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

RESPONSE TO SGX'S QUERY REGARDING THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "**Board**") of Yangzijiang Shipbuilding (Holdings) Ltd (the "**Company**", together with its subsidiaries, the "**Group**") refers to the queries regarding trading activity from the Singapore Exchange Regulation Pte. Ltd. on 10 March 2021. The Board wishes to respond to the queries as follows:

Question 1:

It is disclosed on page 2 of the unaudited financial statements that an amount of RMB 539,549,000 was recognised as impairment loss on debt investment for the year ended 31 Dec 2020.

In this regard, please disclose the following information:
i. how the amount of impairment was determined;
ii. the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
iii. the reasons for the impairment losses.

Reply:

i. Allowance for impairment loss on debt investment at amortised costs is measured by applying the expected credit loss ("ECL") impairment model in accordance to SFRS(I) 9 Financial Instrument.

The Group applies general 3 stage approach to measure expected credit loss on debt investment at amortised costs. 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.

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

ii. The board is satisfied with the reasonableness of the methodologies used to determine amount of impairment.

iii. The impairment losses in FY2020 were mainly from higher provision made for Non-performing category.

Question 2:

It is disclosed on page 13 of the unaudited financial statements that as at 31 December 2020, investment in financial assets, at fair value through profit or loss had increased to RMB2,639 million from RMB1,249 million as at 31 December 2019, the increase was mainly a result of new acquisition of RMB1,277 million of financial assets, at fair value through profit or loss and fair value gain of RMB343 million in FY2020.

Please disclose the nature of new acquisitions of RMB1,277 million of financial assets, at fair value through profit or loss and explain how the fair value gain of RMB343 million was arrived at.

Reply:

The new acquisitions of financial assets, at fair value through profit or loss of RMB1,277 million pertain to unlisted equity securities in PRC. The fair value gain of RMB343 million in FY2020 was arrived at based on the quoted market price for listed equity securities and for unlisted equity securities, determined by reference to the Company's share in attributable net assets in investee companies (whose own investments are measured at fair value).

Question 3:

Please provide a breakdown of trade and other receivables (current and non-current) as at 31 Dec 2020 and 31 Dec 2019 respectively. Please disclose the nature of the non-current receivables and the Board's assessment of the recoverability of the non-current trade and other receivables.

Reply:

Trade and Other Receivables – Current	31-Dec-20	31-Dec-19
	RMB'000	RMB'000
Finance lease receivables	171,780	128,999
Trade receivables	544,364	881,066
Other receivables	264,605	437,520
Other assets	1,392,100	889,050
Prepayments	1,260,614	2,343,709
	3,633,463	**4,680,344**

Trade and Other Receivables – Non-Current	31-Dec-20	31-Dec-19
	RMB'000	RMB'000
Finance lease receivables	977,472	1,043,282
Trade receivables	69,838	18,255
Other receivables	247,000	-
	1,294,310	**1,061,537**

Finance lease receivables of RMB977M arise from vessels leased to non-related parties under finance leases. The various agreements expire between 2020 and 2024, and the non-related parties have the obligation to purchase the vessel upon the expiry date. Finance lease receivables 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.

Trade receivables of RMB70M pertain to loans to non-related parties – microfinance. All the loans to non-related parties - microfinance are secured by either single or a group of collaterals or by guarantees and the non-current trade receivables of RMB70M is subject to immaterial credit loss.

Other receivable of RMB247M pertains to a loan to a joint venture, Yangzi-Mitsui Shipbuilding Co., Ltd. which is unsecured, interest-bearing and repayable in 2022.The Group has assessed that its joint venture has strong financial capacity to meet the contractual obligation of RMB247,000 and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

Based on the above considerations undertaken by management of the Company, the Board is of the opinion that the non-current trade and other receivables of RMB 1.29 billion is recoverable.

Question 4:

Please provide a breakdown of trade and other payables of RMB 2,699M and RMB3,514 as at 31 Dec 2020 and 31 Dec 2019 respectively.

Reply:

The breakdown of trade and other payables as at 31 Dec 2020 and 31 Dec 2019 is as below:

	The Group	
	2020	2019
	RMB'000	RMB'000
Current		
Trade payables		
- Suppliers	**1,338,574**	1,922,604
- Amount due to a joint venture	-	114,258
Other payables		
- Amount due to a joint venture	-	26,547
- Non-related parties	**1,055,808**	903,817
Deferred compensation income	**157,482**	157,482
Other operating accruals	**146,706**	389,621
	2,698,570	3,514,329

Question 5:

It is noted that the Company has a net cash outflow from operating activities of RMB 611.5M and a net profit of RMB 2,618M for the financial year ended 31 Dec 2020. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

The company had a net cash outflow from operating activities of RMB 611.5M despite the net profit position for the financial year was mainly to additional investment in Debt investments at amortised cost of RMB2,602M during the financial year.

By Order of the Board

Ren Letian
Executive Chairman and Chief Executive Officer

12 March 2021