



YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

(Company Registration No. 200517636Z)

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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019 released on 6 April 2020 (“**Annual Report FY2019**”).

The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX**”) in its email on 4 May 2020 as follows:

SGX’s Query 1

Listing Rule 715(2) states that an issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.

Please clarify whether and how the Company has complied with Listing Rule 715(2).

Company’s Response 1

The Company would like to clarify that the audits of its significant foreign-incorporated subsidiaries for FY2019 were performed for local statutory purpose by Jiangyin Tian Cheng CPAs Co. Limited which has been disclosed on Note 45 of Page 161 of Annual Report FY2019. The Board together with the Audit Committee are of the view that Jiangyin Tian Cheng CPAs Co. Limited is a suitable auditing firm for auditing its significant foreign-incorporated subsidiaries given its profile, size, experience and track record. These significant foreign-incorporated subsidiaries have also been audited by PricewaterhouseCoopers LLP, Singapore, for the purpose of preparation of the consolidated financial statements of the Group.

The Board and the Audit Committee 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. Therefore, the Company has complied with Listing Rules 715(2).

SGX’s Query 2

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.



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Company's Response 2

During FY2019, the Board has 3 Non-Executive Directors and Mr Teo Yi-dar is the Lead Independent Director.

Whilst the Independent Directors do not make up majority of the Board where the Chairman is not independent, the Board has reviewed the percentage of Independent Directors on the Board and believes that the Executive Chairman has always acted and his successor 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 disclosed on page 32 of the Annual Report FY2019, 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. The NC is of the view that the previous Board size of four 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.

Following the retirement of Mr Ren Yuanlin as Executive Chairman of the Company at the Company's Annual General Meeting ("AGM") held on 30 April 2020. Mr Ren Letian (the Chief Executive Officer), has been appointed as Executive Director and elected as Chairman of the Company. The Board has also appointed 2 new directors, comprising 1 Executive Director and 1 Independent Non-Executive Director and separate announcements of their appointments have been released to the SGX. Following the aforesaid appointments, Non-Executive Directors make up a majority of the Board in compliance with Provision 2.3 of the Code, which comprises total six (6) Directors, of whom three (3) are independent non-executive directors, one (1) is non-independent non-executive director and two (2) are executive directors. 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 3

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 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 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. Please also disclose how the Company has complied



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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 3

On the Provision 2.4 of the Code, the Board considers the current Board of the Company has appropriate balance and diversity of skills, knowledge, experience, competencies to enable them to contribute effectively to the Group.

The Board is of the opinion that it would be most effective to draw on the appropriate core competencies and diversity of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

The change of Board composition, including retirement of existing Chairman, appointment of new Chairman as well as additional appointment of 2 new Directors, comprising 1 Executive and 1 Independent Director after the conclusion of the Annual General Meeting as announced to the SGX-ST on 7 April 2020 is part of the Board's move to refreshing the board composition and diversification.

The relevant information was disclosed on pages 32 and 33 of the Company's Annual Report FY2019 as detailed below:

"The NC of the Company is of the view that the present Board size of four 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 aspect 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.

Mr Ren Yuanlin has decided to retire from the Company as Executive Chairman pursuant to Regulation 94 of the Company's Constitution and not to seek for re-election at the forthcoming AGM. NC has recommended and the Board has approved that the existing Alternate Director to Mr Ren Yuanlin, Mr Ren Letian (the Chief Executive Officer), be appointed as Executive Director and elected as Chairman of the Company immediately after the forthcoming 14th AGM, whereas Mr Ren Yuanlin be designated as Honorary Chairman of the Company upon his retirement as Executive Chairman of the Company at the forthcoming 14th AGM.

In addition, NC has recommended and the Board has approved the appointment of 2 new Directors, comprising 1 Executive and 1 Independent Director after the conclusion of the Company's Annual General Meeting to be held on 30 April 2020. Separate announcements relating to the appointments of Directors have been released to the SGX-ST on 7 April 2020.

Following the aforesaid proposed appointments, Non-Executive Directors will make up a majority of the Board in compliance with Provision 2.3 of the Code, which comprises total six (6) Directors, of whom three (3) are independent non-executive directors, one (1) is non-independent non-executive director and two (2) are executive directors, as detailed below:



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Name of Directors	Designation
Ren Letian	Executive Chairman and Chief Executive Officer
Song Shu Ming	Executive Director
Xu Wen Jiong	Non-Independent Non-Executive Director
Teo Yi-dar	Independent Non-Executive Director (Lead Independent Director)
Chen Timothy Teck Leng @ Chen Teck Leng	Independent Non-Executive Director
Toe Teow Heng	Independent Non-Executive Director

This is part of the Board's move to refreshing the board composition and embrace recommended best practices."

The Board would like to confirm that the guideline has been complied with for the financial year ended 31 December 2019; and the Company is 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 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

The Board refers to page 45 of the Annual Report FY2019 on the disclosure of Ren Letian, being an employee of the Group during FY2019 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\$76,621.



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The Group does not have any other employee who is a substantial shareholder of the Company, or is an immediate family member 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
5 May 2020