



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 ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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 17 April 2024. The Board wishes to respond to the queries as follows:

Question 1:

It is disclosed on page 101 of the FY2023 Annual Report that the aggregate amount of audit and non-audit fees paid or payable to the PricewaterhouseCoopers LLP, Singapore and its member firms (“PwC”) for FY2023 were S\$823,500 and S\$1,190,748 respectively.

a) Please elaborate on the non-audit services provided by PwC which amounted to S\$1,190,748 in FY2023.

b) Noting that the non-audit fees paid or payable to PwC is higher than the audit fees for FY2023, please disclose the ARC’s basis of assessment in arriving at the opinion that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditors.

Reply:

(a) The non-audit services provided by PwC and the respective fees are:

- i. Agreed upon procedures services to support the Group’s financial and tax due diligence relating to the Group’s acquisition of 39 Robinson Pte. Ltd. (“39 Robinson”). The fee paid to PwC Singapore was S\$128,432.
- ii. China tax advisory services relating to the timing of the Group’s withholding tax payments (“withholding tax advisory services”) arising from the restructuring exercise undertaken to spin-off Yangzijiang Financial. A fee payable to PwC China of S\$1,062,316 has been accrued in FY2023.

(b) We are of the opinion that the nature and extent of the following two non-audit services provided by PwC do not prejudice the independence and objectivity of our independent auditor on the following basis:

- i. The agreed upon procedures services to support the Group’s due diligence were performed on the historical financial and tax documents of 39 Robinson prior to the acquisition by the Group. The performance of these procedures does not affect the financial statements of the Group. The agreed upon procedures services are not non-audit services prohibited under the ACRA Code. These agreed upon procedures services are performed by a separate team of professionals in PwC Singapore who are not involved in the audit engagement, and the deliverables of the agreed upon procedures are factual reporting. The fee paid for the agreed upon procedures services is immaterial to PwC Singapore.

- ii. The tax advisory services relate to the application of China tax law and regulation on the timing of the payment of withholding taxes in relation to the spin-off of Yangzijiang Financial. These services are performed by a separate team of professionals in PwC China who are not involved in the audit engagement. There is no impact to the Group's financial statements as the withholding taxes payable on undeclared dividends in the China subsidiaries have been fully accrued for historically. The tax advisory services are not non-audit services prohibited under the ACRA Code. The fee payable for the tax advisory services is commensurate with the value accruing to the Group in respect of the timing of withholding tax payment to be potentially effected. The fee payable for the tax advisory services is immaterial to PwC China.

Question 2:

Listing Rule 710A(2) 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(2) has been complied with.

Reply:

The Directors bring with them a broad range of business and financial experience, skills and expertise in law, finance, industry, business, management and general corporate matters. Their profiles are set out on pages 14 to 15 of this Annual Report.

The Nominating Committee ("**NC**") is of the view that the present Board size of five 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 Company put in place a Board Diversification Policy in FY2023 which sets out the Company's policy, objectives and targets pertaining to diversity on the Board. The NC is responsible for setting and continually reviewing the Board Diversity Policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval. The Company prioritizes diversity in experience, encompassing professional, industry, cultural, and social backgrounds, regardless of gender.

The diversity plans and timelines since the adoption of the Board Diversification Policy are set out below:

(a) Objectives and Targets:

Our Board Diversification Policy is a testament to our dedication to promoting diversity within our board. This policy sets clear objectives, which include:

- i. To promote diversity, including but not limited to, diversity in terms of gender, skills, and experience on the board.
- ii. To create a board composition that reflects the diversity of our workforce and stakeholders.
- iii. To foster an inclusive environment where all board members feel valued and can contribute to the Company's growth.

In line with these objectives, we have set specific targets for our board composition. These targets include gender diversity and the maintenance of a diverse range of skills and industry backgrounds among our board members.

(b) Plans and Timelines:

i. Recruitment and Nomination Process:

To identify a diverse slate of candidates for each board opening from different sources based on the above targets.

Regularly assess and update the board's skills matrix and diversity profile to inform future nominations.

ii. Onboarding and Development:

Provide training and resources to all board members to promote an inclusive environment and enhance their understanding of diversity issues.

iii. Reporting and Accountability:

The NC reviews and assesses Board composition annually on behalf of the Board and recommends the appointment of new Directors. In reviewing Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including but not limited to those described above. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Diversity is a key criterion in the instructions to external search consultants.

(c) Progress Tracking:

i. Inclusion of Female Representation:

One of our primary objectives was to have female representation on our board. We are proud to report that we have made considerable progress in this regard. In 2022, we welcomed our first female board member. This achievement underscores our dedication to gender diversity and the value we place on the contributions of women in leadership roles.

ii. Diversity of Skills and Backgrounds:

In addition to gender diversity, we have taken substantial steps to ensure diversity in skills and backgrounds among our directors. Our board now comprises members from a wide array of industries and professional backgrounds. This diversification of skills and experiences has enhanced our decision-making processes, bringing in fresh perspectives and innovative thinking.

Furthermore, in February 2023, we proudly welcomed a new director Mr Poh Boon Hu Raymond to our board who brings an impressive background in banking industry and capital markets. This strategic appointment exemplifies our commitment to enhancing the diversity of skills and backgrounds on our board, ensuring that our governance structure remains well-rounded and well-equipped to address the ever-changing challenges of our industry and capitalize on emerging opportunities. The board's skills matrix has been continuously assessed and updated to align with our evolving needs and diversity goals.

The combination of these achievements has not only made our board more representative of our organization's values but also strengthened our governance structure. The diversity of skills and backgrounds among our directors has led to more informed and well-rounded decisions, and ultimately serving the needs and plans of our Company.

The company's Board Diversification Policy had been attached in the announcement made on 9 November 2023 (Announcement Reference No.: SF231109OTHRVIRH).

Question 3:

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective, and adequately resourced. The Company engaged an external professional service firm, Yang Lee & Associates, to supplement the activities of the Internal Audit Team. Please provide more information on the size of the Company's Internal Audit Team as well as the relevant experience and qualifications of the head of the Internal Audit Team. Please also provide information on the relevant experience of Yang Lee & Associates and its engagement team.

Our Internal Audit Team comprises 8 dedicated professionals. In particular, the head of our Internal Audit Team, Ms. Zhou Shufang, who holds qualifications as a certified accountant and tax advisor and brings over 14 years of extensive experience in internal auditing to her role. Prior to joining our Group, she served as a financial manager in the manufacturing industry for 8 years, followed by 3 years in a certified public accounting firm.

Since 2022 and in 2023, we engaged Yang Lee & Associates (“YLA”) for agreed scope internal audits and quality assessment reviews to improve on the effectiveness of our internal audit function, with reference to International Standards for the Professional Practice of Internal Auditing (“IPPF Standards”). Our collaboration with YLA reflects our commitment in keeping our Internal Audit Team abreast of the latest industry developments and alignment with relevant professional standards.

YLA is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. YLA was established in the year 2005 and currently maintains an outsourced internal audit portfolio of SGX-ST listed companies in sectors such as distribution, manufacturing, services, food & beverage, retail and property development.

The YLA engagement team comprises two Directors, a Senior Manager, supported by an Assistant Manager and two Associates. Each of the two Directors has more than 25 years of relevant experience whilst the Senior Manager has more than 15 years of relevant experience.

By Order of the Board

Ren Letian
Executive Chairman and Chief Executive Officer

19 April 2024