



## **YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.**

(Company Registration No. 200517636Z)

(Incorporated in the Republic of Singapore on 21 December 2005)

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### **RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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The Board of Directors (the “**Board**”) of Yangzijiang Shipbuilding (Holdings) Ltd. (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) refers to the Company’s Annual Report for the financial year ended 31 December 2020 released on 6 April 2021 (“**Annual Report FY2020**”).

The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX**”) in its email on 19 April 2021 as follows:

#### **SGX’s Query 1**

*Provision 2.2 of the Code of corporate governance 2018 (the “Code”) states that, “Independent directors make up a majority of the Board where the Chairman is not independent”.*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.2 of the Code as independent directors do not make up a majority of the Board where the Chairman is not independent. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have 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.*

#### **Company’s Response 1**

The Board currently has six (6) Directors, comprises four (4) Non-Executive Directors with three (3) of them independent and two (2) Executive Directors.

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. 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 committees of the Board, namely, the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”) and the Audit Committee (“**AC**”) are made up of Non-Executive Directors and Independent Directors and each chaired by an Independent Director.

Nevertheless, the Board will 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.

#### **SGX’s Query 2**

*Provision 2.4 of the Code states that, “The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and*



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*foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please state if the Company has a formal board diversity policy and clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company. Please also disclose how the Company has complied with the recommendation of having directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, other than its board diversity policy.*

### **Company's Response 2**

The Board is committed to achieve an appropriate balance of diversity and mix of skills, experience, gender, age and the core competencies of accounting, legal and regulatory, business or management experience and industry knowledge to avoid groupthink and foster constructive debate.

Referring to each Director's profile in Pages 14 to 15 of the Annual Report, the current Board possess an appropriate balance and diversity of skills, experience and knowledge of the Company, bringing with them a broad range of business and financial experience, skills and expertise in finance, industry, business and management and general corporate matters. This diversity, together with clear allocation of roles and responsibilities, facilitates constructive debate on the business activities of the Company and enables Management to benefit from a diverse and objective set of perspectives on issues that are brought before the Board.

The Company has also disclosed in Page 35 of the Annual Report the process for the selection and appointment of Directors where its policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, knowledge, core competencies and experience, regardless of gender. 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.

In view of the foregoing, the Company believes that the Company has complied with the recommendation of having directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, other than its board diversity policy.

### **SGX's Query 3**

*Provision 3.1 of the Code states that, "The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making."*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an*



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*explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 3.1 of the Code as the Company's Chairman and CEO position is filled by the same person, and there were no explanations provided for in your FY2020 annual report on how it is consistent with the intent of Principle 3 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.*

### **Company's Response 3**

Currently, Mr Ren Letian is both the Chairman and CEO of the Company, after he took over the role as Executive Chairman of the Group following the retirement of Mr Ren Yuanlin in April 2020. 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.

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.

Within Yangzijiang, there had always been a clear succession plan in place to ensure a smooth transition and handover of corporate leadership. The Board will continue to review the succession plan in particular the CEO position at an appropriate time.

### **SGX's Query 4**

*Provision 8.2 of the Code states that, "The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.2 of the Code with regard to the disclosure of names and remuneration of employees who are substantial shareholders of the company and whose remuneration exceeded S\$100,000 during the year. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

### **Company's Response 4**



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The Board refers to page 57 of the Annual Report FY2020 on the disclosure of Ren Letian, being an employee of the Group during FY2020, who is an immediate family member of a Director, CEO or Substantial Shareholder. The aggregate remuneration (including contributions to define contribution plans thereon and bonus) paid to Ren Letian, son of Ren Yuanlin amounted to approximately S\$78,524.

In furtherance to the above disclosure, the Board confirms that the Group does not have any other employee who is a substantial shareholder of the Company, or is an immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the financial year.

Provision 8.2 has been complied with.

By Order of the Board

Ren Letian  
Executive Chairman and Chief Executive Officer  
20 April 2021