1H2023 FREQUENTLY ASKED QUESTIONS

To improve the quality of communications and engagement with its stakeholders, Yangzijiang Financial Holding Ltd. (SGX: YF8) (the "**Company**", together with its subsidiaries, the "**Group**") has compiled a list of answers to address certain questions that are frequently asked by various stakeholders.

Group Overview

The Company, which was listed in April 2022, is the spinoff of the investment arm of Yangzijiang Shipbuilding (Holdings) Ltd (SGX: BS6) ("**Yangzijiang Shipbuilding**"). Prior to the spinoff, the Group had primarily invested in China with a focus 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. Over the long term, the Group intends to allocate 50% of its funds to investments in China and the balance to investments beyond China. As of 30 June 2023, the Group's portfolio is composed of 61.1% in debt investments, 20.9% in cash and yield enhancement products, 15.4% in equity investments, 2.1% in the Yangzijiang Maritime Fund (the "**Maritime Fund**"), a fund managed by the Group's wholly owned subsidiary, GEM Asset Management Pte. Ltd., 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 income for the Group.

Investment Strategies:

Strategy 1: Global Shipbuilding Investment Hub

Leverage the group's 50 years of shipbuilding experience, both domestically and internationally. Maximise the synergies between domestic and overseas maritime funds and financial leasing operations. Address the demands of international and domestic shipbuilding and shipping markets. Seize opportunities within shipbuilding to transition towards clean energy. Collaborate with domestic and foreign professionals and institutions to serve as a catalyst and strategic investor in the shipbuilding sector. Expand joint investments in shipbuilding, ship financing and leasing, second-hand ship trading, export ship agency, and related ventures. Establish financial institutions encompassing investment, financing, leasing, and agency functions.

Strategy 2: Global Capital Market Expansion

Harness the trends in domestic and foreign capital markets, leveraging the benefits of overseas capital within financial platforms. Collaborate with domestic and international professional institutions to establish investment entities dedicated to effectively nurturing, developing, and restructuring both domestic and foreign listed companies. This three-stage approach encompasses comprehensive service and engagement, representing the primary focus of our domestic financial holdings business direction.

Strategy 3: Strategic Financial Diversification

Leverage its internal funds and foreign exchange advantages to sustain traditional financial management operations domestically and internationally. Employ substantial existing capital to generate profits while concurrently driving a shift towards investment activities. This transformation encompasses the acquisition and resolution of non-performing assets, collaboration within the mineral logistics sector, preservation and appreciation of foreign exchange assets, and strategic talent investment in industrial projects. These efforts facilitate a seamless transition and gradual reduction in the traditional business portfolio.

Strategy 4: Effective Non-Performing Asset Resolution

Exert significant efforts to address non-performing assets and litigation holdings, maximising cooperation with social institutions to replicate successes achieved 24 years ago. Liquidate litigation assets to settle all foreign investments in foreign exchange and assets. Endeavour to prevent and minimise new issues and litigation.

Non-Performing Loan ("NPL") Ratios:

The Group targets to reduce its NPLs by year-end. To achieve this target, three key policies have been introduced:

1. Reduction in Real Estate Exposure: The Group has abstained from adding to its exposure to the real estate sector within China.
2. Asset seizure for Land NPLs: In cases of NPLs backed by land on which development has not taken place, the Group is actively exercising its option to seize assets to facilitate investment recovery.
3. Debt Restructuring for Developed Project NPLs: For NPLs tied to developed projects, the Group will extend the debt tenure and reduce interest rates for such NPLs. This is anticipated to increase the likelihood of borrowers completing and selling off their development projects and eventually settling their debt.

General:

Are any of your funds involved in any anti-money laundering ("AML") operations in Singapore?
The Group's fund management subsidiary, GEM Asset Management Pte. Ltd., is licensed by the Monetary Authority of Singapore ("**MAS**") and has in place stringent policies and procedures for compliance with the relevant AML regulations and guidelines issued by MAS.

Investment Management:
Debt Investment
Will you be providing more provisions to the loans made to real estate developers in China in the second half of 2023?
The Group has already made adequate provisions and does not anticipate further provisions in 2H2023 unless China's economy deteriorates significantly.

Which industries are the companies that you recovered your NPLs from engaged in the first half of 2023?
Most of them are involved in the real estate sector.

Balance Sheet Statement:
Are there any strategies in place to diversify the company's funds into other markets like US equities to improve share price performance besides conducting share buybacks?
The Group currently does not have plans to invest in US equities. The Group's focus will remain on China, Singapore, and the rest of Southeast Asia. Nevertheless, the Group is open to the prospect of investing in the US.

Dividend Policy:
Investors are hoping that the Company will pay dividends twice or four times a year. Will the Company consider paying more frequent dividends to generate more interest in its common shares?
At present, the Company's dividend distribution will continue to be on an annual basis. Given the Company's commitment to achieving earnings targets, 40% of its annual earnings are allocated for dividends. The Company considers its share buyback program as a more effective method of returning value to shareholders and will continue doing so when circumstances permit, including the amount of surplus cash available, the share price level, and prevailing market conditions.

Since the three Singapore banks have updated their commitment to pay out 50% of their earnings as dividends, will management consider increasing the payout ratio to reflect the payout ratios of Singapore banks?
The Company believes that maintaining a 40% payout ratio would optimise the needs between dividend payouts and the Company's capital needs for growth.

Business Updates:
When will 50% of the Group's capital be allocated outside of China?
The initial plan was to allocate 50% of the Group's capital outside of China over five years. However, the Group is now considering accelerating this timeline, contingent on regulatory approvals.

Do you have any exposure to Country Garden or Evergrande?
The Group has no exposure to Country Garden or Evergrande.

Business Outlook:

Can you provide us with some insights or highlights on China's property market and how you manage your Non-Performing Loans, given that real estate borrowers make up the largest component of your PRC portfolio?
When the Group was spun off, the Group's exposure to China's property market was significant. The Group's debt investments fall into two categories – one where borrowers pledge their unencumbered land as collateral for funding, and the other where the Group collaborates with real estate developers, with the Group as a preferred shareholder which receives fixed coupons. This second model operates within a closed loop, requiring all decision-making, including debt raising, to be carried out with the entire project serving as collateral for the Group. In the event of default, the project's yields will be diminished, but our principal investment amount remains secure. Losses on the project only impact the Group if the loss on that project surpasses our principal investment amount.

The Company did well in the first half of 2023 in terms of profitability. Can the Company give us some indicators if the second half can be as good as the first half or even better due to lower NPLs and better collections?
In the scenario of a Chinese economic rebound, the Group is expected to perform robustly in the second half of 2023. However, if China's economy persists in a downward trajectory or deteriorates further, it would be difficult to expect a better performance in the second half of 2023.

Are there any difficulties that the company faces to remit money out of China?
No. The company has secured a liquidity pool scheme from the People's Bank of China that grants inter-company transfers in a cost-efficient manner.

What are the top three concerns on Chairman Ren's mind today?
Chairman Ren's primary concerns are Chinese government-imposed capital controls, the decelerating Chinese economy, and the geopolitical strains between China and the US.