



RESPONSE TO SGX'S QUERY REGARDING THE COMPANY'S UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 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 the Company’s unaudited financial results for the period ended 30 June 2020. The Board wishes to respond to the queries as follows:

Question 1:

With reference to the unaudited financial statements for the period ended 30 June 2020, it is disclosed that total administrative expenses increased to RMB255 million from RMB210 million in 2Q2019, the increase was mainly due to the higher impairment loss on debt investment at amortised costs of RMB146 million in 2Q2020 as compared to RMB93 million of 2Q2019. With reference to the unaudited financial statements for the period ended 31 March 2020, it is disclosed that total administrative expenses increased to RMB217 million from RMB115 million in 1Q2019, the increase was mainly due to the higher impairment loss of debt investment at amortised costs of RMB128 million in 1Q2020 comparing to RMB10 million of 1Q2019 which is in line with higher amount invested in 1Q2020 as compared to the end of FY2019.

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.*

Company Response:

- i. Allowance for impairment loss on debt investment at amortised costs is measured by determining the expected credit loss (“ECL”) impairment model in accordance to SFRS(I) 9 Financial Instruments.

The Group applies general 3 stage approach to measure expected credit loss on debt investment at amortised cost. 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	Borrowers for which there is a significant increase in credit risk; significant increase in credit risk is presumed if	Principal payments past due; Borrowers facing litigations; or	No reasonable expectation of recovery

	contractual cash flows	there is a decline in internal credit risk grading	extension of principal repayment date due to financial difficulties	
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 2Q2020 were mainly from higher provision made for Non-performing category.

Question 2:

It is disclosed on page 3 of the unaudited financial statements that the Company has current trade and other receivables of RMB 3,576,820,000 and RMB 4,680,344,000 as at 30 June 2020 and 31 December 2019 respectively. Please provide a breakdown of the Group's current trade and other receivables for the year ended 30 June 2020 and 31 December 2019.

Company Response:

<u>Trade and Other Receivables – Current</u>	30-Jun-20	31-Dec-19
	RMB'000	RMB'000
Finance lease receivables	174,717	128,999
Trade receivables	1,345,301	881,066
Other receivables	141,204	438,242
Value added tax recoverable	265,128	888,328
Prepayments	1,650,470	2,343,709
	<u>3,576,820</u>	<u>4,680,344</u>

Question 3:

It is disclosed on page 12 of the unaudited financial statements that, borrowings represented the Group's secured and unsecured borrowings of RMB5,647 million, higher than RMB4,910 million at the end of last quarter, the movement being net proceeds from borrowings during the period. Please explain the increase in the Group's borrowings for the financial period ended 30 June 2020.

Company Response:

The increase in the Group's borrowing is mainly because Jiangsu New Yangzi Shipbuilding Co., Ltd had raised another RMB400 million unsecured bank borrowing, and the Company had also raised a SGD loan (approximately equivalent to RMB882 million), which was partly offset by a repayment of bank borrowings of RMB557 million in 2Q2020.

Question 4:

Paragraph 14 of Appendix 7.2 of the SGX-ST Listing Manual on Financial Statements and Dividend Announcement states:- "Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)" in respect of information required for quarterly (Q1, Q2 & Q3), half-year and full year announcements. Please clarify whether and how this requirement has been complied with.

Company Response:

The negative confirmation pursuant to Rule 705(5) has been complied with the confirmation given by two Directors of the Company:

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We, Ren Letian and Xu Wen Jiong, being two Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the “Company”), do hereby confirm on behalf of the Board of Directors of the Company (the “Board”) that, to the best of their knowledge, nothing has come to the attention of the Board which may render the financial statements for the period ended 30 June 2020 to be false or misleading, in all material respects.

On Behalf of the Board of Directors

Ren Letian
Executive Chairman and
Chief Executive Officer

Xu Wen Jiong
Non-Independent Non-Executive Director

By Order of the Board

Ren Letian
Executive Chairman and Chief Executive Officer

1 September 2020