YANGZIJIANG FINANCIAL HOLDING LTD.
(Company Registration No. 202143180K)
(Incorporated in the Republic of Singapore on 14 December 2021)

CLSA Singapore Pte Ltd is the Issue Manager for the listing of Yangzijiang Financial Holding Ltd. on the Mainboard of the Singapore Securities Exchange Trading Limited by way of an introduction.

FY2023 FREQUENTLY ASKED QUESTIONS

To improve communication and engagement with stakeholders, Yangzijiang Financial Holding Ltd. ("**Yangzijiang Financial**", together with its subsidiaries, the "**Group**") has compiled a list of commonly asked questions raised by various stakeholders.

<u>Group Overview</u>
Yangzijiang Financial Holding Ltd (SGX: YF8) is the spinoff of the investment arm of Yangzijiang Shipbuilding (Holdings) Ltd (SGX: BS6), which was listed in April 2022. Before the spinoff, the Group primarily invested in China, focusing on debt investments.

With the spinoff, the Group aims to create a more diversified portfolio across asset classes and geographies to maximise risk-adjusted returns for shareholders. The IPO prospectus states that in the three years after the spin-off, that is, by April 2025, the Group's investment asset allocation will be 50% in China and 50% outside China. This goal will likely be achieved within 1H2024, earlier than the original target. As of 31 December 2023, the Group's portfolio comprised 42.1% in debt investments, 40.1% in cash and yield enhancement products, 13.0% in equity investments, 4.3% in its Maritime Fund (the "**Fund**"), and the remaining 0.5% in investment property. The Group also intends to grow its fund and wealth management business as an additional source of recurring fee income and advisory income, respectively.

<u>Investment Strategies:</u>
Chairman Mr Ren Yuanlin has leveraged his over 50 years of industry experience in shipbuilding and nearly 20 years of investment and financial management experience to restructure and revamp the Group's investment portfolio. The Group aims to increase its equity investments (including funds, direct and private equity) to 60% of the total investment. At the same time, it plans to reduce its debt investment to 30% and allocate the remaining 10% to cash and yield-enhancement investments. To achieve geographical diversification, the Group aims to divide its assets under management equally between its businesses inside and outside China, with 50% of the assets under management coming from each category. The Group aims to become one of Asia's top investment management firms by creating long-term value and consistent dividend returns for its shareholders.

In 2024, the Group identified four key investment strategies, two of which are outside China and two of which are within China.

<u>Outside China</u>
Strategy 1: Maritime Fund
In Singapore, the Group has established the Maritime Fund. The financial leasing team in China supports the Fund in achieving a synergistic effect through collaborations. The Fund will allow the Group to 1) adapt to the needs of the global shipping market, 2) take advantage of the opportunity to build clean energy vessels, and 3) cooperate with international shipping professionals and structures to fully capitalise on the Group's strong financial standing. This initiative offers investors a unique fund proposition that combines the essence of both the Group's financial and shipping capabilities.

The Fund's mainstream business focuses on four key areas: 1) Investment, 2) Financing, 3) Leasing and 4) Agency services. Through the efforts of both the Fund based in Singapore and its financial leasing team in China, the Fund has increased its target size from the original US$500 million to US$600 million, of which around US$300 million has already been earmarked for investments into eco, modern, efficient, and highly marketable maritime assets.

Strategy 2: Private Credit Market in Singapore and SEA
Singapore has clear advantages as an Asian financial centre. The Group will use its network and resources within the financial and capital markets to expand its Singapore credit business. The Group targets to achieve US$500 million of private credit investments, which accounts for the remaining 30% of the Group's overseas business.

Inside China

Strategy 3: China Investment Strategy
The Group aims to capitalise on China's capital market conditions by utilising its current platform and financial resources. It will achieve this goal by forging strategic partnerships with local institutions, professionals, and established funds. The Group's primary investment strategy in China will focus on cultivating and incubating projects, maintaining and developing existing investments, as well as managing bankruptcy and restructuring. The heightened government scrutiny in China presents a valuable opportunity for the Group to offer specialised services to pre-IPO and post-IPO companies. By partnering with these businesses, the Group can provide expertise on various financing processes required before and after their initial public offerings. Bespoke financing solutions can also be offered to these businesses. There is a growing niche, particularly for Hong Kong-listed companies seeking to establish or re-establish their presence in China.

Strategy 4: Moving Away from Traditional Financial Management Business
As China's economic growth slows, the Group will leverage its capital and foreign exchange advantages to maintain its traditional financial management business, focusing on capital preservation and steady income generation. As we continue to explore various avenues to enhance our portfolio and operational scope, we are actively assessing a broad range of investment opportunities to diversify our business interests and transition beyond our traditional financial management activities in China. Among these opportunities, we are evaluating the strategic acquisition of non-performing assets for restructuring and eventual monetisation.

Non-performing loans ("NPLs") Ratio:
We aim to reduce our NPLs by a third by the end of the year. To achieve this goal, the Group will prioritise the litigation process to resolve NPLs and expedite the collateral sale process to recover both principal and interest. In this regard, the Group will:

1. Establish a dedicated team tasked with resolving all NPLs, encompassing procedures on the litigation processes, among other items. The team will also implement measures to reduce the emergence of new NPLs. The Group is working towards resolving all the existing NPLs over the next few years.
2. Emphasise the prompt disposal and realisation of collateral assets; in cases where an immediate sale is not feasible, fully explore alternative avenues such as external leasing. Additionally, strive to rejuvenate assets, recover funds, and target a substantial reduction in the volume of existing collateral assets.

General:

How will the impending departure of the CEO, Vincent Toe, affect the Group?
Vincent's departure does not spell the end of our collaboration. Instead, we expect to capitalise on Vincent's strong financial expertise and network in Singapore and the Group's market-leading position in China's shipbuilding sector

to turn Yangzijiang Financial into a niche fund manager with a unique value proposition in Asia. This leadership change is, therefore, a catalyst for exploring new business avenues and driving growth. It also highlights our strategic commitment to the region.

Could you provide more details on the differences between the Group's China and Singapore divisions?
The Group splits its operations between China and Singapore, with each division focusing on leveraging local and international business opportunities within their respective domains. This strategic division allows for a tailored approach to market engagement in China, concentrating on domestic ship-related investment opportunities. Singapore is the Group's strategic hub for fund management, extending its reach to global markets, including the US and UK. It will capitalise on regional opportunities, focusing on safe investments that generate stable and reasonable returns.

Investment Management:
Debt Investment

Do you think we have reached a bottom for bad debts and can expect lower allowances in the future?
The Group remains vigilant and prepared to adjust its allowances in response to deteriorating market conditions. This cautious approach is indicative of the broader industry trend toward bolstering provisions against economic headwinds in China.

While it is uncertain if the bottom has been reached for bad debts, the Group is always ready to respond to changing market conditions.

Maritime Fund
Can the Group provide more details on its newly launched Maritime Fund?
The Fund manages a diversified portfolio of 37 ships. This mix aims to optimise returns, with the Fund demonstrating a strategic balance between owned and leased assets to maximise profitability. The Fund is currently experiencing an upward trajectory in business momentum, but we remain cautious, only deploying capital into new projects that maximise risk-adjusted returns. The Group aims to establish a strong reputation and track record in this specific area.

Is there a minimum return target for the projects taken on by the Maritime Fund?
The Group intends to only underwrite projects that can generate not less than 8% return on equity, net of expense, for the Fund.

Can the Group comment on its competitors in this area?
The Group faces competition from banks for financing ships and vessels. However, the Group distinguishes itself by focusing on niche market segments, such as renovating and financing older ships, areas typically overlooked by traditional banking institutions due to perceived elevated risks. This strategic positioning allows the Group to partner with smaller shipyards and reputable shipping companies, expanding its business channels without directly competing with banks on newer ship financing.

Balance Sheet:

The Group has a significant net cash position, surpassing S$1.41 billion. How does the Group intend to utilise this cash?

The Group is constantly assessing potential investment opportunities with a focus on investments that provide a sufficient degree of safety and decent returns. Additionally, the Group is looking to use this large cash position to enhance shareholder value through measures such as share buybacks and share retirement, alongside a commitment to distribute sustainable dividends. The Group is committed to paying out 40% of its annual earnings in dividends.

Will the Group continue its share buyback activities?
The decision for any listed company to continue or halt share buyback activities is typically based on a careful evaluation of the company's financial priorities and objectives. The Group will continue to repurchase its own shares at the opportune moments, after taking into account the prevailing market conditions and other relevant factors and under appropriate circumstances. Additionally, we will seek to renew our share repurchase mandate at the upcoming Annual General Meeting.

What is the Group's currency management and financial strategy?
Due to current currency controls, the Group is prioritising the conversion of its CNH/RMB to USD. The objective is to complete the currency exchange before a potential further depreciation of the RMB.

Can the Group provide details on the composition of currencies involved in its cash yield and financial enhancement products?
The Group's cash yield and enhancement products are primarily denominated in CNH for offshore transactions and RMB for onshore dealings. A strategic initiative is in place to convert these holdings into USD to capitalise on more favourable interest rates offered in USD.