved by 10 ppts yoy to 28.4%.

Net Profit

The Group reported a net profit of RMB2.6 billion for FY2020, a 21% yoy decline from FY2019 while net profit attributable to shareholders was RMB2.5 billion. Fully diluted earnings per share was 64.39 RMB cents for FY2020, compared to 78.88 RMB cents for FY2019.

Financial Position

As at 31 December 2020, cash and cash equivalents decreased to RMB6.6 billion from RMB10.2 billion as at 31 December 2019, mainly due to net cash used in

[1] *Out of 45 vessels, 8 vessels delivered by YAMIC*

FINANCIAL & OPERATIONS REVIEW

investing and financing activities in FY2020. In FY2020, there was a net repayment of borrowing with total borrowings of RMB4.2 billion as at 31 December 2020. The Group maintained a strong financial position with net cash at end of FY2020. Net asset value per share rose from RMB7.94 as at 31 December 2019 to RMB8.40 as at 31 December 2020.

Managing foreign exchange risk

As the Group's shipbuilding orderbooks are mainly denominated in USD, it is exposed to currency risks in relation to future USD denominated income from shipbuilding business. The Group looks to hedge against or mitigate such risks through USD/CNY forward contracts. As at 31 December 2020, the Group had total derivative financial instrument with fair value amounting to RMB100 million, relating to USD/CNY forward contracts and USD/SGD cross currency swaps which were entered into by the Company to mitigate its borrowing costs of its one-year loan denominated in SGD.

Two-pronged approach to enhance shareholders' value

The Board has maintained the dividend amount of 4.5 Singapore cents per share for FY2020, similar to FY2019 despite the yoy decline of net profit. Based on the fully diluted earnings per share, this represents a 34% payout for FY2020 as compared to 29% payout for FY2019. This hinges on the strong financial position of the Group and a net cash position, as well as the commitment of the Board in ensuring a stable dividend amount for our shareholders.

The Group has also deployed cash towards share repurchases. In 2020, the Group has repurchased 1.667% of total issued shares for approximately S$62.8 million. Through share buybacks, the interests of our shareholders increase despite zero cash outlay from their end. This capital allocation decision also represents the Board's affirmation towards the fundamental value of our shares.

OPERATIONAL REVIEW

Construction and deliveries

In FY2020, Yangzijiang delivered 45 vessels as scheduled, despite the precautionary measures put in place against the pandemic which led to slower construction progress. Vessels delivered during the year were mainly for large and medium sized dry bulkers and containerships. In FY2020, we have successfully delivered three 12,690TEU containership, currently the largest containership built and delivered by the Group. These deliveries have received very encouraging feedback from the shipowner, and we are confident that the construction and deliveries for other larger sized containerships (24,000TEU, 15,000TEU, 14,000TEU) will be smooth, further solidifying the Group's position and competitive edge in the ultra-large containership building market.

The 24,000TEU containerships are the largest containership currently in-use in the world. The first of such orders were only placed in December 2020, and Yangzijiang currently has 6 outstanding orders for such vessels. Over the years, our commitment to R&D has enabled us to continuously launch larger-sized containerships and move up the value chain.

Orderbook

Yangzijiang stood against various challenges in year 2020, and closed the year with new orders for 54 vessels worth about USD1.8 billion. As at 31 December 2020, the Group had an outstanding order book of USD3.09 billion for 83 vessels.

Year to date in 2021, Yangzijiang has secured orders for 60 vessels worth about USD3.0 billion, the largest orderbook recorded in the past decade. A large proportion of these orders were placed for containerships (43 vessels worth USD2.6 billion) and are expected to preserve margins for the Group as containerships record higher gross margins than dry bulkers. Our outstanding orderbook will keep our yards busy and provide a stable revenue stream for the next two years. These orders do not include any options orders, which will further strengthen our order book if exercised.

To increase capacity, Yangzijiang will resume operations for Jiangsu Yangzi Changbo Shipbuilding by mid-2021. Operations for Jiangsu Yangzi Changbo Shipbuilding were halted in 2012 due to lower order flows in the past years, and construction work was consolidated at the Group's other three major yards to improve operational efficiency.

Orders for new vessels were placed by a mix of new and repeat customers and we are thankful to our customers for their endorsement for Yangzijiang. First-time customers include Shanghai Zhonggu Logistics Co., Ltd, the largest domestic shipping liner in China, placing a sizable order for ten 4,600TEU containerships. The sales and marketing team at Yangzijiang has been working tirelessly to expand its customer portfolio to include Chinese customers and we are glad to have made progress in this front.

Strategic partnerships to create further opportunities

Capitalising on the Group's position as a leading Chinese shipbuilding enterprise with rich production capabilities, Yangzijiang is able to form strategic partnerships to create further opportunities for the Group. Notably, Yangzijiang formed a joint venture, Yangzi-Mitsui Shipbuilding Co., Ltd. ("YAMIC") with prominent Japanese shipbuilding companies, Mitsui E&S Shipbuilding Co., Ltd. ("Mitsui E&S") and Mitsui & Co., Ltd. ("Mitsui"), which began operations in August 2019. This joint venture will allow the Group to tap on the technological expertise of its joint venture partners to expand its capability into more

FINANCIAL & OPERATIONS REVIEW

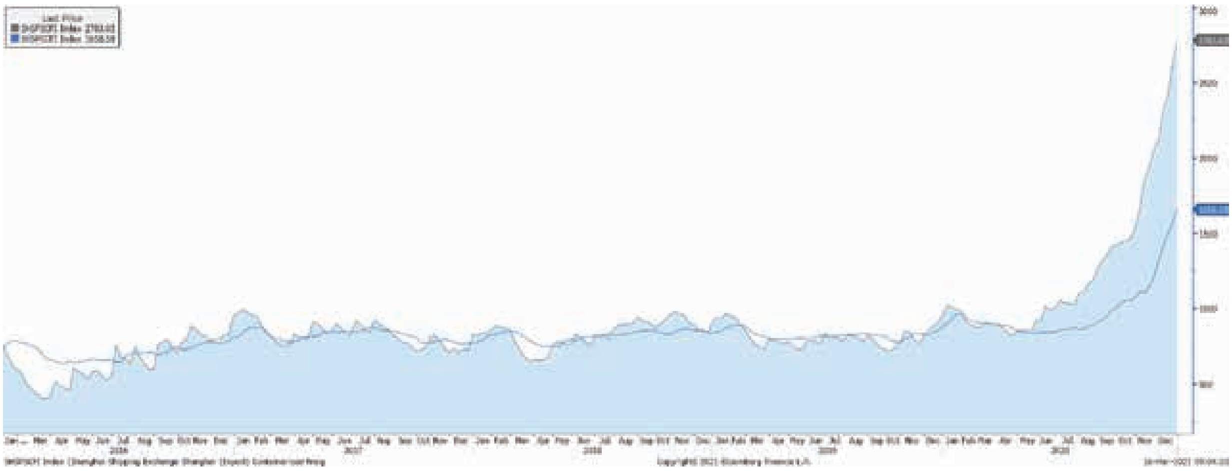
complex and technically-challenging vessels, including oil tankers and LNG carriers. Mitsui E&S has a track record in constructing both vessels, and it is also Japan's leading manufacturer of marine diesel engines. This joint venture will allow Yangzijiang to import its technical expertise. YAMIC delivered eight 82,000DWT bulk carriers in FY2020.

MARKET OVERVIEW AND OUTLOOK

Development in the LNG space

According to McKinsey, demand for LNG is expected to grow by 3.4% per annum to 2035, requiring approximately 100 million metric tons of additional capacity. By 2050, more than 200 million metric tons of new capacity will be needed to meet the demand for LNG. Yangzijiang plans to capitalise on the growth of LNG market and LNG carriers, and plans to expand its market share for mid-sized LNG ("LNG") vessels especially amongst Chinese shipowners before further expanding our customer base.

In 2021, we formed a company, Jiangsu Run Yuan Energy Co., Ltd. ("JREC"), with our venture partners Wuxi China Resources Gas Co., Ltd ("WCRG") and Jiangyin Xinyangchuan Enterprise Management Center, which are operating in the gas utilities and energy spaces, respectively. The main business activities of JREC will be the construction of LNG storage facilities, natural gas trading and businesses related to parts of the liquified natural gas ("LNG") supply chain. Through this joint investment, Yangzijiang will gain initial exposure to a broader range of LNG-related businesses and develop relevant expertise which will allow us to capture the long-term growth potential in this market segment. While Yangzijiang has built and delivered LNG vessels and chemical tankers, this joint investment will allow the Group to tap on the expertise of its joint investment partners, and move up the value chain at a faster rate.



Strong demand for Containerships

The above graph tracks the Shanghai Containerized Freight Index ("SCFI"), which reflects the spot rates of Shanghai export container transport market on 13 global shipping routes and the China (Export) Containerized Freight Index ("CCFI"), which tracks the spot rate of the Chinese container ports on 12 global routes, from 2016 to 2020. Both rates have surged to multi-year highs due to a global container shortage, leading to robust profits for container liners in the third and fourth quarters of 2020, and greater demand and orders placed for containerships.

Despite robust demand, there is relatively fewer containership builders to meet this demand as there is a higher barrier of entry for containership building. Yangzijiang has a track record in building containerships which places us in an advantageous position to capture opportunities from this segment. As order slots at our yards begin to fill up, we are able to become more selective in our customer profile and the type of vessels built. As gross margins are higher for bulk orders of containerships, the management has made the strategic decision to take in such orders first. This is expected to preserve margins for Yangzijiang.

SUSTAINABILITY **REPORT**

As one of the top shipbuilding groups in the world, we are aware that our stakeholders could be directly or indirectly influenced by our business operations, decisions and outcomes. Yangzijiang is committed to continuously integrate and improve sustainability practices across our business operations, and considers sustainability issues as part of our long-term strategy formulation. The Board and the Group's management regularly review and oversee the management of the material Environmental, Social and Governance factors of Yangzijiang.

STAKEHOLDER ENGAGEMENT

The Group actively engages its suppliers, PRC industry associations, banks, government bodies and academic institutions to improve the standards of shipbuilding in China. These include formal collaboration agreements, exchanges, site visits, and industry forums. The Group regularly submits its R&D findings to industry bodies for adoption.

Within the organization, the Group has many initiatives for employee skills upgrade as well as volunteer work to assist the needy in the community. There is a strong incentive reward program to encourage employees to come up with innovative methods of improving the Group's productivity and efficiency.

Key stakeholder engagement activities initiated by Yangzijiang in 2020 are summarised below (the list is not exhaustive). All events organised were in-line with various pandemic related precautionary measures.

- The Group engaged its employees in staff meetings, keeping them posted on key developments taking place on the Group level and to receive feedback from the ground. The Group also organised events such as recreational sport events and gatherings ahead of major holidays, inviting its business associations, customer representatives and local communities.
- The Group organises annual supplier conference to provide feedback on raw materials and highlight the push for continuous quality control. In view of social distancing measures, the Group has made the important decision to cancel the event in 2020. In 2019, 71 qualified suppliers attended the conference and provided insights on how to ensure quality control and assurance.
- The Group ensures constant engagement with its shareholders through its annual general meeting ("AGM"). In 2020, while the AGM was conducted virtually, shareholders could still post questions to the Group and material questions and concerns were addressed by the Group. The Group also updates its shareholders with key developments of the Group through various announcements and press releases.

MATERIAL TOPICS

The Group's material topics in sustainability matters are as follows:

1. ECONOMIC CONTRIBUTION

Financial disbursements to the local community, tax payments to the government and economic value created through R&D and cost-saving.

2. ENVIRONMENTAL PROTECTION

R&D in processes and materials to reduce the impact of pollution from shipbuilding activities on the environment and worker health.

SUSTAINABILITY **REPORT**

3. WORKPLACE SAFETY

Training, drills, and industry forums are regularly conducted.

4. COMMUNITY TRAINING & DEVELOPMENT

Improving industry practices, internal training programs, various collaborations to nurture talent and enable greater technology breakthrough.

1. ECONOMIC CONTRIBUTION

GRI 201-1 Direct economic value generated and distributed

Financial contribution

Yangzijiang is consistently ranked amongst the top 500 Chinese Companies List based on its revenue. In the list released in September 2020, Yangzijiang was ranked 406th and 189th for the top 500 Chinese Companies and top 500 Chinese Manufacturing Companies respectively, by The China Enterprise Confederation and the China Entrepreneurs Association. The Group was also ranked 385th in Fortune China 500 Companies in 2020, a list that takes into consideration the performance and achievements of the world's largest listed Chinese companies.

The Group has consistently paid out dividends to its shareholders over the years, benefiting all shareholders. In FY2020, the Group has also conducted share buybacks, increasing shareholders' interests in the firm. Yangzijiang is also in a strong financial position with net cash, ensuring long term viability of the Group and the execution of sustainability strategies.

Giving back to the society

In 2020, Yangzijiang was awarded the Jiangyin Charity Outstanding Contribution Enterprise, a testament to the Group's commitment in giving back to the society. This award is given to enterprises that have been supportive of charity organisations, fulfils its social responsibilities and have made donation of above RMB1 million from 2015 to 2019. The Group makes donations towards various charitable causes and organisations from time to time.

Yuanlin Charity Foundation's Movement of Light Cataract Sight Restoration project was also awarded the Jiangyin Charity Outstanding Contribution Project in 2020. This project was incepted in August 2014 and till date, has disbursed over RMB51 million to finance cataract surgeries for over 20,000 patients. In 2020, the Yuanlin Charity Foundation made a contribution of approximately RMB26 million to the Yuanlin Rehabilitation Hospital for the purchase of medical equipment.

The Yuanlin Charity Foundation is solely funded by Mr Ren Yuanlin with dividends from his shareholdings in Yangzijiang.

Economic value created through cost savings

In January 2020, YAMIC delivered two 82,000DWT bulk carriers, its first batch of ships built and delivered after the yard adopted a semi-submerged ship launching method. This method uses a floating dock rather than a slipway or dry dock used in the traditional way of launching vessels. It removes the limitations of dock capacity and improves construction efficiency. It is also a cost-efficient way to increase capacity quickly.

SUSTAINABILITY **REPORT**

In 2020, the Group's ongoing firmwide cost saving initiatives led to a cost reduction of about RMB497 million, 198% of the Group's annual cost-saving target of RMB250 million.

2. ENVIRONMENTAL PROTECTION

GRI 416-1 Assessment of the safety impact of product

Five major operational systems at the Group's major yards have been approved and certified by the China Classification Society ("CCS") following thorough inspection and review on the Group's operational system. These systems include quality control, energy consumption, environmental impact, safety production and integrated management. This review is conducted annually.

GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Paints play the function of anti-corrosion agents in shipbuilding. Surface preparation, paint, and other protective coatings used in shipbuilding and ship repair pose a hazard to workers. Potentially harmful substances can enter the body through inhalation, ingestion, and contact with the eyes or skin. The Three-Year Action Plan for Winning the Blue-Sky Defence War released by the PRC State Council in July 2018 creates an action plan to reduce 2015 volatile organic compound ("VOC") emissions by 10% by 2020. The Chinese government has tightened the environmental regulations and adopted the "2020 Action Plan for the Control of VOCs", a series of stricter standards and regulations put in place, with greater efforts placed on controlling harmful or toxic VOCs.

The Group has a long-term relationship with Jotun Coatings, the marine antifouling coating arm of a leading chemical company based in Norway. The Group's R&D findings had made the following contributions to the industry:

- Significantly decrease the production cycle time in coating work thereby decreasing worker exposure to VOC.
- Significantly decrease the VOC emission level in paints used at Yangzijiang.
- Reduce the use of raw materials.
- Protect the environment.
- Reduce the Group's emission of pollutants.
- Reduce the cost of handling hazardous waste.

The practice to lower VOC is currently used for the construction of several vessels. The findings in Yangzi Xinfu Yard's collaboration with Jotun were so significant that they were published in 2017 in leading PRC academic journal China Paint. This new coating method is expected to be adopted as the industry's protocol.

SUSTAINABILITY **REPORT**

3. WORKPLACE SAFETY

GRI 403-2 Hazard identification, risk assessment, and incident investigation

One of the top priorities of the Group is the safety of our workers at their workplace. Led by a workplace safety committee, the Group conducts a thorough monthly site inspection at each division to identify any potential safety hazards and ensure the implementation of safety policies and procedures.

GRI 403-3 Occupational health services

To provide immediate medical care to our workers, the Group has set up clinics and pharmacies at our major yards.

GRI 403-8 Workers covered by an occupational health and safety management system

Workers of the Group are covered under healthcare insurance provided by the Group. The Group also invites relevant government authorities to give talks on social security and labour insurance policies, to ensure that our workers are aware of their healthcare coverage.

GRI 403-9 Work-related injuries

The Group's long-standing goal is to have zero fatalities and zero injuries for our workers. Yangzijiang places huge emphasis on workplace safety and in 2020, the number of work-related injuries were 42% lower than number of injuries recorded in 2019. The Group will continue to put in place workplace safety measures to ensure the safety of all our workers.

4. COMMUNITY DEVELOPMENT

GRI 404-2 Programs for upgrading employee skills and transition assistance programs

Project Chiba

Termed "Project Chiba", a team of 17 representatives from Yangzijiang participated in an on-site training in Japan at joint venture partner Mitsui's yard in January 2020 on design, safety management, quality control, automation, and production planning.

Despite the success of the first on-site training, the Group had to put on hold plans to send more representatives for similar trainings due to the pandemic and travel restrictions. Yangzijiang expects to resume this training programme when it is feasible and appropriate.

Digital transformation

The implementation of digital transformation for Yangzijiang is a firm-wide process that has been ongoing for years. Ultimately, it will allow for an end-to-end process integration including design, planning, procurement, production, quality, cost and capital control across its major yards and other companies. The Group will provide training programs for our employees to ensure that they are on board the Group's push for digital transformation.

CORPORATE **GOVERNANCE REPORT**

The Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") continues to be committed to achieving and maintaining high standards of corporate governance, business integrity and professionalism within the Company and its subsidiaries (the "**Group**") to protect the interests of all its stakeholders and to promote investors' confidence and supports for long term value creation.

This report describes the Group's ongoing efforts in the financial year ended 31 December 2020 ("**FY2020**") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2018 (the "Code"). The Company confirms that it has adhered to the principles and provisions set out in the Code, except where otherwise stated. The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code and which sets out best practice standards for companies. The Board will continue to improve its practices with developments by enhancing its principle and framework.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Directors' Objective Discharge of Duties and Declaration of Interests (Provision 1.1)

The Board of Directors (the "**Board**") is primarily responsible for overseeing the management of the business affairs, corporate affairs and the overall performance of the Group. Board members are expected to act in good faith and exercise independent judgment in the best interests of the Group. A code of conduct and ethics has also been put in place by the Board to ensure proper accountability within the Company. Directors facing conflict of interest has recused himself from discussions and decisions involving the issues of conflict.

The Group is led and controlled by an effective Board that has the overall responsibility for corporate governance, strategic direction, overseeing the investments, operations, internal controls, financial reporting and compliance of the Group and approving the nominations of Board of Directors.

Directorship Duties, Board Orientation and Training (Provision 1.2)

The Board recognises that its principal duties include:

- Providing entrepreneurial leadership, setting the strategic directions and the long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- Reviewing and approving corporate plans, annual budgets, investment proposal and merger & acquisition proposals of the Group;
- Reviewing and evaluating the adequacy and integrity of the Group's internal controls, compliance, risk management and financial report systems;
- Reviewing and monitoring management performance towards achieving organisational goals;
- Overseeing succession planning for management;
- Setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met;
- Ensuring accurate and timely reporting in communication with shareholders; and
- Considering sustainability issues including environmental and social factors in the Group's strategic formulation.

CORPORATE **GOVERNANCE REPORT**

Currently, the Company does not have a formal training programme for new Director(s). However, the Board ensures that incoming new Director(s) are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. Newly appointed Director(s) will be provided a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. The newly appointed Directors who have no prior experience as a director of a listed company in Singapore must undergo mandatory training in his/her roles and responsibilities as prescribed by the SGX-ST. During FY2020, the Company has appointed 3 new Directors, namely Mr Ren Letian, Mr Song Shuming and Mr Toe Teow Heng.

Mr Song Shuming was appointed to the Board on 30 April 2020. As Mr Song Shuming did not have prior experience as a director of company listed on the SGX-ST at the time of his appointment to the Board, the Company will arrange him to attend the relevant training organised by Singapore Institute of Directors in coming May 2021.

Board Approval (Provision 1.3)

The Board's approval is specifically required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposal of assets and release of the Group's quarterly and full-year financial results.

The Management is responsible for day-to-day operations/administration of the Group and they are accountable to the Board. Clear directions have been given out to the Management that such reserved matters must be approved by the Board.

Delegation by the Board (Provision 1.4)

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit Committee ("**AC**") (collectively, the "**Board Committees**") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively, and reporting back to the Board. These Board Committees are made up of Non-Executive Directors and Independent Directors and each chaired by an Independent Director. Each Board Committee has its own specific Terms of Reference which clearly set out its objectives, scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

Board and Board Committee Meetings (Provision 1.5)

The Board meets on a quarterly basis to approve, among others, announcements of the Group's quarterly and full year financial results. Additional meetings are also convened to discuss and deliberate on urgent substantive matters or issues when circumstances require. The dates of Board and Board Committees meetings as well as the annual general meeting ("**AGM**") will be scheduled in advance. To assist directors in planning their attendance, the Company Secretary will first consult every director before fixing the dates of these meetings.

The Company's Constitution provides for meetings to be held via telephone conference or other methods of simultaneous communication by electronic or telegraphic means in the event when Directors were unable to attend meetings in person. Management has access to the Directors for guidance or exchange of views outside of the formal environment of the Board meetings.

CORPORATE **GOVERNANCE REPORT**

The number of meetings of Board and Board Committees held during FY2020 and the attendance of each Director at those meetings are set out as follows:

Name of Directors	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee		Annual General Meeting
	No. of meeting		No. of meeting		No. of meeting		No. of meeting		
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	
Ren Yuanlin[(1)]	4	1	–	–	–	–	–	–	1
Ren Letian[(2)]	4	4	–	–	–	–	–	–	1
Song Shuming[(3)]	4	3	–	–	–	–	–	–	–
Xu Wen Jiong	4	4	4	4	1	1	1	1	1
Teo Yi-dar (Zhang Yida)	4	4	4	4	1	1	1	1	1
Chen Timothy Teck Leng @ Chen Teck Leng	4	4	4	4	1	1	1	1	1
Toe Teow Heng[(4)]	4	3	4	3	1	1	1	1	–

(1) Mr Ren Yuanlin retired at the conclusion of the AGM held on 30 April 2020.

(2) Mr Ren Letian ceased as the alternate director to Mr Ren Yuanlin upon the retirement of Mr Ren Yuanlin. He was appointed as the Executive Chairman on 30 April 2020.

(3) Mr Song Shuming was appointed as an Executive Director on 30 April 2020.

(4) Mr Toe Teow Heng was appointed as an Independent Non-Executive Director and member of AC, NC and RC on 30 April 2020.

Access to In formation (Provision 1.6)

All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable at the Group's expenses. The Directors are also provided with updates on the relevant new laws and regulations relevant to the Group's operating environment through emails and regular meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to obtain a better understanding of the business operations. Below are some of the updates have been provided to the Directors in FY2020:

- the external auditors, PricewaterhouseCoopers LLP, had briefed the AC members on the latest developments in accounting and corporate governance standards at their attendance in the AC meetings held quarterly;
- information on new audit quality indicators framework;
- Executive Chairman has updated the Board at quarterly meetings on the business outlook of shipbuilding industry and the direction of the Group; and
- Chief Financial Officer ("CFO") has also updated the Board at quarterly meetings on each segmental business operation and development of the Group.

CORPORATE **GOVERNANCE REPORT**

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and Board Committees papers are distributed to the Directors a week in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committees meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

Access to Management, Company Secretary and Advisers (Provision 1.7)

All Directors have access to the Company's senior management, including CEO, CFO and other key management, as well as the Group's internal and independent auditors. Wherever possible, the Directors are provided Board papers prior to each Board meeting. Board papers provided are, amongst others, financial and corporation information, significant operational, financial and corporate issues, results and performance of the Company and of the Group, and management's proposals which require the approval of the Board. Queries by individual Directors on circulated paper are directed to management who will respond accordingly.

To facilitate direct access to management, Directors are also provided with the names and contact details of the management team. The Directors also have separate and independent access to the Company Secretary through e-mail, telephone and face-to-face meetings. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST Listing Manual ("**Listing Manual"**) are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The role of the Company Secretary is, *inter alia*, advising the Board on all governance matters and ensuring that all Board procedures are followed. The Company Secretary assists the Chairman in ensuring good information flows within the Board and its Board Committees and between senior management and the Non-Executive Directors. The Company Secretary attends all Board meetings and Board Committees meetings and records the proceedings and decisions of the Board and of the Board Committees. The Company Secretary ensures that the corporate secretarial aspects of procedures concerning the Board are duly complied. The appointment and the removal of the Company Secretary are subject to the Board's approval.

The Directors, whether as a full Board or in their individual capacity may seek independent professional advice in the furtherance of their duties from time to time. The advisor so selected shall be approved by the Board and the cost of such professional advice will be borne by the Company. There was no such requirement during the year under review.

CORPORATE **GOVERNANCE REPORT**

Board Composition and Guidance
Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board Independence (Provisions 2.1 & 2.2)

Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its substantial shareholders or its officers including confirming not having any relationships and circumstances provided in Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of the SGX-ST, that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group.

The independence of each Independent Non-Executive Director is assessed at least annually by the NC as mentioned under Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of the SGX-ST. The NC has affirmed that Mr Teo Yi-dar (Zhang Yida), Mr Chen Timothy Teck Leng @ Chen Teck Leng and Mr Toe Teow Heng are independent and free from any relationship as outlined above. Each Independent Non-Executive Director has also completed and submitted an independence declaration form annually to confirm his independence. Particular scrutiny is applied in assessing the continued independence of Directors having served beyond nine (9) years from the date of his first appointment, with attention to ensuring their allegiance remains clearly aligned with the shareholders' interest.

Please refer to Provision 4.4 which highlights that, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, the approval of the shareholders of the Company would be sought via a two-tier voting process at the forthcoming annual general meeting of the Company for each of the independent Directors to continue in office as an independent Director come 1 January 2022.

The NC has recommended for the Independent Director, namely Mr Teo Yi-dar (Zhang Yida), whose continued appointment as independent director, pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which will take effect on 1 January 2022, to seek approval by way of a two-tier voting process at the forthcoming annual general meeting of the Company.

As the Executive Chairman is part of the management team, the Board has reviewed the percentage of Independent Directors on the Board, the Board believes that the Executive Chairman has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group.

As the Chairman is not an Independent Director, NC also recommends the Board to continue identifying suitable candidates so as to cause the Independent directors make up a majority of the Board pursuant to Provision 2.2 of the Code.

CORPORATE **GOVERNANCE REPORT**

Board Composition, Size and Diversity (Provisions 2.3 & 2.4)

The Board currently has six (6) Directors, comprises four (4) Non-Executive Directors with three (3) of them independent and two (2) Executive Directors. The members of the Board and their membership on the Board Committees of the Company as of FY2020 are as follows:–

Name of Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Ren Letian	Executive Chairman	–	–	–
Song Shuming	Executive Director	–	–	–
Xu Wen Jiong	Non-Independent Non-Executive Director	Member	Member	Member
Teo Yi-dar (Zhang Yida)	Lead Independent Director	Member	Chairman	Chairman
Chen Timothy Teck Leng @ Chen Teck Leng	Independent Non-Executive Director	Chairman	Member	Member
Toe Teow Heng	Independent Non-Executive Director	Member	Member	Member

The Directors bring with them a broad range of business and financial experience, skills and expertise in finance, industry, business and management and general corporate matters. Their profiles are set out on pages 14 to 15 of this Annual Report.

The size and composition of the Board are reviewed annually by the NC, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is appropriate to facilitate effective decision-making, and that the Board has an appropriate balance of independent Directors. During FY2020, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code, including the guideline that at least one-third of the Board is made up of Independent Directors. The NC also reviewed the composition of Independent Directors on the Board and was satisfied that the Non-Executive Directors made up a majority of the Board.

The NC is of the view that the present Board size of six is appropriate for the Group's present scope of operations to facilitate decision making and the Board has an adequate mix of competency to discharge its duties and responsibilities. Further, no individual or small group of individuals dominates the Board's decision making process. The NC will further consider other aspects of diversity such as gender and age, and assist the Board to put in place a board diversity policy and progress for implementation of such policy, so as to avoid groupthink and foster constructive debate.

Non-Executive Directors contribute to the Board process by monitoring and reviewing the Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. They constructively challenged and helped develop the Group's business strategies. Management's progress in implementing such agreed business strategies were monitored by the Non-Executive Directors.

Non-Executive Directors meet regularly without the presence of Management (Provision 2.5)

The Non-Executive Directors communicated without the presence of Management as and when the need arose. The Company also benefited from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

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Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Roles of the Executive Chairman and Chief Executive Officer ("CEO") (Provisions 3.1 and 3.2)

Currently, Mr Ren Letian is both the Chairman and CEO of the Company. Through the establishment of various Board Committees chaired by the independent directors and putting in place internal controls for proper accountability and effective oversight by the Board of the Company's business, the Board ensures that there is appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. Accordingly, the Board believes that there is no need for the role of Chairman and the CEO to be separated.

The Company has a clear division of responsibilities at each level of the Company, with the Executive Chairman and the CEO having separate roles to ensure an appropriate balance of power, increased accountability and a greater capacity of the Board for independent decision-making.

The division of responsibilities between the Chairman and the CEO is also clearly established in the Constitution of the Company. The Chairman manages the business of the Board whilst the CEO and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.

The Chairman:

- is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, Board Committees and individual Directors.
- takes a leading role in the Company's drive to achieve and maintain high standards of corporate governance with the full support of the Directors, Company Secretary and Management.
- approves agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- promotes an open environment for debates and ensures Non-Executive Directors are able to speak freely and contribute effectively.
- exercises control over the quality, quantity and timeliness of information flow between the Board and Management.
- provides close oversight, guidance, advice and leadership to the CEO and Management.
- plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.

Whereas the CEO is the highest ranking executive officer of the Group who is responsible for:

- running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- ensuring the implementation of policies and strategy across the Group as set by the Board.

CORPORATE **GOVERNANCE REPORT**

- day-to-day management of the executive and senior management team.
- leading the development of senior management within the Group with aim of assessing the training and development of suitable individuals for future Director's roles.
- ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Group and of any important events and developments.
- leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

The Chairman schedules the meeting and sets the meeting agenda of the Board, and reviews the Board papers before they are presented to the Board. In addition, the Chairman also assists to ensure the Company's compliance with the Code.

Lead Independent Director (Provision 3.3)

Mr Teo Yi-dar (Zhang Yida) is the Lead Independent Director of the Company and is available to shareholders where they have concerns or issues which communication with the Chairman and CEO and/or CFO has failed to resolve or where such communication is inappropriate. Mr Teo Yi-dar (Zhang Yida) will also take the lead in ensuring compliance with the Code.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings as appropriate.

Board Membership
Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NC Composition and Role (Provisions 4.1 & 4.2)

The NC consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the NC Chairman, are independent:

Mr Teo Yi-dar (Zhang Yida), Chairman	(Lead Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-Executive Director)
Mr Toe Teow Heng	(Independent Non-Executive Director)
Mr Xu Wen Jiong	(Non-Independent Non-Executive Director)

The NC will meet at least once a year. During FY2020, the NC held once scheduled meeting with full attendance. The NC, which has written terms of reference, is responsible for making recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include the following:

(a) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election to the Board;

(b) making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;

CORPORATE **GOVERNANCE REPORT**

(c) review the Board structure, size and composition regularly and making recommendation to the Board, where appropriate;

(d) review the Board succession plans for directors, in particular, the Chairman and CEO;

(e) determine the independence of Directors annually (taking into account the circumstances set out in the Code and other salient factors);

(f) develop a process for assessing and evaluating the effectiveness of the Board as a whole and the Committees of the Board and the contribution of each individual Director to an effective Board;

(g) decide on how the Board's performance may be evaluated and to propose objective performance criteria for Board approval;

(h) review training and professional development programmes for the Board; and

(i) determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations.

The Board, through the NC, reviews annually the effectiveness of the Board as a whole and its required mix of skills and experience and other qualities, including core competencies, which Directors should bring to the Board.

Process for the selection, appointment and re-appointment of Directors (Provision 4.3)

The NC has in place a formal process for the selection of new Directors and re-appointment of Directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board, before making its recommendation to the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required. The Board, on the recommendation of the NC, appoints new Directors.

All new Directors who are appointed by the Board are subject to re-election at the next Annual General Meeting ("**AGM**") but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting. The NC has recommended Mr Ren Letian, Mr Song Shuming and Mr Toe Teow Heng who are retiring and to be re-elected at the forthcoming 15th AGM in accordance with Regulation 76 of the Company's Constitution.

Pursuant to the Company's Constitution, one-third of the Directors other than the Managing Director, shall retire from office at least once every 3 years at each AGM. The NC has also recommended Mr Chen Timothy Teck Leng @ Chen Teck Leng who is retiring and to be re-elected at the forthcoming 15th AGM in accordance with Regulation 94 of the Company's Constitution. The Directors had offered themselves for re-election. The Board has accepted the recommendation of NC.

Mr Ren Letian will, upon re-election as a Director of the Company, remain as the Executive Chairman and Chief Executive Officer of the Company.

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Mr Song Shuming will, upon re-election as a Director of the Company, remain as the Executive Director of the Company.

Mr Toe Teow Heng will, upon re-election as a Director of the Company, remain as the Member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual. There are no relationships (including immediate family relationships) between Mr Toe Teow Heng and the other Directors, or the Company, or its substantial shareholders.

Mr Chen Timothy Teck Leng @ Chen Teck Leng will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and the Member of the Nominating and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual. There are no relationships (including immediate family relationships) between Mr Chen Timothy Teck Leng @ Chen Teck Leng and the other Directors, or the Company, or its substantial shareholders.

In making the recommendations, the NC considers the overall contribution and performance of the Directors. Mr Chen Timothy Teck Leng @ Chen Teck Leng and Mr Toe Teow Heng, who are the member of the NC, had abstained from deliberation in respect of his own nomination and assessment.

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

	REN LETIAN
Date of Appointment	30 April 2020
Date of last re-appointment (if applicable)	N/A
Age	39
Country of principal residence	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Ren Letian as the Executive Chairman 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	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer
Professional qualifications	Mr Ren Letian holds a Master's Degree from London Southbank University.
Working experience and occupation(s) during the past 10 years	Chief Executive Officer of Yangzijiang Shipbuilding (Holdings) Ltd. Alternate Director to Mr Ren Yuanlin, former Executive Chairman of Yangzijiang Shipbuilding (Holdings) Ltd.
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest: 165,797,370 ordinary shares in the share capital of Yangzijiang Shipbuilding (Holdings) Ltd. through Hengyuan Asset Investment Limited (163,697,370 ordinary shares) and Vela Wealth Limited (2,100,000 ordinary shares)

CORPORATE **GOVERNANCE REPORT**

	REN LETIAN
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Ren Letian is the son of Mr Ren Yualin, the Honorary Chairman and substantial shareholder of the Company.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships	Yes
Past (for the last 5 years)	None
Present	Yangzijiang Shipbuilding (Holdings) Ltd – Chief Executive Officer Yangzijiang Shipping Pte. Ltd. Draco Shipping Pte. Ltd. Pegasus Shipping Pte. Ltd.
Information required **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No

CORPORATE **GOVERNANCE REPORT**

		REN LETIAN
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

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	REN LETIAN
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Information required **Disclosure applicable to the appointment of Director only**	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

CORPORATE **GOVERNANCE REPORT**

	SONG SHUMING
Date of Appointment	30 April 2020
Date of last re-appointment (if applicable)	N/A
Age	43
Country of principal residence	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Song Shuming as the Executive 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	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Deputy General Manager
Professional qualifications	Mr Song Shuming holds a Bachelor's Degree from Jiangsu University of Science and Technology.
Working experience and occupation(s) during the past 10 years	Mr Song Shuming has over 20 years of experience in shipbuilding industry. From June 2009 and after joining the Group, he successively was the Deputy General Manager and General Manager of Jiangsu Zhongzhou Offshore Engineering & Equipment Co., Ltd. From 2013 to 2019, he was appointed as the Deputy General Manager of the Group and the General Manager of Jiangsu Yangzijiang Shipbuilding Factory and Jiangsu Yangzijiang Offshore Engineering Co., Ltd. He was appointed as the Executive Director of the Company on 30 April 2020 and the Deputy General Manager of the Group in 2013. Now he is also the General Manager of Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd and Jiangsu Yangzijiang Offshore Engineering Co., Ltd with one of the responsibilities to be dedicated to the marketing development and customer maintenance based on the Japanese market.
Shareholding interest in the listed issuer and its subsidiaries	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None

CORPORATE **GOVERNANCE REPORT**

	SONG SHUMING
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships Past (for the last 5 years) Present	Yes None None
Information required **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No

CORPORATE **GOVERNANCE REPORT**

	SONG SHUMING
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No

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	SONG SHUMING
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Information required **Disclosure applicable to the appointment of Director only**	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

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	TOE TEOW HENG
Date of Appointment	30 April 2020
Date of last re-appointment (if applicable)	N/A
Age	52
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 Toe Teow Heng as the Independent Non-Executive 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
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of Audit Committee, Nominating Committee and Remuneration Committee
Professional qualifications	Chartered Financial Analyst (CFA)
Working experience and occupation(s) during the past 10 years	Occupation: Fund Manager Working Experience: CEO of GEM Asset Management Pte Ltd (formerly known as ICH Gemini Pte Ltd) Director of ICH Partners Ltd CEO of ICH Capital Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest: 300,000 ordinary shares in the share capital of Yangzijiang Shipbuilding (Holdings) Ltd. held by ICH Invest & Trade Ltd. ICH Invest & Trade Ltd is a wholly-owned subsidiary of ICH Group Ltd. Mr Toe Teow Heng holds 31.6703% of the total issued and paid-up share capital of ICH Group Ltd.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

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	TOE TEOW HENG
Other Principal Commitments Including Directorships	Yes
Past (for the last 5 years)	GEN Asset Management Pte Ltd A21 Pte Ltd QT Vascular Ltd ICH China Pte Ltd
Present	ICH Capital Pte Ltd Hexaton Capital Pte Ltd Eagle Healthcare International Pte Ltd ICH Gemini Asia Growth Fund Pte Ltd Newfort Land Pte Ltd Newfort Realty Pte Ltd Skin Inc. Global Pte Ltd ICH Singapore Holdings Pte Ltd ICH Group Ltd ICH Partners Ltd ICH Investment Pte Ltd Zymmetry Investments Ltd Silver Platinum Finance Ltd Gold Starlite Assets Ltd Beeston Invest & Trade Inc
Information required **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No

CORPORATE **GOVERNANCE REPORT**

	TOE TEOW HENG
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

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	TOE TEOW HENG
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Information required **Disclosure applicable to the appointment of Director only**	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

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	CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
Date of Appointment	26 April 2013
Date of last re-appointment (if applicable)	27 April 2018
Age	67
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 Chen Timothy Teck Leng @ Chen Teck Leng as the Independent Non-Executive 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
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman of Audit Committee and Member of Nominating Committee and Remuneration Committee
Professional qualifications	Mr Chen Timothy Teck Leng @ Chen Teck Leng graduated in Bachelor of Science degree from University of Tennessee and Master of Business Administration degree from Ohio State University. He is a graduate of Harvard Business School's Executive Management Program. He received his Certified Corporate Director (ICD.D) designation from the Canadian Institute of Corporate Directors.
Working experience and occupation(s) during the past 10 years	Mr Chen Timothy Teck Leng @ Chen Teck Leng has more than three decades of management experience in banking, insurance, investment fund and corporate advisory work.
Shareholding interest in the listed issuer and its subsidiaries	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

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	CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
Other Principal Commitments Including Directorships	Yes
Past (for the last 5 years)	TMC Education Corporation Ltd XinRen Aluminum Holdings Limited Hu An Cable Holdings Ltd. Tianjin Zhongxin Pharmaceutical Group Corporation Ltd. Sysma Holdings Limited
Present	Boldtek Holdings Ltd. Tye Soon Ltd. CCB Life Insurance Company Ltd.
Information required **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No

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		CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No

CORPORATE **GOVERNANCE REPORT**

	CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Information required **Disclosure applicable to the appointment of Director only**	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

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Determination of Independence of a Director (Provision 4.4)

The NC reviewed the independence of the Directors as mentioned under Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of the SGX-ST. The NC has affirmed that Mr Chen Timothy Teck Leng @ Chen Teck Leng, Mr Teo Yi-dar (Zhang Yida) and Mr Toe Teow Heng are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

Under Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, which is effective from 1 January 2022, a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders and (b) shareholders excluding the directors and the chief executive officer of the company and their associates. Such resolutions may remain in force until the earlier of (i) the retirement or resignation of the director or (ii) the conclusion of the third annual general meeting of the company following the passing of the resolutions.

By 1 January 2022, Mr Teo Yi-dar (Zhang Yida) would have served the Board beyond nine years from the date of his first appointment. Accordingly, the approval of the shareholders of the Company via the two-tier voting process at the forthcoming annual general meeting of the Company would be required for Mr Teo Yi-dar (Zhang Yida) to continue in office as Independent Director come 1 January 2022.

The Board has considered specifically the length of services and the continued independence of Mr Teo Yi-dar (Zhang Yida). The Board has determined that the Director concerned remained independent of character and judgement and there was no relationship or circumstance which would likely to affect, or could appear to affect the Director's judgement. The independence of character and judgement of the Director concerned was not in any way affected or impaired by the length of services. The Board has also conducted a review of the performance of Independent Director and considers that the Director bring invaluable expertise, experience and knowledge to the Board and that they continue to contribute positively to the Board and Board Committee deliberation. Therefore, the Board is satisfied as to the performance and continued independence of judgement of the Director.

The Board does not consider it to be in the interests of the Company or shareholders to require the Director who has served more than 9 years or longer to retire and favour ensuring continuity and stability.

The Board therefore recommends that the approval of the shareholders of the Company be sought via the two-tier voting process at the forthcoming annual general meeting of the Company for Mr Teo Yi-dar (Zhang Yida) to continue in office as an independent Director come 1 January 2022.

In assisting the NC to determine whether Directors who are on multiple boards have committed adequate time to discharge their responsibilities towards the Company's affairs, the NC had considered the attendances and contributions of Directors to the Board and Board Committees but does not make any recommendation on setting the maximum number of listed company board appointment to which any Director may hold given that the multiple Board representation by the Non-executive Directors do not hinder each Director from carrying out his duties as a Director of the Company adequately. Having reviewed each of the other Director's directorships in other companies as well as each of the other Director's attendance and contribution to the Board in FY2020, the NC is satisfied that the Directors have spent adequate time on the Company's affairs and have duly discharged their responsibilities. All Independent Non-Executive Directors are required to declare their Board representations at the Board meeting whenever there is change and at the beginning of each financial year.

The Board provides for the appointment of alternate directors when any of the Directors think fit. The Board will take into consideration the same criteria for selection of Directors such as his qualifications, mix skills sets and competencies.

CORPORATE **GOVERNANCE REPORT**

Key Information on Directors (Provision 4.5)

Key information of each director's academic, professional qualifications and other principal commitments can be found on pages 14 and 15 of the "**Board of Directors**" section of this Annual Report.

Directors' key information are set out below:

Name of Directors	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies	Directorships and Chairmanships in Other Listed Companies over the preceding three years
Ren Letian	30 April 2020	N/A	Nil	Alternate Director to Mr Ren Yuanlin, Executive Chairman of Yangzijiang Shipbuilding (Holdings) Ltd.
Song Shuming	30 April 2020	N/A	Nil	Nil
Teo Yi-dar (Zhang Yida)	28 July 2006	30 April 2019	China Yuanbang Property Holdings Limited HG Metal Manufacturing Ltd Denox Environmental & Technology Holdings Limited Asia Vets Holdings Ltd Penyao Environmental Protection Co Ltd Tee International Ltd Sin Heng Heavy Machinery Ltd	Nil
Chen Timothy Teck Leng @ Chen Teck Leng	26 April 2013	27 April 2018	Boldtek Holdings Ltd. Tye Soon Ltd.	Tianjin Zhongxin Pharmaceutical Group Corporation Ltd. Sysma Holdings Limited
Xu Wen Jiong	30 April 2014	30 April 2020	Nil	Nil
Toe Teow Heng	30 April 2020	N/A	Nil	Tianjin Zhongxin Pharmaceutical Group Corporation Ltd.

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Board Performance
Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Performance Criteria and Assessment Criteria (Provisions 5.1 & 5.2)

The NC has in place a framework for annual individual Board and Board as a whole as well as Board Committees performance evaluations to assess the effectiveness of the Board and its Board Committees and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board and Board Committees performance evaluations is carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/key management personnel and standards of conduct of Board members being completed by each individual Director. Completed questionnaires are collated by the Company Secretary and the findings presented to the NC for discussion with comparatives from the previous year's results. The NC and the Board were satisfied with the results of the Board and Board Committees performance evaluation for FY2020, which indicated areas of improvements compared with FY2019. No significant problems were identified. Both the NC and Board agreed to work on those areas which had the lowest average score. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies
Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

RC Composition and Role (Provisions 6.1, 6.2, 6.3 & 6.4)

The RC consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the RC Chairman, are independent:

Mr Teo Yi-dar (Zhang Yida), Chairman	(Lead Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-executive Director)
Mr Toe Teow Heng	(Independent Non-Executive Director)
Mr Xu Wen Jiong	(Non-Independent Non-executive Director)

The RC will meet at least once a year. During FY2020, the RC held once scheduled meeting with full attendance. The RC carries out its duties in accordance with a set of terms of reference which includes mainly, the following:

- reviewing and recommending to the Board for endorsement, a framework of remuneration policies to determine the specific remuneration packages for each Director and key management personnel, including employees related to the Executive Directors and controlling shareholders. The framework covers all aspect of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind;

- reviewing and recommending the remuneration of the Non-Executive Directors, taking into account factors such as their effort, time spent and their responsibilities;

- reviewing and recommending to the Board for endorsement on the payment of performance bonus to certain Executive Directors and executive officers pursuant to the profit-sharing scheme of the Company;

- reviewing and determining the contents of any service contracts for any Director; and

- carrying out other duties as may be agreed by the RC and the Board, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

CORPORATE **GOVERNANCE REPORT**

The RC is responsible for ensuring a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also considers and recommends the CEO's remuneration package including salary, bonus and benefits-in-kind for endorsement by the Board.

The RC ensures that the remuneration of the Non-Executive Directors are appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Non-Executive Directors receive a basic fee for their services. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package. Directors' fees are further subjected to the approval of shareholders at the AGM.

Level and Mix of Remuneration
Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Remuneration of Directors and KMPs (Provisions 7.1, 7.2 & 7.3)

Matters relating to the remuneration of the Board, key management personnel and other employees who are related to the controlling shareholders and/or Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Company. The RC also ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talents to run the Company successfully.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this Report under Principles 7, 8 and 9; and in the Financial Statements of the Company and of the Group.

The remuneration of related employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel.

The Executive Director has a service agreement with the Company with last renewed on year 2020. The service agreement may be terminated by either the Company or the Executive Director giving not less than six months' notice in writing. The remuneration package of the Executive Director and other senior management consists of the following components:

(a) Fixed Component

Fixed pay comprises basic salary, social security contributions, and employer's fixed allowances. Eligibility of employer's fixed allowances depends on the length of service.

(b) Variable Component

This component comprises variable bonus based on the Group's and the individual's performance. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation.

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Having reviewed and considered the salary components of the Executive Directors and the Key Management Personnel which is considered reasonable and commensurate with their respective job scopes and level of responsibilities, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

Disclosure on Remuneration
Principle 8: 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.

Disclosure of Remuneration (Provisions 8.1 & 8.3)

Details of the remuneration of Directors and top six (6) key management personnel of the Group for FY2020 are set out below:

Name of Directors	Breakdown of Remuneration in Percentage (%)				Total (S$)
	Fees[(2)] (%)	Salary[(1)] (%)	Variable Bonus (%)	Total (%)	
Ren Yuanlin[(3)]	0	100	0	100	64,500
Ren Letian[(4)]	0	100	0	100	Approximately 78,524
Song Shuming[(4)]	0	23	77	100	Approximately 51,304
Teo Yi-Dar (Zhang Yida)	100	–	–	100	45,500
Chen Timothy Teck Leng @ Chen Teck Leng	100	–	–	100	45,500
Xu Wen Jiong	100	–	–	100	45,500
Toe Teow Heng[(4)]	100	–	–	100	45,500

Notes:
(1) In accordance with Service Agreement.
(2) The directors' fees are subject to the approval of the shareholders at the 15th AGM.
(3) Retired on 30 April 2020.
(4) Appointed on 30 April 2020.

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Name of Top 6 Key Management Personnel	Designation	Breakdown of Remuneration in Percentage (%)		
		Salary (%)	Variable Bonus (%)	Total (%)
Below S$250,000				
Ren Letian	Chief Executive Officer	100	–	100
Song Shuming	Deputy General Manager	23	77	100
Wang Jiansheng[(1)]	General Manager	54	46	100
Liu Hua	Chief Financial Officer	100	–	100
Ding Jianwen	Deputy General Manager	23	77	100
Du Chengzhong	Deputy General Manager	38	62	100

Notes:

(1) Retired on 1 March 2021.

The remuneration of each of the above top six (6) key management personnel did not exceed S$250,000. In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 6 key management personnel in FY2020 was approximately S$592,058.

Remuneration of Immediate Family Members of a Director, CEO or Substantial Shareholder (Provision 8.2)

During FY2020, the following immediate family member of a Director, CEO or Substantial Shareholder was the employee of the Group:–

Name of employee who if the immediate family member	Family relationship
Ren Letian	Son of Ren Yuanlin, the Honary Chairman and the substantial shareholder of the Company

The aggregate remuneration (including contributions to define contribution plans thereon and bonus) paid to Mr Ren Letian amounted to approximately S$78,524.

Save as disclosed above, the Group does not have any other employee who is an immediate family member of a Director, CEO or Substantial Shareholder and whose remuneration exceeded S$100,000 during the financial year.

CORPORATE **GOVERNANCE REPORT**

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls
Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders

The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the AC reviews all financial statements and recommends them to the Board for approval. In addition, the AC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

In discharging its responsibility of providing accurate relevant information on a timely basis to shareholders in compliance with statutory and regulatory requirements, the Board strives to ensure the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where appropriate. The Independent Directors in consultation with Management will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

On a quarterly basis, the Management will report to the AC ensuring the financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group, if any.

In accordance with the Singapore Exchange's requirements, the Board issued negative assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board is responsible for the governance of risk. It should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

Oversight of Risk Management (Provision 9.1)

The Group had set up its own internal audit team to conduct a full review of its internal control and accounting system (the "**Internal Audit Team**"). The Internal Audit Team reports audit conclusions directly to the AC. It reviews, identifies and analyses the risks incurred by the Group in its activities and examines if there are any material non-compliance and internal control weaknesses as well as monitoring the implementation. The AC will oversee and monitor implementation of any improvements thereto. The AC is generally satisfied that the Group's internal audit function for FY2020 is independent, effective and adequately resourced.

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The risk management system performed by the Internal Audit Team has also been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the AC reviews and reports to the Board the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to assure itself and the Board that the process is operating effectively as planned. The risk management policy of the Group consists of the framework of formal, systematic and comprehensive guidelines and rules to identify and manage significant risks that might affect the Group's achievement of its business objectives. A Risk Management Framework has been in place to assist the Board, the Management and staff in identifying, reviewing and monitoring potential risks. Comprehensive guidelines and rules are set to identify and manage significant risks that may affect the Group's achievement of its business objectives, outputs, projects or operating processes. The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the management and the Board, working as a team. The process identifies relevant potential risks across the Group's operations with the aim to bring them to within acceptable cost and tolerance parameters.

The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology risks and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and the AC for further discussion. The Board and the AC also work with the Internal Audit Team, independent auditors and Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

Assurances from CEO and CFO (Provision 9.2)

The Board notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. In view of the above and based on the internal controls established and maintained by the Group, work performed by the Internal Audit Team, independent auditors, and reviews performed by the Management, various Board Committees and the Board so far, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, put in place during the financial year were adequate and effective. This is in turn supported by (a) assurance from the CEO and the CFO that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant accounting standards; and (b) the assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of risk management and internal control systems.

The Board also notes that no system of risk management and internal control can provide absolute assurance against the occurrence of errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported. The Board will look into the need for establishment of a separate board risk committee at the relevant time when necessary.

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Audit Committee
Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Composition, Power and Duties of the AC (Provisions 10.1, 10.2, 10.3 & 10.5)

The Board recognises the importance of providing accurate and relevant information on a timely basis. To ensure that the corporate governance is effectively practiced, the Board has established self-regulatory and monitoring mechanisms, including the establishment of the AC to ensure that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks. The AC consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the AC Chairman, are independent:

Mr Chen Timothy Teck Leng @ Chen Teck Leng, Chairman	(Independent Non-Executive Director)
Mr Teo Yi-dar (Zhang Yida)	(Lead Independent Director)
Mr Toe Teow Heng	(Independent Non-Executive Director)
Mr Xu Wen Jiong	(Non-Independent Non-Executive Director)

The Board has ensured that all the AC members, having the necessary accounting and/or related financial management expertise, are appropriately qualified to discharge their responsibilities.

The AC meets on a quarterly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance. During FY2020, the AC held four scheduled meetings with full attendance.

The members of AC carry out their duties in accordance with a set of terms of reference which includes, mainly, reviewing the following:

(a) The audit plan of the Company's independent auditor, results of its audit and its report on the weaknesses of internal accounting controls arising from the statutory audit;

(b) The audit plan of the Internal Audit Team, results of its audit and evaluation of the Group's systems of internal accounting controls;

(c) The nature and extent of the independent auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money, as well as the assistance given by management to the independent auditor;

(d) The significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial statements;

(e) The balance sheet of the Company and the consolidated financial statements of the Group for FY2020, prior to the submission to the Board, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group, and assisting the Board in the discharge of its responsibilities on financial and accounting matters;

(f) the assurance from the CEO and CFO on the financial records and financial statements;

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(g) The adequacy, effectiveness, independence, scope and results of the Group's internal audit function, as well as the adequacy and effectiveness of the Group's internal financial controls, operational, compliance and information technology control, and risk management systems;

(h) Interested person transactions and potential conflicts of interest, if any;

(i) The hedging policies and instruments implemented by the Group;

(j) Debt investments at amortised cost to ensure that the Group's financial performance and position are not compromised;

(k) The appointment, re-appointment and removal of the independent auditor, and approving the terms of engagement of the internal auditors and making recommendations to the Board; and

(l) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The AC has reviewed and is satisfied with the level of co-operation rendered by the Management to the independent auditors, the adequacy of the scope and quality of their audits after having regard to the adequacy of the resources and experience of the auditors as well as the independence and objectivity of the independent auditor. In the course of its review, the AC also met with the independent auditors without the presence of the Management to discuss any matters deemed appropriate to be discussed privately, at least once a year.

The Board, through its announcements of quarterly and full-year financial results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. The Management provides the Board with quarterly management accounts for the Board's review.

Following the recent amendments to Rule 705 of the Listing Manual of SGX-ST, the Company will not be required to carry out quarterly reporting of its financial statements. However, the Company has decided to continue with quarterly reporting of the Company and the Group's financial results voluntarily.

The AC discussed with the Management on the accounting treatment and methodology applied as well as the assumptions used in judgemental assessment which might impact the results of financial statements. The external auditors had reviewed the financial statements of the Group and highlight some key audit matters that might significantly impact the financial statements and were reviewed by AC as follows:–

The AC has discussed significant financial reporting matters with management and the external auditors which have been included as key audit matters ("**KAMs**") in the independent auditors' report for FY2020, as set out on pages 72 to 74 of this Annual Report.

In assessing each KAM, the AC took into consideration the approach and methodology applied by management in the determination of construction revenue recognition using percentage-of-completion method, provision of foreseeable losses on certain construction contracts and the valuation of assets. The reasonableness of the estimates and key assumptions used were also considered by the AC. Where necessary, views of subject matter experts such as independent valuers were consulted where necessary.

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The AC also considered the report from the external auditors, including their findings and views on the key areas of audit focus. The AC concluded that the Group's accounting treatment and estimates in each of the KAMs were appropriate.

The AC also reviews the independence and objectivity of the independent auditors and having reviewed the scope and value of non-audit services provided to the Group by the independent auditors, PricewaterhouseCoopers LLP, AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity it the independent auditors. The aggregate amount of audit and non-audit fees paid or payable to the PricewaterhouseCoopers LLP Singapore for FY2020 were S$730,163 and S$11,000 respectively. The AC has recommended to the Board the nomination of PricewaterhouseCoopers LLP for re-appointment as auditors of the Company at the forthcoming 15th AGM.

The Group has complied with Rules 712, 715 and 716 of the Listing Manual of SGX-ST in relation to the appointment of its independent auditors.

The Board and AC have reviewed the appointment of different auditors for its significant foreign-incorporated subsidiaries and/or associated companies and satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and has had the full co-operation of the Management. It also has full discretion to invite any Director or any member of the Management to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the AC will seek advice from the independent auditors as and when necessary.

None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve (12) months and none of the AC members hold any financial interest in the external audit firm.

Whistle Blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has implemented a whistle-blowing policy. The Policy stipulates the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc, may be raised. A dedicated secured e-mail address allows whistle blowers to contact the AC directly. The Whistle blowing policy, its procedures and contact details of the AC have been made available to all employee and external parties at the Company's Bulletin Board.

The Company's Whistle Blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.

The AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

CORPORATE **GOVERNANCE REPORT**

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Audit Team. On an annual basis, the AC reviews the internal audit program of the Group so as to align it to the changing needs and risk profile of the Group's activities. The Group had established its own internal audit team that is independent of the activities it audits and its primary line of reporting is to the Chairman of the AC. Administratively, the Internal Audit Team report to the CEO. The Internal Audit Team carries out its functions under the direction of the AC which assists the Board in monitoring and managing risks and internal controls of the Group, and reports its findings and make recommendations to the AC.

Internal audit (Provision 10.4)

The Internal Audit Team carrying out of its function in accordance with the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC ensures that Management provides good support to the Internal Audit Team and provides adequate access to documents, records, properties and personnel when requested in order for the Internal Audit Team to carry out its function accordingly. The primary reporting line of the internal audit function is to the AC and the Internal Audit Team also has unrestricted access to the AC on internal audit matters. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC.

The internal audit function primarily focusing on whether the current system of internal control provides reasonable assurance on:

- compliance with applicable laws, regulations, policy and procedures;
- reliability and integrity of information; and
- safeguarding of assets.

The AC will review the adequacy and effectiveness of the internal audit function annually.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings
Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

General Meetings (Provisions 11.1, 11.2 &11.3)

The Company strongly encourages shareholders' participation at the AGM which will be held in Singapore. Shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

The Company supports and encourages active shareholders' participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

CORPORATE **GOVERNANCE REPORT**

Voting at General Meetings (Provisions 11.2 & 11.4)

The Company's Constitution allows all shareholders to appoint proxies to attend general meetings and vote on their behalf. Voting in absentia and by electronic mail may only be possible following careful study to ensure that the integrity of the information and authentication of the identity of shareholder via the internet is not compromised. Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate. All Directors including Chairman of the Board and the respective Chairman of the Board Committees, senior management and the independent auditors are intended to be in attendance at forthcoming 15th AGM to address any queries of the shareholders.

The Board acknowledges voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution where shareholders are accorded rights proportionate to the shareholding and all votes counted. To enhance shareholders' participation, the Group puts all resolutions at general meetings to vote by manual poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage via SGXNET after the general meetings.

Minutes of General Meetings (Provision 11.5)

The Company Secretary prepares minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from Management and the Board, subsequently approved by the Board. Such minutes will be available to shareholders upon their written request. Copy of the minutes will also be released via SGXNET and the Company's website as soon as practicable.

Dividend Policy (Provision 11.6)

The Company has adopted a dividend policy that it believes appropriately reflects its goals, strategy and risk profile while providing attractive long-term return to investors. The Board is recommending 4.5 Singapore cents per ordinary share for FY2020 as the first and final one-tier tax-exempt dividend payable to the shareholders, subject to the approval of shareholders at the forthcoming 15th AGM. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- the results of operations and cash flow;
- the expected financial performance and working capital needs;
- future prospects; and
- capital expenditures and other investment plans;

as well as general economic and business operations in People's Republic of China and other factors deemed relevant by the Board and statutory restrictions on the payment of dividends.

CORPORATE **GOVERNANCE REPORT**

Engagement with Shareholders
Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Shareholder Communication (Provision 12.1)

The Group acknowledges the importance of regular communication with shareholders and investors through which shareholders can have an overview of the Group's performance and operation. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. Information is communicated to shareholders on a timely basis through the Company's annual report, circulars to shareholders (if any), quarterly financial results and the various announcements.

The Company communicates with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the respective quarter ended and 60 days from the full year financial year ended during the year. In addition, the Annual Report 2020 (online digital copy) is published to shareholders within the mandatory period before the 15th AGM to be held on 30 April 2021. (Physical copy is available upon request)

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group has been released to the public through the Company's announcements via the SGXNET.

Internal Investor Relations (Provisions 12.2 & 12.3)

The Company does not have an internal investor relations team but has designated personnel, assisted by an external investor relations firm, to handle investor queries and deal with all matters related to investor relations.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders
Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Engaging Material Stakeholder Groups (Provisions 13.1 & 13.2)

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report which is included in this Annual Report.

Corporate Website (Provision 13.3)

The Company maintains a corporate website at http://www.yzjship.com to communicate and engage with stakeholders.

CORPORATE **GOVERNANCE REPORT**

OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSON TRANSACTIONS
(Rule 907 of the Listing Manual of SGX-ST)

The following table sets out the current total of all transactions with the interested persons for FY2020:

Name of interested persons	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) RMB'000
Xu Wen Jiong		
West Gold International Pte Ltd – Procurement of marine equipment	67,356*	–
Ren Yuanlin		
Jiangsu Qinli Thermoelectricity Co Ltd. – Provision of guarantee	80,000	–
Jiangsu Suyang Property Management Co. Ltd. – Provision of service	480	–

* Shareholder mandate is not applicable as the aggregate value was less than 3% of Group's NTA as at 31 December 2020.

The Group has adopted an internal policy which sets out the procedures for the identification, approval and monitoring of interested person transactions ("**IPTs**"). All IPTs are subject to review by the AC on a timely manner and the transactions are carried out on normal commercial terms and will not be prejudiced to the interests of the Group and its minority shareholders. The Company did not enter into any IPTs which require shareholders' approval under SGX-ST Listing Rules regulating IPTs during the financial year ended 31 December 2020.

RISK MANAGEMENT
(Rule 1207(4)(d) of the Listing Manual of SGX-ST)

Currently, the Group does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and will highlight all significant matters to the Directors and the AC.

Financial risk factors have been described in Note 37 of the Financial Statements.

CORPORATE **GOVERNANCE REPORT**

MATERIAL CONTRACTS
(Rule 1207(8) of the Listing Manual of SGX-ST)

Save for the service agreements between the Company and the Executive Director and except as disclosed in the Directors' Statements and the Financial Statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

DEALING IN SECURITIES
(Rule 1207(19) of the SGX-ST)

The Group has adopted an internal code (the "Internal Code") on securities trading which provides guidance and internal regulation with regard to dealings in the Group's securities by its Directors and employees. The Internal Code is modelled after SGX-ST's Listing Rules on best practices on dealings in the Company's securities. The Internal Code prohibits the Directors and employees from dealing in listed securities of the Company on short-term considerations or while in possession of unpublished material or price-sensitive information. The Directors and employees are not allowed to deal in the Company securities during the period commencing two weeks before the date of announcement of its quarterly results and one month before the date of announcement of the full-year financial results and ending on the date of the announcement of the relevant results. The Directors and employees are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Listing Manual and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Company has complied with SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the financial year ended 31 December 2020.

CORPORATE DISCLOSURE

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company is committed to provide a high level of disclosure in all public announcements, press releases and annual reports.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2020 and the balance sheet of the Company as at 31 December 2020.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 77 to 169 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Ren Letian
Chen Timothy Teck Leng @ Chen Teck Leng
Teo Yi-dar
Xu Wen Jiong
Toe Teow Heng
Song Shuming

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2020	At 1.1.2020	At 31.12.2020	At 1.1.2020
The Company				
(No. of ordinary shares)				
Teo Yi-dar	150,000	150,000	–	–
Ren Letian	–	–	165,797,370	2,100,000
Teo Teow Heng	–	–	300,000	–

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Directors' interests in shares or debentures (Continued)

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2021 were the same as those as at 31 December 2020.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Audit Committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Chen Timothy Teck Leng @ Chen Teck Leng
Teo Yi-dar
Xu Wen Jiong
Toe Teow Heng

Three of the AC members are independent directors and one is a non-independent non-executive director.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the AC reviewed the following:

(a) The audit plan of the Company's independent auditor, results of its audit and its report on the weaknesses of internal accounting controls arising from the statutory audit;

(b) The audit plan of the internal audit team, results of its audit and evaluation of the Group's systems of internal accounting controls;

(c) The nature and extent of the independent auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money, as well as the assistance given by management to the independent auditor;

(d) The significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial statements;

(e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020, prior to the submission to the Board, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group, and assisting the Board in the discharge of its responsibilities on financial and accounting matters;

(f) The assurance from the CEO and CFO on the financial records and financial statements;

(g) The adequacy and effectiveness of the Group's internal audit function, and the adequacy of the Group's internal financial controls, operational, compliance and information technology control, and risk management systems;

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Audit Committee (Continued)

(h) Interested person transactions and potential conflicts of interest, if any;

(i) The hedging policies and instruments implemented by the Group;

(j) Debt investments at amortised cost to ensure that the Group's financial performance and position are not compromised;

(k) The appointment, re-appointment and removal of the independent auditor, and approving the terms of engagement of the internal auditors and making recommendations to the Board; and

(l) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The Audit Committee, having reviewed all non-audit services provided by the independent auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditor.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

REN LETIAN
Director

TEO YI-DAR
Director

26 March 2021

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Yangzijiang Shipbuilding (Holdings) Ltd. ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2020;
- the balance sheet of the Group as at 31 December 2020;
- the balance sheet of the Company as at 31 December 2020;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Key audit matter	How our audit addressed the key audit matter
1. Shipbuilding contracts	
Refer to Notes 2.2(a), 3(a), 4, 7 and 32 of the financial statements Shipbuilding revenue amounted to RMB9.97 billion, representing 67% of the Group's total revenue for the financial year ended 31 December 2020. Shipbuilding revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The measure of progress is determined based on percentage of completion ("POC"), which is measured by reference to the proportion of costs incurred to the estimated total costs for the shipbuilding contract. In addition, the Group's provision for onerous contracts amounted to RMB0.47 billion, on shipbuilding contracts as at 31 December 2020. A provision for onerous contract is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. We focused on the recognition of shipbuilding revenue, including the estimation of total shipbuilding cost, and provision for onerous contracts because of the use of significant judgement in estimating inputs to determining the extent of satisfaction of the performance obligation, including contingencies that could arise from variation to original contract terms and claims.	Our audit procedures included the following: a. evaluated the key controls and tested the operating effectiveness of those relating to: • the preparation of and revisions to the estimated total costs for shipbuilding contracts; and • the recording of actual costs incurred for each contract; b. based on our understanding of the components that make up the estimated total shipbuilding cost for each type of vessel, reviewed, on a sample basis, the appropriateness of the significant cost components against supporting documents such as quotations and contracts with suppliers; c. assessed the reliability of management's estimates by comparing the estimated costs with the actual costs for a sample of contracts completed during the year; d. on a sample basis, agreed material and subcontractor costs to the suppliers' invoices and approved payment vouchers, and also checked the allocation of overheads to each contract; e. on a sample basis, recomputed the POC for vessels which is determined based on the proportion of the contracts cost incurred to date to the estimated total contract costs; f. on a sample basis, reviewed the overall reasonableness of the progress towards completion for vessels under construction through physical verification; and g. recomputed the revenue recognised for the year. Based on our procedures, we found the judgement exercised by management in estimating total contract costs, and determining the extent of satisfaction of the performance obligation for purposes of the recognition of shipbuilding revenue as well as the provision for onerous contracts to be reasonable.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Key audit matter	**How our audit addressed the key audit matter**
2. Debt investments at amortised cost	
Refer to Notes 3(c), 15 and 38 of the financial statements As at 31 December 2020, the carrying amount of the Group's debt investments at amortised cost was RMB16.96 billion, representing 38% of its total assets. This is net of allowance for impairment loss of RMB2.01 billion at that date. We focused on this area because of the application of significant judgement and assumptions by management in determining the expected credit loss ("ECL") impairment model in accordance to *SFRS(I) 9 Financial Instruments*. These included: (i) the identification of changes in credit risk associated with the investments. (ii) the classification of the investments according to credit risk, taking into account the likelihood of default; and (iii) the ECL rates.	Our audit procedures included: a. evaluated the key controls and tested the operating effectiveness of those relating to monitoring of investments to ensure timeliness of identifying changes in credit risk; b. reviewed the completeness and accuracy of key inputs to the Group's ECL impairment model used, including historical default rate and loss from default; c. assessed the appropriateness of the classification of investments against the Group's internal grading guidelines and assessed the proper classification of the investments into performing ("Stage 1") and under-performing ("Stage 2"); d. for each material non-performing investment, assessed the adequacy of the specific provision by examining management's estimate of future cash flows, including expected cash flow from realisation of collaterals and timing of cash flows; and e. involved our internal specialist in reviewing the appropriateness of the ECL impairment model. Based on our procedures, we found management's judgement and assumptions around the determination of the ECL to be appropriate.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Key audit matter	**How our audit addressed the key audit matter**
3. Goodwill	
Refer to Notes 3(e) and 29 of the financial statements The Group has goodwill of RMB252.98 million, which represented the amount of purchase consideration in excess of the fair value of the identifiable assets acquired and liabilities assumed on acquisition of Yangzijiang Terminals China Holding Pte. Ltd. and its subsidiary, Yangzijiang Garson Terminals (Jiangsu) Company Ltd., (collectively "YZJ Terminals") in 2019. Goodwill is subject to impairment test annually and the recoverable amount of the investment in YZJ Terminals was determined based on fair value less costs to sell ("FVLCTS") approach, measured using discounted cash flow projections which factored in the progress in securing relevant government approval for conversion to liquefied natural gas terminal facilities. We focused on this area because of the significant judgement required in estimating the revenue cashflows, terminal growth rate and discount rate, applied in computing the recoverable amount. Based on management's assessment, no impairment was required as the recoverable amount was higher than the carrying value (including goodwill) of the investment in YZJ Terminals as at 31 December 2020. The significant assumptions are disclosed in Note 3(e) to the financial statements.	Our audit procedures included: a. assessed the appropriateness of the valuation methodology used; b. sighted to evidence of progress in securing relevant government approval; c. assessed the reasonableness of key assumptions based on our knowledge of the business and industry and with the involvement of our valuation specialists; d. performed sensitivity analysis to assess the impact on the recoverable amount by reasonable possible changes in the estimated revenue cashflows, terminal growth rate and discount rate; and e. tested source data to supporting evidence on a sample basis, such as available market information and considered the reasonableness of the cash flow projections. Based on our procedures, we found management's assessment to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report and excludes the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Alex Toh Wee Keong.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 26 March 2021

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	The Group 2020 RMB'000	The Group 2019 RMB'000
Revenue	4	**14,841,266**	23,597,175
Cost of sales	7	**(10,619,119)**	(19,268,621)
Gross profit		**4,222,147**	4,328,554
Other income			
– Interest	5	**264,767**	249,174
– Others	5	**214,083**	192,614
Other (losses)/gains – net	6	**(208,430)**	125,948
Expenses			
– Selling and distribution	7	**–**	(1,862)
– Administrative	7		
– Impairment loss on financial assets – net		**(598,745)**	(183,465)
– Others		**(739,794)**	(454,501)
		(1,338,539)	(637,966)
– Finance	9	**(75,264)**	(187,094)
Share of profits of associated companies and joint ventures	23,24	**211,255**	117,121
Profit before income tax		**3,290,019**	4,186,489
Income tax expense	10	**(671,966)**	(890,176)
Net profit		**2,618,053**	3,296,313
Profit attributable to:			
Equity holders of the Company		**2,516,404**	3,105,069
Non-controlling interests		**101,649**	191,244
		2,618,053	3,296,313
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic and diluted	11	**64.39**	78.88
Profit for the year		**2,618,053**	3,296,313
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income from the associated companies			
– Currency translation (losses)/gains	23,24	**(13,559)**	2,136
Currency translation (losses)/gains arising from consolidation		**(62,755)**	1,191
Items that will not be reclassified subsequently to profit or loss:			
Currency translation (losses)/gains arising from consolidation		**(4,355)**	1,069
Other comprehensive (loss)/income, net of tax		**(80,669)**	4,396
Total comprehensive income		**2,537,384**	3,300,709
Total comprehensive income attributable to:			
Equity holders of the Company		**2,440,090**	3,108,396
Non-controlling interests ("NCI")		**97,294**	192,313
		2,537,384	3,300,709

The accompanying notes form an integral part of these financial statements.

BALANCE **SHEETS** – GROUP

AS AT 31 DECEMBER 2020

	Note	The Group 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**6,633,416**	10,183,019
Restricted cash	13	**15,624**	17,049
Financial assets, at fair value through profit or loss	14	**1,722,118**	823,783
Debt investments at amortised cost	15	**13,555,320**	10,527,661
Trade and other receivables	16	**3,633,463**	4,680,344
Inventories	17	**1,677,846**	1,597,950
Contract assets	4	**3,126,632**	3,420,943
Derivative financial instruments	20	**89,589**	1,317
		30,454,008	31,252,066
Non-current assets			
Financial assets, at fair value through profit or loss	14	**916,921**	425,265
Debt investments at amortised cost	15	**3,402,369**	3,900,721
Trade and other receivables	18	**1,294,310**	1,061,537
Derivative financial instruments	20	**10,500**	–
Lease prepayments	21	**952,487**	973,518
Investments in joint ventures	23	**362,332**	143,200
Investments in associated companies	24	**1,181,393**	1,389,518
Investment properties	25	**119,741**	–
Property, plant and equipment	26	**5,226,004**	5,678,063
Intangible assets	28	**22,154**	25,927
Goodwill	29	**258,979**	258,979
Deferred income tax assets	33	**709,463**	647,328
		14,456,653	14,504,056
Total assets		**44,910,661**	45,756,122

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS – GROUP

AS AT 31 DECEMBER 2020

	Note	The Group 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	30	**2,698,570**	3,514,329
Contract liabilities	4	**1,232,479**	1,626,157
Derivative financial instruments	20	**–**	8,479
Borrowings	31	**2,120,550**	2,782,310
Provisions	32	**938,254**	970,126
Current income tax liabilities		**972,982**	1,289,383
		7,962,835	10,190,784
Non-current liabilities			
Borrowings	31	**2,123,503**	2,250,622
Deferred income tax liabilities	33	**1,447,808**	1,260,191
		3,571,311	3,510,813
Total liabilities		**11,534,146**	13,701,597
NET ASSETS		**33,376,515**	32,054,525
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**7,361,990**	7,361,990
Treasury shares	34	**(560,443)**	(250,121)
Other reserves	35	**1,494,732**	1,347,796
Retained earnings		**24,046,076**	22,635,966
		32,342,355	31,095,631
Non-controlling interests		**1,034,160**	958,894
Total equity		**33,376,515**	32,054,525

The accompanying notes form an integral part of these financial statements.

BALANCE **SHEETS** – COMPANY

AS AT 31 DECEMBER 2020

	Note	The Company 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**15,311**	14,790
Trade and other receivables	16	**7,162,954**	8,492,430
Derivative financial instruments	20	**55,277**	1,317
		7,233,542	8,508,537
Non-current assets			
Trade and other receivables	18	**2,531,216**	2,742,736
Investments in subsidiaries	22	**5,954,915**	5,954,915
Investments in joint ventures	23	**221,300**	51,680
Investments in associated companies	24	**134,062**	134,062
Property, plant and equipment	26	**1,052**	1,800
		8,842,545	8,885,193
Total assets		**16,076,087**	17,393,730
LIABILITIES			
Current liabilities			
Other payables	30	**3,401,683**	4,941,689
Derivative financial instruments	20	**–**	8,479
Borrowings	31	**870,165**	505,222
Current income tax liabilities		**4,549**	9,581
		4,276,397	5,464,971
Non-current liabilities			
Borrowings	31	**325**	1,138
		325	1,138
Total liabilities		**4,276,722**	5,466,109
NET ASSETS		**11,799,365**	11,927,621
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**7,326,773**	7,326,773
Treasury shares	34	**(560,443)**	(250,121)
Other reserves	35	**(40,192)**	(40,192)
Retained earnings		**5,073,227**	4,891,161
Total equity		**11,799,365**	11,927,621

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Attributable to equity holders of the Company								
		Share capital RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2020										
As at 31 December 2019		**7,361,990**	**(250,121)**	**4,323,151**	**(2,934,998)**	**(40,357)**	**22,635,966**	**31,095,631**	**958,894**	**32,054,525**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2,516,404**	**2,516,404**	**101,649**	**2,618,053**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(76,314)**	**–**	**(76,314)**	**(4,355)**	**(80,669)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(76,314)**	**2,516,404**	**2,440,090**	**97,294**	**2,537,384**
Purchase of treasury share	34	**–**	**(310,322)**	**–**	**–**	**–**	**–**	**(310,322)**	**–**	**(310,322)**
Dividends	36	**–**	**–**	**–**	**–**	**–**	**(884,844)**	**(884,844)**	**(10,778)**	**(895,622)**
Transfer	35	**–**	**–**	**221,450**	**–**	**–**	**(221,450)**	**–**	**–**	**–**
Dissolution of subsidiaries		**–**	**–**	**–**	**1,800**	**–**	**–**	**1,800**	**(11,250)**	**(9,450)**
Total transactions with owners, recognised directly in equity		**–**	**(310,322)**	**221,450**	**1,800**	**–**	**(1,106,294)**	**(1,193,366)**	**(22,028)**	**(1,215,394)**
As at 31 December 2020		**7,361,990**	**(560,443)**	**4,544,601**	**(2,933,198)**	**(116,671)**	**24,046,076**	**32,342,355**	**1,034,160**	**33,376,515**
2019										
As at 1 January 2019		7,361,990	(122,362)	3,916,855	(2,934,998)	(43,684)	20,923,786	29,101,587	716,812	29,818,399
Profit for the year		–	–	–	–	–	3,105,069	3,105,069	191,244	3,296,313
Other comprehensive income for the year		–	–	–	–	3,327	–	3,327	1,069	4,396
Total comprehensive income for the year		–	–	–	–	3,327	3,105,069	3,108,396	192,313	3,300,709
		7,361,990	(122,362)	3,916,855	(2,934,998)	(40,357)	24,028,855	32,209,983	909,125	33,119,108
Purchase of treasury share	34	–	(127,759)	–	–	–	–	(127,759)	–	(127,759)
Dividends	36	–	–	–	–	–	(986,593)	(986,593)	(3,692)	(990,285)
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	53,461	53,461
Transfer	35	–	–	406,296	–	–	(406,296)	–	–	–
Total transactions with owners, recognised directly in equity		–	(127,759)	406,296	–	–	(1,392,889)	(1,114,352)	49,769	(1,064,583)
As at 31 December 2019		7,361,990	(250,121)	4,323,151	(2,934,998)	(40,357)	22,635,966	31,095,631	958,894	32,054,525

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	The Group 2020 RMB'000	The Group 2019 RMB'000
Cash flows from operating activities			
Net profit		**2,618,053**	3,296,313
Adjustments for:			
– Income tax expense		**671,966**	890,176
– Depreciation of property, plant and equipment		**483,168**	472,132
– Depreciation of investment properties		**2,038**	–
– Amortisation of lease prepayments		**21,031**	20,504
– Amortisation of intangible assets		**9,899**	2,798
– Impairment loss on property, plant and equipment		**149,746**	–
– Finance expenses		**75,264**	187,094
– Loss/(Gain) on:			
• Disposal of property, plant and equipment		**6,092**	4,598
• Disposal of financial assets at fair value, through profit and loss		**16,566**	(100)
– Fair value change on:			
• Derivative financial instruments		**(107,251)**	7,162
• Financial assets at fair value, through profit and loss		**(342,727)**	(18,699)
– Interest income		**(264,767)**	(249,174)
– Dividend income		**(70,461)**	(138,633)
– Share of profits of associated companies and joint ventures		**(211,255)**	(117,121)
		3,057,362	4,357,050
Change in working capital, net of effects from acquisition and disposal of subsidiaries:			
– Inventories		**(141,716)**	759,203
– Contract balances		**(99,367)**	(49,025)
– Trade and other receivables		**767,970**	791,825
– Trade and other payables		**(856,914)**	(657,761)
– Debt investments at amortised cost		**(2,601,617)**	381,994
– Provisions		**(31,872)**	(450,673)
– Restricted cash		**1,425**	191,707
Cash generated from operations		**95,271**	5,324,320
Interest paid		**(108,695)**	(183,319)
Interest received		**264,767**	249,174
Income tax paid		**(862,885)**	(781,499)
Net cash (used in)/provided by operating activities		**(611,542)**	4,608,676

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	The Group 2020 RMB'000	The Group 2019 RMB'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**69,206**	1,349
Proceeds from sale of financial assets, at fair value through profit and loss		**213,341**	101,305
Proceeds from disposal of associated company		**200,000**	–
Dividend received		**70,461**	138,633
Purchase of property, plant and equipment		**(288,097)**	(528,881)
Additions to investment properties		**(3,331)**	–
Acquisition of financial assets, at fair value through profit and loss		**(1,277,171)**	(80,400)
Acquisition of intangible assets		**(6,126)**	(3,866)
Acquisition of subsidiaries, net of cash acquired	40	**–**	(312,971)
Additions to investments in associated companies		**(20,000)**	(10,000)
Additions to investments in joint ventures		**(169,620)**	(139,307)
Return of capital by associated companies		**174,511**	124,302
Return of capital by joint venture		**1,798**	–
Net cash used in investing activities		**(1,035,028)**	(709,836)
Cash flows from financing activities			
Proceeds from bank borrowings	31	**2,175,833**	2,392,405
Repayments of bank borrowings	31	**(2,872,178)**	(1,583,605)
Principal payment of lease liabilities	31	**(744)**	(720)
Purchase of treasury shares		**(310,322)**	(127,759)
Dividends paid to equity holders	36	**(884,844)**	(986,593)
Dividends paid to non-controlling interests		**(10,778)**	(3,692)
Net cash used in financing activities		**(1,903,033)**	(309,964)
Net (decrease)/increase in cash and cash equivalents		**(3,549,603)**	3,588,876
Cash and cash equivalents at beginning of financial year		**10,183,019**	6,594,143
Cash and cash equivalents at end of financial year	12	**6,633,416**	10,183,019

The accompanying notes form an integral part of these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 80 Robinson Road, #02-00 Singapore 068898.

The principal activities of the Company are investment holding and agency service for shipbuilding and related activities. The principal activities of its subsidiaries are set out in Note 44.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The following are the new or amended SFRS(I)s, and SFRS(I) Interpretations, that are relevant to the Group:

- Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*

- Amendments to Conceptual Framework for Financial Reporting

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

(a) Shipbuilding revenue

The Group enters into contracts with customers to construct vessels. At contract inception, the Group assesses whether the Group transfers control of the vessels over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

Management has considered that the vessels have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to date, arising from the contractual terms. Accordingly, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The measure of progress is determined based on percentage of completion, which is measured by reference to the proportion of costs incurred to date to the estimated total costs for the shipbuilding contract. Costs incurred that are not related to the contract or that do not contribute towards satisfying the performance obligation are excluded from the measure of progress and instead are expensed as incurred.

The Group receives deposit from customers and the period between the receipt and the transfer of control may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the Group from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

Income from forfeiture of payments received from shipbuilding contracts is recognised when the shipbuilding contracts are terminated by the Group and the payments received from the customer is non-refundable.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(b) Revenue from sale of completed vessels

The Group also enters into contracts to sell completed vessels. For such a contract, revenue is recognised when control of the vessel is transferred to its customer, being when the vessel is collected by the customer, the customer has full discretion over the usage of the vessel and there is no unfulfilled obligation that could affect the customer's acceptance of the vessel.

Collection occurs when the physical possession of the vessels have been transferred to the customers, and either the customers has accepted the vessels in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(c) Revenue from sale of metal and chemical products

The Group enters into contracts with customers to supply goods (including metals and chemical products). Revenue is recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue is measured at the price specified in the contract. Prepayments received from customers are accounted for as contract liabilities (deferred revenue) prior to the delivery of goods. Contract liabilities will be recognised in profit or loss when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional.

The Group assesses its role as an agent or principal for each transaction and in a transaction where the Group acts as an agent, revenue would exclude amounts collected on behalf of the principal.

(d) Rendering of ship design services

The Group renders ship design services and revenue is recognised when such services are rendered.

(e) Charter income

Income from time charter, which is of operating leases in nature, is recognised on a straight-line basis over the period of the charter.

(f) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(g) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) Subsidiaries (Continued)

(ii) Acquisitions (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

Before recognising a gain on a bargain purchase, management shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The objective is to ensure that measurements appropriately reflect consideration of all available information as of the acquisition date.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies and joint ventures" for the accounting policy on investments in subsidiaries in the separate financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated companies or joint ventures over the Group's share of the fair value of the identifiable net assets of the associated companies or joint ventures and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(c) Associated companies and joint ventures (Continued)

(ii) Equity method of accounting (Continued)

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(c) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives, as follows:

	Useful lives
Leasehold land	Over the lease term
Buildings	20 years or shorter of lease term
Machinery	5 – 25 years
Vehicles	5 – 12 years
Furniture, fittings and equipment	5 – 12 years
Vessels	25 years

The residual values estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(d) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. This includes cost of construction, plant and equipment and other directly attributable costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to respective asset classes within property, plant and equipment and depreciated in accordance with the policy stated above.

(e) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(f) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other (losses)/gains – net".

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

(b) Acquired computer software licenses

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

The amortisation period and amortisation method of computer software licenses are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Research costs are recognised as an expense when incurred. Costs directly attributable to the development of computer software are capitalized as intangible assets only when technical and commercial feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

(c) Customer contracts

Customer contracts are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the contract period.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to assets under construction. This includes those costs on borrowings acquired specifically for assets under construction, as well as those in relation to general borrowings used to finance assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to assets under construction that are financed by general borrowings.

2.7 Investment properties

Investment properties comprise of leasehold buildings that are held for rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life, which is the lease term of the leasehold building.

The residual value, useful life and depreciation method of investment properties are reviewed, and adjusted as appropriate at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.8 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets (Continued)

(a) Goodwill (Continued)

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Right-of-use assets
Investment properties
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment, right-of-use assets, investment properties and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any indication or objective evidence that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and debt investments at amortised cost.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other (losses)/gains – net".

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 37 details how the Group determines whether there has been a significant increase in credit risk.

For cash and cash equivalents, debt investments at amortised cost, loan to subsidiaries and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I)9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Debt financial assets carried at amortised cost are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where debt financial assets carried at amortised cost are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Derivative financial instruments

A derivative financial instrument is initially recognised at fair value on the date the contract is entered into and is subsequently carried at its fair value.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The fair value of a trading derivative is presented as a non-current asset or liability if the remaining expected life of the trading derivative is more than 12 months, and as a current asset or liability if the remaining expected life of the trading derivative is less than 12 months.

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the customers and subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Leases

(a) *When the Group is the lessee:*

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- *Right-of-use assets*

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets are presented within "Property, plant and equipment" and "Lease prepayments".

- *Lease liabilities*

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

(a) When the Group is the lessee: (Continued)

- *Lease liabilities* (Continued)

  Lease payments include the following:

  – Fixed payment (including in-substance fixed payments), less any lease incentives receivables;

  – Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;

  – Amount expected to be payable under residual value guarantees;

  – The exercise price of a purchase option if is reasonably certain to exercise the option; and

  – Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  – There is a change in future lease payments arising from changes in an index or rate;

  – There is a changes in the Group's assessment of whether it will exercise an extension option; or

  – There are modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- *Short-term and low value leases*

  The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

(b) When the Group is the lessor:

The Group leases vessels under finance leases and operating leases and an investment property under operating lease to non-related parties.

- *Lessor – Finance leases*

  Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

  The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

  Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

  Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

- *Lessor – Operating leases*

  Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight -line basis over the lease term.

  Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

  Contingent rents are recognised as income in profit or loss when earned.

2.17 Inventories

Inventories consist of raw materials and work-in-progress and are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Raw materials will be used in the construction contracts, therefore they are not written down to net realisable value when the market prices for those inventories fall below cost, if the overall construction contract is expected to be profitable.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.19 Provisions

Provisions for warranty are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.20 Lease prepayment

Lease prepayment represents prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease period.

2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore and the social security plans in People's Republic of China (the "PRC") on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

In accordance with the relevant regulations in the PRC, the premiums and welfare benefit contributions borne by the Group are calculated based on certain percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities.

2.22 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Currency translation (Continued)

(b) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other (losses)/gains – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair value are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management team who are responsible for allocating resources and assessing performance of the operating segments.

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.26 Dividends to the Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.27 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately under "other (losses)/gains – net".

Government grants relating to assets are recognised as deferred income in the balance sheet.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimation of total contract costs

The Group has significant ongoing contracts to construct vessels. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the vessels. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of shipbuilding revenue. When it is probable that the total contract costs will exceed the total shipbuilding revenue, a provision for onerous contracts is recognised immediately.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(a) Estimation of total contract costs (Continued)

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management have used their accumulative knowledge of the industry, market conditions, and its customers, corroborated with the experience gained from the most recent deliveries.

As at 31 December 2020, RMB3,126,632,000 (2019: RMB3,420,943,000) of the Group's contract assets is subject to the estimation of progress towards completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher/lower by 5% (2019: 5%) from management's estimates, the Group's revenue and contract assets would have been lower by RMB262,042,000 (2019: RMB304,085,000) and higher by RMB258,310,000 (2019: RMB271,477,000) respectively. If the total contract costs of on-going contracts to be incurred had been higher by 5% (2019: 5%) from management's estimates, additional provision for onerous contracts of RMB487,670,000 (2019: RMB835,784,000) would have been recognised.

(b) Impairment of trade receivables and contract assets

As at 31 December 2020, the Group's trade receivables and contract assets amounted to RMB614,202,000 (2019: RMB899,321,000) (Note 16 and Note 18) and RMB3,126,632,000 (2019: RMB3,420,943,000) [Note 4(b)] respectively, arising from the Group's different revenue segments – shipbuilding, investments and trading.

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. Accordingly, management has adopted different approaches in measuring expected credit loss across revenue segment.

A loss allowance of RMB17,333,000 (2019: RMB5,305,000) for trade receivables was recognised as at 31 December 2020.

The Group's and the Company's credit risk exposure for trade receivables and contract assets and significant estimation in measuring expected credit loss allowance by different revenue segment are set out in Note 37(b).

(c) Impairment of debt investments at amortised cost

When measuring expected credit loss ("ECL"), the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into accounts expected cash flows from of collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(c) Impairment of debt investments at amortised cost (Continued)

Management has determined the expected loss rates by grouping the borrowers according to internal risk management grading. A loss allowance of RMB539,549,000 (2019: RMB128,118,000) for debt investments at amortised cost was recognised during financial year.

The Group's credit risk exposure for debt investments at amortised cost is set out in Note 37(b)(vi).

(d) Impairment of property, plant and equipment – vessels

The vessels are tested for impairment whenever there is an indication that they may be impaired. An impairment loss is recognised to the extent that the carrying amount is more than its recoverable amount. The recoverable amount is determined based on the higher of its fair value less costs of disposal and value-in-use. In assessing the fair value less costs of disposal, the Group engaged independent valuation specialists to determine the fair value less costs of disposal of the vessels. The independent valuers used a valuation technique based on recent vessel sales and other comparable market data. In assessing the value-in-use calculations, the Group used cash flow projections based on financial budgets approved by management.

As at 31 December 2020, the recoverable amounts of the vessels with impairment indicators have been determined based on fair value less costs of disposal. As the recoverable amounts of the vessels are higher than its carrying amount, no impairment loss on property, plant and equipment – vessels were recognised for the current and previous financial year.

(e) Goodwill impairment assessment

As disclosed in Note 2.9(a), goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

In performing the goodwill impairment assessment, the recoverable amount of the cash-generating unit ("CGU") to which goodwill is attributed to, is determined using fair value less costs to sell ("FVLCTS") calculation (Note 29), measured using discounted cash flows projections which factored in the progress in securing relevant government approval for conversion to liquefied natural gas ("LNG") terminal facilities.

Significant judgements are used to estimate the revenue cashflows, terminal growth rate and discount rate applied in computing the recoverable amount of the CGU. In making these estimates, management has relied on its expectations of market and industry developments in PRC.

The impact arising from a change in the key assumptions on the carrying amount of goodwill (Note 29) as at 31 December 2020 is as follows:

	Higher/(lower) %	Impairment RMB'000
Estimated revenue cashflows	(22%)	(9,337)
Terminal growth rate	(0.1%)	–
Discount rate	0.5%	–

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4. REVENUE

(a) Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines.

	At a point in time RMB'000	Over time RMB'000	Total RMB'000
The Group			
2020			
Shipbuilding segment			
– Shipbuilding revenue	**–**	**9,068,031**	**9,068,031**
– Sale of completed vessels	**902,250**	**–**	**902,250**
Investments segment			
Interest income from:			
– debt investments at amortised cost	**1,999,389**	**–**	**1,999,389**
– microfinance	**43,585**	**–**	**43,585**
Trading segment			
Sale of goods – materials and others	**2,108,719**	**–**	**2,108,719**
Others segment			
Rendering of ship design services	**6,342**	**–**	**6,342**
Charter hire income	**–**	**666,634**	**666,634**
Others	**46,316**	**–**	**46,316**
Total revenue	**5,106,601**	**9,734,665**	**14,841,266**
2019			
Shipbuilding segment			
– Shipbuilding revenue	–	11,734,239	11,734,239
– Sale of completed vessels	1,284,711	–	1,284,711
Investments segment			
Interest income from:			
– debt investments at amortised cost	2,049,067	–	2,049,067
– microfinance	49,896	–	49,896
Trading segment			
Sales of goods – materials and others	7,730,736	–	7,730,736
Others segment			
Rendering of ship design services	4,915	–	4,915
Charter hire income	–	689,419	689,419
Others	54,192	–	54,192
Total revenue	11,173,517	12,423,658	23,597,175

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. REVENUE (CONTINUED)

(b) Contract assets and liabilities

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
The Group			
Contract assets			
– Shipbuilding contracts		**3,126,632**	3,420,943
Contract liabilities			
– Shipbuilding contracts		**(1,186,723)**	(1,482,956)
– Sale of goods – material and others		**(45,756)**	(143,201)
		(1,232,479)	(1,626,157)

Contract assets relate to fixed price shipbuilding contracts. The changes in contract assets are due to differences between the agreed payment schedule and progress of the construction work.

Contract liabilities for shipbuilding contracts has decreased due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

(i) Revenue recognised in relation to contract liabilities

	The Group 2020 RMB'000	The Group 2019 RMB'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period.		
– Shipbuilding contracts	**1,410,667**	1,778,373
– Sale of goods – material and others	**143,201**	194,626

(ii) Unsatisfied performance obligations

As at 31 December 2020, the aggregate amount of the transaction price allocated to the remaining performance obligation is RMB17,792,767,000 (2019: RMB14,645,564,000) and the Group expects to recognise this revenue over the next 1 to 3 years (2019: 1 to 3 years).

(c) Trade receivables from contracts with customers

		31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
The Group				
Current assets				
Trade receivables from customers	16	**372,058**	597,211	626,515

5. OTHER INCOME

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Interest income		
– Cash and cash equivalents and restricted cash	**173,291**	176,168
– Finance leases	**91,476**	73,006
Sales of bunker stock	**25,308**	33,860
Income from forfeiture of advances received	**89,947**	–
Dividend income	**70,461**	138,633
Others	**28,367**	20,121
	478,850	441,788

6. OTHER (LOSSES)/GAINS – NET

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Currency translation loss – net	**(750,001)**	(80,972)
Fair value gain/(loss):		
– Derivative financial instruments	**107,251**	(7,162)
– Financial assets, at fair value through profit or loss (Note 14)	**342,727**	18,699
(Loss)/gain on disposal of:		
– Financial assets, at fair value through profit or loss	**(16,566)**	100
– Property, plant and equipment	**(6,092)**	(4,598)
Subsidy income	**111,294**	193,416
Others	**2,957**	6,465
	(208,430)	125,948

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7. EXPENSES BY NATURE

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Raw materials and consumables used (Note 17)	**7,889,472**	15,515,738
Amortisation of lease prepayments (Note 21)	**21,031**	20,504
Amortisation of intangible assets (Note 28)	**9,899**	2,798
Depreciation of investment properties (Note 25)	**2,038**	–
Depreciation of property, plant and equipment (Note 26)	**483,168**	472,132
Impairment loss on:		
– Debt investments at amortised costs (Note 15)	**539,549**	128,118
– Loans to non-related parties – microfinance [Note 37(b)(iv)]	**12,028**	20,542
– Advances to suppliers	**52,350**	–
– Property, plant and equipment (Note 26)	**149,746**	–
Bad debt written off	**47,168**	34,805
Employee compensation (Note 8)	**245,978**	433,030
Subcontracting costs	**1,032,362**	1,811,354
Other project-related fees and charges	**496,017**	785,914
Business tax on interest income from debt instruments at amortised cost and loans to non-related parties – microfinance	**97,620**	100,889
Inventories write-down – net of reversal (Note 17)	**31,860**	54,005
Provision for warranty – net (Note 32)	**8,864**	70,393
Reversal of provision for onerous contracts – net (Note 32)	**(113,715)**	(511,470)
Utilities	**123,171**	222,961
Transportation expenses	**33,132**	41,341
Professional fees	**24,667**	12,915
Vessel operations expenses	**221,693**	185,809
Provision for customer claim	**82,000**	–
Others	**467,560**	506,671
Total cost of sales, selling and distribution and administrative expenses	**11,957,658**	19,908,449

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8. EMPLOYEE COMPENSATION

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Salaries and wages	**195,478**	317,931
Employer's contributions to defined contribution plans	**48,175**	82,347
Other employee benefits	**2,325**	32,752
	245,978	433,030

Contributions to defined contribution plans

The employees of the Group who are employed in the PRC participate in a defined contribution plan administered by the relevant provincial government. For the financial year ended 31 December 2020, the Group is required to make monthly defined contribution to these plans at approximately 45% to 47% (2019: approximately 45% to 47%) of eligible employees' monthly salaries and wages as stipulated by local rules and regulations. These contributions are expensed as incurred.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed in this note.

9. FINANCE EXPENSES

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Interest expenses:		
– Bank borrowings	**108,636**	183,231
– Lease liabilities	**59**	88
Net foreign currency translation loss on borrowings	**(33,431)**	3,775
	75,264	187,094

10. INCOME TAXES

The Group is subject to income tax on an entity basis on profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operates in. According to the Corporate Income Tax Law of the PRC (the "CIT Law") which became effective from 1 January 2008, the income tax rate for these subsidiaries in PRC in 2020 was 25% (2019: 25%), except for Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS") and Jiangsu Yangzi Xinfu Shipbuilding Co.,Ltd ("JXF"), which enjoy reduced income tax rate of 15%.

In 2017, JNYS and JXF have obtained the qualification as a "High and New Technology Enterprise" ("HNTE") for three years from November 2016 to November 2019, which entitles it to a reduced income tax rate of 15% from November 2017 to November 2019, as long as it maintains its qualification as a HNTE under the CIT Law. During the year, JNYS and JXF has obtained extension of reduced income tax rate of 15% for the period up to November 2022.

NOTES TO THE **FINANCIAL STATEMENTS**

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10. **INCOME TAXES** (CONTINUED)

Income tax expense

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Income tax expense attributable to profit is made up of:		
Current year		
– Current income tax	**546,484**	727,438
– Deferred income tax (Note 33)	**125,482**	162,738
	671,966	890,176

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the PRC standard rate of income tax as follows:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Profit before tax	**3,290,019**	4,186,489
Share of profits of associated companies and joint ventures, net of tax	**(211,255)**	(117,121)
Profit before tax and share of profit of associated companies and joint ventures	**3,078,764**	4,069,368
Tax calculated at the applicable tax rate of 25% (2019: 25%)	**769,691**	1,017,342
Effect of tax exemption and different tax rates	**(295,678)**	(372,242)
Deferred tax on undistributed profits	**141,032**	173,096
Expenses not deductible for tax purposes	**56,733**	71,506
Deferred tax asset on tax losses not recognised	**188**	474
Tax charge	**671,966**	890,176

11. **EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	The Group	
	2020	**2019**
Net profit attributable to equity holders of the Company (RMB'000)	**2,516,404**	3,105,069
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**3,908,018**	3,936,519
Basic earnings per share (RMB cents)	**64.39**	78.88

Diluted earnings per share is equivalent to the basic earnings, as the Company does not have any dilutive potential ordinary shares.

NOTES TO THE **FINANCIAL STATEMENTS**

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12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**6,633,416**	10,183,019	**15,311**	14,790

Acquisition of subsidiaries

Please refer to Note 40 for the effect of the acquisition of subsidiaries on the cash flows of the Group.

13. RESTRICTED CASH

The restricted cash was held in designated bank accounts as deposits for performance guarantees, letters of credits and borrowings.

	The Group	
	2020	2019
	RMB'000	RMB'000
Restricted cash	**15,624**	17,049

14. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2020	2019
	RMB'000	RMB'000
Beginning of financial year	**1,249,048**	1,251,154
Additions	**1,277,171**	80,400
Fair value gain through profit and loss (Note 6)	**342,727**	18,699
Disposals	**(229,907)**	(101,205)
End of financial year	**2,639,039**	1,249,048

Financial assets, at fair value through profit or loss are analysed as follows:

	The Group	
	2020	2019
	RMB'000	RMB'000
Current		
Listed		
– Equity securities – PRC	**137,650**	160,552
Unlisted		
– Equity securities – PRC	**1,584,468**	663,231
	1,722,118	823,783
Non-Current		
Unlisted		
– Equity securities – PRC	**916,921**	425,265
	2,639,039	1,249,048

The instruments are all mandatorily measured at fair value through profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

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15. DEBT INVESTMENTS AT AMORTISED COST

The Group invests in fixed interest debt instruments through intermediary financial institutions for specific borrowings arranged by these intermediaries.

Movements during the year are as follows:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Beginning of financial year	**14,428,382**	14,810,376
Addition	**24,015,718**	13,647,168
Redemptions	**(20,946,862)**	(13,901,044)
Impairment losses recognised in profit or loss (Note 7)	**(539,549)**	(128,118)
End of financial year	**16,957,689**	14,428,382

Presented as:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Current		
Debt investments	**15,247,942**	11,778,993
Less: Allowance for impairment loss	**(1,692,622)**	(1,251,332)
	13,555,320	10,527,661
Non-current		
Debt investments	**3,715,569**	4,115,662
Less: Allowance for impairment loss	**(313,200)**	(214,941)
	3,402,369	3,900,721
Total		
Debt investments	**18,963,511**	15,894,655
Less: Allowance for impairment loss [Note 37(b)(vi)]	**(2,005,822)**	(1,466,273)
	16,957,689	14,428,382

The table below analyses the maturity profile of the Group's gross investments in debt investments at amortised cost into relevant maturity groupings based on the remaining maturity period from the balance sheet date.

	The Group	
	2020	2019
	RMB'000	RMB'000
Within one year	**15,247,942**	11,468,993
Between one year to two years	**3,568,966**	3,718,559
Over two years	**146,603**	707,103
	18,963,511	15,894,655

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

15. DEBT INVESTMENTS AT AMORTISED COST (CONTINUED)

The fair value of the debt investments at amortised cost based on the discounted cash flows using market interest rate of 4.75% per annum for equivalent investments at the balance sheet date are as follows:

	The Group	
	2020 RMB'000	2019 RMB'000
Debt investments at amortised cost	**19,159,177**	16,406,577

The fair values are within Level 2 of the fair value hierarchy.

16. TRADE AND OTHER RECEIVABLES – CURRENT

	The Group		The Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Finance lease receivables (Note 19)	**171,780**	128,999	**–**	–
Trade receivables				
– Loans to non-related parties				
– microfinance [Note (a)]	**189,639**	285,660	**–**	–
– Customers	**372,058**	597,211	**–**	–
	561,697	882,871	**–**	–
Less: Allowance for impairment of loans to non-related parties – microfinance	**(17,333)**	(1,805)	**–**	–
Trade receivables – net	**544,364**	881,066	**–**	–
Other receivables				
– Subsidiaries	**–**	–	**7,162,830**	8,492,306
– Non-related parties	**264,605**	437,336	**–**	–
– Amount due from a joint venture	**–**	184	**–**	–
Other receivables – net	**264,605**	437,520	**7,162,830**	8,492,306
Other assets				
– Value added tax recoverable	**392,100**	888,328	**–**	–
– Deposits	**1,000,000**	682	**124**	124
– Others	**–**	40	**–**	–
Prepayments [Note (b)]	**1,260,614**	2,343,709	**–**	–
	3,633,463	4,680,344	**7,162,954**	8,492,430

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

16. TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

(a) Loans to non-related parties related to microfinance activities are lending to small and medium sized entities by a Group's subsidiary.

(b) Prepayments mainly represent advances paid to suppliers for the purchase of raw materials, such as steel, imported equipment to be installed in the vessels, and other materials for the Group's shipbuilding activities.

The non-trade amounts due from subsidiaries are unsecured, interest-free and expected to be received within one year from the balance sheet date. The amount due from a joint venture is unsecured, interest-free and repayable on demand.

17. INVENTORIES

	The Group	
	2020	2019
	RMB'000	RMB'000
Raw materials	**312,270**	411,938
Work-in-progress	**1,355,605**	887,935
Trading goods	**9,971**	298,077
	1,677,846	1,597,950

Raw materials consist mainly of metal steel products and equipment which are used in the Group's shipbuilding activities. Work-in-progress consists of vessels under construction.

The cost of inventories recognised as expense and included in "cost of sales" amounts to RMB7,889,472,000 (2019: RMB15,515,738,000).

In 2020, a write-down of RMB85,865,000 (2019: RMB54,005,000) was made to reduce the carrying amounts of work-in-progress to their net realisable value, offset by a reversal of inventory write-down in prior year of RMB54,005,000 (2019: $nil). The Group has sold all the goods to a third party at original cost. The amount reversed has been included in "cost of sales".

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18. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	The Group		The Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables (Note 19)	**977,472**	1,043,282	**–**	–
Trade receivables				
– Loans to non-related parties				
– microfinance	**69,838**	21,755	**–**	–
Less: Allowance for impairment of loans to non-related parties	**–**	(3,500)	**–**	–
	69,838	18,255	**–**	–
Other receivables				
– Loans to subsidiaries [Note (a)]	**–**	–	**2,531,216**	2,742,736
– Loans to a joint venture [Note (a)]	**247,000**	–	**–**	–
	1,294,310	1,061,537	**2,531,216**	2,742,736

(a) Loans to subsidiaries are unsecured, interest-free with no fixed terms of repayment, and are not expected to be repaid within the next 12 months from the balance sheet date. The amount due from a joint venture is unsecured, interest-bearing and repayable in 2022.

The fair values of non-current trade and other receivables of the Group are computed based on cash flows discounted at market borrowing rates. The fair values and the market borrowing rates used are as follows:

	The Group		Borrowing rates	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables	**1,058,858**	1,072,004	**4.75**	4.75
Trade receivables				
– Loans to non-related parties				
– microfinance	**72,000**	22,357	**4.75**	4.75
Other receivables				
– Loans to a joint venture	**245,637**	–	**4.75**	–

The fair values are within Level 2 of the fair value hierarchy.

The fair values of the Company's loans to subsidiaries approximate their respective carrying amounts.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

19. FINANCE LEASE RECEIVABLES

The Group leases vessels to non-related parties under finance leases. The various agreements expire between 2023 and 2027 (2019: 2020 and 2024), and the non-related parties have the obligation to purchase the vessels upon their respective expiry dates.

	The Group	
	2020	2019
	RMB'000	RMB'000
Gross receivables due		
– Less than one year	**275,158**	192,200
– One to two years	**209,008**	399,273
– Two to three years	**201,611**	211,024
– Three to four years	**201,764**	477,178
– Four to five years	**312,002**	123,557
– More than five years	**315,021**	1,097
	1,514,564	1,404,329
Less: Unearned finance income	**(365,312)**	(232,048)
Net investment in finance leases [Note (a)]	**1,149,252**	1,172,281

The net investment in finance leases is analysed as follows:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Current (Note 16)	**171,780**	128,999
Non-current (Note 18)	**977,472**	1,043,282
	1,149,252	1,172,281

(a) The net investment in finance leases decreased by approximately RMB23,000,000 due to receipts of lease payments of approximately RMB532,000,000 and new finance lease arrangements of approximately RMB509,000,000 in 2020.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount	Fair value			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
31 December 2020					
Non-hedging instruments					
– Currency swaps	**869,406**	**55,277**	**–**	**–**	**–**
– Currency forwards	**3,736,158**	**34,312**	**10,500**	**–**	**–**
Total		**89,589**	**10,500**	**–**	**–**
31 December 2019					
Non-hedging instruments					
– Currency options	2,092,860	1,317	–	(8,479)	–

	Contract notional amount	Fair value			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
31 December 2020					
Non-hedging instruments					
– Currency swaps	**869,406**	**55,277**	**–**	**–**	**–**
31 December 2019					
Non-hedging instruments					
– Currency options	2,092,860	1,317	–	(8,479)	–

The contract notional amount included above is on a gross basis. The contracts are entered into mainly to manage the foreign currency risk arising from shipbuilding contracts and borrowings entered by the Group.

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21. LEASE PREPAYMENTS

	The Group	
	2020	2019
	RMB'000	RMB'000
Land use rights		
Cost		
As at 1 January	**1,181,580**	1,158,168
Acquisition of subsidiaries (Note 40)	**–**	23,412
As at 31 December	**1,181,580**	1,181,580
Accumulated amortisation		
As at 1 January	**(208,062)**	(187,558)
Amortisation charge (Note 7)	**(21,031)**	(20,504)
As at 31 December	**(229,093)**	(208,062)
Net book value at 31 December	**952,487**	973,518

(a) The Group's interest in land use rights in the PRC is held on leases with periods ranging from 35 years to 50 years (2019: 35 years to 50 years).

(b) Bank borrowings are secured on certain land use rights of the Group with carrying amounts of RMB22,221,000 (2019: RMB23,080,000).

22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2020	**2019**
	RMB'000	**RMB'000**
Equity investments at cost		
As at 1 January	**5,954,915**	5,282,570
Additions	**–**	672,345
As at 31 December	**5,954,915**	5,954,915

In 2019, the Company subscribed for the following:

(i) entire equity interest in Yangzijiang Terminals China Holding Pte. Ltd. (formerly known as Odfjell Terminals China Holding Pte. Ltd.) for a cash consideration of RMB317,655,000 as disclosed in Note 40; and

(ii) subscribed for additional equity interest in Jiangsu New Yangzi Shipbuilding Co., Ltd. by way of capitalisation of dividend receivable of RMB354,690,000.

Details of significant subsidiaries are included in Note 44.

The directors are of the opinion that the non-controlling interests for each subsidiary are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for subsidiaries with non-controlling interests is disclosed.

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22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restrictions

Cash and restricted cash of RMB1,819,039,000 (2019: RMB4,184,683,000) are held in PRC and are subject to local exchange control regulations. The conversion of these RMB denominated balances into foreign currencies is subject to the foreign exchange rules and regulations promulgated by the PRC government.

23. INVESTMENTS IN JOINT VENTURES

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investments at cost				
As at 1 January	**143,200**	–	**51,680**	–
Additions	**169,620**	139,307	**169,620**	51,680
Share of profits	**55,878**	3,893	**–**	–
Return of capital	**(1,798)**	–	**–**	–
Share of other comprehensive loss				
– currency translation reserve	**(4,568)**	–	**–**	–
As at 31 December	**362,332**	143,200	**221,300**	51,680

Set out below is the details of the joint venture of the Group and of the Company as at 31 December 2020.

The directors are of the opinion that the investments in each joint venture are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for joint ventures is disclosed.

Name of company	Principal activity	Place of business/ country of incorporation	Effective equity holding 2020 %	2019 %
Jiangsu Yangzi- Mitsui Shipbuilding Co. Ltd.	Shipbuilding	China	**51**	51
United Wave Shipping S.A.	Ship-owning, chartering and sale and purchase of vessels	Panama	**50**	50

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24. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at cost				
As at 1 January and 31 December			**134,062**	134,062
As at 1 January	**1,389,518**	1,454,006		
Additions	**20,000**	10,000		
Return of capital [Note (a)]	**(174,511)**	(124,302)		
Disposals [Note (b)]	**(200,000)**	(65,550)		
Share of profits	**155,377**	113,228		
Share of other comprehensive (loss)/income – currency translation reserve	**(8,991)**	2,136		
As at 31 December	**1,181,393**	1,389,518		

(a) In 2020,13 (2019: 10) associated companies of the Group distributed their capital to all the shareholders based on the respective shareholding. This did not result in a change of significant influence over these associated companies.

(b) In 2020, the Group disposed of 1 associated company (2019: 1) for a consideration of RMB200,000,000 (2019: RMB65,550,000).

There are no contingent liabilities relating to the Group's interest in the associated companies. The directors are of the opinion that the associated companies are immaterial to the Group individually and in aggregate. Accordingly, no summarised financial information for associated companies is disclosed.

Details of significant associated companies are included in Note 44.

25. INVESTMENT PROPERTIES

	The Group	
	2020	2019
	RMB'000	RMB'000
Cost		
Beginning of financial year	**–**	–
Additions [Note (a)]	**121,779**	–
End of financial year	**121,779**	–
Accumulated depreciation		
Beginning of financial year	**–**	–
Depreciation charge (Note 7)	**(2,038)**	–
End of financial year	**(2,038)**	–
Net book value	**119,741**	–

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25. INVESTMENT PROPERTIES (CONTINUED)

(a) Included in additions are acquisition of investment properties of RMB118,448,000 (2019: RMBNil) and capitalised expenditure of RMB3,331,000 (2019: RMBNil).

The following amounts are recognised in profit and loss:

	The Group 2020 RMB'000
Rental income	**1,013**

The direct operating expenses arising from the investment property that generate rental income are immaterial for the financial year ended 31 December 2020.

At the reporting date, the details of the Group's investment properties are as follows:

Location	Description	Tenure
Jiangyin City Real Estate Property No. 0002049, Ganglong Commercial Plaza No. 209-212	Retail building	32-year lease from June 2020
Room 801, No. 95 Dongjin West Road, Hailing District	Commercial building	23-year lease from May 2020

The fair value of investment properties at 31 December 2020 is approximately RMB213,727,000.

The fair value was determined by external, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair value of the Group's investment properties are classified within Level 3 of the fair value hierarchy and has been derived using the market approach and income method. The most significant input in each valuation approach is the comparable sales price and capitalisation rate respectively.

As at 31 December 2020, the Group has determined that the recoverable amount based on fair value is higher than the carrying value of the investment properties and no impairment loss was recognised.

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26. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
The Group							
2020							
Cost							
As at 1 January	4,554,102	2,469,042	141,919	134,781	3,082,436	36,158	10,418,438
Additions	10,391	14,242	1,185	2,747	201,580	57,952	288,097
Transfer from inventory	–	–	–	–	61,820	–	61,820
Transfers	3,134	6,646	–	3,491	–	(13,271)	–
Disposals	(8,371)	(76,780)	(5,304)	(1,768)	–	(42,979)	(135,202)
Currency translation difference	–	–	–	–	(152,205)	–	(152,205)
As at 31 December	4,559,256	2,413,150	137,800	139,251	3,193,631	37,860	10,480,948
Accumulated depreciation and impairment losses							
As at 1 January	(1,770,773)	(1,599,407)	(116,066)	(99,615)	(1,154,514)	–	(4,740,375)
Depreciation charge (Note 7)	(223,515)	(116,312)	(5,526)	(12,721)	(125,094)	–	(483,168)
Disposals	3,518	50,570	4,459	1,357	–	–	59,904
Currency translation difference	–	–	–	–	58,441	–	58,441
Impairment charge	(72,074)	(77,076)	(207)	(389)	–	–	(149,746)
As at 31 December	(2,062,844)	(1,742,225)	(117,340)	(111,368)	(1,221,167)	–	(5,254,944)
Net book value							
As at 31 December 2020	2,496,412	670,925	20,460	27,883	1,972,464	37,860	5,226,004

An impairment charge of RMB149,746,000 is included within "Administrative expenses" in the consolidated statement of comprehensive income. The impairment charge in 2020 had arisen from the "Others" business segment due to the obsolescence of the Group's existing chemical storage tanks and terminal facilities, with the intended conversion to LNG terminal facilities.

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26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
The Group							
2019							
Cost							
As at 1 January	4,389,860	2,183,001	136,228	123,885	2,551,184	46,021	9,430,179
Acquisition of subsidiaries (Note 40)	112,580	79,290	617	686	–	3,218	196,391
Additions	3,592	200,280	5,332	7,845	252,408	59,424	528,881
Transfer from inventory	–	–	–	–	248,884	–	248,884
Transfers	51,992	16,887	118	3,508	–	(72,505)	–
Disposals	(3,922)	(10,416)	(376)	(1,143)	–	–	(15,857)
Currency translation difference	–	–	–	–	29,960	–	29,960
As at 31 December	4,554,102	2,469,042	141,919	134,781	3,082,436	36,158	10,418,438
Accumulated depreciation and impairment losses							
As at 1 January	(1,575,146)	(1,463,607)	(110,321)	(91,403)	(1,024,391)	–	(4,264,868)
Depreciation charge (Note 7)	(197,006)	(142,953)	(6,127)	(9,208)	(116,838)	–	(472,132)
Disposals	1,379	7,153	382	996	–	–	9,910
Currency translation difference	–	–	–	–	(13,285)	–	(13,285)
As at 31 December	(1,770,773)	(1,599,407)	(116,066)	(99,615)	(1,154,514)	–	(4,740,375)
Net book value							
As at 31 December 2019	2,783,329	869,635	25,853	35,166	1,927,922	36,158	5,678,063

(a) Right-of-use assets ("ROU assets") acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 27(a).

(b) Bank borrowings are secured on certain buildings of the Group with carrying amounts of RMB37,791,000 (2019: RMB193,216,000) and vessels of the Group with carrying amounts of RMB1,024,935,000 (2019: RMB814,963,000).

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26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
Company			
2020			
Cost			
As at 1 January and 31 December	**2,556**	**412**	**2,968**
Accumulated depreciation			
As at 1 January	**(756)**	**(412)**	**(1,168)**
Depreciation charge	**(748)**	**–**	**(748)**
As at 31 December	**(1,504)**	**(412)**	**(1,916)**
Net book value			
As at 31 December 2020	**1,052**	**–**	**1,052**
2019			
Cost			
As at 1 January and 31 December	2,556	412	2,968
Accumulated depreciation			
As at 1 January	–	(405)	(405)
Depreciation charge	(756)	(7)	(763)
As at 31 December	(756)	(412)	(1,168)
Net book value			
As at 31 December 2019	1,800	–	1,800

27. LEASES

Nature of the Group's leasing activities – The Group as a lessee

Buildings

The Group leases office space for the purpose of head office operations.

Leasehold land

The Group has made upfront payments to secure the right-of-use of leasehold land with lease terms ranging from 35 years to 50 years, which are used in the Group's operations in China. These leasehold lands are recognised within Lease prepayments (Note 21).

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27. **LEASES** (CONTINUED)

Nature of the Group's leasing activities – The Group as a lessee (continued)

There is no externally imposed covenant on these lease arrangements.

(a) Carrying amounts

ROU assets classified within property, plant and equipment

	2020 RMB'000	2019 RMB'000
The Group and the Company		
Buildings	**1,052**	1,800

ROU assets classified within Lease prepayment

The carrying amount of ROU assets relating to leasehold land is disclosed in Note 21.

(b) Depreciation and amortisation charge during the year

	2020 RMB'000	2019 RMB'000
The Group		
Buildings	**748**	756
Leasehold land	**21,031**	20,504
	21,779	21,260

(c) Interest expense

	2020 RMB'000	2019 RMB'000
The Group		
Interest expense on lease liabilities	**59**	88

(d) Total cash outflow for all the leases in 2020 was RMB803,000 (2019: RMB808,000).

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27. LEASES (CONTINUED)

Nature of the Group's leasing activities – The Group as a lessor

The Group has leased out their owned vessels to third parties for monthly lease payments. These leases are classified as finance leases because the risk and rewards incidental to ownership of the assets have been substantially transferred.

The maturity analysis of lease payments for the finance leases is disclosed in Note 19. The credit risk of the finance lease receivables is disclosed in Note 37(b)(v).

The Group has leased out their owned investment property to third parties for monthly lease payments. Where considered necessary to reduce credit risk, the Group may obtain rental deposits from tenants. These leases are classified as operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from this investment property is disclosed in Note 25.

Maturity analysis of operating lease payments – Group as a lessor

The table below discloses the undiscounted lease payments to be received by the Group for its operating lease after the reporting date as follows:

	2020 $'000	2019 $'000
Less than one year	**1,807**	–
– One to two years	**2,202**	–
– Two to three years	**2,295**	–
– Three to four years	**2,191**	–
– Four to five years	**1,813**	–
– More than five years	**10,886**	–
Total undiscounted lease payments	**21,194**	–

28. INTANGIBLE ASSETS

	The Group	
	2020 RMB'000	2019 RMB'000
Composition:		
Customer relations [Note (a)]	**–**	6,863
Computer software licenses [Note (b)]	**22,154**	19,064
Customer contract [Note (c)]	**–**	–
	22,154	25,927

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28. INTANGIBLE ASSETS (CONTINUED)

(a) Customer relations

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Cost		
Beginning of financial year	**7,321**	–
Acquisition of subsidiaries (Note 40)	**–**	7,321
End of financial year	**7,321**	7,321
Accumulated amortisation		
Beginning of financial year	**(458)**	–
Amortisation charge (Note 7)	**(6,863)**	(458)
End of financial year	**(7,321)**	(458)
Net book value as at 31 December	**–**	6,863
Net book value as at 1 January	**6,863**	–

(b) Computer software licenses

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Cost		
Beginning of financial year	**25,480**	21,603
Acquisition of subsidiaries (Note 40)	**–**	11
Additions	**6,126**	3,866
End of financial year	**31,606**	25,480
Accumulated amortisation		
Beginning of financial year	**(6,416)**	(4,076)
Amortisation charge (Note 7)	**(3,036)**	(2,340)
End of financial year	**(9,452)**	(6,416)
Net book value as at 31 December	**22,154**	19,064
Net book value as at 1 January	**19,064**	17,527

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28. INTANGIBLE ASSETS (CONTINUED)

(c) Customer contract

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Cost		
Beginning and end of financial year	–	34,698
Accumulated amortisation		
Beginning and end of financial year	–	(34,698)
Net book value as at 31 December	**–**	–
Net book value as at 1 January	–	–

The amortisation expenses are classified as administrative expenses in profit or loss.

29. GOODWILL

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Cost		
Beginning of financial year	**258,979**	–
Acquisition of subsidiaries (Note 40)	**–**	258,979
End of financial year	**258,979**	258,979

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to business segments. The carrying amount of goodwill had been allocated to the "Others" business segment.

The goodwill of RMB258,979,000 arose from 2 business acquisitions in 2019: the acquisition of Shanghai Econovo Marine Engineering Co., Ltd. ("Econovo") of RMB5,997,000 with regards to its vessel design and offshore projects, and the acquisition of Yangzijiang Terminals China Holding Pte. Ltd. and its subsidiary, Yangzijiang Garson Terminals (Jiangsu) Company Ltd. (collectively "YZJ Terminals") of RMB252,982,000 with regards to its tank terminal operations in the upstream Yangtze River region.

The recoverable amount of the CGU was determined based on fair value less costs to sell ("FVLCTS") approach, measured using discounted cash flows projections which factored in the progress in securing relevant government approval for conversion to LNG terminal facilities. Cash flow projections used in the FVLCTS calculation were based on projected cash flows approved by management covering a seven-year period and discount rate of 13% per annum. Cash flows beyond the seven-year period were extrapolated using the estimated terminal growth rate of 1.5%. The terminal growth rate used does not exceed the long-term average growth rate of the industry and country in which the entity operates. The discount rate applied to the cash flow projections of 13% reflects management's estimate of the assumption that market participants would use when pricing the asset. This is a Level 3 fair value measurement.

There was no impairment loss recognised in profit or loss during the current financial year and the previous financial year.

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30. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Trade payables				
– Suppliers	**1,338,574**	2,036,862	**–**	–
Other payables				
– Subsidiaries [Note (a)]	**–**	–	**3,372,470**	4,921,490
– Amount due to a joint venture [Note (a)]	**–**	26,547	**–**	–
– Non-related parties	**1,055,808**	903,817	**29,213**	15,634
Deferred compensation income [Note (b)]	**157,482**	157,482	**–**	–
Other operating accruals	**146,706**	389,621	**–**	4,565
	2,698,570	3,514,329	**3,401,683**	4,941,689

(a) The non-trade amounts due to subsidiaries and a joint venture are unsecured, interest-free and have no fixed terms of repayment.

(b) Deferred compensation income relates to the government grant received for the relocation of shipbuilding premises at Jiangsu Yangzijiang Shipbuilding Co., Ltd. ("JYS"). A portion of the government grant is deferred as the performance conditions attached to this portion of the grant have yet been met.

31. BORROWINGS

	The Group		The Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank borrowings (secured) [Note (a)]	**98,185**	103,113	**–**	–
Bank borrowings (unsecured)	**2,021,605**	2,678,431	**869,405**	504,456
Lease liabilities	**760**	766	**760**	766
	2,120,550	2,782,310	**870,165**	505,222
Non-current				
Bank borrowings (secured) [Note (a)]	**566,318**	532,882	**–**	–
Bank borrowings (unsecured)	**1,556,860**	1,716,602	**–**	–
Lease liabilities	**325**	1,138	**325**	1,138
	2,123,503	2,250,622	**325**	1,138
	4,244,053	5,032,932	**870,490**	506,360

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31. BORROWINGS (CONTINUED)

The exposure of the Group and the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Floating rate:				
– Within six months	**1,794,598**	1,822,207	**869,405**	504,456
– Between six months to 12 months	**325,192**	864,337	**–**	–
– Over one year	**2,123,178**	2,230,549	**–**	–
Fixed rate:				
– Within one year	**760**	95,766	**760**	766
– Over one year	**325**	20,073	**325**	1,138
	4,244,053	5,032,932	**870,490**	506,360

(a) These bank borrowings are secured by restricted cash (Note 13), and legal mortgages over certain land use rights (Note 21), buildings and vessels of the Group (Note 26).

(b) Fair value of non-current borrowings at fixed rate

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Borrowings				
– USD	**–**	18,242	**–**	–

The fair value is determined from the cash flow analysis discounted at market borrowing rate of an equivalent instrument which the directors expect to be available to the Group at the balance sheet date. The discount rates are as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
Borrowings				
– USD	**–**	4.75%	**–**	–

The fair values are within Level 2 of the fair value hierarchy.

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31. BORROWINGS (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

The Group	1 January 2020 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes Interest expense RMB'000	Non-cash changes Foreign exchange movement RMB'000	31 December 2020 RMB'000
Bank borrowings	5,031,028	2,175,833	(2,980,814)	108,636	(91,715)	4,242,968
Lease liabilities	1,904	–	(803)	59	(75)	1,085

The Group	1 January 2019 RMB'000	Acquisition of subsidiaries (Note 40) RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes Interest expense RMB'000	Non-cash changes Foreign exchange movement RMB'000	31 December 2019 RMB'000
Bank borrowings	4,043,981	126,200	2,392,405	(1,766,836)	183,231	52,047	5,031,028
Lease liabilities	2,556	–	–	(808)	88	68	1,904

32. PROVISIONS

	The Group 2020 RMB'000	The Group 2019 RMB'000
Warranty	**382,132**	382,289
Onerous contracts	**474,122**	587,837
Customer claim	**82,000**	–
	938,254	970,126

The Group provides warranties on completed and delivered vessels and undertakes to repair or replace items that fail to perform satisfactorily. The provision for warranty is based on estimates from known and expected warranty work and legal and constructive obligation for further work to be performed after construction. The estimated warranty expense is 1% of the shipbuilding contract price.

The Group records provision for onerous contracts when the estimated costs of construction for vessels in respect of the construction contracts entered into with customers exceeded the proceeds from these contracts. The provision for onerous contracts is estimated based on difference between the total estimated construction costs and proceeds from these contracts. Significant assumptions in estimating the construction costs are disclosed in Note 3(a). The proceeds are determined based on the agreed contract sum.

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32. PROVISIONS (CONTINUED)

Movement in provision is as follows:

	The Group Warranty		The Group Onerous contracts		The Group Customer claim	
	2020 RMB'000	**2019 RMB'000**	**2020 RMB'000**	**2019 RMB'000**	**2020 RMB'000**	**2019 RMB'000**
As at 1 January	**382,289**	321,492	**587,837**	1,099,307	**–**	–
Write back of provision	**(91,669)**	(75,848)	**(475,765)**	(565,000)	**–**	–
Provision made	**100,533**	146,241	**433,388**	330,330	**82,000**	–
Provision utilised	**(9,021)**	(9,596)	**(71,338)**	(276,800)	**–**	–
As at 31 December	**382,132**	382,289	**474,122**	587,837	**82,000**	–

33. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group	
	2020 RMB'000	2019 RMB'000
Deferred income tax assets	**(709,463)**	(647,328)
Deferred income tax liabilities	**1,447,808**	1,260,191
Net deferred tax liabilities	**738,345**	612,863

Movements in net deferred income tax accounts are as follows:

	The Group	
	2020 RMB'000	**2019 RMB'000**
As at 1 January	**612,863**	454,852
Acquisition of subsidiaries	**–**	(4,727)
Charged to profit or loss (Note 10)	**125,482**	162,738
As at 31 December	**738,345**	612,863

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of RMB363,222,000 (2019: RMB1,158,669,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation.

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33. DEFERRED INCOME TAX (CONTINUED)

The expiry date of tax losses of the Group are summarised as follows:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Within one year	**339,714**	321,222
Between one year to two years	**17,220**	339,714
Between three years to five years	**6,288**	22,755
No expiry date	**–**	474,978
	363,222	1,158,669

Tax losses arising from Singapore and Hong Kong incorporated entities have no expiry date.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

The Group

Deferred income tax assets

	Impairment losses RMB'000	**Warranty provision RMB'000**	**Onerous contracts provision RMB'000**	**Total RMB'000**
2020				
As at 1 January	**(502,040)**	**(57,112)**	**(88,176)**	**(647,328)**
(Credited)/Charged to profit or loss	**(76,639)**	**(2,554)**	**17,058**	**(62,135)**
As at 31 December	**(578,679)**	**(59,666)**	**(71,118)**	**(709,463)**
2019				
As at 1 January	(499,977)	(46,027)	(164,897)	(710,901)
Acquisition of subsidiaries (Note 40)	(6,557)	–	–	(6,557)
Charged/(credited) to profit or loss	4,494	(11,085)	76,721	70,130
As at 31 December	(502,040)	(57,112)	(88,176)	(647,328)

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33. DEFERRED INCOME TAX (CONTINUED)

The Group (Continued)

Deferred income tax liabilities

	Undistributed profits of subsidiaries RMB'000	Fair value gain – net RMB'000	Others RMB'000	Total RMB'000
2020				
As at 1 January	**1,227,572**	**18,694**	**13,925**	**1,260,191**
Charged/(credited) to profit or loss	**141,032**	**60,510**	**(13,925)**	**187,617**
As at 31 December	**1,368,604**	**79,204**	**–**	**1,447,808**
2019				
As at 1 January	1,053,925	18,694	93,134	1,165,753
Acquisition of subsidiaries (Note 40)	–	–	1,830	1,830
Charged/(credited) to profit or loss	173,647	–	(81,039)	92,608
As at 31 December	1,227,572	18,694	13,925	1,260,191

34. SHARE CAPITAL

	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital RMB'000	Treasury shares RMB'000
The Group				
2020				
As at 1 January	3,974,077	(55,312)	7,361,990	(250,121)
Share buy back [Note(a)]	–	(66,249)	–	(310,322)
As at 31 December	**3,974,077**	**(121,561)**	**7,361,990**	**(560,443)**
2019				
As at 1 January	3,974,077	(28,312)	7,361,990	(122,362)
Share buy back [Note(a)]	–	(27,000)	–	(127,759)
As at 31 December	3,974,077	(55,312)	7,361,990	(250,121)
Company				
2020				
As at 1 January	3,974,077	(55,312)	7,326,773	(250,121)
Share buy back [Note(a)]	–	(66,249)	–	(310,322)
As at 31 December	**3,974,077**	**(121,561)**	**7,326,773**	**(560,443)**
2019				
As at 1 January	3,974,077	(28,312)	7,326,773	(122,362)
Share buy back [Note(a)]	–	(27,000)	–	(127,759)
As at 31 December	3,974,077	(55,312)	7,326,773	(250,121)

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34. SHARE CAPITAL (CONTINUED)

(a) The Company bought back 66,249,000 (2019: 27,000,000) shares of the Company by way of market acquisition, which are held as treasury shares.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

35. OTHER RESERVES

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Composition:				
Statutory reserves [Note (a)]	**4,544,601**	4,323,151	**–**	–
Capital reserve [Note (b)]	**(2,933,198)**	(2,934,998)	**(40,192)**	(40,192)
Currency translation reserve [Note (c)]	**(116,671)**	(40,357)	**–**	–
	1,494,732	1,347,796	**(40,192)**	(40,192)

(a) Statutory reserves

In accordance with the relevant rules and regulations, the Group's subsidiaries in the PRC are required to appropriate certain percentage of their profits to various reserve funds.

All subsidiaries which are considered as Wholly Owned Foreign Enterprise may discontinue the contribution to the reserve fund when the aggregate sum of the reserve fund is more than 50% of the registered capital in accordance with the "Law of the PRC on Enterprise Operated Exclusively with Foreign Capital".

During the financial year ended 31 December 2020, the Group's subsidiaries have appropriated RMB221,450,000 (2019: RMB406,296,000) from their profits to statutory reserves.

(b) Capital reserve

Capital reserve represents capital investments and distributions relating to equity transactions with non-controlling shareholders.

(c) Currency translation reserve

Currency translation reserve represents the currency translation differences resulting from the translation of the Group entities' financial statements that have a functional currency different from the Group's presentation currency.

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36. DIVIDENDS

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Ordinary dividends		
Final exempt dividend paid in respect of the previous financial year of SGD4.5 cents (2019: SGD5.0 cents) per share	**884,844**	986,593

A final exempt (one-tier) dividend of SGD4.5 cents per share amounting to approximately SGD173,363,000 (equivalent of RMB854,923,000) has been recommended for the shareholders' approval at the Annual General Meeting on 30 April 2021. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

37. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency options and foreign currency borrowings to manage certain financial risk exposures.

The management is responsible for setting the objectives and underlying principles of financial risk management for the Group, including establishing operating guidelines governing the activities of the Group, such as risk identification and measurement, risk management, oversight responsibilities, authority levels and exposure limits.

(a) Market risk

(i) Currency risk

The Group has shipbuilding contracts with customers around the world and is exposed to currency risk mainly arising from USD. The Group is also exposed to USD borrowings. The Group aims to mitigate the currency risk by entering into currency options, in accordance with the Group's financial risk management policies.

NOTES TO THE **FINANCIAL STATEMENTS**

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
The Group					
At 31 December 2020					
Financial assets					
Cash and cash equivalents	1,808,129	4,747,480	63,421	14,386	6,633,416
Restricted cash	10,909	4,715	–	–	15,624
Financial assets at fair value through profit or loss	2,639,039	–	–	–	2,639,039
Debt investments at amortised cost	16,957,689	–	–	–	16,957,689
Trade and other receivables excluding prepayment and value added tax recoverable	2,014,997	1,243,915	16,023	124	3,275,059
	23,430,763	5,996,110	79,444	14,510	29,520,827
Financial liabilities					
Trade and other payables	(656,110)	(1,884,861)	–	(117)	(2,541,088)
Borrowings	(2,703,201)	(670,362)	–	(870,490)	(4,244,053)
	(3,359,311)	(2,555,223)	–	(870,607)	(6,785,141)
Net financial assets/ (liabilities)	20,071,452	3,440,887	79,444	(856,097)	22,735,686
Less: Net financial assets denominated in the respective entities' functional currency	(20,071,452)	(826,287)	–	–	
Less: Forward foreign exchange contracts	–	(4,605,564)	–	869,406	
Add: Contract assets	–	3,114,335	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	6,623,055	–	–	
Currency exposure	–	7,746,426	79,444	13,309	

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) ***Currency risk*** (Continued)

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
The Group					
At 31 December 2019					
Financial assets					
Cash and cash equivalents	4,177,961	5,947,921	51,924	5,213	10,183,019
Restricted cash	6,722	10,327	–	–	17,049
Financial assets at fair value through profit or loss	1,249,048	–	–	–	1,249,048
Debt investments at amortised cost	14,428,382	–	–	–	14,428,382
Trade and other receivables excluding prepayment and value added tax recoverable	880,244	1,629,600	–	–	2,509,844
	20,742,357	7,587,848	51,924	5,213	28,387,342
Financial liabilities					
Trade and other payables	(2,894,581)	(461,841)	–	(425)	(3,356,847)
Borrowings	(2,448,600)	(2,077,972)	–	(506,360)	(5,032,932)
	(5,343,181)	(2,539,813)	–	(506,785)	(8,389,779)
Net financial assets/ (liabilities)	15,399,176	5,048,035	51,924	(501,572)	19,997,563
Less: Net financial assets denominated in the respective entities' functional currency	(15,399,176)	(1,044,127)	–	–	
Less: Forward foreign exchange contracts	–	(2,092,860)	–	–	
Add: Contract assets	–	3,420,943	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	8,251,298	–	–	
Currency exposure	–	13,583,289	51,924	(501,572)	

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37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

(a) **Market risk** (Continued)

(i) ***Currency risk*** (Continued)

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
The Company				
At 31 December 2020				
Financial assets				
Cash and cash equivalents	–	9,398	5,913	15,311
Trade and other receivables	9,669,393	36	24,741	9,694,170
	9,669,393	9,434	30,654	9,709,481
Financial liabilities				
Other payables	(2,591,086)	(806,413)	(4,184)	(3,401,683)
Borrowings	–	–	(870,490)	(870,490)
	(2,591,086)	(806,413)	(874,674)	(4,272,173)
Net financial assets/(liabilities)	7,078,307	(796,979)	(844,020)	5,437,308
Less: Net financial assets denominated in the company's functional currency	(7,078,307)	–	–	
Less: Forward foreign exchange contracts	–	(869,406)	869,406	
Currency exposure	–	(1,666,385)	25,386	
At 31 December 2019				
Financial assets				
Cash and cash equivalents	–	11,951	2,839	14,790
Trade and other receivables	11,210,566	36	24,564	11,235,166
	11,210,566	11,987	27,403	11,249,956
Financial liabilities				
Other payables	(2,746,152)	(2,190,088)	(5,449)	(4,941,689)
Borrowings	–	–	(506,360)	(506,360)
	(2,746,152)	(2,190,088)	(511,809)	(5,448,049)
Net financial assets/(liabilities)	8,464,414	(2,178,101)	(484,406)	5,801,907
Less: Net financial assets denominated in the company's functional currency	(8,464,414)	–	–	
Less: Forward foreign exchange contracts	–	(2,092,860)	–	
Currency exposure	–	(4,270,961)	(484,406)	

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the USD, EUR and SGD change against the RMB with all other variables including tax rate being held constant, the effects arising from the net financial assets/(liabilities) excluding equity instruments that are exposed to currency risk will be as follows:

	Increase/(decrease)			
	Profit after tax		Possible rate change	
	2020	2019	**2020**	2019
	RMB'000	RMB'000		
The Group				
USD against RMB:				
– strengthened	**554,784**	751,156	**9%**	7%
– weakened	**(554,784)**	(751,156)	**9%**	7%
EUR against RMB:				
– strengthened	**5,057**	1,641	**8%**	4%
– weakened	**(5,057)**	(1,641)	**8%**	4%
SGD against RMB:				
– strengthened	**424**	(19,812)	**4%**	5%
– weakened	**(424)**	19,812	**4%**	5%
The Company				
USD against RMB:				
– strengthened	**(124,479)**	(248,143)	**9%**	7%
– weakened	**124,479**	248,143	**9%**	7%
SGD against RMB:				
– strengthened	**843**	(20,103)	**4%**	5%
– weakened	**(843)**	20,103	**4%**	5%

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risks arise primarily from its cash and cash equivalents, restricted cash, debt investments at amortised cost, loans to non-related parties – microfinance, loans to a joint venture and borrowings from financial institutions. The Group's policy is to minimise exposure to variable interest rates of interest-bearing assets.

NOTES TO THE **FINANCIAL STATEMENTS**

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at balance sheet date, the Group's investments in debt investments at amortised cost, loans to non-related parties – microfinance, and loans to a joint venture were not exposed to cash flow interest rate risk as they were all fixed rated instruments.

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in RMB, USD and SGD. If interest rates had changed by 1% (2019: 1%) with all other variables including tax rate being held constant, the effects on profit after tax would have been as a result of higher/lower interest expense on these borrowings, as follows:

	← Increase/(decrease) → Profit after tax	
	2020	**2019**
	RMB'000	**RMB'000**
The Group		
RMB interest rate		
– Increase	**(22,498)**	(18,511)
– Decrease	**22,498**	18,511
USD interest rate		
– Increase	**(6,704)**	(18,452)
– Decrease	**6,704**	18,452
SGD interest rate		
– Increase	**(7,937)**	(4,605)
– Decrease	**7,937**	4,605

(iii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified as financial assets, at FVPL. To manage its price risk arising from these investments, the Group ensures that the investments are within authorised mandate based on its approved financial risk management and operating guidelines.

NOTES TO THE **FINANCIAL STATEMENTS**

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37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

(a) **Market risk** (Continued)

(iii) ***Price risk*** (Continued)

If prices for equity security listed in PRC had increased/decreased by 10% (2019: 10%) with all other variables including tax rate being held constant, the net of tax effects on profit after tax ("PAT") would have been:

	← Increase/(decrease) →	
	2020	**2019**
	PAT	**PAT**
	RMB'000	**RMB'000**
The Group		
Increased by	10,954	13,647
Decreased by	(10,954)	(13,647)

(b) **Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group.

Except as disclosed below, the maximum exposure to credit risk for those financial assets which the Group and the Company do not hold collaterals is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and the Company's credit risk exposure in relation to financial assets at amortised cost and contract assets under SFRS(I) 9 as at 31 December 2020 are set out in the as follows:

(i) ***Cash and cash equivalents and restricted cash***

Cash and cash equivalents and restricted cash are considered to have low credit risk as the Group and the Company adopt the policy of dealing only with major banks of high credit standing throughout the world.

To mitigate credit risk, the Company adopts the policy of dealing only with financial institutions and other counterparties with high credit ratings.

NOTES TO THE **FINANCIAL STATEMENTS**

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37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

(b) **Credit risk** (Continued)

(ii) Trade receivables and contract assets related to shipbuilding activities

In 2020, credit risk exposure relating to shipbuilding activities is RMB3,405,328,000 (2019: RMB3,821,819,000), which comprises of RMB278,696,000 (2019: RMB400,876,000) included in trade and other receivables and contract assets of RMB3,126,632,000 (2019: RMB3,420,943,000).

The Group adopts the policy of dealing with a group of customers of appropriate credit history and obtaining guaranteed letters of credit and advances from registered banks of the customers' home countries. In addition, the Group has contractual safeguards in place to minimise credit risk. The Group has the right over collateral (vessels) in the event of default in scheduled payment by customers.

The Group measures the lifetime expected credit loss allowance for trade receivables and contract assets related to shipbuilding activities. These are assessed on a customer-by-customer basis. Credit risk of each customer is evaluated periodically with due consideration on historical loss rate, past payment patterns, compliance with milestone payments during the contract period and any publicly available information on the customer.

Trade receivables and contract assets as at balance sheet date are assessed to be subject to immaterial credit losses due to the Group's progressive collection on the schedule payments over the construction period. The remaining credit risk exposure will be covered by the collateral in the event of default in scheduled payment by customer.

(iii) Trade receivables related to trading activities

In 2020, credit risk exposure relating to trading activities is RMB20,870,000 (2019: RMB123,306,000).

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties.

Within the trading activities segment, the trade receivables comprise 3 debtors (2019: 3 debtors) that represented 90% (2019: 60%) of trade receivables related to trading activities.

The Group measures the lifetime expected credit loss allowance for trade receivables related to trading activities. The remaining receivables balance are substantially still within the credit term and are subject to immaterial credit losses.

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(iv) Loans to non-related parties – microfinance

Loans to non-related parties – microfinance are related to the micro-credit provided to enterprises and individuals.

All the loans to non-related parties – microfinance are secured by either single or a group of collaterals or by guarantees. The Group monitors the market value of these collaterals on a periodic basis and has contractual safeguards in place to minimise credit risk as they have the right to call for additional collateral if the value of the initial collateral is inadequate. The Group uses internal credit risk rating to determine the credit risk and determine the credit loss allowance.

The Group applies a general 3 stage approach to measure expected credit loss. In measuring expected credit loss, the Group considers the probability of default upon the initial recognition of the loan and assess whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

A significant increase in credit risk is presumed if there is a decline in internal credit risk grading. A default on a loan is when the counterparty fails to make contractual payments for a prolonged period when they fall due.

The fair value of the collaterals is considered when providing for loss allowance. The carrying amounts of loans to non-related parties – microfinance before loss allowance presented by the type of collaterals held are as follows:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Collateralised by:		
– Listed shares in PRC	**3,762**	4,204
– Unlisted shares in PRC	**33,860**	24,876
– Properties and land use rights	**118,425**	120,520
– Guaranteed by non-related individuals	**10,080**	43,665
– Guaranteed by non-related corporations	**93,350**	114,150
	259,477	307,415

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(iv) Loans to non-related parties – microfinance (Continued)

As at 31 December 2020, the Group measures loss allowance based on the following basis:

Basis of recognition of expected credit loss	12-month expected credit losses RMB'000	Lifetime expected credit losses RMB'000	Total RMB'000
Gross carrying amount as at:			
31 December 2020	**259,477**	**–**	**259,477**
31 December 2019	271,615	35,800	307,415

The movement in the allowance for impairment loss are as follow:

The Group	2020 RMB'000	2019 RMB'000
As at 1 January	**5,305**	11,082
Loss allowance recognised in profit or loss during the year on:		
– Assets acquired/originated	**13,770**	38,473
– Reversal of unutilised amounts	**(1,742)**	(17,931)
	12,028	20,542
Receivables written off as uncollectible	**–**	(26,319)
As at 31 December	**17,333**	5,305

(v) Finance lease receivables, other receivables and other financial assets

Finance lease receivables of RMB1,149,252,000 (2019: RMB1,172,281,000) are subject to immaterial credit loss as the Group entered into lease arrangements of vessels with customer of appropriate credit history. The Group also has contractual safeguards in place to minimise credit risk where the Group has the right over collateral (vessels) in the event of default in scheduled payment by customers.

Other receivables and other financial assets are due substantially from counterparties with a good collection track record with the Group and subject to immaterial credit losses.

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost

For each debt investment, the Group's credit risk management strategy is to obtain a principal collateral of higher liquidity, and additional collaterals on top of the principal collateral, where necessary.

The Group applies general 3 stage approach to measure expected credit loss. In measuring expected credit loss, the Group considers the probability of default upon initial recognition of investment and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group uses internal credit risk grading for its debt investments and these internal credit risk grading is established by reference to industry practice.

The summary of impairment assessment are presented as follows:

Category	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Write-off
Definition of category	Borrowers have a low risk of default or a strong capacity to meet contractual cash flows	Borrowers for which there is a significant increase in credit risk; significant increase in credit risk is presumed if there is a decline in internal credit risk grading	Principal payments past due; Borrowers facing litigations; or extension of principal repayment date due to financial difficulties	No reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off

NOTES TO THE **FINANCIAL STATEMENTS**

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

Over the term of the investment, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward looking macroeconomic data. The forward looking macroeconomic data incorporates adjustments for weighted average economic scenario outcomes, being 5% upside, 15% downside and 80% base (2019: 5% upside, 15% downside and 80% base) case scenarios, and are derived using publicly available data and internal forecast. The Group provides for credit losses against debt investments as follows:

Category	Performing RMB'000	Under-performing RMB'000	Non-performing RMB'000	Total RMB'000
2020				
Expected credit loss rates	**5.9%**	**6.4%**	**–***	
Gross carrying amount	**15,182,252**	**518,290**	**3,262,969**	**18,963,511**
Credit loss allowance	**(897,702)**	**(32,922)**	**(1,075,198)**	**(2,005,822)**
Net carrying amount	**14,284,550**	**485,368**	**2,187,771**	**16,957,689**
2019				
Expected credit loss rates	5.6%	–	–*	
Gross carrying amount	13,530,740	–	2,363,915	15,894,655
Credit loss allowance	(758,231)	–	(708,042)	(1,466,273)
Net carrying amount	12,772,509	–	1,655,873	14,428,382

* The ECL for non-performing investment is determined on an individual basis using a discounted cash flow methodology. The expected future cash flows are based on the management estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

The loss allowance for debt investments as at 31 December 2020 reconciles to the opening loss allowance for that provision as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
The Group				
2020				
Balance at 1 January 2020	**758,231**	**–**	**708,042**	**1,466,273**
Transfer to Stage 3	**(46,959)**	**–**	**46,959**	**–**
Transfer to Stage 2	**(7,523)**	**7,523**	**–**	**–**
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/originated	**641,738**	**28,363**	**375,683**	**1,045,784**
– Reversal of unutilised amount	**(358,000)**	**–**	**(187,457)**	**(545,457)**
– Changes in risk parameters*	**(89,785)**	**(2,964)**	**131,971**	**39,222**
	193,953	**25,399**	**320,197**	**539,549**
Utilisation	**–**	**–**	**–**	**–**
Balance at 31 December 2020	**897,702**	**32,922**	**1,075,198**	**2,005,822**
2019				
Balance at 1 January 2019	996,863	1,689	547,626	1,546,178
Transfer to Stage 3	(68,947)	–	68,947	–
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/originated	421,238	–	90,000	511,238
– Reversal of unutilised amount	(420,126)	(1,689)	(240,336)	(662,151)
– Changes in risk parameters*	(170,797)	–	449,827	279,030
	(169,685)	(1,689)	299,491	128,117
Utilisation	–	–	(208,022)	(208,022)
Balance at 31 December 2019	758,231	–	708,042	1,466,273

* For the performing and under-performing debt investments, the change in the loss allowance is due to change in the probability of default used or estimated loss given default to calculate the expected credit losses.

For the non-performing debt investments, the change in the loss allowance is due to change in the estimated loss given default to calculate the lifetime expected credit loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

The fair value of the collaterals is considered when providing for loss allowance. The carrying amounts of debt investments before loss allowance, presented by the type of collaterals held, are as follows:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Collateralised by:		
– Listed shares in PRC*	**4,193,170**	3,255,200
– Unlisted shares in PRC	**5,523,972**	1,025,000
– Properties and land use rights	**5,151,296**	5,392,869
– Guaranteed by government corporations and non-related corporations	**4,095,073**	6,221,586
	18,963,511	15,894,655

* Included in the listed shares in PRC is an amount of RMB428,332,000 (2019: RMB629,000,000) of shares which will only be available for trading after the expiry of their restriction period.

(vii) Loans to subsidiaries

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual obligation of RMB9,694,046,000 (2019: RMB11,235,042,000) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

(viii) Financial guarantees

As at balance sheet date, the Company has issued corporate guarantees to banks in relation to borrowings of its subsidiaries and a joint venture and the refund guarantees issued by a bank to shipbuilding customers of a subsidiary. These guarantees are subject to the impairment requirement of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capability to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees. The amount of these guarantees issued by the Company is as follows:

	The Company	
	2020	**2019**
	RMB'000	**RMB'000**
For borrowings incurred by subsidiaries	**652,651**	2,168,764
For refund guarantees* issued by a bank to customers of a subsidiary	**497,134**	–
For borrowings incurred by a joint venture	**127,888**	–

* Such refund guarantees are issued in relation to shipbuilding advances received from customers.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(viii) Financial guarantees (Continued)

Without taking into consideration of the collaterals held directly or indirectly by the Company, the maximum exposure to credit risk of the above financial guarantees is the notional amount of the borrowings as above.

(ix) Loans to a joint venture

The Group has assessed that its joint venture has strong financial capacity to meet the contractual obligation of RMB247,000,000 (2019: RMBNil) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

(c) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and marketable securities to enable them to meet their normal operating commitments.

The table below analyses the maturity profile of the Group's and Company's non-derivative financial liabilities into relevant maturity groupings on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
The Group				
As at 31 December 2020				
Trade and other payables	**(2,541,088)**	**–**	**–**	**–**
Lease liabilities	**(788)**	**(328)**	**–**	**–**
Bank borrowings	**(2,168,875)**	**(1,681,132)**	**(439,217)**	**(42,478)**
	(4,710,751)	**(1,681,460)**	**(439,217)**	**(42,478)**
As at 31 December 2019				
Trade and other payables	(3,356,847)	–	–	–
Lease liabilities	(827)	(827)	(345)	–
Bank borrowings	(2,931,083)	(1,297,391)	(966,757)	(42,553)
	(6,288,757)	(1,298,218)	(967,102)	(42,553)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

(c) **Liquidity risk** (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
The Company				
As at 31 December 2020				
Trade and other payables	**(3,401,683)**	**–**	**–**	**–**
Lease liabilities	**(788)**	**(328)**	**–**	**–**
Bank borrowings	**(871,387)**	**–**	**–**	**–**
	(4,273,858)	**(328)**	**–**	**–**
Financial guarantees *	**(1,087,255)**	**(190,418)**	**–**	**–**
As at 31 December 2019				
Trade and other payables	(4,941,689)	–	–	–
Lease liabilities	(827)	(827)	(345)	–
Bank borrowings	(508,529)	–	–	–
	(5,451,045)	(827)	(345)	–
Financial guarantees *	(2,168,764)	–	–	–

* This represents the maximum exposure of the Company in relation to corporate guarantees provided to subsidiaries without taking into consideration of the collaterals held. However, based on management's assessment, it is not probable that the counterparties to these financial guarantee contracts will claim under the contracts.

(d) **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group monitors capital on the basis of the total liabilities to total assets ratio.

The Group's strategy is to maintain a stable total liabilities to total assets ratio. The ratios at balance sheet date were as follows:

	The Group 2020 RMB'000	2019 RMB'000
Total liabilities	**11,534,146**	13,701,597
Total assets	**44,910,661**	45,756,122
Liability-to-asset ratio	**25.68%**	29.94%

The Group and the Company do not have any external imposed capital requirements for the financial years ended 31 December 2020 and 31 December 2019.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group				
31 December 2020				
Assets				
Financial assets, at fair value through profit or loss	**137,650**	**–**	**2,501,389**	**2,639,039**
Non-hedging derivatives	**–**	**100,089**	**–**	**100,089**
31 December 2019				
Assets				
Financial assets, at fair value through profit or loss	160,552	–	1,088,496	1,249,048
Non-hedging derivatives	–	1,317	–	1,317
Liabilities				
Non-hedging derivatives	–	(8,479)	–	(8,479)
The Company				
31 December 2020				
Assets				
Non-hedging derivatives	–	55,277	–	55,277
31 December 2019				
Assets				
Non-hedging derivatives	–	1,317	–	1,317
Liabilities				
Non-hedging derivatives	–	(8,479)	–	(8,479)

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (Continued)

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1 of the fair value hierarchy.

The fair values of unlisted equity securities, classified as financial assets at fair value through profit or loss have been determined by reference to the Company's share in attributable net assets in the investee companies. The investee companies have measured their own investments at fair value. The fair values are within level 3 of the fair value hierarchy.

The fair value of forward foreign exchange currency contracts is determined using quoted forward currency rates at the balance sheet date. These instruments are included in Level 2 of the fair value hierarchy.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The following table presents the changes in Level 3 instruments:

	Unlisted equity securities RMB'000
The Group	
2020	
Beginning of the financial year	**1,088,496**
Purchases	**1,273,974**
Disposal	**(199,330)**
Total gains for the period included in:	
– Profit and loss [Note (a)]	**338,249**
End of financial year	**2,501,389**
Change in unrealised gains for the period included in profit or loss for financial assets held at the end of the financial year [Note (a)]	**338,249**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

(e) **Fair value measurements** (Continued)

	Unlisted equity securities RMB'000
The Group	
2019	
Beginning of the financial year	1,083,513
Purchases	80,400
Disposal	(95,465)
Total gains for the period included in:	
– Profit and loss [Note (a)]	20,048
End of financial year	1,088,496
Change in unrealised gains for the period included in profit or loss for financial assets held at the end of the financial year [Note (a)]	20,048

(a) The gains are presented in "other (losses)/gains – net" in the consolidated statement of comprehensive income.

Inputs used in Level 3 fair value measurements and sensitivity analysis

The Group have the following financial instruments classified under Level 3 Fair Value Hierarchy, as follows:

	Unobservable inputs	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Unlisted equity securities	Share of attributable net assets in the investee companies per 100 shares invested	RMB0 to RMB920 (2019: RMB0 to RMB780)	There is a positive relationship between unobservable inputs and estimated fair value.

NOTES TO THE **FINANCIAL STATEMENTS**
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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 20 to the financial statements, except for the following:

	The Group RMB'000	The Company RMB'000
31 December 2020		
Financial assets, at amortised cost	**26,881,788**	**9,709,481**
Financial liabilities, at amortised cost	**(6,785,141)**	**(4,271,848)**
31 December 2019		
Financial assets, at amortised cost	27,138,294	11,249,956
Financial liabilities, at amortised cost	(8,389,779)	(5,448,049)

38. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, at terms agreed between the parties:

(a) Related party transactions

The Group had the following transactions with the following related parties.

	The Group	
	2020 RMB'000	2019 RMB'000
Sales of goods to a joint venture	**100,186**	680,415
Purchase of materials from a joint venture	**–**	3,902
Purchase of materials from other related party	**67,356**	100,264

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2020 are disclosed in Notes 16, 18 and 30 respectively.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2020	**2019**
	RMB'000	**RMB'000**
Directors		
Basic salaries	**627**	209
Directors' fees	**898**	706
Contributions to defined contribution plans	**137**	16
Discretionary bonuses	**194**	–
Senior management		
Basic salaries	**1,324**	1,682
Contributions to defined contribution plans	**143**	259
Discretionary bonuses	**813**	1,000
	4,136	3,872

39. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Chairman and head of respective business departments (collectively known as "Management Team") that are used to make strategic decisions.

The Management Team considers the business mainly from a business segment perspective. Geographically, management manages and monitors the business only from the PRC.

The principal activities of shipbuilding segment are that of shipbuilding, offshore marine equipment construction and ship design. The principal activities of investment segment consist of micro-financing, debt investments at amortised cost and other investments. The principal activities of trading segment consist of trading of goods.

Other segments include ship demolition and vessel owning companies. These are not identified as reportable operating segments, as they are not separately reported to the Management Team. The results of these operations are included in "Others".

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

39. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Management Team for the reportable segments for the years ended 31 December 2020 and 2019 are as follows:

	Shipbuilding RMB'000	Investments RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
The Group					
For the financial year ended 31 December 2020					
Segment revenue	**9,970,281**	**2,042,974**	**2,108,719**	**719,292**	**14,841,266**
Segment result	**2,188,691**	**1,951,042**	**(109,431)**	**124,027**	**4,154,329**
Included within segment result:					
Finance expenses	**(49,006)**	**–**	**(30,019)**	**(21,719)**	**(100,744)**
Fair value gain on					
• Derivatives financial instruments	**107,251**	**–**	**–**	**–**	**107,251**
• Financial assets, at fair value through profit or loss	**–**	**342,727**	**–**	**–**	**342,727**
(Impairment loss)/reversal of impairment loss on:					
• Loans to non-related parties – microfinance	**–**	**(12,028)**	**–**	**–**	**(12,028)**
• Debt investments at amortised cost	**–**	**(539,549)**	**–**	**–**	**(539,549)**
• Reversal of provision for onerous contracts – net	**113,715**	**–**	**–**	**–**	**113,715**
• Property, plant and equipment	**–**	**–**	**–**	**(149,746)**	**(149,746)**
• Advances to suppliers	**2,020**	**–**	**(54,370)**	**–**	**(52,350)**
Depreciation	**(347,830)**	**(2,468)**	**–**	**(134,908)**	**(485,206)**
Dividend income	**–**	**70,461**	**–**	**–**	**70,461**
Share of profits of associated companies	**1,562**	**155,084**	**–**	**(1,269)**	**155,377**
Share of profits of joint venture	**55,878**	**–**	**–**	**–**	**55,878**
Sales of bunker stock	**–**	**–**	**–**	**25,308**	**25,308**
Provision for customer claim	**(82,000)**	**–**	**–**	**–**	**(82,000)**
Bad debt written off	**3,536**	**5,559**	**(53,893)**	**(2,370)**	**(47,168)**
(Loss)/gain on disposal of:					
• Property, plant and equipment	**(1,266)**	**–**	**–**	**(4,826)**	**(6,092)**
• Financial assets at fair value through profit or loss	**–**	**(16,566)**	**–**	**–**	**(16,566)**
Business tax on interest income from debt investments at amortised cost and loans to non-related parties – microfinance	**–**	**(97,620)**	**–**	**–**	**(97,620)**
Interest income – finance lease	**–**	**–**	**–**	**91,476**	**91,476**
Income from forfeiture of advances received	**89,947**	**–**	**–**	**–**	**89,947**
Inventories write-down, net of reversal	**(31,860)**	**–**	**–**	**–**	**(31,860)**
Segment assets	**17,628,314**	**22,366,637**	**100,695**	**4,105,552**	**44,201,198**
Segment assets includes:					
Investment in associated companies	**18,473**	**1,155,537**	**–**	**7,383**	**1,181,393**
Investments in joint ventures	**362,332**	**–**	**–**	**–**	**362,332**
Additions to property, plant and equipment	**79,814**	**3,348**	**–**	**204,935**	**288,097**
Addition to investment property	**–**	**121,779**	**–**	**–**	**121,779**
Segment liabilities	**(7,264,782)**	**(22,120)**	**(82,935)**	**(1,743,519)**	**(9,113,356)**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

39. SEGMENT INFORMATION (CONTINUED)

	Shipbuilding RMB'000	Investments RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
The Group					
For the financial year ended 31 December 2019					
Segment revenue	13,018,951	2,098,963	7,730,736	748,525	23,597,175
Segment result	2,011,277	1,995,487	78,546	265,774	4,351,084
Included within segment result:					
Finance expenses	(52,466)	–	(71,112)	(38,224)	(161,802)
Fair value (loss)/gain on					
• Derivatives financial instruments	–	(7,162)	–	–	(7,162)
• Financial assets, at fair value through profit or loss	–	18,669	–	–	18,669
(Impairment loss)/reversal of impairment loss on:					
• Loans to non-related parties – microfinance	–	(20,542)	–	–	(20,542)
• Debt investments at amortised cost	–	(128,118)	–	–	(128,118)
• Reversal of provision for onerous contracts – net	511,470	–	–	–	511,470
Depreciation	(403,862)	(360)	–	(67,910)	(472,132)
Dividend income	–	138,633	–	–	138,633
Share of profits of associated companies	112,691	–	–	537	113,228
Share of profits of joint venture	–	–	–	3,893	3,893
Sales of bunker stock	–	–	–	33,860	33,860
Bad debt written off	–	–	–	(34,805)	(34,805)
(Loss)/gain on disposal of:					
• Property, plant and equipment	–	–	–	(4,598)	(4,598)
• Financial assets at fair value through profit or loss	–	100	–	–	100
Business tax on interest income from debt investments at amortised cost and loans to non-related parties – microfinance	–	(100,889)	–	–	(100,889)
Interest income – finance lease	–	–	–	73,006	73,006
Inventories write-down	(54,005)	–	–	–	(54,005)
Segment assets	21,987,664	18,219,760	676,029	4,225,341	45,108,794
Segment assets includes:					
Investment in associated companies	–	1,354,802	–	34,716	1,389,518
Investments in joint ventures	–	–	–	143,200	143,200
Additions to property, plant and equipment	27,589	–	–	501,292	528,881
Segment liabilities	(7,491,803)	(13,697)	(1,557,924)	(2,088,599)	(11,152,023)

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39. SEGMENT INFORMATION (CONTINUED)

Sales between segments are carried out at market terms.

The Management Team assesses the performance of the operating segments based on a measure of segment results. Certain administrative expenses and foreign currency exchange differences are not allocated to segments, as all these types of activities are shared by all segments. Interest income on cash and cash equivalents, and finance expenses of certain borrowings are not allocated to segments, as these types of activities are driven by the treasury department of the Group, which manages the cash position of the Group.

(a) Reconciliation

(i) Segment profits

A reconciliation of segment results to profit before tax is as follows:

	2020 **RMB'000**	**2019** **RMB'000**
Segment results for reportable segments	**4,030,302**	4,085,310
Segment results for other segments	**124,027**	265,774
Unallocated:		
Other income	**201,658**	196,289
Other gains – net	**(635,750)**	118,909
Administrative expenses	**(455,698)**	(454,501)
Finance expenses	**25,480**	(25,292)
Profit before tax	**3,290,019**	4,186,489

(ii) Segment assets

The amounts provided to the Management Team with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than deferred income tax assets and certain other receivables.

	2020 **RMB'000**	**2019** **RMB'000**
Segment assets for reportable segments	**40,095,646**	40,883,453
Other segment assets	**4,105,552**	4,225,341
Unallocated:		
Deferred income tax assets	**709,463**	647,328
Total assets	**44,910,661**	45,756,122

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39. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliation (Continued)

(iii) Segment liabilities

The amounts provided to the Management Team with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments other than current income tax liabilities, certain borrowings and deferred income tax liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	2020 **RMB'000**	**2019** **RMB'000**
Segment liabilities for reportable segments	**(7,369,837)**	9,063,424
Other segment liabilities	**(1,743,519)**	2,088,599
Unallocated:		
Current income tax liabilities	**(972,982)**	1,289,383
Deferred income tax liabilities	**(1,447,808)**	1,260,191
Total liabilities	**(11,534,146)**	13,701,597

(b) Revenue from major products

Revenue of shipbuilding segment is derived from the construction of container ships, multiple purpose cargo ships and other types of vessel as well as sales of some shipbuilding-related goods. Revenue of investment segment comprises interest income from loans to non-related parties – microfinance, debt investments at amortised cost and other investments. Revenue of trading segment is derived from the trading of goods such as metal and chemical products. Revenue from other segment is mainly derived from ship management services. Breakdown of the revenue by major product types is as follows:

	2020 **RMB'000**	**2019** **RMB'000**
Construction of container ships	**3,079,425**	3,369,777
Construction of multiple purpose cargo ships	**5,988,606**	8,364,462
Sales of other completed vessels	**902,250**	1,284,711
Sales of metal and chemical products	**2,108,719**	7,730,736
Interest income from loans to non-related parties – microfinance	**43,585**	49,896
Interest income from debt investments at amortised cost	**1,999,389**	2,049,067
Rendering of ship design services	**6,342**	4,915
Charter hire income	**666,634**	689,419
Others	**46,316**	54,192
	14,841,266	23,597,175

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39. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's revenue based on the customers' locations are as follows:

	2020 RMB'000	2019 RMB'000
PRC and Taiwan	**9,362,074**	13,340,227
Germany	**264,300**	523,960
Greece	**1,524,814**	2,242,247
Other European countries	**2,235,001**	4,757,562
Other Asian countries	**411,272**	1,232,848
Canada	**–**	68,396
Norway	**841,145**	895,860
Korea	**4,321**	404,811
Others	**198,339**	131,264
	14,841,266	23,597,175

Revenues of approximately RMB3,104,389,000 (2019: RMB3,003,000,000) are derived from three (2019: three) major customers. These revenues are attributable to the shipbuilding segment. Revenue of approximately RMB544,870,000 (2019: RMB1,005,100,000) is derived from one (2019: one) customer from the trading business included in the trading segment.

The Group's non-current assets amounting to RMB12,932,533,000 (2019: RMB13,057,494,000) are mainly located in the PRC.

40. BUSINESS COMBINATION

In February 2019, the Group acquired 51% of equity interest in Shanghai Econovo Marine Engineering Co., Ltd. ("Econovo") for a cash consideration of RMB11,241,000.

In July 2019, the Group and the Company acquired 100% of equity interest in Yangzijiang Terminals China Holding Pte. Ltd. (formerly known as Odfjell Terminals China Holding Pte. Ltd.) and its 55% owned subsidiary, Yangzijiang Garson Terminals (Jiangsu) Company Ltd. (formerly known as Odfjell Terminals (Jiangyin) Company Ltd.), (collectively "YZJ Terminals") for a total cash consideration of RMB317,655,000.

The final allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the business combination has been completed during the year ended 31 December 2020 and the goodwill amount computed remained at RMB258,979,00 (Note 29).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

40. BUSINESS COMBINATION (CONTINUED)

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	Total RMB'000
Cash paid	328,896
Consideration transferred for the business	328,896

(b) Effect on cash flows of the Group

Cash paid (as above)	328,896
Less: Cash and cash equivalents in subsidiaries acquired	(15,925)
Cash outflow on acquisition	312,971

(c) Identifiable assets acquired and liabilities assumed

	At fair value RMB'000
Cash and cash equivalents	15,925
Inventories	330
Trade and other receivables	12,075
Property, plant and equipment [Note (g)]	196,391
Lease prepayments	23,412
Intangible assets	7,332
Deferred tax assets	6,557
Total assets	262,022
Trade and other payables	(10,614)
Borrowings	(126,200)
Deferred tax liabilities	(1,830)
Total liabilities	(138,644)
Total identifiable net assets	123,378
Less: Non-controlling interest at fair value	(53,461)
Add: Goodwill (Note 29)	258,979
Consideration transferred for the business	**328,896**

(d) Non-controlling interests

During the financial year ended 31 December 2019, the Group recognised the non-controlling interests of RMB53,461,000, at the non-controlling interests' proportionate share of the fair value of the identifiable net assets of the acquiree.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

40. BUSINESS COMBINATION (CONTINUED)

(e) Goodwill

The goodwill of RMB258,979,000 arising from the two acquisitions is attributable to the following: synergies from the acquisition of Econovo with regards to its vessel design and offshore projects, and from the acquisition of YZJ Terminals with regards to its tank terminal operations in the upstream Yangtze River region. The goodwill is not deductible for tax purposes.

(f) Revenue and profit contribution

The acquired business Econovo contributed revenue of RMB2,160,000 and net loss of RMB6,867,000 to the Group from the period from 1 March 2019 to 31 December 2019. Had Econovo been acquired from 1 January 2019, consolidated revenue and consolidated loss for the year ended 31 December 2019 would have been RMB2,651,000 and RMB7,905,000.

The acquired business Odfjell contributed revenue of RMB23,195,000 and net profit of RMB14,382,000 to the Group from the period from 1 July 2019 to 31 December 2019. Had Odfjell been acquired from 1 January 2019, consolidated revenue and consolidated profit for the year ended 31 December 2019 would have been RMB45,730,000 and RMB16,993,000.

(g) The fair values of the acquired property, plant and equipment were finalised during the year. No adjustments were required to be recognised.

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2021 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-16 *Property, Plant and Equipment: Proceeds before Intended Use* (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Group does not expect any significant impact arising from applying these amendments.

42. IMPACT OF COVID-19

In 2020, the COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group's significant operations are in the PRC, which has not been spared by the spread of COVID-19 in 2020.

The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets and provisions for onerous contracts as at 31 December 2020. Significant estimates and judgement applied on estimation of total contract costs and impairment of assets are disclosed in Note 3.

43. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. passed on 26 March 2021.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

44. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES IN THE GROUP

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Jiangsu New Yangzi Shipbuilding Co., Ltd.[(1)]	Shipbuilding, ship repairing, production and processing of large-scale steel structures	PRC	**48.9**	48.9	**100**	100	**–**	–
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.[(1)]	Shipbuilding, ship repairing, production and processing of large-scale steel structures	PRC	**12.5**	12.5	**80**	80	**20**	20
Jiangsu Yangzijiang Shipbuilding Co., Ltd.[(2)]	Shipbuilding, ship repairing, production and processing of large-scale steel structures	PRC	**100**	100	**100**	100	**–**	–
Jiangsu Tianyuan Ships Import and Export Co., Ltd.[(1)]	Facilitating the sale and export of ships for the shipbuilder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Tianchen Marine Import and Export Co., Ltd.[(1)]	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Yangchuan Equipment and Materials Co., Ltd.[(2)]	Supply of marine equipment and materials	PRC	**–**	–	**100**	100	**–**	–
Jingjiang Runyuan Rural Micro-finance Co., Ltd.[(2)]	Provide microcredit to enterprises and individuals	PRC	**–**	–	**100**	100	**–**	–
Yangzijiang International Trading Pte. Ltd.[(3)]	Trading of shipbuilding related materials/supplies	Singapore	**100**	100	**100**	100	**–**	–
Jiangsu Yanghong Marine Import and Export Co., Ltd.[(1)]	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**96.8**	96.8	**100**	100	**–**	–
Yangzijiang Shipping Pte. Ltd.[(3)]	Investment holding and shipping related businesses	Singapore	**100**	100	**100**	100	**–**	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

44. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES IN THE GROUP (CONTINUED)

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company 31 December		Proportion of ordinary shares directly held by the Group 31 December		Proportion of ordinary shares held by non-controlling interest 31 December	
			2020	2019	**2020**	2019	**2020**	2019
			%	%	**%**	%	**%**	%
Jiangsu Yangzijiang Offshore Engineering Co., Ltd.(1)	Shipbuilding, production and processing of large-scale steel structures	PRC	**–**	–	**79.6**	79.6	**20.4**	20.4
Shanghai Econovo Marine Engineering Co., Ltd.(2)	Naval architecture and marine engineering field	PRC	**–**	–	**51**	51	**49**	49
Yangzijiang Garson Terminals (Jiangsu) Company Ltd.(2)(5)	Owns and operates a tank terminal	PRC	**–**	–	**55**	55	**45**	45
Yangzijiang Terminals China Holding Pte. Ltd.(3)(6)	Investment holding	Singapore	**100**	100	**100**	100	**–**	–

Name of associated companies	Principal activities	Place of business/country of incorporation	Effective equity holding	
			2020	**2019**
			%	**%**
Everbright Venture Capital Jiangyin Co., Ltd.(2)	Engaging in venture capital investment and providing seed capital	PRC	**21.36**	21.36
Jiangsu New Material Industrial Venture Capital Enterprise(2)	Engaging in venture capital investment and providing seed capital	PRC	**38**	38
Shanghai Chengding Yangzi Investment Partnership Enterprise ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**29.15**	29.15
Shanghai Chengding New Yangzi Investment Partnership Enterprise ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**29.85**	29.85
Zhuhai Interconnect Leading High-Tech Industrial Investment Center ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**30**	30

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

44. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES IN THE GROUP (CONTINUED)

Name of associated companies	Principal activities	Place of business/country of incorporation	Effective equity holding 2020 %	2019 %
Wuxi Jinrui Zhonghe Investment Enterprise ("Limited Partnership")[(2)]	Engaging in venture capital investment and providing seed capital	PRC	–	33.33
Jiangsu Sushang Joint Industry Investment Partnership ("Limited Partnership")[(2)]	Engaging in venture capital investment and providing seed capital	PRC	**25**	25
Jiangsu Nantong Yanhai Emerging Industrial Investment Fund ("Limited Partnership")[(2)]	Engaging in venture capital investment and providing seed capital	PRC	**30**	30

(1) These subsidiaries are audited by Jiangyin Tian Cheng CPAs Co. Limited for local statutory purpose.

(2) These subsidiaries and associated companies are audited by other accounting firms for local statutory purpose.

(3) The Company and these subsidiaries are audited by PricewaterhouseCoopers LLP, Singapore for local statutory purpose.

(4) In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

(5) Formerly known as Odfjell Terminals (Jiangyin) Company Ltd.

(6) Formerly known as Odfjell Terminals China Holding Pte. Ltd.

STATISTICS OF **SHAREHOLDINGS**

AS AT 12 MARCH 2021

Issued and fully paid-up shares capital	:	S$1,451,903,280.38 (RMB7,326,773,000)
Number of shares (excluding treasury share)	:	3,848,516,000
Class of shares	:	Ordinary Shares
Voting per share	:	One vote per share
Treasury Share	:	125,561,000
Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	19	0.08	210	0.00
100 – 1,000	2,066	8.96	1,823,908	0.05
1,001 – 10,000	13,528	58.67	79,661,812	2.07
10,001 – 1,000,000	7,409	32.14	323,930,606	8.42
1,000,001 AND ABOVE	34	0.15	3,443,099,464	89.46
TOTAL	**23,056**	**100.00**	**3,848,516,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	1,204,836,353	31.31
2	HSBC (SINGAPORE) NOMINEES PTE LTD	1,017,990,055	26.45
3	DBS NOMINEES (PRIVATE) LIMITED	427,852,943	11.12
4	DBSN SERVICES PTE. LTD.	336,645,984	8.75
5	RAFFLES NOMINEES (PTE.) LIMITED	225,981,563	5.87
6	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	43,653,274	1.13
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	25,028,500	0.65
8	PHILLIP SECURITIES PTE LTD	22,064,325	0.57
9	OCBC SECURITIES PRIVATE LIMITED	20,421,900	0.53
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	15,699,200	0.41
11	UOB KAY HIAN PRIVATE LIMITED	13,343,200	0.35
12	ABN AMRO CLEARING BANK N.V.	10,773,040	0.28
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	9,378,922	0.24
14	MERRILL LYNCH (SINGAPORE) PTE. LTD.	8,108,862	0.21
15	IFAST FINANCIAL PTE. LTD.	7,885,000	0.20
16	TJENDRI ANASTASIA	6,810,100	0.18
17	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,442,263	0.17
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,427,600	0.17
19	BPSS NOMINEES SINGAPORE (PTE.) LTD.	5,736,680	0.15
20	KENYON PTE LTD	4,000,000	0.10
	TOTAL	**3,419,079,764**	**88.84**

SUBSTANTIAL **SHAREHOLDERS**

AS AT 12 MARCH 2021

Substantial Shareholders	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%	Total Interest Number of Shares	%
Ren Yuanlin[(1)]	3,200,000	0.0831	852,845,825	22.1604	856,045,825	22.2435
Yangzi International Holdings Limited	852,845,825	22.1604	–	–	852,845,825	22.1604
Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement	–	–	852,845,825	22.1604	852,845,825	22.1604
Lido Point Investments Ltd	394,134,000	10.2412	–	–	394,134,000	10.2412
Wang Dong[(2)]	–	–	394,134,000	10.2412	394,134,000	10.2412

(1) Ren Yuanlin (as Settlor of the YZJ Settlement) is deemed to be interested in the shares held through his interest in Yangzi International Holdings Limited, which is wholly-owned by Julius Baer Trust Company (Singapore) Limited as trustee of the YZJ Settlement, by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Wang Dong is deemed to be interested in the shares through his interest in Lido Point Investments Ltd, by virtue of Section 7 of the Companies Act, Cap. 50.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 59.30% of the shareholding of the Company is held in the hands of the public as at 12 March 2021 and Rule 723 of the Listing Manual is complied with.

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held by way of electronic means on Friday, 30 April 2021 at 3.00 p.m. to transact the following business:–

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2020 together with the Directors' Statements and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of S$0.045 per ordinary share in respect of the financial year ended 31 December 2020. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$182,000 for the financial year ended 31 December 2020. (2019: S$136,500) **(Resolution 3)**

4. To re-elect Mr Ren Letian, who is retiring by rotation pursuant to Regulation 76 of the Company's Constitution. *[See Explanatory Note (a)]* **(Resolution 4)**

5. To re-elect Mr Song Shuming, who is retiring by rotation pursuant to Regulation 76 of the Company's Constitution. **(Resolution 5)**
   [See Explanatory Note (b)]

6. To re-elect Mr Toe Teow Heng, who is retiring by rotation pursuant to Regulation 76 of the Company's Constitution. **(Resolution 6)**
   [See Explanatory Note (c)]

7. To re-elect Mr Chen Timothy Teck Leng @ Chen Teck Leng, who is retiring by rotation pursuant to Regulation 94 of the Company's Constitution. **(Resolution 7)**
   [See Explanatory Note (d)]

8. That, subject to and contingent upon passing of Resolution 9 and in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") which takes effect from 1 January 2022:

   (a) the continued appointment of Mr Teo Yi-Dar (Zhang Yida) as an independent director be and is hereby approved; and

   (b) this Resolution shall continue in force until the earlier of (i) the retirement or resignation of Mr Teo Yi-Dar (Zhang Yida) as a director of the Company or (ii) the conclusion of the fifteenth annual general meeting of the Company following the passing of this Resolution. **(Resolution 8)**

   [See Explanatory Note (e)]

9. That, subject to and contingent upon passing of Resolution 8 and in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") which takes effect from 1 January 2022:

   (a) the continued appointment of Mr Teo Yi-Dar (Zhang Yida) as an independent director be and is hereby approved; and

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

(b) this Resolution shall continue in force until the earlier of (i) the retirement or resignation of Mr Teo Yi-Dar (Zhang Yida) as a director of the Company or (ii) the conclusion of the fifteenth annual general meeting of the Company following the passing of this Resolution. **(Resolution 9)**

[See Explanatory Note (e)]

10. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 10)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions with or without modifications:

11. **AUTHORITY TO ALLOT AND ISSUE SHARES**

THAT pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(a) (i) issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

(b) issue Shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

provided that:

(1) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro-rata basis, then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (1) above, the total number of issued Shares shall be based on the issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the time such authority was conferred, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities or the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(b) any subsequent consolidation or subdivision of the Shares;

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and

(4) (unless revoked or varied by the Company in a general meeting) the authority so conferred shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 11)

[See Explanatory Note (f)]

12. **RENEWAL OF SHARE PURCHASE MANDATE**

THAT:

(a) the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Ordinary Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST ("**Market Purchase**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act ("**Off-Market Purchase**");

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**"),

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held; or

(ii) the date by which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of the Shares pursuant to Share Purchase Mandate are carried out to the full extent mandated.

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Ordinary Shares representing 10% of the total number of the issued Ordinary Shares as at the date of the passing of this Resolution (excluding the Ordinary Shares held in treasury and subsidiary holdings as at that date);

"**Maximum Price**", in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:–

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 120% of Average Closing Price (as defined hereinafter), pursuant to an equal access scheme;

"**Average Closing Price**" means the average of the closing market prices of a Share for the five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five (5) Market Days;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. **(Resolution 12)**

[See Explanatory Note (g)]

13. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board

Pan Mi Keay
Company Secretary
6 April 2021
Singapore

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

Explanatory Notes:

(a) Detailed information on Mr Ren Letian, who is seeking re-election as a Director of the Company, is found under "Board of Directors" section on page 14 and "Disclosure of information on seeking re-election pursuant to Rule 720(6) of the Listing Rules of the SGX-ST" on pages 36 to 39 of the Annual Report. Mr Ren Letian is the Executive Chairman of the Company and the Chief Executive Officer of the Group.

(b) Detailed information on Mr Song Shuming, who is seeking re-election as a Director of the Company, is under "Board of Directors" section on page 15 and "Disclosure of information on seeking re-election pursuant to Rule 720(6) of the Listing Rules of the SGX-ST" on pages 40 to 43 of the Annual Report. Mr Song Shuming is the Executive Director of the Company.

(c) Detailed information on Mr Toe Teow Heng, who is seeking re-election as a Director of the Company, is under "Board of Directors" section on page 15 and "Disclosure of information on seeking re-election pursuant to Rule 720(6) of the Listing Rules of the SGX-ST" on pages 44 to 47 of the Annual Report.

Mr Toe Teow Heng will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual. There are no relationships (including immediate family relationships) between Mr Toe Teow Heng and the other Directors, or the Company, or its substantial shareholders.

(d) Detailed information on Mr Chen Timothy Teck Leng @ Chen Teck Leng, who is seeking re-election as a Director of the Company, is under "Board of Directors" section on page 14 and "Disclosure of information on seeking re-election pursuant to Rule 720(6) of the Listing Rules of the SGX-ST" on pages 48 to 51 of the Annual Report.

Mr Chen Timothy Teck Leng @ Chen Teck Leng will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual. There are no relationships (including immediate family relationships) between Mr Chen Timothy Teck Leng @ Chen Teck Leng and the other Directors, or the Company, or its substantial shareholders.

(e) Under Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders and (b) shareholders excluding the directors and the chief executive officer of the company and their associates (as defined in the Listing Manual of the SGX-ST). Such resolutions may remain in force until the earlier of (i) the retirement or resignation of the director or (ii) the conclusion of the third annual general meeting of the company following the passing of the resolutions.

Resolution 8 and Resolution 9 are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual as Mr Teo Yi-Dar (Zhang Yida), an Independent Director, would have served as a Director of the Company for more than nine years from the date of his first appointment come 1 January 2022. Rule 210(5)(d)(iii) requires Resolution 8 to be voted by all shareholders of the Company and Resolution 9 by shareholders excluding the Directors and the Chief Executive Officer of the Company and their respective associates. Resolution 8 and Resolution 9, if both passed, will allow Mr Teo Yi-Dar (Zhang Yida) to continue in office as an Independent Director of the Company come 1 January 2022 pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. If either Resolution 8 or Resolution 9 is not passed, Mr Teo Yi-Dar (Zhang Yida) will step down as a Director of the Company before 1 January 2022 and the Company will endeavour to fill the vacancy within two months, but in any case not later than three months.

(f) The proposed ordinary resolution 11, if passed, will empower the Directors of the Company from the date of the above meeting to issue shares in the Company up to an amount not exceeding in total 50% of the total number of issued shares in the capital of the Company with a sub-limit of 20% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interest of the Company. The authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

(g) The proposed ordinary resolution 12, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next annual general meeting of the Company to purchase or acquire up to 10% of the issued ordinary share capital (excluding the shares held in treasury and subsidiary holdings) of the Company as at the date of the passing of this Resolution. Details of the proposed Share Purchase Mandate are set out in the Appendix to the Annual Report which is available online for information.

 (i) As at the date of this Notice of the AGM, the Company has, since the date of the last annual general meeting, purchased a total of 70,249,200 shares by way of market purchase at an aggregate consideration of S$66,712,227.18

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

(ii) The amount of financing required for the Company to further purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of the AGM as this will depend on the number of the shares purchased or acquired and the price at which such shares were purchased or acquired.

(iii) The financial effects of the purchase or acquisition of shares by the Company pursuant to the proposed Share Purchase Mandate on the Group's audited financial statements for the financial year ended 31 December 2020 are set out in the Appendix to the Annual Report and are for illustration only.

NOTES:

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, this Annual General Meeting of the Company ("**AGM**") will be conducted solely by way of electronic means. Accordingly, this Notice of AGM and Proxy Form are made available to members via publication on the SGX website at https://www.sgx.com/securities/company-announcements and on the Company's website at www.yzjship.com.

2. This AGM will be conducted solely via a live audio-video webcast and a live audio-only stream. Members of the Company will not be able to attend the AGM in person. Members may however participate in the AGM by observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream, submitting questions in advance of the AGM and appointing the chairman of the AGM ("Chairman of the Meeting") as proxy to attend and vote on their behalf at the AGM. Details of the steps for pre-registration, submission of questions and voting at the AGM are set out below.

   Procedures for members who wish to observe and/or listen to the AGM proceedings

   (a) Members who wish to observe and/or listen to the AGM proceedings must complete the following steps:

      (i) Members must complete and send pre-registration form by mail to the Company's Secretary or by email to: yangzijiang.sg@yzjship.com (Attn: Yangzijiang Team) by 3.00 p.m. on 27 April 2021. Pre-registration will open at 3.00 p.m. on 6 April 2021.

      (ii) The Company will verify the members' shareholding status after the close of pre-registration. Only members who pre-register by 3.00 p.m. on 27 April 2021 and have ordinary shares in the Company in their names as at 27 April 2021 ("Participating Members") may observe and/or listen to the AGM proceedings.

      (iii) The Company will send to the Participating Members an email containing login and dial-in details (including a weblink and a telephone number) to access the AGM proceedings ("Confirmation Email").

   (b) If a member pre-registers by 3.00 p.m. on 27 April 2021 but does not receive the Confirmation Email by 3.00 p.m. on 29 April 2021, the member should contact the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, by telephone at 6536 5355 during Monday to Friday, from 9.30 a.m. to 5.30 p.m. (excluding Public Holiday), or by email to yangzijiang.sg@yzjship.com.

3. Procedures for members who wish to submit questions relating to the resolution to be tabled at the AGM

   (a) Members will not be able to ask questions during the live audio-video webcast or the live audio-only stream of the AGM proceedings. Members who pre-register to observe and/or listen to the AGM proceedings may submit questions relating to the resolution to be tabled at the AGM to the Chairman of the Meeting by mailing or emailing to the investor relations consultancy firm engaged by the Company at the following addresses by 5.00 p.m. on 23 April 2021.

      Mailing address: 4 Robinson Rd, #04-01 The House of Eden, Singapore 048543
      Email Address: romil@financialpr.com.sg/ jass@financialpr.com.sg
      Attention to: Romil SINGH/Jass LIM

   (b) The Board of Directors of the Company ("Board") will endeavour to address, during the AGM, substantial and relevant questions (as determined by the Board in its sole opinion) submitted by Participating Members. However, there may not be sufficient time to address all such questions.

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

4. Procedures for members who wish to vote at the AGM

   (a) Members who wish to vote on the resolution to be tabled at the AGM must submit in advance the Proxy Form, appointing the Chairman of the Meeting as their proxy and directing him to vote for or vote against the resolution at the AGM by indicating such instructions in the Proxy Form. Members may submit the Proxy Form via email or by post.

   (b) The duly completed and signed Proxy Form must be submitted in the following manner:

      (i) if via email, please scan and email a PDF copy of the duly completed and signed Proxy Form to the electronic mail address yangzijiang.sg@yzjship.com (Attn: Yangzijiang Team).

      (ii) if by post, please send the duly completed and signed Proxy Form to the registered office of the Company at 80 Robinson Road, #02-00 Singapore 068898.

   (c) Given the restriction orders and elevated safe distancing measures to deal with the COVID-19 situation in Singapore, members are strongly encouraged to submit the duly completed and signed Proxy Form via email.

   (d) The duly completed and signed Proxy Form, whether sent via email or by post, must be received by the Company by 3.00 p.m. on 27 April 2021.

5. Persons who hold shares through relevant intermediaries

   (a) Persons who hold shares through relevant intermediaries (as defined in Section 181(6) of the Companies Act, Chapter 50), including an investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**"), and who wish to participate in the AGM by (i) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (ii) submitting questions in advance of the AGM; and/or (iii) appointing the Chairman of the Meeting as proxy to attend and vote on their behalf at the AGM, should contact the relevant intermediaries (which would include, in the case of CPF Investors and SRS Investors, their respective CPF agent banks and SRS operators) through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

   (b) CPF Investors or SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF agent banks or SRS operators to submit their votes by 5.00 p.m. on 20 April 2021.

   (c) The Proxy Form is not valid for use by CPF Investors or SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

6. The proxy, who is the Chairman of the Meeting, need not be a member of the Company.

7. The Proxy Form shall be under the hand of the member or by his/her attorney duly authorised in writing, or if the member is a corporation, under seal or under the hand of its attorney duly authorised in writing. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), shall be attached to the instrument of proxy.

8. The duly executed Proxy Form must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 72 hours before the time fixed for holding the AGM in order for the proxy to be entitled to attend and vote at the AGM.

9. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote at the AGM.

10. As there may be new measures (including new guidance or requirements for the holding or conduct of meetings) to deal with the evolving COVID-19 situation in Singapore, the Company may have to change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNet at https://www.sgx.com/securities/company-announcements. Members are advised to check the SGXNet and the Company's website regularly for updates on the AGM.

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

PERSONAL DATA PRIVACY

Where a member of the Company submits (a) an application to pre-register to participate in the AGM via live webcast, (b) questions relating to the resolutions to be tabled for approval at the AGM, and/or (c) an instrument appointing a proxy to vote at the AGM and/or any adjournment thereof, the member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purposes of (a) processing the member's application to pre-register to participate in the AGM via live webcast and providing the member with any technical assistance where possible, (b) addressing any selected questions submitted by the member and following up with the member where necessary, (c) the processing and administration by the Company (or its agents) of the proxy appointed for the AGM (including any adjournment thereof), and (d) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines, and (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's action or omission.

APPENDIX

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

1.1 Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") proposes to seek the approval of Shareholders of the Company (the "**Shareholders**") at the Fifteenth Annual General Meeting of the Company to be held at 16 Raffles Quay, #41-02 Hong Leong Building, Singapore 048581 on Friday, 30 April 2021 at 3.00 p.m. (of which there will be a live webcast) (the "**15th AGM**") for the proposed renewal of the share purchase mandate to authorise the Company's directors (the "Directors") from time to time to purchase shares in the capital of the Company (whether by market purchases and/or off-market purchases on an equal access system) up to 10% of the issued ordinary share capital of the Company as at the date of the passing of proposed ordinary resolution 12 at the 15th AGM, at the price of up to but not exceeding the Maximum Price (as defined below), subject to the constitution of the Company (the "**Constitution**") and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as set out in the SGX-ST Listing Manual (the "**Listing Manual**") (the "**Share Purchase Mandate**").

1.2 The Companies Act, Chapter 50 of Singapore (the "**Companies Act**") allows a Singapore incorporated company to purchase or otherwise acquire its issued ordinary shares, stocks and preference shares if the purchase or acquisition is permitted under the company's constitution. Any purchase or acquisition of Shares (as defined in paragraph 2.1 below) by the Company must be made in accordance with, and in the manner prescribed by, the Companies Act, the Constitution for the time being and such other laws and regulations as may, for the time being, be applicable. As the Company is listed on the Mainboard of the SGX-ST, it is also required to comply with Part XIII of Chapter 8 of the Listing Manual, which relates to the purchase or acquisition by an issuer of its own shares. Regulation 50(2) of the Constitution expressly permits the Company to purchase or otherwise acquire its issued shares.

It is a requirement under the Companies Act and the Listing Manual for a company that wishes to purchase or otherwise acquire its own shares to obtain the approval of its shareholders.

1.3 The Shareholders of the Company had at the EGM held on 25 April 2008, approved the Share Purchase Mandate (the "**2008 Mandate**") for the Directors to exercise all the powers of the Company to purchase or acquire up to 10% of the issued ordinary share capital of the Company on the terms of that mandate. The Share Purchase Mandate was renewed at the last AGM held on 30 April 2020 and such mandate being to take effect until the conclusion of the forthcoming 15th AGM.

1.4 If the proposed ordinary resolution 12 under the heading of "Special Business" in the Notice of the 15th AGM for the renewal of the Share Purchase Mandate is approved at the 15th AGM (the "**Share Purchase Mandate Renewal Resolution**"), the mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the next AGM of the Company is held or is required by law to be held, whichever is earlier.

1.5 The purpose of this appendix ("**this Appendix**") is to provide information relating to and explain the rationale for the proposed renewal of the Share Purchase Mandate.

1.6 Shareholders who are in doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers at the earliest opportunity.

APPENDIX

2. RATIONALE FOR THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 The proposed renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its ordinary shares in the issued and paid-up share capital of the Company (the "**Shares**") will continue to give the Directors the flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 3.1 below at any time during the period when the Share Purchase Mandate is in force.

2.2 The rationale for the Company to undertake the purchase or acquisition of its issued Shares, as previously stated in its circular to Shareholders dated 9 April 2008, are as follows:

(a) In managing the business of the Company and its subsidiaries (the "**Group**"), the Management will strive to increase Shareholders' value by improving, *inter alia*, the Return on Equity ("**ROE**") of the Company. In addition to growth and expansion of the business, share purchases may be considered as one of the ways through which the ROE of the Company may be enhanced.

(b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds, which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.

(c) Share purchase programmes help to buffer short-term share price volatility.

(d) The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

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3. AUTHORITY AND LIMITS ON THE SHARE PURCHASE MANDATE

The authority and limitations placed on share purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, are similar in terms to those previously approved by Shareholders, and are summarised below:

3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be repurchased by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) ascertained as at the date of the 15th AGM at which the Share Purchase Mandate Renewal Resolution is passed, unless the share capital of the Company has been reduced in accordance with the applicable provisions of the Companies Act at any time during the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or required by law to be held, whichever is the earlier, after the date the Share Purchase Mandate Renewal Resolution is passed (the "**Relevant Period**"), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit. As at 12 March 2021 (the "**Latest Practicable Date**"), the Company is holding 125,561,000 Shares in treasury and does not have subsidiary holdings.

For illustrative purposes only, on the basis of 3,848,516,000 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings), and assuming on or prior to the 15th AGM:

(a) no further Shares are issued;

(b) no Shares are held as subsidiary holdings; and

(c) no further Shares are purchased or acquired by the Company, or held as treasury shares,

not more than 384,851,600 Shares, representing 10% of the total number of Shares (excluding the Shares held in treasury and subsidiary holdings) as at that date, may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the Relevant Period.

3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the 15th AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM of the Company is held or required by law to be held; or

(b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

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The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM (after the 15th AGM) or an EGM to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the Share Purchase Mandate made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) market purchase(s) ("**Market Purchase**"), transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) off-market purchase(s) ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed purchase or acquisition of Shares;

(d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Singapore Code on Take-over and Mergers (the "**Take-over Code**") or other applicable take-over rules;

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(e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether through Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share for the five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Manual for any corporate action which occurs during the relevant period of five (5) Market Days and the day on which the Market Purchase is made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

"**Market Day**" means a day on which the SGX-ST is open for trading in securities.

3.5 Status of Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

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3.6 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.6.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. In the event that the Company holds more than 10% of the total number of its issued Shares as treasury shares, the Company shall dispose of or cancel the excess treasury shares in the manner set out under paragraph 3.6.3 of this Appendix below within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies appointed under the Companies Act may allow.

3.6.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.6.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage, and the value of the treasure shares if they are used for a sale, transfer, or cancelled.

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4. **REPORTING REQUIREMENTS**

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority ("**ACRA**").

The Company shall notify ACRA within 30 days of a purchase of Shares by the Company on the SGX-ST or otherwise. Such notification shall include details of the purchases, the total number of Shares purchased by the Company, the number of Shares held as treasury shares, the Company's total number of issued Shares as at the date of the Shareholders' resolution approving the purchase of the Shares and after the purchase of Shares, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required in the prescribed form.

The Company is required under Rule 886 of the Listing Manual to notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its Shares, and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisition of Shares to the SGX-ST shall be in such form and shall comprise such details that the SGX-ST may prescribe, including, *inter alia*, details of the date of the purchase, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such Shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the Shares, the number of Shares purchased as at the date of announcement (on a cumulative basis), the number of issued Shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

5. **SOURCE OF FUNDS**

The Company may only apply funds for the purchase or acquisition of the Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits. Apart from using its internal sources of funds, the Company may obtain or incur borrowings to finance its purchase or acquisition of Shares.

6. **FINANCIAL EFFECTS**

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the net tangible asset and earning per share as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares and the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

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The Company's total number of issued Shares will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The net tangible assets ("**NTA**") of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be affected after considering relevant factors such as the working capital requirements, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view of enhancing the earnings per share (the "**EPS**") and/or the NTA value per Share.

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the financial statements of the Group for the financial period ended 31 December 2020 are based on the assumptions set out below:

(a) based on 3,848,516,000 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings), and assuming no further Shares are issued, 125,561,000 Shares are held by the Company as treasury shares and no further Shares are held by the Company as treasury shares on or prior to the 15th AGM, not more than 384,851,600 Shares, representing 10% of the total number of issued Shares (excluding Shares held in treasury and subsidiary holdings) as at that date, may be purchased by the Company pursuant to the proposed Share Purchase Mandate;

(b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 384,851,600 Shares at the Maximum Price of S$1.203 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 384,851,600 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB2,283,122,188; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 384,851,600 Shares at the Maximum Price of S$1.375 for one (1) Share (being the price equivalent to 20% above the Average Closing Price of the Shares on the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 384,851,600 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB2,609,553,623.

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For illustrative purposes only and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed solely by internal sources of funds; (ii) the Share Purchase Mandate had been effective on 1 January 2020; and (iii) the Company had purchased or acquired 384,851,600 Shares, representing 10% of its total number of issued Shares at the Latest Practicable Date (excluding Shares held in treasury and subsidiary holdings) on 31 December 2020, the financial effects of the purchase or acquisition of 384,851,600 Shares by the Company pursuant to the Share Purchase Mandate:

(1) by way of purchases made entirely out of capital and held as treasury shares; and

(2) by way of purchases made entirely out of capital and cancelled, on the financial statements of the Company and the Group for the financial period ended 31 December 2020 are set out below:

(1) Purchases made entirely out of capital and held as treasury shares

(A) *Market Purchases*

	Group		Company	
	Before Share Purchase RMB'000	**After Share Purchase RMB'000**	**Before Share Purchase RMB'000**	**After Share Purchase RMB'000**
As at 31 December 2020				
Issued capital and reserves	32,902,798	32,834,304	12,359,808	12,291,314
Treasury shares	(560,443)	(2,843,565)	(560,443)	(2,843,565)
Total shareholders' equity	32,342,355	29,990,739	11,799,365	9,447,749
NTA (excl. non-controlling interests)	32,342,355	29,990,739	11,799,365	9,447,749
Profit after taxation and minority interest	2,516,404	2,447,910	1,066,910	998,415
Net debt	Net Cash	Net Cash	855,179	3,138,301
Number of Shares ('000)	3,848,516[(1)]	3,463,664[(2)]	3,848,516[(1)]	3,463,664[(2)]
Financial Ratios				
NTA per share (cents)	840.39	865.87	306.60	272.77
Gross debt gearing (%)	13.12	21.76	7.38	33.38
Net debt gearing (%)	Net Cash	Net Cash	7.25	33.22
Current ratio (times)	3.82	2.97	1.69	1.09
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	51.57	27.00	38.19	11.24
Basic EPS (cents)				
(before exceptional items)	64.39	69.48	27.30	28.34
(after exceptional items)	64.39	69.48	27.30	28.34
Return on equity (%)	7.78	8.16	9.04	10.57

Note:

(1) Based on 3,848,516,000 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 125,561,000 Shares that are held in treasury as at the Latest Practicable Date.

(2) Number of Shares excludes 384,851,600 Shares that have been assumed to be held as treasury shares.

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(B) *Off-Market Purchases*

	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
As at 31 December 2020				
Issued capital and reserves	32,902,798	32,824,511	12,359,808	12,281,521
Treasury shares	(560,443)	(3,169,997)	(560,443)	(3,169,997)
Total shareholders' equity	32,342,355	29,654,515	11,799,365	9,111,525
NTA (excl. non-controlling interests)	32,342,355	29,654,515	11,799,365	9,111,525
Profit after taxation and minority interest	2,516,404	2,438,117	1,066,910	988,623
Net debt	Net Cash	204,567	855,179	3,464,733
Number of Shares ('000)	3,848,516(1)	3,463,664(2)	3,848,516(1)	3,463,664(2)
Financial Ratios				
NTA per share (cents)	840.39	856.16	306.60	263.06
Gross debt gearing (%)	13.12	23.11	7.38	38.19
Net debt gearing (%)	Net Cash	0.69	7.25	38.03
Current ratio (times)	3.82	2.87	1.69	1.04
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	51.57	25.28	38.19	10.21
Basic EPS (cents)				
(before exceptional items)	64.39	69.20	27.30	28.06
(after exceptional items)	64.39	69.20	27.30	28.06
Return on equity (%)	7.78	8.22	9.04	10.85

Note:

(1) Based on 3,848,516,000 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 125,561,000 Shares that are held in treasury as at the Latest Practicable Date.

(2) Number of Shares excludes 384,851,600 Shares that have been assumed to be held as treasury shares.

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(2) Purchases made entirely out of capital and cancelled

(A) Market Purchases

	Group		Company	
	Before Share Purchase RMB'000	**After Share Purchase RMB'000**	**Before Share Purchase RMB'000**	**After Share Purchase RMB'000**
As at 31 December 2020				
Issued capital and reserves/Total shareholders' equity	32,342,355	29,990,739	11,799,365	9,447,749
NTA (excl. non-controlling interests)	32,342,355	29,990,739	11,799,365	9,447,749
Profit after taxation and minority interest	2,516,404	2,447,910	1,066,910	998,416
Net debt	Net Cash	Net Cash	855,179	3,138,301
Number of Shares ('000)	3,848,516[(1)]	3,463,664	3,848,516[(1)]	3,463,664
Financial Ratios				
NTA per share (cents)	840.39	865.87	306.60	272.77
Gross debt gearing (%)	13.12	21.76	7.38	33.38
Net debt gearing (%)	Net Cash	Net Cash	7.25	33.22
Current ratio (times)	3.82	2.97	1.69	1.09
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	51.57	27.00	38.19	11.24
Basic EPS (cents)				
(before exceptional items)	64.39	69.48	27.30	0.03
(after exceptional items)	64.39	69.48	27.30	0.03
Return on equity (%)	7.78	8.16	9.04	10.57

Note:

(1) Based on 3,848,516,000 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 125,561,000 Shares that are held in treasury as at the Latest Practicable Date.

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(B) *Off-Market Purchases*

	Group		Company	
	Before Share Purchase RMB'000	**After Share Purchase RMB'000**	**Before Share Purchase RMB'000**	**After Share Purchase RMB'000**
As at 31 December 2020				
Issued capital and reserves/Total shareholders' equity	32,342,355	29,654,515	11,799,365	9,111,525
NTA (excl. non-controlling interests)	32,342,355	29,654,515	11,799,365	9,111,525
Profit after taxation and minority interest	2,516,404	2,438,117	1,066,910	988,623
Net debt	Net Cash	204,567	855,179	3,464,733
Number of Shares ('000)	3,848,516(1)	3,463,664	3,848,516(1)	3,463,664
Financial Ratios				
NTA per share (cents)	840.39	856.16	306.60	263.06
Gross debt gearing (%)	13.12	23.11	7.38	38.19
Net debt gearing (%)	Net Cash	0.69	7.25	38.03
Current ratio (times)	3.82	2.87	1.69	1.04
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	51.57	25.28	38.19	10.21
Basic EPS (cents)				
(before exceptional items)	63.92	68.26	27.10	27.68
(after exceptional items)	63.92	68.26	27.10	27.68
Return on equity (%)	7.78	8.22	9.04	10.85

Note:

(1) Based on 3,848,516,000 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 125,561,000 Shares that are held in treasury as at the Latest Practicable Date.

Shareholders should note that the financial effects set out above are purely for illustrative purposes only and are based on the assumptions set out above. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of its issued Shares (excluding Shares held in treasury and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares (excluding Shares held in treasury and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Purchase Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers at the earliest opportunity.

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7. TAKE-OVER IMPLICATIONS

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

7.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and person(s) acting in concert with him increases to 30% or more, or, if the Shareholder and person(s) acting in concert with him holds between 30% and 50% of the Company's voting capital, would increase by more than 1% in any six (6) months' period, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

7.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of such company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert with each other:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any companies whose associated companies include any of the foregoing companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

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(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

The circumstances under which the Shareholders (including the Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Takeover Code.

7.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

(a) the voting rights of such Directors and their concert parties would increase to 30% or more; or

(b) if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares and subsidiary holdings shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the Share Purchase Mandate Renewal Resolution.

The Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

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8. LISTING RULES

While the Listing Manual does not expressly prohibit purchase of shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of consideration and/or a decision of the Board of Directors until such time as the price-sensitive information has been publicly announced. In particular, in line with the Principles of Best Practice issued by SGX-ST in December 2017 and in order to comply with Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcements of the Company's full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise); and

(b) one (1) month before half year and full year financial statements (if the Company does not announce its quarterly financial statements), as the case may be, and ending on the date of announcement of the relevant results.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares (excluding Shares held in treasury and subsidiary holdings) are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than the Directors, chief executive officer, substantial shareholders (as defined in the Securities and Futures Act, Chapter 289 of Singapore) (the "**Substantial Shareholders**") or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 2,282,088,805 Shares, representing approximately 59.30% of the issued Shares (excluding Shares held in treasury and subsidiary holdings), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to approximately 1,897,237,205 Shares, representing approximately 54.78% of the total number of issued Shares (excluding Shares held in treasury and subsidiary holdings). Accordingly, the Company is of the view that there is a sufficient number of issued Shares (excluding Shares held in treasury and subsidiary holdings) held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

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9. Shares Purchased During The Previous 12 Months

The details of the share purchases made by the Company in the previous 12 months prior to the Latest Practicable Date are as follows:–

(a) the total number of Shares purchased was 70,249,200. All such Shares were acquired by way of Market Purchases;

(b) the highest and lowest price paid for such Shares purchases were S$0.995 and S$0.91 respectively; and

(c) the total consideration paid by the Company for such Share purchases was S$66,712,227.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

10.1 Directors' Interests

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

	Number of Shares	
Director	**Direct Interest**	**Deemed Interest**
Ren Letian	–	165,797,370[1]
Teo Yi-Dar	150,000	–
Chen Timothy Teck Leng @ Chen Teck Leng	–	–
Xu Wen Jiong	–	–
Toe Teow Heng	–	300,000
Song Shuming	–	–

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10.2 Substantial Shareholders' Interests

The interests of the Substantial Shareholders of the Company in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Number of Shares		Total
Substantial Shareholders	**Direct Interest**	**Deemed Interest**	**Percentage Interest (%)[2]**
Ren Yuanlin	3,200,000	852,845,825[4]	22.2435
Yangzi International Holdings Limited	852,845,825	–	22.1604
Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement	–	852,845,825	22.1604
Lido Point Investments Ltd	394,134,000	–	10.2412
Wang Dong	–	394,134,000[3]	10.2412

1 Mr Ren Letian is deemed to be interested in total 165,797,370 ordinary shares of Yangzijiang Shipbuilding (Holdings) Ltd. held by Hengyuan Asset Investment Limited ("Hengyuan") (163,697,370 ordinary shares) and Vela Wealth Limited ("Vela") (2,100,000 ordinary shares) through his interests in Hengyuan and Vela by virtue of Section 7 of the Companies Act, Chapter 50.

2 Based on 3,848,516,000 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 125,561,000 Shares that are held in treasury as at the Latest Practicable Date.

3 Wang Dong is deemed to be interested in the Shares through his interest in Lido Point Investments Ltd, by virtue of Section 7 of the Companies Act.

4 Ren Yuanlin (as Settlor of the YZJ Settlement) is deemed to be interested in the Shares through his interest in Yangzi International Holdings Limited, which is wholly-owned by Julius Baer Trust Company (Singapore) Limited as trustee of the YZJ Settlement, by virtue of Section 7 of the Companies Act.

11. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interest of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Share Purchase Mandate Renewal Resolution as set out in the Notice of the 15th AGM.

12. ANNUAL GENERAL MEETING

The 15th AGM, notice of which is set out on page 172 to 179 of the Notice of 15th AGM attached to the Annual Report 2020 of the Company, will be held at 16 Raffles Quay #41-02 Hong Leong Building, Singapore 048581 on Friday, 30 April 2021 at 3.00 p.m. (of which there will be a live webcast) for the purpose of, *inter alia*, considering and, if thought fit, passing the Share Purchase Mandate Renewal Resolution as set out in the Notice of the 15th AGM.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

APPENDIX

14. SGX-ST'S DISCLAIMER

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinion expressed in this Appendix.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date hereof up to and including the date of the 15th AGM:

(a) the Constitution; and

(b) the audited consolidated financial statements of the Group for the financial year ended 31 December 2020.

Yours faithfully,
For and on behalf of the Board of Directors of
YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Ren Letian
Executive Chairman

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Proxy Form

Yangzijiang Shipbuilding (Holdings) Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200517636Z)

IMPORTANT:

1. *This Annual General Meeting ("AGM") is being conducted solely via a live audio-video webcast and a live audio-only stream pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Accordingly, this Proxy Form is made available to members on SGXNet at https://www.sgx.com/securities/company-announcements and on the Company's website at www.yzjship.com. For convenience, the Annual Report 2020 and the Notice of Annual General Meeting are made available on these two websites together with this Proxy Form.*
2. *Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-video webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Notice of AGM dated 6 April 2021.*
3. ***Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. Members must appoint the Chairman of the Meeting as proxy to attend and vote on their behalf at the AGM if such members wish to exercise their rights at the AGM.***
4. *This Proxy Form is not valid for use by CPF investors and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators by 5.00 p.m. on 20 April 2021 to submit their votes. By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 April 2021.*
5. ***Please read the important notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend and vote on his/her/its behalf at the AGM.***

I/We ______________________________ (name) ____________________ (NRIC/Passport No.)

of ____ (address)

being a member/members of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**"), hereby appoint the Chairman of the Meeting, as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be convened and held by electronic means on Friday, **30 April 2021** at **3.00 p.m**. and at any adjournment thereof. *I/We direct the Chairman of the Meeting to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific direction in respect of a resolution, the appointment of the Chairman of the Meeting as *my/our proxy for that resolution will be treated as invalid.

No.	Resolutions	For**	Against**	Abstain**
ORDINARY BUSINESS				
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2020 together with the Directors' Statement and Auditors' Report thereon.			
2.	To declare a tax exempt (one-tier) final dividend of S$0.045 per ordinary shares in respect of the financial year ended 31 December 2020.			
3.	To approve the payment of Directors' fees of S$182,000 for the financial year ended 31 December 2020.			
4.	To re-elect Mr Ren Letian as Director.			
5.	To re-elect Mr Song Shuming as Director.			
6.	To re-elect Mr Toe Teow Heng as Director.			
7.	To re-elect Mr Chen Timothy Teck-Leng @ Chen Teck Leng as Director.			
8.	To approve the continued appointment of Mr Teo Yi-Dar (Zhang Yida) as an independent director, for purposes of Rule 210(5)(d)(iii)(A) of the SGX-ST (which will take effect from 1 January 2022).			
9.	To approve the continued appointment of Mr Teo Yi-Dar (Zhang Yida) as an independent director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
10.	To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration.			
SPECIAL BUSINESS				
11.	To authorise Directors to allot and issue shares.			
12.	To renew the Share Purchase Mandate.			

* Please delete accordingly

** Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to exercise all your votes for or against or abstain from voting in respect of all your Shares the above Resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish the Chairman of the AGM as your proxy to exercise some and not all of your votes for or against and/or abstain from voting for the Resolution and/or if you wish the Chairman of the AGM as your proxy to abstain from voting in respect of the Resolution, please indicate the number of votes "For", the number "Against" and/or the number "Abstaining" in the boxes provided for the Resolution. In the absence of specific directions, the appointment of the Chairman of the AGM as your proxy will be treated as invalid

Dated this ________ day of ____________________ 2021

Total Number of Shares Held in:	
(a) Depository Register	
(b) Register of Members	

____
Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

IMPORTANT NOTES

1. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members, you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the Proxy Form shall be deemed to relate to all the Ordinary Shares held by you.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. Members must appoint the Chairman of the Meeting as proxy to attend and vote on their behalf at the AGM if such members wish to exercise their rights at the AGM.** This Proxy Form is made available to members on SGXNet at https://www.sgx.com/securities/company-announcements and on the Company's website at www.yzjship.com.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a resolution in this Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. The Chairman of the Meeting, as proxy, need not be a member of the Company.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The duly completed and signed Proxy Form appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if via email, please scan and email a PDF copy of the duly completed and signed Proxy Form to the electronic mail address yangzijiang.sg@yzjship.com (Attn:Yangzijiang Team).
   (b) if by post, please send the duly completed and signed Proxy Form to the registered office of the Company at 80 Robinson Road,#02-00 Singapore 068898.

   in either case, this Proxy Form must be received by the Company's Secretary by **3.00 p.m. on 27 April 2021**.

   Given the restriction orders and safe distancing measures to deal with the COVID-19 situation in Singapore, members are strongly encouraged to submit the duly completed and signed Proxy Form via email.

5. This Proxy Form appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or by his/her attorney duly authorised in writing or, where it is executed by a corporation, be executed under its common seal or signed on its behalf by an attorney or duly authorised officer of the corporation. Where this Proxy Form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

6. The Company shall be entitled to reject this Proxy Form, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this Proxy Form. In addition, in the case of a member whose Ordinary Shares are entered against his/her/its name in the Depository Register, the Company may reject this Proxy Form if the member, being the appointor, is not shown to have Ordinary Shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

7. A Depositor shall not be regarded as a member of the Company entitled to vote at the AGM unless his/her/its name appears on the Depository Register 72 hours before the time set for the AGM.

AFFIX
POSTAGE
STAMP

The Company Secretary

Yangzijiang Shipbuilding (Holdings) Ltd.

80 Robinson Road

#02-00

Singapore 068898

CORPORATE **INFORMATION**

DIRECTORS

REN LETIAN,
Executive Chairman and Chief Executive Officer
TEO YI-DAR,
Lead Independent Director
XU WEN JIONG,
Non-Independent Non-Executive Director
CHEN TIMOTHY TECK LENG @ CHEN TECK LENG,
Independent Director
TOE TEOW HENG,
Independent Director
SONG SHUMING,
Executive Director

JOINT COMPANY SECRETARIES

PAN MI KEAY
SEE KAI LI

COMPANY REGISTRATION NUMBER

200517636Z

REGISTERED OFFICE

80 Robinson Road #02-00
Singapore 068898

BUSINESS ADDRESSES

1# Lianyi Road, Jiangyin-Jingjiang Industry Zone,
Jingjiang City, Jiangsu,
People's Republic of China 214532

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

BOARDROOM CORPORATE &
ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

PRICEWATERHOUSECOOPERS LLP
CERTIFIED PUBLIC ACCOUNTANTS
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936
Partner-in-charge:
ALEX TOH WEE KEONG
(Appointed since Financial Year ended
31 December 2017)

1956

Yangzijiang Shipbuilding (Holdings) Ltd.
扬子江船业（控股）有限公司

16 RAFFLES QUAY
#41-02 HONG LEONG BUILDING
SINGAPORE 048581