

YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.
(Company Registration No. 200517636Z)
(Incorporated in the Republic of Singapore on 21 December 2005)

RESPONSE TO SGX'S QUERIES ON INTERESTED PERSON TRANSACTION

The Board of Directors ("**Board**") of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement on 16 April 2020 (the "**16 April Announcement**"). Unless otherwise defined herein, all capitalized terms used but not defined herein shall have the same meanings ascribed to them in the Announcement.

The Board wishes to announce that JNYS and Xinyangchuan have on 28 April 2020 agreed to amend the terms of the Facility as follows (the "**Amendments**"):

- (a) the maximum principal amount of the Facility shall be amended to RMB600 million;
- (b) the Facility shall expire on the earlier of: 16 April 2025, or the occurrence of an Early Repayment Event or an event of default; and
- (c) the maximum Facility value at any point in time during the term of the Facility shall be capped at RMB953,088,570 or 3% of the Group's latest audited net tangible assets ("**Group NTA**"), whichever is lower (the "**Maximum Facility Value**").

To date, no Drawdowns have been made on the Facility and save for the Facility, no transactions have been previously entered into or are existing between any entity of the Group and Xinyangchuan.

In light of the Amendments, the maximum interested person transaction value in relation to the Facility is RMB953,088,570, being 3% of the Group NTA as at 31 December 2019.

As the interested person transaction value in relation to the Facility does not exceed 5% of the Group NTA, the Company is not required to seek shareholders' approval pursuant to Rule 906 of the Listing Manual for the provision of the Facility by JNYS to Xinyangchuan.

However, at any point in time during the term of the Facility where the aggregate of the value of all repaid and outstanding Drawdowns and the value of interest paid and payable on such repaid and outstanding Drawdowns exceed the Maximum Facility Value due to changes in the Group NTA (as determined based on the latest audited consolidated financial statement of the Group) or where parties wish to increase the Maximum Facility Value to a value beyond 3% of the Group NTA or RMB953,088,570 (whichever is lower), the Company shall, as a matter of good corporate governance, immediately seek shareholders' approval to ratify the provision of the Facility by JNYS to Xinyangchuan. This is a higher standard of corporate governance than the requirements of the Listing Manual which require that an issuer must obtain its shareholders' approval for any interested person transaction of value equal to, or more than 5% of the Group NTA (for further details, see response to SGX Query 1).

The Audit Committee of the Company had reviewed the Amendments and remains of the view that the amended Facility is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

The following table sets out the amended current total of all transactions for the financial year ending 31 December 2020 with the particular interested person whose transaction is the subject of the 16 April Announcement and this announcement and the current total of all interested person transactions for the same financial year, as at the date of this announcement:

Interest Person Transaction	RMB'000
Jiangyin Xinyangchuan Enterprise Management Center (Limited Partnership)	
<ul style="list-style-type: none">Maximum Facility Value of the Facility to Xinyangchuan	953,088,570
(There are no other interested person transactions entered into by the Group with Mr. Ren Yuanlin, his associates or Xinyangchuan for the financial year ending 31 December 2020.)	
Total for all interested person transactions for the current financial year	971,346,570

The Board further refers to the queries from the Singapore Exchange Securities Trading Limited (the "SGX") on 20 April 2020 regarding the 16 April Announcement and wishes to set out its response to the queries below.

SGX QUERY 1

We refer to the 16 April Announcement. It is disclosed in the 16 April Announcement that the interested transaction value in relation to the Facility is RMB1,560 million (being the aggregate of the maximum principal amount and the interest payable on the Facility). Please disclose the computation of the interested transaction value of RMB1,560 million, including the Company's basis of computation for the interest payable on the Facility. Please also disclose the maximum transaction value pursuant to the FA, that is the maximum value of the Facility and the interest payable on such Facility over the five year term. If the maximum transaction value is equal to or more than 5% of the Group NTA, the Company is required to seek shareholders' approval for the FA pursuant to Listing Rule 906.

COMPANY'S RESPONSE 1

In light of the Amendments, the Board wishes to clarify that the interested transaction value of RMB1,560 million as previously disclosed is no longer accurate. As mentioned above, the Maximum Facility Value is RMB953,088,570 (being 3% of the Group NTA as at 31 December 2019) or 3% of the Group NTA (as determined based on the latest audited consolidated financial statement of the Group), whichever is lower.

The Board wishes to further clarify that the FA provides for the computation of the thresholds of the terms for each proposed Drawdown Request (the "**Facility Thresholds**"). The Facility Thresholds function to limit further Drawdowns in order to ensure that the Maximum Facility Value of RMB953,088,570 or 3% of the Group NTA (whichever is lower) will not be breached. Based on the Group NTA as at 31 December 2019, the current Maximum Facility Value is RMB953,088,570.

Prior to the submission of a Drawdown Request to JNYS, Xinyanchuan is required to notify JNYS in writing of its intention to submit a Drawdown Request. JNYS would then notify Xinyanchuan of the Remaining Facility Value (as defined below). Prior to JNYS accepting a Drawdown Request, it will confirm that (i) the principal amount of the proposed Drawdown, when added to the principal amount of current outstanding Drawdowns, is not greater than RMB600 million and (ii) the value of the proposed Drawdown and the aggregate interest payable on the proposed Drawdown is not greater than the Remaining Facility Value.

Computation of Remaining Facility Value:

In order to determine the Facility Threshold for a new Drawdown Request, the calculation mechanism first sums up the aggregate value of (i) all repaid and outstanding Drawdowns, (ii) the paid interest from such repaid and outstanding Drawdowns and (iii) the prospective interest payable arising from the outstanding Drawdowns (collectively, the “**Current Facility Value**”).

The second step would then be to determine the remaining Facility value (“**Remaining Facility Value**”), which is computed by subtracting the Current Facility Value from the Maximum Facility Value.

For illustration purposes only:

Event	(1) Maximum principal amount of the next proposed Drawdown (RMB)	(2) Current Facility Value (RMB)	(3) Remaining Facility Value (RMB)
FA executed on 16 April 2020	600,000,000	0	953,088,570
Assuming a first Drawdown of RMB 200 million was made on 1 June 2020 for a repayment term of 12 months with an interest of RMB 16 million payable on a half yearly basis.	400,000,000	216,000,000	737,088,570
Assuming the Group NTA for the financial year ending on 31 December 2020 decreases to RMB 31,000,000,000 (the Maximum Facility Value shall accordingly be decreased to RMB 930,000,000)	400,000,000	216,000,000	714,000,000
Assuming a second Drawdown of RMB 400 million on 1 May 2021 for a repayment term of 12 months with an interest of RMB 32 million payable on a half yearly basis	0	648,000,000	282,000,000
Assuming the principal and interest for the first Drawdown is fully repaid on 31 May 2021	200,000,000	648,000,000	282,000,000
Assuming a third drawdown of RMB 200 million on 1 June 2021 for a repayment term of 12 months with an interest of RMB 16 million payable on a half yearly basis	0	864,000,000	66,000,000

In the context of the illustrative table above, no further Drawdowns may be made if either the maximum principal amount of the next proposed Drawdown (Column 1) or the Remaining Facility Value (Column 3) falls to zero.

In the event any Drawdown is repaid early (at the consent of JNYS), the Current Facility Value will be adjusted accordingly to take into account such early repayment of the interest amounts.

The Maximum Facility Value shall be reviewed and adjusted on an annual basis by the Audit Committee based on the latest Group NTA (as determined based on the latest audited consolidated financial statement of the Group) and in the event such adjustment results in the Current Facility Value exceeding RMB953,088,570 or 3% of the Group NTA (whichever is lower) or where parties wish to amend the Maximum Facility Value to a value more than RMB953,088,570 or 3% of the Group NTA (whichever is lower), the Company shall immediately seek shareholders' approval to ratify the provision of the Facility by JNYS to Xinyangchuan.

SGX QUERY 2

Please provide details of (i) the financial standing and ability of Xinyangchuan to repay the loans; (ii) Xinyangchuan's ability to obtain commercial loans from financial institutions currently; and (iii) credit assessment conducted on Xinyangchuan, if any. Please provide Board's assessment as to whether the lending of RMB1,500 million to Xinyangchuan will affect the cashflow and operating needs of the Group.

COMPANY RESPONSE 2

Background of Xinyangchuan

Xinyangchuan is a limited partnership, established under the laws of the People's Republic of China ("PRC") in March 2020 to invest in PRC enterprises operating in various industries such as energy, manufacturing and property development. The limited partners of Xinyangchuan have contributed capital amounting to RMB 1.5 billion in aggregate.

Based on the business plan provided by Xinyangchuan (the "**Business Plan**"), it has been represented to the Board that Xinyangchuan has identified a number of target PRC enterprises, which it intends to make equity investments into, over the course of the current calendar year.

Financial standing and ability of Xinyangchuan to repay the Drawdowns

Based on representations made to the Company, the Company is not aware of Xinyangchuan (being a newly established limited partnership) having (i) incurred any debts as at the date of this announcement (other than the Facility) and (ii) contracted to take on any other potential debts.

In addition, based on the Business Plan and reliance on the projections therein, the Board is of the view that Xinyangchuan will be able to repay the principal amount and accrued interest of the Drawdowns as and when they fall due.

To further mitigate the risk of any non-payment by Xinyangchuan, JNYS has imposed a 50% loan-to-value ratio (the "**LTV Ratio**") to ensure that it will be able to recover any funds owed by Xinyangchuan under the Facility through the enforcement of the relevant collateral provided.

Xinyangchuan's ability to obtain commercial loans from financial institutions currently

Based on representations made to the Company by Xinyangchuan, it has not obtained any loans from financial institutions and is not in the process of obtaining any loans from financial institutions. The Company understands that Xinyangchuan has not ruled out approaching financial institutions to raise funds if required, for purposes of its investments. Xinyangchuan has further represented to the Company that it does not foresee any difficulty in obtaining commercial loans from financial institutions.

Credit assessment on Xinyangchuan

A credit assessment¹ of Xinyangchuan was conducted by the Company prior to the execution of the FA, during which the Company had considered the following: (i) contributed capital of Xinyangchuan; (ii) the projections set out in the Business Plan; and (iii) the LTV Ratio for the collateral to be provided by Xinyangchuan. Based on such credit assessment, the Company has determined Xinyangchuan to be creditworthy.

The Company confirms that the Facility (based on the Maximum Facility Value) will not affect the cash flow and operating needs of the Group, given that the Facility utilizes cash in excess of JNYS's working capital requirements. In addition, the interest payments that will be earned from the Facility represents an additional source of revenue for JNYS.

SGX QUERY 3

It is disclosed in the 16 April Announcement that the collateral to be provided in respect of each Drawdown shall be proposed by Xinyangchuan in the relevant Drawdown Request at a loan-to-value ratio of 50%, and is subject to approval by JNYS. Such collateral shall include pledges of assets held by the Borrower Group. Please provide information on the Audit Committee's involvement in the evaluation of the securities, if any.

COMPANY RESPONSE 3

Each Drawdown shall be accompanied by a valuation report from a third-party valuer of international repute, setting out the value of the collateral proposed to be provided. Each Drawdown Request, including the attached valuation report, shall be reviewed by JNYS. Prior to approving any Drawdown, JNYS shall notify the relevant officer of the Company, who is designated by the Board to oversee JNYS's operation of the Facility (the "**Compliance Officer**"), of the relevant Drawdown Request.

The Audit Committee, together with the Compliance Officer, will review the status of the Facility and the Drawdowns during their Audit Committee meetings, which are held not less than once every half year (the "**AC Review Meetings**"), including, amongst others:

- (i) review of all Drawdown Requests and accompanying valuation reports for the preceding quarter;
- (ii) review of the Remaining Facility Value and the status of repayments of principal and interest from the Drawdowns;
- (iii) review of Xinyangchuan's current financial position (including the review of the consolidated financial statements submitted by Xinyangchuan (see response to SGX Query 4)); and

¹ The Company considered the following when making the credit assessment: (a) cash position of the borrower (including available cash to make interest payments); (b) current ratio of the borrower; (c) average annual amount of projected free cash flows of the borrower; and (d) collateral to be provided by the borrower.

- (iv) determining whether any event has occurred which may adversely impact Xinyangchuan's ability to meet its repayment obligations or which may adversely impact the value of any collateral provided by Xinyangchuan in respect of the Facility.

Prior to each AC Review Meeting, JNYS shall submit to the Compliance Officer an update report containing updates on the matters set out paragraphs (ii), (iii) and (iv) above. Such update report will be reviewed by the Audit Committee at the relevant AC Review Meeting. The results of the AC Review Meetings shall be disclosed by the Company in its half yearly unaudited financial statements.

SGX QUERY 4

It is disclosed in the 16 April Announcement that the net asset value of the Borrower Group shall not be less than RMB 1.5 billion and the annual return on net assets of the Borrower Group shall not be less than 8%. Please clarify if the net asset value and annual return on net assets as abovementioned will be based on the audited financial statement of the Borrower Group. What are the measures that will be put in place to monitor the Financial Covenant? Will the Audit Committee be involved in decision making in the event of (i) non-compliance with the Financial Covenant; and (ii) Early Repayment Events?

COMPANY RESPONSE 4

Xinyangchuan is required to submit its unaudited consolidated financial statements to JNYS on a quarterly basis within one month from the end of each financial quarter and its audited consolidated financial statements to JNYS within six months from the end of each financial year. JNYS will review these financial statements upon receipt. In the event of a breach of the Financial Covenants or an increased likelihood of a breach of the Financial Covenants, JNYS shall immediately notify the Compliance Officer, who will in turn notify the Audit Committee. The Audit Committee will also review these financial statements at the AC Review Meetings (see response to SGX Query 3).

The non-compliance with the Financial Covenants is an event of default under the FA. JNYS is entitled to exercise its right to terminate the Facility with immediate notice and require the immediate repayment of the outstanding principal amount and any interest accrued but unpaid.

In the event of the occurrence of an Early Repayment Event, as informed by Xinyangchuan to JNYS or as discovered by JNYS, JNYS has the right to either require Xinyangchuan to repay the outstanding principal amount and any interest accrued but unpaid or affirm such event (if it is determined that such event does not have a material adverse impact on the ability of Xinyangchuan to comply with its payment obligations under the Facility). JNYS shall consult the Compliance Officer (who shall discuss with the Board and Audit Committee) before exercising any of its rights arising from the occurrence of an Early Repayment Event.

SGX QUERY 5

Please provide the Audit Committee's confirmation that they have sufficient and effective safeguards implemented for Drawdowns under the FA, as well as disclose information on these safeguards, including measures in place to make sure that the proceeds from the Facility shall be used by Xinyangchuan strictly for its working capital requirements. Please also disclose the Audit Committee's involvement in (i) the decision making in Drawdowns; (ii) monitoring of repayments of the Drawdowns and (iii) assessment on the Xinyangchuan's financial position and its ability to meet its repayment obligations.

COMPANY RESPONSE 5

The Audit Committee confirms that there are sufficient and effective safeguards implemented for Drawdowns under the FA (see response to SGX Query 3 for further details on the Drawdown procedure).

Under the FA, Xinyangchuan is required to use the proceeds from the Facility for its working capital requirements (which include capital for its principal business of carrying out investments) (see response to SGX Query 2). In order to enable JNYS to monitor Xinyangchuan's use of proceeds from the Facility, Xinyangchuan shall, as soon as practicable after disbursement of the Drawdowns, submit to JNYS documentary evidence of its use of proceeds (such use to be consistent with the proposed use of the proceeds as disclosed in the relevant Drawdown Request).

The Audit Committee will regularly review the repayment status of the Drawdowns and assess Xinyangchuan's current financial position and its ability to meet its repayment obligations at the AC Review Meetings (see response to SGX Query 3).

SGX QUERY 6

Please disclose how the interest rate of 8% is determined as well as the Company's basis for ascertaining that the interest rate of 8% per annum is on normal commercial terms. What is the current borrowing cost of Xinyangchuan from third party banks?

COMPANY RESPONSE 6

The interest rate of the Facility was determined with reference to (a) the interest rates of secured loans typically provided by commercial banks in the PRC and (b) interest rates charged by JNYS on loans provided to local government financing and investment platforms² in the PRC ("LGFIPs") for working capital purposes in the past year.

The Company has determined Xinyangchuan to be of similar credit risk to the LGFIPs³.

Xinyangchuan has represented to the Company that it does not currently borrow from any third party banks or other financial institutions (see response to SGX Query 2).

SGX QUERY 7

Please disclose as to whether JNYS can recall the loans at any time such funds are required by JNYS for its own cash flow.

COMPANY RESPONSE 7

Under the FA and as previously disclosed in the 16 April Announcement, JNYS is entitled to the repayment of the outstanding principal amount and any interest accrued but unpaid at any time with two month's unilateral prior notice to be given to Xinyangchuan.

² LGFIPs refer to municipal state-owned enterprises primarily involved in financing public infrastructure projects.

³ Please see the Company's bases for carrying out the credit assessment of Xinyangchuan and the LGFIPs in footnote 1 above.

SGX QUERY 8

Please disclose Board's assessment as to whether the Interested Person Transaction is in the interest of the Company and its basis of assessment.

COMPANY RESPONSE 8

As mentioned in the 16 April Announcement, the Board has determined that the Facility is beneficial to the Group, considering that: the Facility utilizes cash in excess of JNYS's working capital requirements and the interest payments that will be earned from the Facility represents an additional source of revenue for JNYS.

In coming to its determination, the Board had in addition considered:

- (i) the reduced risk on JNYS given the low LTV Ratio (see response to SGX Query 2) and the fact that JNYS is entitled to the repayment of the Facility at any time (subject to compliance with the requisite notice requirements) (see response to SGX Query 7);
- (ii) the creditworthiness of Xinyangchuan in light of its available capital, clean financial health and Business Plan (see response to SGX Query 2); and
- (iii) the fact that the terms of the Facility are consistent with normal commercial terms (see response to SGX Query 6).

BY ORDER OF THE BOARD

Ren Letian
Executive Chairman and Chief Executive Officer
4 May 2020