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

3Q2022 VOLUNTARY UPDATE AND FREQUENTLY ASKED QUESTIONS

The Board of Directors of Yangzijiang Financial Holding Ltd. ("**Yangzijiang Financial**"), together with its subsidiaries, the "**Group**") wishes to improve the communication and engagement with Yangzijiang Financial's stakeholders and has accordingly prepared this document as an update on its performance for the third quarter ended 30 September 2022 ("**3Q2022**"). The document also answers frequently asked questions which are meant to deal with certain concerns raised by various stakeholders.

3Q2022 Voluntary Update

Total income in 3Q2022 was lower year-on-year largely due to:

A decrease in interest income, which was mainly attributable to:

(i) **A higher percentage of assets being held in cash and yield enhancement products, due to the uncertain short-term outlook of the Chinese economy.** With assets being held in the cash portfolio as well as such yield enhancement products having a lower interest yield than debt investments, the Group is looking to reallocate funds to other asset classes.

(ii) **A decline in income from property-related debt investments.** The property sector in China has faced substantial challenges with developers encountering financial and liquidity setbacks, as widely reported in the media. This has affected the ability of some of our borrowers to make repayments on time.

Non-interest income decreased year-on-year during 3Q2022, following fair value changes in financial assets through profits or losses from the Group's equity portfolio

Global sentiment for risk assets continued to be weak for the most part of 3Q2022, especially in the Chinese equity market. In 3Q2022, the Shanghai Shenzhen CSI 300 Index dropped by 15% from 30 June 2022. While the Group's equity portfolio, which consists of some listed shares within private equity funds in China, is well-diversified across sectors, it has not been immune to the persistent volatility in the market.

An increase in non-performing loans ("NPL")

As background information, please note the Group's stringent definition of NPLs set out in the table below, where NPLs are immediately recorded upon a principal and/or interest repayment being past due and with no grace period given.

The table below depicts the Group's current definitions of performing, under-performing and non-performing loans.

Category	Performing	Under-performing	Non-performing
Definition of category	Borrowers have a low risk of default and a strong capacity to meet contractual cash flows	Borrowers for which there is a significant increase in credit risk is presumed if there is a decline in internal credit risk grading	Principal and/or interest payments past due with no grace period; Borrowers facing significant litigations; and extension of principal and/or interest repayment date due to financial difficulties

In 3Q2022, the Group recorded a significant increase in NPLs from 30 June 2022. The table below sets out the Group's gross NPL and net NPL figures as of 30 June 2022 and 30 September 2022.

	As of 30 June 2022		**As of 30 September 2022**	
	Amount (S$ million)	**As a percentage of Debt Investments(1) (%)**	**Amount (S$ million)**	**As a percentage of Debt Investments(1) (%)**
Gross NPL(2)	52.9	2.0	777.5	30.8
Net NPL(2)	37.2	1.5	762.7	31.5

__Notes:__

(1) The percentages for Gross NPLs and Net NPLs in the table above are computed against gross Debt Investments and net Debt Investments respectively.

(2) Gross NPLs are the total amount of debt investments classified as NPLs. For further details see the table setting out the Group's current definitions of performing, under-performing and NPLs above. Net NPLs are the total amount of Gross NPLs, net of specific provision for such NPLs.

The increase in NPLs arose because of interest and principal repayment delays from borrowers impacted by the struggling property sector in China. However, as most of the affected loans are still adequately collateralized, the Group has made the provision for loan losses of $14.8 million.

In response to the challenges faced by the property sector, the Chinese government has pledged strong policy support and banks have taken steps to make additional funding more readily available. The effectiveness of such support will in turn determine whether the property sector in China will improve. Recovery of such affected loans will be dependent upon, among others, the improvement of the property sector in China. The Group shall continue to actively manage its customers and collateral and will write back at the appropriate time what has been conservatively provided for in prior periods in accordance with our existing policies.

As of 30 September 2022, the Group reduced its debt investments in China to approximately 56.0% of its total portfolio. Cash and yield enhancement products and equity investments form approximately 27.6% and 15.0% of the Group total portfolio as of 30 September 2022 respectively. A total of S$511 million, representing 12% of the Group's assets as of 30 September, has been committed for deployment outside of China.

In November 2022, the Group also announced that its wholly-owned subsidiaries, Jiangsu New Yangzi Commerce & Trading Co., Ltd and Gao Hong International Limited., have been awarded the liquidity pool scheme by the People's Bank of China, which allows the Group to conduct intra-group transfers of up to RMB10 billion. As a result of the scheme, the Group will be able to deploy its capital in and out of China bilaterally to facilitate the Group's investments both within and outside of China in a cost-efficient manner.

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FREQUENTLY ASKED QUESTIONS

General

1. Has volatility in the Chinese economy impacted the Group?

The Zero-COVID Policy in China has adversely affected the performance of our debt portfolio, in particular, those assets with exposure to the real estate sector.

Over the long term, 50% of the Group's investments are expected to remain in China. Hence, there may still be some impact on the Group's equity portfolio performance. As the Group plans for the future, it intends to diversify half of its portfolio overseas, which will reduce our reliance on the Chinese economy and RMB.

2. What is the impact of USD foreign exchange on the Group?

Our functional currency is RMB, while our reporting currency is SGD. The Group is expected to recognise foreign exchange gains when there is an appreciation in USD against the RMB. Our USD denominated assets currently account for around 8.8% of our total assets as of 30 September 2022.

3. What's the Group's unaudited net asset value ("NAV") per share as of 30 September 2022?

The Group's unaudited NAV per share is 109.23 Singapore cents as of 30 September 2022 as compared to 107.45 Singapore cents as of 30 June 2022. The Group remains profitable in 3Q2022.

4. What will happen after the Group's 10% share buyback has been exhausted for the year?

The Group will not be able to conduct further share buybacks until its share buyback mandate is renewed. The share buyback mandate may be renewed during the Group's next Annual General Meeting. As of 31st October 2022, the Group has utilised approximately S$99 million to purchase approximately 6.6% of its total outstanding shares (as at the date of the approval of the share buyback mandate by our shareholders through the share buyback program).

In an Edge article published on 10 November 2022, it was highlighted that the Group's CEO, Mr Vincent Toe, and two of the three independent directors, Mr Chew Sutat and Mr Chua Kim Leng, had at various times bought shares from the market. It was also highlighted therein that the Group's Executive Chairman, Mr Ren Yuan Lin's intends to increase his personal stake in the Group, once the Group's share buyback mandate has been exhausted.

5. Is there any estimated split in terms of portfolio allocation by 2023 by asset classes?

The Group expects to reduce its debt investments in China to 30% of its total portfolio by the end of 2023, while reallocating its funds into other asset classes and diversifying outside of China. However, the timing of these investments will depend on the opportunities available, so that we can effectively maximise returns for our shareholders over the long term.

6. Does Yangzijiang Financial have any plans to enter the retail banking business?

We do not have any plans at this juncture to enter into the retail banking business. We remain focused on growing our investment management, fund management and wealth management business segments. The Group currently does benefit from a rising interest-rate environment due to our cash holdings.

7. Why was Yangzijiang Financial spun off from Yangzijiang Shipbuilding?

The spinoff was intended to reduce the conglomerate discount that has been attached to the valuation of these two entities and to grow both entities by separate professional management teams who could focus more on their respective industries.

<u>Debt investment portfolio</u>

1. What sectors will the Group invest in for new debt investments?

The Group intends to reduce its exposure to the real estate market over time. Currently, we are assessing how best to diversify our debt investments to opportunities in other industries, including mezzanine financing or financing for the maritime sector and the logistics investments for mining projects in China.

<u>Equity investment portfolio</u>

1. What is the percentage split of your equity portfolio between China and Singapore?

Nearly 100% of our existing equity portfolio is invested in China as of 30 September 2022. They contain our legacy holdings, including the companies that we invested in prior to their IPOs. We have currently committed S$223 million to private equity investments outside of China, amounting to 5% of the Group's total assets as of 30 September 2022.

2. How has the Group's equity portfolio been affected in the recent China rout?

As at 3Q2022, the Group's equity portfolio represents about 15% of the Group's total assets, and is well-diversified across various sectors, from machinery and mining to financial services. The fair value of the equity portfolio is likely to be affected by the recent volatility in the market.

3. What is the Group's 2023 outlook for its equity portfolio?

For the public equity market, the recent decline in share prices have created attractive opportunities for investing in quality companies over the long term. We expect to further expand our equity portfolio in capital markets, both within China and outside China, in 2023.

For the private equity market, the Group is looking to capitalise on the growing economic activity in Southeast Asia through investments via top-tier private equity funds as well as partnerships with government-linked funds that will broaden the Group's network and access to deals.

4. For the Group's maritime fund, how will it ensure the suitability and objectivity of investments, especially for projects related to Yangzijiang Shipbuilding?

Investments done through the maritime fund will be evaluated at an arm's length by our fund manager, Mr Alex Yan, with a view towards generating a steady stream of income and attractive returns. Mr Yan has the expertise and experience in this sector, and he has spent more than two decades of his career in the shipping industry, holding roles that cover leasing, financing and fleet management.

By Order of the Board
Toe Teow Heng
Executive Director and Chief Executive Officer
5 December 2022