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

RESPONSE TO SGX QUERIES ON COMPANY'S FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the "**Board**") of Yangzijiang Shipbuilding (Holdings) Ltd (the "**Company**", together with its subsidiaries, the "**Group**") refers to the queries regarding the company's financial statements for the financial year ending 31 December 2022 and the Company's Annual Report for the financial year ended 31 December 2022 from the Singapore Exchange Securities Trading Limited ("**SGX**") on 19 April 2023. The Board wishes to respond to the queries as follows:

SGX Query 1: Pursuant to the unaudited financial statements, please disclose:

(i) the breakdown of the Group's trade and other receivables;
(ii) the nature of the non-current receivables; and
(iii) the Board's assessment of the recoverability of the non-current trade and other receivables.

Trade and other receivables – current

	The Group	
	2022	2021
	RMB'000	RMB'000
Finance lease receivables	**157,587**	104,955
Trade receivables	**1,144,706**	1,051,161
Other receivables	**116,245**	370,365
Other assets	**124,335**	395,611
Prepayments	**2,127,062**	2,198,933
	3,669,935	4,121,025

Trade and other receivables - non-current

	The Group	
	2022	2021
	RMB'000	RMB'000
Finance lease receivables	**1,535,218**	1,023,143
Trade receivables	**-**	48,037
Prepayments	**90,486**	10,131
	1,625,704	1,081,311

Both current and non-current finance lease receivables are secured by vessels under the finance leases. Non-current prepayments are for repair and maintenance works with suppliers of good performance record. The Board has assessed the recoverability of the non-current trade and other receivables to be reasonably assured.

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SGX Query 2: It is noted on page 29 of the unaudited financial statement that "In 2022, RMB185 million of additional inventory obsolescence provision was provided, for an unsold jack-up rig classified as inventory.".

(i) Please disclose the amount of inventory write-off/ provision due to slow-moving inventory or obsolescence.
(ii) What is the general shelf/ product life of the Company's inventory?
(iii) Please opine on the reasonableness of methodologies used to determine impairment.

The Group provided a provision for inventory obsolescence of RMB184,636,000 in 2022 for an unsold jack-up rig.

Apart from the jack-up rig, the remaining inventory balance is largely made up of raw materials. No obsolescence issue has been noted for these raw materials as they are consumed and replenished frequently as part of the Group's shipbuilding and shipping activities.

The Board has assessed the methodologies used to determine the impairment and found them to be reasonable. The Group considered several factors, including the estimated selling price, cost to complete, and applicable variable selling expenses. In addition, the estimated selling price used to calculate the net realisable value has taken into account the age and condition of the jack-up rig, with an appropriate discount applied.

SGX's Query 3: It is noted on page 30 of the unaudited financial statement that "The Group recorded a reversal of impairment loss on financial assets of RMB79 million in 2022 as compared to RMB358 million impairment loss provided in 2021." Please disclose the basis for the reversal of impairment loss on financial assets and the Board's assessment of the reasonableness of methodologies used to determine the amount reversed.

The amount of RMB79 million in 2022 is a net amount, derived from the reversal of impairment losses of RMB318 million and additional impairment charge of RMB239 million in 2022. The reversal of impairment losses of RMB318 million is based on actual cash recovery in 2022. The additional impairment charge of RMB239 million mainly arose from changes in risk parameters for non-performing loans in 2022.

The Group applies a three-stage approach to measure expected credit loss and uses internal credit risk grading for its debt investments, established by reference to industry practice. The expected credit loss for non-performing investments is determined on an individual basis using a discounted cash flow methodology based on management's estimates and reasonable assumptions of future recoveries. The Board has assessed the methodologies used to determine impairment as reasonable, given the Group's credit risk management strategy and the use of reasonable assumptions and projections of future recoveries in the discounted cash flow methodology.

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SGX Query 4: Listing Rule 710A states that an issuer must describe in its annual report its board diversity policy, including the following:

(a) the issuer's targets to achieve diversity on its board;
(b) the issuer's accompanying plans and timelines for achieving the targets;
(c) the issuer's progress towards achieving the targets within the timelines; and
(d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

Please disclose whether and how Listing Rule 710A has been complied with.

Regarding Listing Rule 710A, the Board and the Nominating Committee have carefully reviewed and confirmed that the current composition and size of the Board are appropriate for effective decision-making. The Board believes that the Directors collectively possess a wide range of industry skills, experience in corporate governance, law, accounting, finance, business strategies, and management that enable them to lead and govern the Group effectively.

While the Board recognizes the value of gender diversity in the composition of the Board, it has also taken steps to ensure that the Board has the appropriate mix of expertise and experience. The Nominating Committee strives to include candidates of different gender for consideration when making recommendations for director appointments, and external research consultants are informed of the requirement to present candidates of different gender.

In 2022, the Group appointed its first female director, Ms Liu Hua, as a non-executive non-independent director. The appointment demonstrates the Group's commitment to embracing gender diversity. The Board conducts an annual evaluation to ensure that the objectives of the Board diversity are met.

Regarding the specific requirements of Listing Rule 710A, the Company will include details of its board diversity policy in future Annual Reports. This policy will cover the issuer's targets to achieve diversity on its board, accompanying plans and timelines for achieving these targets, progress towards achieving the targets, and a description of how the combination of skills, talents, experience, and diversity of its directors serves the needs and plans of the issuer.

The profiles of each Director are available on pages 14 to 15 of the Annual Report. The Board and the Nominating Committee remain committed to maintaining an appropriate mix of skills, experience, and diversity on the Board and will continue to review the Board's composition annually.

By Order of the Board

Ren Letian
Executive Chairman and Chief Executive Officer

21 April 2023