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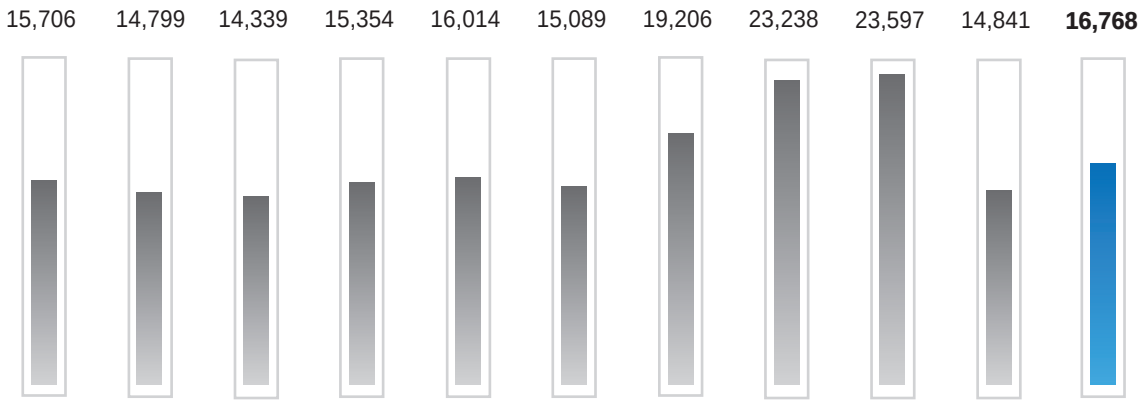
CORPORATE PROFILE

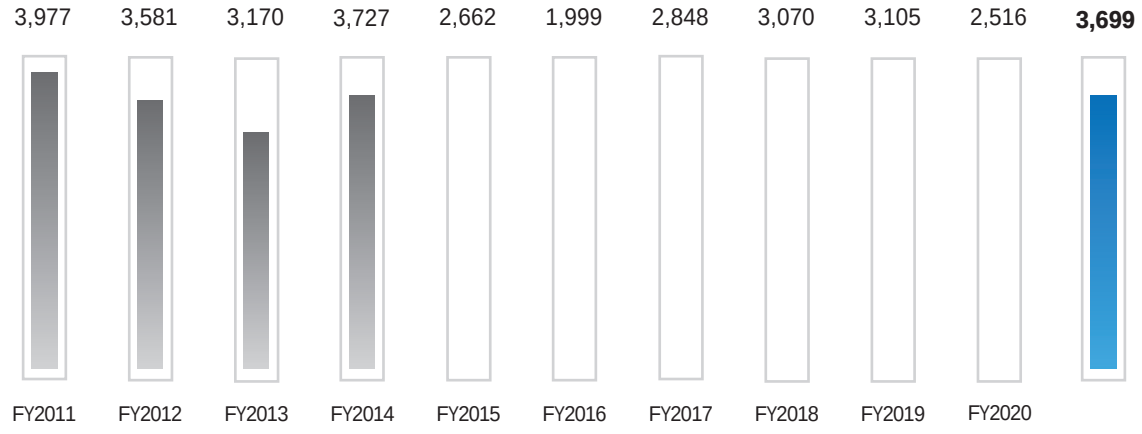
We produce a broad range of commercial vessels such as containerships, bulk carriers and LNG vessels, our shipbuilding bases are strategically located along the Yangtze River:

Jiangsu New Yangzi Shipbuilding Co., Ltd ("New Yangzi")
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("Xinfu")
Jiangsu Yangzi Changbo Shipbuilding Co., Ltd ("Changbo")
Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd. ("YAMIC")

REVENUE (RMB'MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RMB'MILLION)



DIVIDEND (SINGAPORE CENTS)

5.5	5.0	5.0	5.5	4.5	4.0	4.5	5.0	4.5	4.5	**5.0**

TRANSFORMATIONAL GROWTH OVER 60 YEARS

Yangzijiang has emerged stronger through several business cycles and market consolidation to become the largest private shipbuilding company in China and a global market leader. 2021 has strengthened our commitment to being one of the best shipbuilders in the world, and we took steps to ensure a sustainable business model to allow for consistent returns for our shareholders.

HONORARY CHAIRMAN'S STATEMENT

Yangzijiang is well-positioned to ride through these unprecedented times and I am confident we will emerge as one of the winners in the post pandemic world.

DEAR SHAREHOLDERS,

It is my honor to address you once again as the Honorary Chairman. 2021 continued to be largely defined by COVID-19 as we witnessed periodic resurgence of global COVID-19 infections as well as the occurrence of Delta and Omicron variants. As we navigated through the unprecedented challenges stemming from the pandemic, businesses continued to be disrupted by other global trends. For instance, commodity prices including natural gas and coal prices surged to record high levels in 2021 as supplies of energy failed to keep pace with global economic rebound and impacting the production of other commodities. Within China, tight supply of coal and soaring prices had resulted in power cuts and factory shutdowns in September and October of 2021.

Despite inevitable disruption to our operations, Yangzijiang has successfully navigated through these unprecedented challenges and responded with resilience and agility, reporting strong operational and financial results for FY2021. These achievements are the result of a collective commitment and testament of the strengths and efforts of the talented management team, led by the Group's Executive Chairman and CEO, Mr Ren Letian. The next-generation leadership has demonstrated their ability to lead Yangzijiang with forward-looking vision, and I feel extremely proud of what they have achieved in the past two years.

It was always my goal to build one of the best shipyards in the world, and I am proud to say that Yangzijiang has achieved this goal, but this is only the beginning for the new generation of leaders. Our group will continue to be led by a strong and talented management team, following a succession plan that has been in the making for years. I have complete confidence that under the stewardship of this batch of leaders, Yangzijiang will continue to deliver consistent returns, anchored by strong accountability and good governance. I would like to express my appreciation for all stakeholders that have supported the Group in the past years, and I believe Yangzijiang will continue to go above and beyond.

Over the years, Yangzijiang has been committed to maximizing shareholders' value and ensuring stable dividend payout to our shareholders despite the cyclical nature of shipbuilding. To further unlock shareholder value, the Group has once again made an important and strategic decision to spin-off our investment business into a separate entity, Yangzijiang Financial Holdings ('YZJFH') and has proposed for it to be listed on the Mainboard on the Singapore Exchange. This decision was made following ongoing communication with shareholders over the years and our desire to strengthen corporate governance within the Group. It is also opportune, given the Group's record high orderbook and favourable market sentiments as we enter a shipbuilding upcycle.

YZJFH will be led by a separate board of directors and management team to achieve stronger governance and independence with an aim to deliver sustainable value to our shareholders. I will be leading YZJFH as an executive chairman and our new management team comprises of multiple industry veterans with a broad range of commercial experience in various fields including fund management and private equity. The Group will place strong focus on expansion into fund and wealth management, in addition to the investment business that the Group has strong capabilities in and diversify into fast-growing sectors and new asset classes including private debt and mezzanine financing. YZJFH will acquire a fund management company with a capital markets services license in Singapore and look to build a recurring income-base model. YZJFH will also set up its headquarters in Singapore, leveraging its position as a financial hub to expand our geographical outreach in the Greater China and Southeast Asia region. Ultimately, we aim to become a leading investment manager in Asia. We will seek regulatory approvals and shareholders approval regarding the spin-off and following which, all eligible shareholders of Yangzijiang will be entitled to a dividend in specie for YZJFH.

This spin-off represents an important milestone for both entities, the management teams and our shareholders. It is also a result of our combined efforts and hard work, building a strong cash position and asset base over the years. As we progress towards this monumental milestone, I would like to encourage all shareholders to give us your fullest support. At its core, nothing has changed and both separate Yangzijiang entities will continue to provide sustainable returns for all our shareholders.

REN YUANLIN
Honorary Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you our annual report for the financial year ended 31 December 2021 ('FY2021'). The Covid-19 pandemic continues to be a world-upending phenomena, affecting lives, economies and industries. Despite so, the Group continues to demonstrate its ability to capitalise on available opportunities and responded with remarkable resilience, delivering a robust set of financial results. 2021 also marked a monumental year for us as we reported record order wins amidst a shipbuilding boom and recorded multiple breakthroughs within the LNG sector.

The Group has also proposed a corporate spin-off of its

CHAIRMAN'S STATEMENT

attests to the Group's longstanding focus to solidify our strengths in margin-accretive shipbuilding. As of end 2021, Yangzijiang had an existing orderbook of US$8.50 billion for 157 vessels, with containerships accounting for US$7.08 billion or 83% of total existing contract value.

In September 2021, the Group completed the acquisition of remaining 20% stake in Jiangsu Yangzi Xinfu Shipbuilding Co, Ltd ('Xinfu yard') for RMB650 million, fully funded by 100 million treasury shares. Known as the Xinfu yard, it operates as one of the Group's major shipyards equipped with the Group's largest dock facility and is heavily involved in the construction of mid to large sized vessels. Consolidation of the Group's interests in Xinfu yard is timely given the large existing orderbook and is expected to be earnings accretive. The Group also reactivated operations at Changbo yard and our existing orders are now fulfilled by four shipyards, including Yangzi-Mitsui Shipbuilding Co ('YAMIC'), the Group's joint venture arm.

ADVANCING OUR SUSTAINABILITY GOALS

As one of the largest private shipbuilding groups in China, it is essential that we remain committed to enabling the decarbonization of the shipping industry and do our part for the society and environment. In 2021, Yangzijiang continued to make meaningful progress within the clean energy sector, having clinched its first batch of orders for 40,000 CBM LPG vessels as well as fifteen units of LNG dual-fuel 7,000TEU containerships where the LNG fuel storage and supply system, and LNG tanks were jointly designed by Yangzijiang which places the Group amongst the playing field of other shipyards that were known to dominate the construction of dual-fuel engine vessels. These dual-fuel engines and vessels are also in compliance with, and exceeds the current guidelines initiated by the IMO, placing the Group in an exemplary position to break new ground in the clean energy vessels space.

The pandemic has led to an increased focus on sustainable businesses and economies, propelling a shift towards net-zero goals, especially within the shipping industry given that it is responsible for between 2% to 3% of the world's total CO_2 emissions annually. The longer-term outlook for shipbuilding continues to remain positive with underlying demand supported by the need to meet new environmental regulations, improved efficiencies and new technologies. The Group aims to stay ahead of this trend and will continue its efforts to develop strong shipbuilding capabilities within the clean energy sector and Yangzijiang remains confident to further capture market share.

PROPOSED SPIN-OFF LISTING

Given that our core shipbuilding business is cyclical by nature, the Group has been prudent with its use of

Group of experienced professionals and management

CORPORATE MILESTONES

2007

- Successful listing on SGX
- Completion of New Yangzi Yard

2008

- Million square meters expansion plan completed

2009

- Runner-up for Most Transparent Company (Foreign Listing Category) at SIAS Investors Choice Awards 2009

2010

- First Chinese-majority owned company listed on Taiwan Stock Exchange
- Largest S-Chip company listed on SGX and most profitable Singapore-listed China company

2015

- The Group diversifies Shipbuilding to LNG Vessels with Orders worth US$135 Million
- Re-entered STI index from 21 September 2015
- Yangzijiang wins Gold at PR Awards 2015 for Best IR Campaign in March 2015
- Yangzijiang wins prestigious Shipbuilding & Repair Yard Award at Seatrade Maritime Awards Asia 2015 in November 2015

2016

- Successfully delivered our first 260,000DWT very large ore carrier, largest ever in terms of deadweight tonnage
- Awarded new shipbuilding orders for Six 400,000 DWT VLOCs by ICBC Leasing, marking a rare case where a state-owned ship owner in China places orders with a private shipyard

2017

- Successfully delivered our first Liquefied Natural Gas (“LNG”) vessels
- Successfully delivered our largest 11,800TEU containerships
- Successfully launched the first batch of 400,000 DWT VLOC, largest dry bulk carriers in the world
- Xinfu Yard was qualified as a High/New Technology Enterprise and is entitled to enjoy a preferential corporate income tax rate of 15% for three years from FY2016

2018

- Successfully delivered the first batch of 400,000 DWT VLOC
- Entered into a Joint Venture agreement with prominent Japanese shipbuilding yard, Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. to set up a shipbuilding joint venture in Taicang

2019

- Jiangsu Yangzi-Mitsui Shipbuilding Company (“YAMIC”), the joint venture between Mitsui E&S Shipbuilding and Yangzijiang Shipbuilding Holdings, officially began operations in August 2019.

BACKED BY RECORD-HIGH ORDERBOOK AND STRONG NET CASH POSITION, ENABLING STRONG EXECUTION CAPABILITIES

Yangzijiang will become a pure-play shipbuilding company and a strong investment proxy to Chinese shipbuilding following a proposed spin-off of our investment business, which is expected to unlock deep value for shareholders

REN LETIAN
(Aged 40, Chinese)
Executive Chairman and Chief Executive Officer

Mr Ren Letian was appointed as Executive Chairman of the Company on 30 April 2020 and the Chief Executive Officer of the Group on 1 May 2015.

Mr Ren Letian joined the Group as a site project manager in year 2006. Since then, he has assumed several managerial roles at various levels and business divisions in the Group, and gained in-depth knowledge of the operations of the Group.

In 2014, under the management of Mr Ren Letian, the Group's Yangzi Xinfu Yard had successfully delivered 6 vessels of 10,000TEU containerships despite numerous challenges faced by the Yangzi Xinfu Yard which only turned operational in 2013. He has also received several recognitions from the local government for his outstanding achievements.

He now helms the Group's overall shipbuilding operations, and exhibits increased maturity and capability in overseeing various business functions that are integral to the successful delivery of quality vessels.

Mr Ren Letian is the son of Mr. Ren Yuanlin, the Honorary Chairman of the Group, and holds a Master's Degree from London Southbank University.

CHEN TIMOTHY TECK LENG
(Aged 68, Canadian)
Independent Director

Mr Chen was appointed as Independent Director of the Company on 26 April 2013.

Mr Chen has more than three decades of management experience in banking, insurance, investment fund and corporate advisory work. He has held positions in Bank of America, Wells Fargo Bank, Bank of Nova Scotia and Sun life Financial Inc. He was formerly the General Manager, China for Sun Life Financial Inc., and the President & CEO
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corporant Direcsity.

TEO YI-DAR
(Aged 51, Singaporean)
Lead Independent Director

Mr Teo is the Lead Independent Director of our Company. Mr Teo was appointed as a Non-Executive Director of the Company on 28 July 2006, and was re-designated as Independent Director on 28 April 2009.

Mr Teo started his career as an Engineer in SGS-Thomson Microelectronics and moved on to Keppel Corporation Ltd, conducting business development activities for Keppel's offshore and marine businesses. In 1999, he joined Boston-based Advent International Private Equity Group to conduct direct investments into Asian based businesses. Mr Teo currently co-manages a Private Equity fund with Tokyo-based Polaris Capital Group, and focuses on Asian buyout transactions in the electronics, chemical, engineering and technology sectors.

Mr Teo holds two Masters' degrees: Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. Mr Teo was accredited as a Chartered Financial Analyst by the CFA Institute in 2001.

XU WEN JIONG
(Aged 73, Chinese)
Non-independent non-executive Director

Mr Xu was appointed as Non-Independent, Non-Executive director on 30 April 2014. Mr Xu possesses more than 40 years of experience in marine industry, he graduated in Electrical Engineering from "Nan Jing Marine Institute" in the year of 1969. He joined Qing Dao Bei Hai Shipyard in the same year and later in 1975 he joined the COSCO Group to further his career until 1989.

In 1992, he acquired "West Gold International Pte Ltd" ("West Gold") (which was initially registered in Hong Kong). As the Chairman and Managing Director of West Gold, Mr Xu contributes greatly towards West Gold over the years, and shifted its headquarter from Hong Kong to Singapore in 1994.

West Gold is mainly engaged in shipbuilding, shipping-related businesses, including shipbuilding agency, ship chartering, ship navigation equipment and other marine equipment sales and technical services as well as business coverage in containers including reefer containers, storage as depot and repair and other related businesses with offices in Hong Kong, Shanghai and some major cities of Mainland China, as well as in Europe.

SENIOR MANAGEMENT

ZHANG HONGFEI
(Aged 48, Chinese)
Deputy General Manager

Mr Zhang was appointed as the Deputy General Manager in 2021 and as the Assistant General Manager since 2010, He is now the Deputy General Manager of the Group and concurrently serves as the Secretary of the Communist Party Branch in Group and the Chairman of the Labour Union of the Group. He is responsible for the Party affairs, Labour Union, enterprise management, human resources and port management of the Group.

Mr Zhang has over 20 years of experience in the shipbuilding industry. Prior to joining the Group, from 1997 to November of 2002, Mr Zhang worked in Chengxi Shipyard Co. From November 2004 and after joining the Group, He served as Director of Construction Department and Assistant General Manager of Jiangsu New Yangzi Shipbuilding Co.,Ltd., and was promoted to be Deputy General Manager in January 2016.

Mr. Zhang holds an Engineering Degree from Jiangxi Science and Technology University which he was conferred in 1997.

SONG SHUMING
(Aged 44, Chinese)
Deputy General Manager

Mr Song was appointed as the Deputy General Manager of the Group in 2013. Now he is also the General Manager of Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd. and Jiangsu Yangzijiang Offshore Engineering Co., Ltd. Who is responsible for operations of Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd., and he also dedicated to the marketing development and customer maintenance of the Japan market.

Mr Song has over 20 years of experience in the shipbuilding industry. From 2000 and before joining the Group, he worked in Tsuji Co. in Japan. From 2003 to May 2009, he was the Director of Shipbuilding Division and the Manager of Production Management Department, responsible for the production management of the shipbuilding site in Tsuji Heavy Industry (Jiangsu) Co., Ltd. From June 2009 and then joining the Group, he successively was the Deputy General Manager and General Manager of Jiangsu Zhongzhou Offshore Engineering & Equipment Co., Ltd. From 2013 to 2019, he was appointed as the Deputy General Manager of the Group and the General Manager of Jiangsu Yangzijiang Shipbuilding Co. Ltd and Jiangsu Yangzijiang Offshore Engineering Co., Ltd.

Since 2018, he has been delegated to prepare and establish Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd. together with Mitsui & Co., Ltd. and Mitsui E&S Shipbuilding Co. Ltd.

Mr Song ever studied in Ocean University of Qingdao and Jiangsu University of Science and Technology with the major of Naval Architecture and Ocean Engineering.

DU CHENGZHONG
(Aged 54, Chinese)
Deputy General Manager

He was appointed as the Deputy General Manager and Head of Quality Control Department in New Yangzi in January 2006. He is now the Deputy General Manager of the Group and the General Manager of Jiangsu New Yangzi Shipbuilding Co., Ltd. and Chief Engineer of the Group, and is responsible for operations of Jiangsu New Yangzi Shipbuilding Co., Ltd.

Mr Du has over 30 years of experience in the shipbuilding industry. In July 1991, he started as a trainee in the machinery engineering workshop of the then Jiangyin Shipbuilding Factory. In July 1992, he became a technician in the same workshop where he held the position till December 1996. During the period between January 1997 and December 2001, he worked as a construction manager in the Production Department of Jiangsu Yangzijiang Shipbuilding Co. Ltd. In January 2002, he was promoted to the position of Deputy Head of Machinery Engineering Department and served in the position till December 2004. Thereafter, between January 2005 and December 2005, he held positions as Assistant General Manager and Head of Technical Preparation Department.

Mr Du holds a Bachelor's Degree in Mathematics and Engineering from Harbin Engineering University (formerly known as Harbin Shipbuilding Engineering Institute) which he was conferred in 1991. He was accredited as an Engineer by the Wuxi City Human Resource Bureau in 1998.

DING JIANWEN
(Aged 49, Chinese)
Deputy General Manager

Mr Ding was appointed as the Deputy General Manager in 2020, and he is also Chief accountant of the Group since 2017 who is responsible for Group's financial, accounting, taxation and risk management.

Mr Ding has over 20 years of experience in the shipbuilding industry. Prior to joining the Group, from 1995 to June 2004, Mr Ding worked in Chengxi Shipyard Co. During the period from 2004 to August 2010, he was the finance manager in Cosco Shipyard Group Co., Ltd. From September 2010 and then joining the Group, he became the Head of financial department and Chief Accountant of Jiangsu New Yangzi Shipbuilding Co.,Ltd . In January 2020, he was promoted to be the Deputy General Manager and continued to assume the role of Chief Accountant of Jiangsu New Yangzi Shipbuilding Co.,Ltd.

Mr. Ding holds a Degree from Hebei GEO University which he was conferred in 1995.

GOING BEYOND AND ABOVE

Highly respected for its operational efficiency, vessel quality and outstanding profitability, we are committed to improve sustainability practices across our business operations and do our part towards net zero goals

SCHACH

FINANCIAL REVIEW

Shipbuilding Related Segment

Overall, the Group's revenue increased by 13% yoy to RMB16,768 million and recorded total gross profit of RMB3,630 million in FY2021. The Group reported a net profit of RMB3,727 million for FY2021, a 42% yoy increase from FY2020. FY2021 net profit attributable to shareholders was RMB3,699 million, 47% higher than that in FY2020. Fully diluted earnings per share was RMB95.79 cents in FY2021, which is significantly higher than RMB64.39 cents in FY2020.

Financial Position

As at 31 December 2021, cash and cash equivalents increased to RMB12,363 million from RMB6,633 million recorded a year ago, mainly due to the large increase in net cash provided by operating activities. The Group recorded total cash flow from operating activities of RMB6,143 million in FY2021. The Group continues to maintain a strong financial position with net cash and net asset value per share increased from RMB839.51 cents as at 31 December 2020 to RMB915.62 cents as at 31 December 2021.

Managing foreign exchange risk

As the Group's shipbuilding orderbooks are mainly denominated in USD, it is exposed to foreign exchange risk from future USD denominated income from shipbuilding business, and risks are mitigated through USD/CNY forward contracts. As at 31 December 2021, the Group had total derivative financial instruments of RMB682 million mainly relating to the fair value of the USD/CNY forward contracts acquired to manage the Group's currency exposure to future USD denominated income.

Final dividend

In view of strong earnings for FY2021 and to reward shareholders for their support in Yangzijiang, the Group has proposed a final dividend of S$0.05 per share for FY2021, higher than the final dividend of S$0.045 per share for FY2020. Based on the fully diluted earnings per share, this represents a 25% pay-out for FY2021.

The Group has also deployed cash towards share repurchases, representative of the Board's affirmation towards the fundamental value of the Group. In 2021, the Group has repurchased 29.1 million shares or 0.74% of total issued shares excluding treasury shares.

OPERATIONAL REVIEW

Orderbook

The Group secured record order wins for 124 vessels with total contract value of US$7.41 billion in FY2021. As at 31 December 2021, the Group had an outstanding order book of US$8.50 billion for 157 vessels to be delivered between 2022 to 2024, and is expected to provide a stable revenue stream for the next two to three years.

To consolidate the Group's interests in shipbuilding amidst the current favourable operating environment and existing orderbook, the Group has also completed the acquisition of remaining 20% stake in Jiangsu Yangzi Xinfu Shipbuilding Co, Ltd ('Xinfu yard') for RMB650 million, fully funded by 100 million treasury shares in 2021. The Xinfu yard operates as one of the Group's major shipyards and equipped with the Group's largest dock facility and is heavily involved in the construction of mid to large sized vessels. This acquisition is expected to be earnings accretive for the Group. To increase shipbuilding capacity, Yangzijiang has also re-activated the Jiangsu Yangzi Changbo Shipbuilding in 2021 which will deliver six to eight mid-sized vessels in a year.

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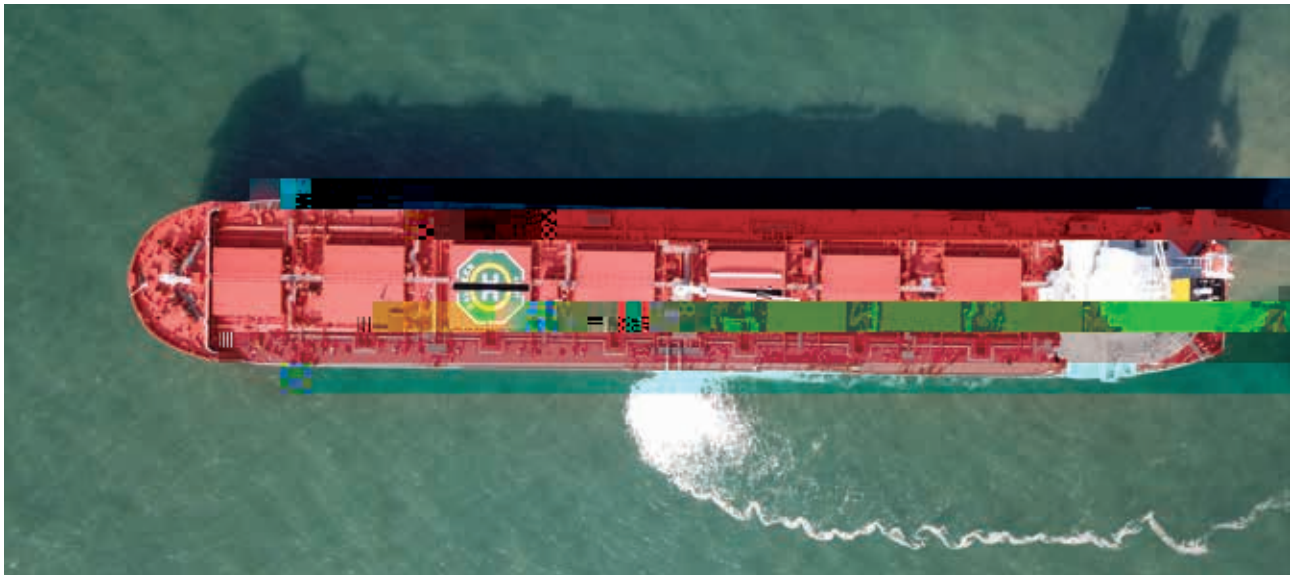
FINANCIAL AND OPERATIONS REVIEW

MARKET OVERVIEW AND OUTLOOK

In June 2021, the IMO[2] adopted new mandatory measures to cut the carbon intensity of international shipping, requiring all ships to calculate their Energy Efficiency Existing Ship Index ('EEXI') and to establish their annual operational carbon intensity indication ('CII') ratings. Carbon intensity links greenhouse gas emissions to the amount of cargo carried over distance travelled, and ships will get a rating of their energy efficiency (A, B, C, D, E – where A is the best). A ship rated D for three consecutive years, or E, is required to submit a corrective action plan, to show how the required index (C or better) would be achieved. Stricter environmental regulations could raise replacement orders and stronger demand for green energy vessels, an encouraging trend following strong global shipbuilding orders in 2021. The longer-term outlook for shipbuilding continues to remain positive with underlying demand supported by the need to meet new environmental regulations, improved efficiencies and new technologies.

Focus on core shipbuilding business

To allow the Group to focus on its core shipbuilding business, it has proposed for a spin-off of its investment business through a separate listing on SGX Mainboard. This will allow the Group to position itself as a pure-play shipbuilding company and is likely to attract new investors to come on board, especially investors with a preference of limiting their investment exposure to within the shipbuilding sector. Post spin-off, Yangzijiang will continue to build on its current competitive strengths to enable it to achieve its vision of becoming one of the top shipbuilders globally, with a strengthened focus on developing capabilities in green shipbuilding.



[2] https://www.imo.org/en/MediaCentre/PressBriefings/pages/MEPC76.aspx

Shipping plays a crucial role in the global economy, with around 80% of world trade being transported by seaborne ships. With the pandemic leading to increased scrutiny over how companies are playing their part to address sustainability, businesses have begun to look towards the shipping industry to meet their decarbonization goals given its role within global supply chains. As one of the top shipbuilding groups in the world, we are committed to improve sustainability practices across our business operations and do our part towards net zero goals. To do so, we will have to make strategic business decisions that go beyond addressing immediate challenges and as

MATERIAL TOPICS

The Group's material topics in sustainability matters are as follows:

1. ECONOMIC CONTRIBUTION -

Financial disbursements to the local community, tax payments to the government and economic value created through R&D and cost-savings.

2. ENVIRONMENTAL PROTECTION -

R&D in processes and materials to reduce the impact that pollution from shipbuilding activities has on the environment and workers' health.

3. WORKPLACE SAFETY -

The safety and well-being of our staff remains an utmost importance and we conduct regular training, drills, and relevant industry forums.

4. COMMUNITY TRAINING & DEVELOPMENT -

We are involved in improving industry practices, internal training programs, collaboration with local universities and vocational institutions to nurture talent for the industry, and also through providing college internships.

1. ECONOMIC CONTRIBUTION

GRI 201-1 Direct economic value generated and distributed

Financial contribution

Yangzijiang is consistently ranked on the top 500 Chinese Companies List based on its revenue. In the list released by The China Enterprise Confederation and the China Entrepreneurs Association in September 2021, Yangzijiang was ranked 485th and 142nd for the top 500 Chinese Companies and top 500 Chinese Manufacturing Companies, respectively.

The Group has consistently paid out stable dividends to its shareholders over the years, benefiting all shareholders. In FY2021, the Group has also conducted share buybacks, increasing shareholders' interest in the group. Yangzijiang is also in a strong financial position with net cash, ensuring long term viability of the Group and the execution of sustainability strategies. To unlock deep value to benefit our shareholders, the Group has also proposed for a spin-off of its investment business, to enable both entities to have greater focus on value creation given enhanced flexibility in pursuing growth opportunities.

Giving back to the society

In 2021, Yangzijiang donated RMB3 million to the Jiangyin "Rural Revitalization sCommon Prosperity Fund", jointly initiated and established by the Organization Department of Jiangyin Municipal Committee, the Municipal Bureau of Agriculture and Rural Affairs and the Municipal Charity Federation. This fund aims to assist the rural construction of Jiangyin, especially the revitalization of relatively weaker villages and to achieve common prosperity. To further do its part to alleviate poverty, the Group has also purchased various agricultural products from Xunyi County, Xianyang City and Shaanxi Province for a total sum of RMB623,100.

The Yuanlin Charity Foundation continues to make donations to various organizations, including RMB16 million to j1.13i 0.071 0 -.0

Economic value created through cost savings

Continuous R&D and focus on development within the green energy sector has been prioritized to improve efficiency of our new-build ships, also ensuring that it remains aligned with the IMO decarbonization strategy. We have made major upgrades to our vessels, including to our 82,500 DWT bulk carrier which fulfills the Energy Efficiency Design Index ('EEDI') phase III requirement while majority of ships with similar specifications remains only EEDI phase II compliant.

In 2021, the Group also co-designed an LNG fuel storage and supply system which will be equipped in our first order batch of dual-fuel 7,000TEU containerships. These dual-fuel engines and vessels are also in compliance with the IMO EEDI phase III requirements, ensuring that these ships remain relevant for shipowners in the longer term.

In 2021, the Group's ongoing firmwide cost saving initiatives led to a cost reduction of RMB440 million, well exceeding the Group's annual cost-saving target of RMB300 million.

2. ENVIRONMENTAL PROTECTION

GRI 416-1 Assessment of the safety impact of product

Five major operational systems at the Group's major yards have been approved and certified by the China Classification Society ("CCS") following thorough inspection and review on the Group's operational system. These systems include quality control, energy consumption, environmental impact, safety production and integrated management. This review is conducted annually.

GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Paints play the function of anti-corrosion agents in shipbuilding. Surface preparation, paint, and other protective coatings used in shipbuilding and ship repair may pose a hazard to workers. Potentially harmful substances can enter the body through inhalation, ingestion, and contact with the eyes or skin. The Three-Year Action Plan for Winning the Blue-Sky Defence War released by the PRC State Council in July 2018 creates an action plan to reduce 2015 volatile organic compound ("VOC") emissions by 10% by 2020. The Chinese government has tightened the environmental regulations and adopted the "2020 Action Plan for the Control of VOCs", a series of stricter standards and regulations put in place, with greater efforts placed on controlling harmful or toxic VOCs.

The Group has a long-time relationship with Jotun Coatings, the marine antifouling coating arm of a leading chemical company based in Norway. The Group's R&D findings have made the following contributions to the industry:

- Significantly decrease the production cycle time in coating work thereby decreasing worker exposure to VOC.
- Significantly decrease the VOC emission level in paints used at Yangzijiang.
- Reduce the use of raw materials.
- Protect the environment.
- Reduce the Group's emission of pollutants.
- Reduce the cost of handling hazardous waste.

The practice to lower VOCs is currently used for the construction of several vessels. The findings in Yangzi Xinfu Yard's collaboration with Jotun were so significant that they were published in 2017 in leading PRC academic journal, China Paint. This new coating method is expected to be adopted as the industry's protocol.

3. WORKPLACE SAFETY

GRI 403-2 Hazard identification, risk assessment, and incident investigation

One of the top priorities of the Group is the safety of our workers at their workplace. Led by a workplace safety committee, the Group conducts a thorough monthly site inspection at each division to identify any potential safety

The Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**

Currently, the Company does not have a formal training programme for new Director(s). However, the Board ensures that incoming new Director(s) are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. Newly appointed Director(s) will be provided a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. The newly appointed Directors who have no prior experience as a director of a listed company in Singapore must undergo mandatory training in his/her roles and responsibilities as prescribed by the SGX-ST.

Board Approval (Provision 1.3)

The Board's approval is specifically required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposal of assets and release of the Group's interim and full-year financial results.

The Management is responsible for day-to-day operations/administration of the Group and they are accountable to the Board. Clear directions have been given out to the Management that such reserved matters must be approved by the Board.

Delegation by the Board (Provision 1.4)

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit Committee ("**AC**") (collectively, the "**Board Committees**") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively, and reporting back to the Board. These Board Committees are made up of Non-Executive Directors and Independent

The number of meetings of Board and Board Committees held during FY2021 and the attendance of each Director at those meetings are set out as follows:

Name of Directors	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee		Annual General Meeting
	No. of meeting		No. of meeting		No. of meeting		No. of meeting		
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	
Ren Letian	3	3	–	–	–	–	–	–	1
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Access to Management, Company Secretary and Advisers (Provision 1.7)

All Directors have access to the Company's senior management, including CEO, CFO and other key management, as well as the Group's internal and independent auditors. Wherever possible, the Directors are provided Board papers prior to each Board meeting. Board papers provided are, amongst others, financial and corporation information,

Please refer to Provision 4.4 which highlights that, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, the approval of the shareholders of the Company would be sought via a two-tier voting process at the forthcoming annual general meeting of the Company for each of the independent Directors to continue in office as an independent Director of the Company.

The NC has recommended for the Independent Director, namely Mr Chen Timothy Teck-Leng @ Chen Teck Leng, whose continued appointment as independent director, pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which will take effect on 1 January 2022, to seek approval by way of a two-tier voting process at the forthcoming annual general meeting of the Company.

As the Executive Chairman is part of the management team, the Board has reviewed the percentage of Independent Directors on the Board, the Board believes that the Executive Chairman has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group.

As the Chairman is not an Independent Director, NC also recommends the Board to continue identifying suitable candidates so as to cause the Independent directors make up a majority of the Board pursuant to Provision 2.2 of the Code.

Board Composition, Size and Diversity (Provisions 2.3 & 2.4)

The Board currently has four (4) Directors, comprises one (1) Executive Director, three (3) Non-Executive Directors with two (2) of them independent. The members of the Board and their membership on the Board Committees of the Company as of FY2021 are as follows:–

The NC is of the view that the present Board size of four is appropriate for the Group's present scope of operations

- promotes an open environment for debates and ensures Non-Executive Directors are able to speak freely and contribute effectively.

- exercises control over the quality, quantity and timeliness of information flow between the Board and Management.

- provides close oversight, guidance, advice and leadership to the CEO and Management.

- plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.

Whereas the CEO is the highest ranking executive officer of the Group who is responsible for:

- running the day-to-day business of the Group, within the authorities delegated to him by the Board.

- ensuring the implementation of policies and strategy across the Group as set by the Board.

- day-to-day management of the executive and senior management team.

- leading the development of senior management within the Group with aim of assessing the training and development of suitable individuals for future Director's roles.

- ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Group and of any important events and developments.

- leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

The Chairman schedules the meeting and sets the meeting agenda of the Board, and reviews the Board papers before they are presented to the Board. In addition, the Chairman also assists to ensure the Company's compliance with the Code.

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Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NC Composition and Role (Provisions 4.1 & 4.2)

The NC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the NC Chairman, are independent:

Mr Teo Yi-dar (Zhang Yida), Chairman	(Lead Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-Executive Director)
Mr Xu Wen Jiong	(Non-Independent Non-Executive Director)

The NC will meet at least once a year. During FY2021, the NC held once scheduled meeting with full attendance. The NC, which has written terms of reference, is responsible for making recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include the following:

(a) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election to the Board;

(b) making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;

(c) review the Board structure, size and composition regularly and making recommendation to the Board, where appropriate;

(d) review the Board succession plans for directors, in particular, the Chairman and CEO;

(e) determine the independence of Directors annually (taking into account the circumstances set out in the Code and other salient factors);

(f) develop a process for assessing and evaluating the effectiveness of the Board as a whole and the Committees of the Board and the contribution of each individual Director to an effective Board;

(g) decide on how the Board's performance may be evaluated and to propose objective performance criteria for Board approval;

(h) review training and professional development programmes for the Board; and

(i) determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations.

The Board, through the NC, reviews annually the effectiveness of the Board as a whole and its required mix of skills and experience and other qualities, including core competencies, which Directors should bring to the Board.

Process for the selection, appointment and re-appointment of Directors (Provision 4.3)

The NC has in place a formal process for the selection of new Directors and re-appointment of Directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee or

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candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board, before making its recommendation to the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required. The Board, on the recommendation of the NC, appoints new Directors.

Pursuant to the Company's Constitution, one-third of the Directors other than the Managing Director, shall retire from office at least once every 3 years at each AGM. The NC has recommended Mr Teo Yi-dar who is retiring and to be re-elected at the forthcoming 16th AGM in accordance with Regulation 94 of the Company's Constitution. The Director had offered himself for re-election. The Board has accepted the recommendation of NC.

Mr Teo Yi-dar will, upon re-election as a Lead Independent Director of the Company, remain as the Chairman of the Nominating and Remuneration Committee and the Member of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual. There are no relationships (including immediate family relationships) between Mr Teo Yi-dar and the other Directors, or the Company, or its substantial shareholders.

In making the recommendations, the NC considers the overall contribution and performance of the Directors. Mr Teo Yi-dar, who is the Chairman of the NC, had abstained from deliberation in respect of his own nomination and assessment.

Determination of Independence of a Director (Provision 4.4)

The NC reviewed the independence of the Directors as mentioned under Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of the SGX-ST. The NC has affirmed that Mr Chen Timothy Teck-Leng @ Chen Teck Leng is independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

Under Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, which is effective from 1 January 2022, a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders and (b) shareholders excluding the directors and the chief executive officer of the company and their associates. Such resolutions may remain in force until the earlier of (i) the retirement or resignation of the director or (ii) the conclusion of the third annual general meeting of the company following the passing of the resolutions.

By 26 April 2022, Mr Chen Timothy Teck-Leng @ Chen Teck Leng would have served the Board beyond nine years from the date of his first appointment. Accordingly, the approval of the shareholders of the Company via the two-tier voting process at the forthcoming annual general meeting of the Company would be required for Mr Chen Timothy Teck-Leng @ Chen Teck Leng to continue in office as Independent Director following the passing of the resolution at the AGM. The Board has recommended for Mr Chen Timothy Teck-Leng @ Chen Teck Leng's continued appointed as Independent Director to be sought and appointed in the two-tier voting process at the forthcoming AGM.

The Board has considered specifically the length of services and the continued independence of Mr Chen Timothy Teck-Leng @ Chen Teck Leng. The Board has determined that the Director concerned remained independent of character and judgement and there was no relationship or circumstance which would likely to affect, or could appear to affect the Director's judgement. The independence of character and judgement of the Director concerned was not in any way affected or impaired by the length of services. The Board has also conducted a review of the performance of Independent Director and considers that the Director bring invaluable expertise, experience and knowledge to the Board and that they continue to contribute positively to the Board and Board Committee deliberation. Therefore, the Board is satisfied as to the performance and continued independence of judgement of the Director.

The Board does not consider it to be in the interests of the Company or shareholders to require the Director who has served more than 9 years or longer to retire and favour ensuring continuity and stability.

In assisting the NC to determine whether Directors who are on multiple boards have committed adequate time to discharge their responsibilities towards the Company's affairs, the NC had considered the attendances and contributions of Directors to the Board and Board Committees but does not make any recommendation on setting the maximum number of listed company board appointment to which any Director may hold given that the multiple Board representation by the Non-executive Directors do not hinder each Director from carrying out his duties as a Director of the Company adequately. Having reviewed each of the other Director's directorships in other companies as well as each of the other Director's attendance and contribution to the Board in FY2021, the NC is satisfied that the Directors have spent adequate time on the Company's affairs and have duly discharged their responsibilities. All Independent Non-Executive Directors are required to declare their Board representations at the Board meeting whenever there is change and at the beginning of each financial year.

The Board provides for the appointment of alternate directors when any of the Directors think fit. The Board will take into consideration the same criteria for selection of Directors such as his qualifications, mix skills sets and competencies.

Key Information on Directors (Provision 4.5)

Key information of each director's academic, professional qualifications and other principal commitments can be found on pages 14 and 15 of the "**Board of Directors**" section of this Annual Report.

Directors' key information are set out below:

Name of Directors	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies	Directorships and Chairmanships in Other Listed Companies over the preceding three years
Ren LetianZhang Yida)ors				

Pursuant to Rule 720(6) of the Listing Rules of the SGX-ST, the information relating to the retiring Directors as set out in Appendix 7.4.1 of the Listing Rules of the SGX-ST are disclosed below:

	TEO YI-DAR
Date of Appointment	28 July 2006
Date of last re-appointment (if applicable)	28 April 2017
Age	51
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Teo Yi-Dar as an Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration of his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Independent Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Nominating and Remuneration Committees and Member of Audit Committee.
Professional qualifications	Master of Science degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance

	TEO YI-DAR
Information required **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at	

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	TEO YI-DAR
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Information required **Disclosure applicable to the appointment of Director only**	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

	CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
Date of Appointment	26 April 2013
Date of last re-appointment (if applicable)	27 April 2018
Age	68
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Chen Timothy Teck Leng @ Chen Teck Leng as the Independent Non-Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration of his qualifications, past experience

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		CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No

		CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange,ege **If noinpleaseTsthas ifetherdr rcany prory in**	

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Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Performance Criteria and Assessment Criteria (Provisions 5.1 & 5.2)

The NC has in place a framework for annual individual Board and Board as a whole as well as Board Committees performance evaluations to assess the effectiveness of the Board and its Board Committees and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board and Board Committees performance evaluations is carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/key management personnel and standards of conduct of Board members being completed by each individual Director. Completed questionnaires are collated by the Company Secretary and the findings presented to the NC for discussion with comparatives from the previous year's results. The NC and the Board were satisfied with the results of the Board and Board Committees performance evaluation for FY2021, which indicated areas of improvements compared with FY2020. No significant problems were identified. Both the NC and Board agreed to work on those areas which had the lowest average score. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

RC Composition and Role (Provisions 6.1, 6.2, 6.3 & 6.4)

The RC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the RC Chairman, are independent:

Mr Teo Yi-dar (Zhang Yida), Chairman	(Lead Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-executive Director)
Mr Xu Wen Jiong	(Non-Independent Non-executive Director)

The RC will meet at least once a year. During FY2021, the RC held once scheduled meeting with full attendance. The RC carries out its duties in accordance with a set of terms of reference which includes mainly, the following:

- reviewing and recommending to the Board for endorsement, a framework of remuneration policies to determine the specific remuneration packages for each Director and key management personnel, including employees related to the Executive Directors and controlling shareholders. The framework covers all aspect of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind;

- reviewing and recommending the remuneration of the Non-Executive Directors, taking into account factors such as their effort, time spent and their responsibilities;

- reviewing and recommending to the Board for endorsement on the payment of performance bonus to certain Executive Directors and executive officers pursuant to the profit-sharing scheme of the Company;

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- reviewing and determining the contents of any service contracts for any Director; and

- carrying out other duties as may be agreed by the RC and the Board, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

The RC is responsible for ensuring a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also considers and recommends the CEO's remuneration package including salary, bonus and benefits-in-kind for endorsement by the Board.

The RC ensures that the remuneration of the Non-Executive Directors are appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Non-Executive Directors receive a basic fee for their services. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package. Directors' fees are further subjected to the approval of shareholders at the AGM.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Remuneration of Directors and KMPs (Provisions 7.1, 7.2 & 7.3)

Matters relating to the remuneration of the Board, key management personnel and other employees who are related to the controlling shareholders and/or Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Company. The RC also ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talents to run the Company successfully.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this Report under Principles 7, 8 and 9; and in the Financial Statements of the Company and of the Group.

The remuneration of related employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel.

The Executive Director has a service agreement with the Company with last renewed on year 2020. The service agreement may be terminated by either the Company or the Executive Director giving not less than six months' notice in writing. The remuneration package of the Executive Director and other senior management consists of the following components:

(a) Fixed Component

Fixed pay comprises basic salary, social security contributions, and employer's fixed allowances. Eligibility of employer's fixed allowances depends on the length of service.

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(b) Variable Component

This component comprises variable bonus based on the Group's and the individual's performance. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation.

Having reviewed and considered the salary components of the Executive Directors and the Key Management Personnel which is considered reasonable and commensurate with their respective job scopes and level of responsibilities, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Disclosure of Remuneration (Provisions 8.1 & 8.3)

Details of the remuneration of Directors and top six (6) key management personnel of the Group for FY2021 are set out below:

	Breakdown of Remuneration in Percentage (%)				
Name of Directors	**Fees[2] (%)**	**Salary[1] (%)**	**Variable Bonus (%)**	**Total (%)**	**Total (S$)**
Ren Letian	0	100	0	100	Approximately 80,400
Song Shuming[3]	0	23	77	100	Approximately 53,626
Teo Yi-Dar (Zhang Yida)	100	–	–	100	45,500
Chen Timothy Teck Leng @ Chen Teck Leng	100	–	–	100	45,500
Xu Wen Jiong	100	–	–	100	45,500
Toe Teow Heng[4]	100	–	–	100	26,833

Notes:

(1) In accordance with Service Agreement.
(2) The directors' fees are subject to the approval of the shareholders at the 16th AGM.
(3) Resigned on 30 December 2021.
(4) Resigned on 6 December 2021.

In discharging its responsibility of providing accurate relevant information on a timely basis to shareholders in compliance with statutory and regulatory requirements, the Board strives to ensure the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where appropriate. The Independent Directors in consultation with Management will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

On a half yearly basis, the Management will report to the AC ensuring the financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group, if any.

In accordance with the Singapore Exchange's requirements, the Board issued negative assurance statements in its condensed interim financial statements announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board is responsible for the governance of risk. It should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

Oversight of Risk Management (Provision 9.1)

The Group had set up its own internal audit team to conduct a full review of its internal control and accounting system (the "**Internal Audit Team**"). The Internal Audit Team reports audit conclusions directly to the AC. It reviews, identifies and analyses the risks incurred by the Group in its activities and examines if there are any material non-compliance and internal control weaknesses as well as monitoring the implementation. The AC will oversee and monitor implementation of any improvements thereto. The AC is generally satisfied that the Group's internal audit function for FY2021 is independent, effective and adequately resourced.

The risk management system performed by the Internal Audit Team has also been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the AC reviews and reports to the Board the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to assure itself and the Board that the process is operating effectively as planned. The risk management policy of the Group consists of the framework of formal, systematic and comprehensive guidelines and rules to identify and manage significant risks that might affect the Group's achievement of its business objectives. A Risk Management Framework has been in place to assist the Board, the Management and

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The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology risks and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and the AC for further discussion. The Board and the AC also work with the Internal Audit Team, independent auditors and Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

Assurances from CEO and CFO (Provision 9.2)

The Board notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. In view of the above and based on the internal controls established and maintained by the Group, work performed by the Internal Audit Team, independent auditors, and reviews performed by the Management, various Board Committees and the Board so far, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, put in place during the financial year were adequate and effective. This is in turn supported by (a) assurance from the CEO and the CFO that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant accounting standards; and (b) the assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of risk management and internal control systems.

Following the close of financial year end FY2021, international bodies and national governments have imposed sanctions with the aim of achieving foreign policy or national security goals. Although the Group has principal place of business outside Singapore with customers overseas, none of the Group's person(s) or entity(ies) is exposed to sanctions-related risks. The Board confirmed there has been no material change in its risk of being subject to any Sanctions Law. The Board's comment as aforementioned on the adequacy and effectiveness of internal controls and risk management systems included consideration related to any sanctions-related risk. The AC concurred with the Board's said comment.

In view of the changes in the risk appetite taking into consideration sanctions-related risk, the terms of reference of the AC will be reviewed in due course. The Board and AC will be responsible for (a) monitoring the issuer's risk of becoming subject to, or violating, any Sanctions Law; and (b) ensuring timely and accurate disclosures to SGX and other relevant authorities.

The Board also notes that no system of risk management and internal control can provide absolute assurance against the occurrence of errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported. The Board will look into the need for establishment of a separate board risk committee at the relevant time when necessary.

Audit Committee
Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Composition, Power and Duties of the AC (Provisions 10.1, 10.2, 10.3 & 10.5)

The Board recognises the importance of providing accurate and relevant information on a timely basis. To ensure that the corporate governance is effectively practiced, the Board has established self-regulatory and monitoring mechanisms, including the establishment of the AC to ensure that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks. The AC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the AC Chairman, are independent:

Mr Chen Timothy Teck Leng @ Chen Teck Leng, Chairman	(Independent Non-Executive Director)
Mr Teo Yi-dar (Zhang Yida), Member	(Lead Independent Director)
Mr Xu Wen Jiong, Member	(Non-Independent Non-Executive Director)

The Board has ensured that all the AC members, having the necessary accounting and/or related financial management expertise, are appropriately qualified to discharge their responsibilities.

The AC meets on a half yearly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance. During FY2021, the AC held four scheduled meetings with full attendance.

The members of AC carry out their duties in accordance with a set of terms of reference which includes, mainly, reviewing the following:

(a)

The AC has reviewed and is satisfied with the level of co-operation rendered by the Management to the independent auditors, the adequacy of the scope and quality of their audits after having regard to the adequacy of the resources and experience of the auditors as well as the independence and objectivity of the independent auditor. In the course of its review, the AC also met with the independent auditors without the presence of the Management to discuss any matters deemed appropriate to be discussed privately, at least once a year.

The Board, through its announcements of condensed interim and full-year financial results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. The Management provides the Board with half yearly management accounts for the Board's review.

Following the recent amendments to Rule 705 of the Listing Manual of SGX-ST, the Company will not be required to carry out quarterly reporting of its financial statements. The Board had agreed to cease to release its financial statements on a quarterly basis to the SGX-ST ("Quarterly Reporting") as the Company was not required to do Quarterly Reporting following the amendments to the Listing Manual of the SGX-ST. The Board believed that reporting the financial results of the Group on a half-yearly basis coupled with continuing disclosure requirements under the SGX-ST Listing Manual, will be adequate to keep the market informed of the Company's state of affairs and enables the Company to report its business growth with a longer-term reporting cycle.

The AC discussed with the Management on the accounting treatment and methodology applied as well as the assumptions used in judgemental assessment which might impact the results of financial statements. The external auditors had reviewed the financial statements of the Group and highlight some key audit matters that might significantly impact the financial statements and were reviewed by AC as follows:–

The AC has discussed significant financial reporting matters with management and the external auditors which have been included as key audit matters ("**KAMs**") in the independent auditors' report for FY2021, as set out on pages 62 to 64 of this Annual Report.

In assessing each KAM, the AC took into consideration the approach and methodology applied by management in the determination of construction revenue recognition using percentage-of-completion method, provision of foreseeable losses on certain construction contracts and the valuation of assets. The reasonableness of the estimates and key assumptions used were also considered by the AC. Where necessary, views of subject matter experts such as independent valuers were consulted where necessary.

The AC also considered the report from the external auditors, including their findings and views on the key areas of audit focus. The AC concluded that the Group's accounting treatment and estimates in each of the KAMs were appropriate.

The AC also reviews the independence and objectivity of the independent auditors and having reviewed the scope and value of non-audit services provided to the Group by the independent auditors, PricewaterhouseCoopers LLP, AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity it the independent auditors. The amount of audit and non-audit fees paid or payable to the auditors of the Company (PricewaterhouseCoopers LLP Singapore) for FY2021 were S$873,000 and S$4,000 respectively. The amount of audit and non-audit fees paid or payable to other PricewaterhouseCoopers firms outside Singapore for FY2021 were S$142,000 and S$105,000 respectively. The AC has recommended to the Board the nomination of PricewaterhouseCoopers LLP for re-appointment as auditors of the Company at the forthcoming 16th AGM.

The Group has complied with Rules 712, 715 and 716 of the Listing Manual of SGX-ST in relation to the appointment of its independent auditors.

The Board and AC have reviewed the appointment of different auditors for its significant foreign-incorporated subsidiaries and/or associated companies and satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company.

CORPORATE GOVERNANCE REPORT

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and has had the full co-operation of the Management. It also has full discretion to invite any Director or any member of the Management to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the AC will seek advice from the independent auditors as and when necessary.

None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve (12) months and none of the AC members hold any financial interest in the external audit firm.

Whistle Blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has implemented a whistle-blowing policy. The Policy stipulates the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc, may be raised. A dedicated secured e-mail address allows whistle blowers to contact the AC directly. The Whistle blowing policy, its procedures and contact details of the AC have been made available to all employee and external parties at the Company's Bulletin Board.

The Company's Whistle Blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith. All concerns will be treated with strict confidentiality. The AC and the Board ensure the identity of whistleblower is kept confidential. It is the Company's commitment that if an employee or any person raises a genuine concern, he will not be at risk of losing his job or suffering from reprisal/harassment or detrimental or unfair treatment as a result.

The AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Audit Team. On an annual basis, the AC reviews the internal audit program of the Group so as to align it to the changing needs and risk profile of the Group's activities. The Group had established its own internal audit team that is independent of the activities it audits and its primary line of reporting is to the Chairman of the AC. Administratively, the Internal Audit Team report to the CEO. The Internal Audit Team carries out its functions under the direction of the AC which assists the Board in monitoring and managing risks and internal controls of the Group, and reports its findings and make recommendations to the AC.

Internal audit (Provision 10.4)

The Internal Audit Team carrying out of its function in accordance with the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC ensures that Management provides good support to the Internal Audit Team and provides adequate access to documents, records, properties and personnel when requested in order for the Internal Audit Team to carry out its function accordingly. The primary reporting line of the internal audit function is to the AC and the Internal Audit Team also has unrestricted access to the AC on internal audit matters. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC.

The internal audit function primarily focusing on whether the current system of internal control provides reasonable assurance on:

- compliance with applicable laws, regulations, policy and procedures;
- reliability and integrity of information; and
- safeguarding of assets.

The AC will review the adequacy and effectiveness of the internal audit function annually.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings
Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company.

CORPORATE GOVERNANCE REPORT

Dividend Policy (Provision 11.6)

The Company has adopted a dividend policy that it believes appropriately reflects its goals, strategy and risk profile while providing attractive long-term return to investors. The Board is recommending 5 Singapore cents per ordinary share for FY2021 as the first and final one-tier tax-exempt dividend payable to the shareholders, subject to the approval of shareholders at the forthcoming 16th AGM. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- the results of operations and cash flow;
- the expected financial performance and working capital needs;
- future prospects; and
- capital expenditures and other investment plans;

as well as general economic and business operations in People's Republic of China and other factors deemed relevant by the Board and statutory restrictions on the payment of dividends.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Shareholder Communication (Provision 12.1)

The Group acknowledges the importance of regular communication with shareholders and investors through which shareholders can have an overview of the Group's performance and operation. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. Information is communicated to shareholders on a timely basis through the Company's annual report, circulars to shareholders (if any), interim financial results and the various announcements.

The Company communicates with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the respective quarter half year ended and 60 days from the full year financial year ended during the year. In addition, the Annual Report 2021 (online digital copy) is published to shareholders within the mandatory period before the 16th AGM to be held on 18 April 2022.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group has been released to the public through the Company's announcements via the SGXNET.

Internal Investor Relations (Provisions 12.2 & 12.3)

The Company does not have an internal investor relations team but has designated personnel, assisted by an external investor relations firm, to handle investor queries and deal with all matters related to investor relations.

CORPORATE GOVERNANCE REPORT

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Engaging Material Stakeholder Groups (Provisions 13.1 & 13.2)

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report which is included in this Annual Report.

Corporate Website (Provision 13.3)

The Company maintains a corporate website at http://www.yzjship.com to communicate and engage with stakeholders.

OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSON TRANSACTIONS
(Rule 907 of the Listing Manual of SGX-ST)

The following table sets out the current total of all transactions with the interested persons for FY2021:

Name of interested persons	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) RMB'000
Xu Wen Jiong		
West Gold International Pte Ltd – Procurement of marine equipment	66,668*	–
Ren Yuanlin		
Jiangsu Qinli Thermoelectricity Co Ltd. – Provision of guarantee	70,000	–
Jiangsu Qinli Thermoelectricity Co Ltd. – Sale of materials	7,785	–
Jiangsu Jiangyin-Jingjiang Industrial Zone Tongyi Trading Pte Ltd – Provision of loan	107,000	–
Jiangsu Suyang Property Management Co. Ltd. – Provision of service	360,000	–
Jiangyin Xinyangchuan Enterprise Management Center (Limited Partnership) – Joint investment in Jiangsu Run Yuan Energy Co., Ltd.	6,000	–

* Shareholder mandate is not applicable as the aggregate value was less than 3% of Group's NTA as at 31 December 2021.

CORPORATE GOVERNANCE REPORT

The Group has adopted an internal policy which sets out the procedures for the identification, approval and monitoring of interested person transactions ("**IPTs**"). All IPTs are subject to review by the AC on a timely manner and the transactions are carried out on normal commercial terms and will not be prejudiced to the interests of the Group and its minority shareholders. The Company did not enter into any IPTs which require shareholders' approval under SGX-ST Listing Rules regulating IPTs during the financial year ended 31 December 2021.

RISK MANAGEMENT
(Rule 1207(4)(d) of the Listing Manual of SGX-ST)

Currently, the Group does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and will highlight all significant matters to the Directors and the AC.

Financial risk factors have been described in Note 37 of the Financial Statements.

MATERIAL CONTRACTS
(Rule 1207(8) of the Listing Manual of SGX-ST)

Save for the service agreements between the Company and the Executive Director and except as disclosed in the Directors' Statements and the Financial Statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

DEALING IN SECURITIES
(Rule 1207(19) of the SGX-ST)

The Group has adopted an internal code (the "Internal Code") on securities trading which provides guidance and internal regulation with regard to dealings in the Group's securities by its Directors and employees. The Internal Code is modelled after SGX-ST's Listing Rules on best practices on dealings in the Company's securities. The Internal Code prohibits the Directors and employees from dealing in listed securities of the Company on short-term considerations or while in possession of unpublished material or price-sensitive information. The Directors and employees are prohibited from dealing in the Company securities at least one month before the announcement of the Group's half year and full year results until after the announcements were made. The Directors and employees are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Listing Manual and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.The Company has complied with SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the financial year ended 31 December 2021.

CORPORATE DISCLOSURE

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company is committed to provide a high level of disclosure in all public announcements, press releases and annual reports.

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2021 and the balance sheet of the Company as at 31 December 2021.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Audit Committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Chen Timothy Teck Leng @ Chen Teck Leng
Teo Yi-dar
Xu Wen Jiong

Two of the AC members are independent directors and one is a non-independent non-executive director.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the AC reviewed the following:

(a) The audit plan of the Company's independent auditor, results of its audit and its report on the weaknesses of internal accounting controls arising from the statutory audit;

(b) The audit plan of the internal audit team, results of its audit and evaluation of the Group's systems of internal accounting controls;

(c) The nature and extent of the independent auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money, as well as the assistance given by management to the independent auditor;

(d) The significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial statements;

(e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2021, prior to the submission to the Board, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group, and assisting the Board in the discharge of its responsibilities on financial and accounting matters;

(f) The assurance from the CEO and CFO on the financial records and financial statements;

(g) The adequacy and effectiveness of the Group's internal audit function, and the adequacy of the Group's internal financial controls, operational, compliance and information technology control, and risk management systems;

(h) Interested person transactions and potential conflicts of interest, if any;

(i) The hedging policies and instruments implemented by the Group;

(j) Debt investments at amortised cost to ensure that the Group's financial performance and position are not compromised;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Audit Committee (Continued)

(k) The appointment, re-appointment and removal of the independent auditor, and approving the terms of engagement of the internal auditors and making recommendations to the Board; and

(l) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The Audit Committee, having reviewed all non-audit services provided by the independent auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditor.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

REN LETIAN
Director

TEO YI-DAR
Director

1 April 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Yangzijiang Shipbuilding (Holdings) Ltd. ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2021;
- the balance sheet of the Group as at 31 December 2021;
- the balance sheet of the Company as at 31 December 2021;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
1. Shipbuilding contracts	
Refer to Notes 2.2(a), 3(a), 4, 7 and 32 of the financial statements Shipbuilding revenue amounted to RMB13.2 billion, representing 78.7% of the Group's total revenue for the financial year ended 31 December 2021. Shipbuilding revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The measure of progress is determined based on percentage of completion ("POC"), which is measured by reference to the proportion of costs incurred to the estimated total costs for the shipbuilding contract. In addition, the Group's provision for onerous contracts amounted to RMB0.22 billion, on shipbuilding contracts as at 31 December 2021. A provision for onerous contract is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits	

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Key audit matter	How our audit addressed the key audit matter
2. Debt investments at amortised cost	
Refer to Notes 3(c), 15 and 37 of the financial statement As at 31 December 2021, the carrying amount of the Group's debt investments at amortised cost was RMB16.6 billion, representing 32% of its total assets. This is net of allowance for impairment loss of RMB1.9 billion at that date. We focused on this area because of the application of significant judgement and assumptions by management in determining the expected credit loss ("ECL") impairment model in accordance to *SFRS(I) 9 Financial Instruments*. These included: (i) the identification of changes in credit risk associated with the investments. (ii) the classification of the investments according to credit risk, taking into account the likelihood of default; and (iii) the ECL rates.	Our audit procedures included: a. evaluated the key controls and tested the operating effectiveness of those relating to monitoring of investments to ensure timeliness of identifying changes in credit risk; b. reviewed the completeness and accuracy of key inputs to the Group's ECL impairment model used, including historical default rate and loss from default; c. assessed the appropriateness of the classification of investments against the Group's internal grading guidelines and assessed the proper classification of the investments into performing ("Stage 1") and under-performing ("Stage 2"); d. for each material non-performing investment, assessed the adequacy of the specific provision by examining management's estimate of future cash flows, including expected cash flow from realisation of collaterals and timing of cash flows; and e. involved our internal specialist in reviewing the appropriateness of the ECL impairment model. Based on our procedures, we found management's judgement and assumptions around the determination of the ECL to be appropriate.

Key audit matter	How our audit addressed the key audit matter
3. Goodwill	
Refer to Notes 3(e) and 29 of the financial statements The Group has goodwill of RMB252.98 million, which represented the amount of purchase consideration in excess of the fair value of the identifiable assets acquired and liabilities assumed on acquisition of Yangzijiang Terminals China Holding	

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible

	Note	The Group	
		2021	2020
		RMB'000	RMB'000
Revenue	4		

BALANCE SHEETS – GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	The Group 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**12,363,193**	6,633,416
Restricted cash	13	**17,307**	15,624
Financial assets, at fair value through profit or loss	14	**367,436**	397,442
Debt investments at amortised cost	15	**15,851,520**	13,555,320
Trade and other receivables	16	**4,121,025**	3,633,463
Inventories	17	**1,639,809**	1,677,846
Contract assets	4	**3,983,201**	3,126,632
Derivative financial instruments	20	**209,345**	89,589
		38,552,836	29,129,332
Non-current assets			
Financial assets, at fair value through profit or loss	14	**2,017,115**	2,241,597
Debt investments at amortised cost	15	**729,985**	3,402,369
Trade and other receivables	18	**1,081,311**	1,294,310
Derivative financial instruments	20	**477,109**	10,500
Lease prepayments	21	**930,575**	952,487
Investments in joint ventures	23	**522,679**	362,332
Investments in associated companies	24	**1,104,890**	1,181,393
Investment properties	25	**115,752**	119,741
Property, plant and equipment	26	**5,151,788**	5,226,004
Intangible assets	28	**22,374**	22,154
Goodwill	29	**258,979**	258,979
Deferred income tax assets	33	**646,871**	709,463
		13,059,428	15,781,329
Total assets		**51,612,264**	44,910,661
LIABILITIES			
Current liabilities			
Trade and other payables	30	**2,804,201**	2,698,570
Contract liabilities	4	**4,822,611**	1,232,479
Derivative financial instruments	20	**4,501**	–
Borrowings	31	**2,503,814**	2,120,550
Provisions	32	**648,398**	938,254
Current income tax liabilities		**1,015,096**	972,982
		11,798,621	7,962,835
Non-current liabilities			
Borrowings	31	**1,952,779**	2,123,503
Deferred income tax liabilities	33	**1,799,299**	1,447,808
		3,752,078	3,571,311
Total liabilities		**15,550,699**	11,534,146
NET ASSETS		**36,061,565**	33,376,515
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**7,361,990**	7,361,990
Treasury shares	34	**(269,582)**	(560,443)
Other reserves	35	**2,015,702**	1,494,732
Retained earnings		**26,815,306**	24,046,076
		35,923,416	32,342,355
Non-controlling interests		**138,149**	1,034,160
Total equity		**36,061,565**	33,376,515

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS – COMPANY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	The Company 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**177,622**	15,311
Trade and other receivables	16	**6,934,273**	7,162,954
Derivative financial instruments	20	**–**	55,277
		7,111,895	7,233,542
Non-current assets			
Trade and other receivables	18	**2,224,713**	2,531,216
Investments in subsidiaries	22	**6,042,814**	5,954,915
Investments in joint ventures	23	**319,581**	221,300
Investments in associated companies	24	**134,062**	134,062
Property, plant and equipment	26	**334**	1,052
		8,721,504	8,842,545
Total assets		**15,833,399**	16,076,087
LIABILITIES			
Current liabilities			
Other payables	30	**2,468,037**	3,401,683
Derivative financial instruments	20	**792**	–
Borrowings	31	**841,904**	870,165
Current income tax liabilities		**158**	4,549
		3,310,891	4,276,397
Non-current liabilities			
Borrowings	31	**–**	325
		–	325
Total liabilities		**3,310,891**	4,276,722
NET ASSETS		**12,522,508**	11,799,365
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**7,326,773**	7,326,773
Treasury shares	34	**(269,582)**	(560,443)
Other reserves	35	**148,175**	(40,192)
Retained earnings		**5,317,142**	5,073,227
Total equity		**12,522,508**	11,799,365

The accompanying notes form an integral part of these financial statements.

	Attributable to equity holders of the Company								
Note	Share capital	Treasury shares	Statutory reserve	Capital reserve	Currency translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity

HONORARY CHAIRMAN'S STATEMENT

Yangzijiang is well-positioned to ride through these unprecedented times and I am confident we will emerge as one of the winners in the post pandemic world.

DEAR SHAREHOLDERS,

It is my honor to address you once again as the Honorary Chairman. 2021 continued to be largely defined by COVID-19 as we witnessed periodic resurgence of global COVID-19 infections as well as the occurrence of Delta and Omicron variants. As we navigated through the unprecedented challenges stemming from the pandemic, businesses continued to be disrupted by other global trends. For instance, commodity prices including natural gas and coal prices surged to record high levels in 2021 as supplies of energy failed to keep pace with global economic rebound and impacting the production of other commodities. Within China, tight supply of coal and soaring prices had resulted in power cuts and factory shutdowns in September and October of 2021.

Despite inevitable disruption to our operations, Yangzijiang has successfully navigated through these unprecedented challenges and responded with resilience and agility, reporting strong operational and financial results for FY2021. These achievements are the result of a collective commitment and testament of the strengths and efforts of the talented management team, led by the Group's Executive Chairman and CEO, Mr Ren Letian. The next-generation leadership has demonstrated their ability to lead Yangzijiang with forward-looking vision, and I feel extremely proud of what they have achieved in the past two years.

It was always my goal to build one of the best shipyards in the world, and I am proud to say that Yangzijiang has achieved this goal, but this is only the beginning for the new generation of leaders. Our group will continue to be led by a strong and talented management team, following a succession plan that has been in the making for years. I have complete confidence that under the stewardship of this batch of leaders, Yangzijiang will continue to deliver consistent returns, anchored by strong accountability and good governance. I would like to express my appreciation for all stakeholders that have supported the Group in the past years, and I believe Yangzijiang will continue to go above and beyond.

Over the years, Yangzijiang has been committed to maximizing shareholders' value and ensuring stable dividend payout to our shareholders despite the cyclical nature of shipbuilding. To further unlock shareholder value, the Group has once again made an important and strategic decision to spin-off our investment business into a separate entity, Yangzijiang Financial Holdings ('YZJFH') and has proposed for it to be listed on the Mainboard on the Singapore Exchange. This decision was made following ongoing communication with shareholders over the years and our desire to strengthen corporate governance within the Group. It is also opportune, given the Group's record high orderbook and favourable market sentiments as we enter a shipbuilding upcycle.

YZJFH will be led by a separate board of directors and management team to achieve stronger governance and independence with an aim to deliver sustainable value to our shareholders. I will be leading YZJFH as an executive chairman and our new management team comprises of multiple industry veterans with a broad range of commercial experience in various fields including fund management and private equity. The Group will place strong focus on expansion into fund and wealth management, in addition to the investment business that the Group has strong capabilities in and diversify into fast-growing sectors and new asset classes including private debt and mezzanine financing. YZJFH will acquire a fund management company with a capital markets services license in Singapore and look to build a recurring income-base model. YZJFH will also set up its headquarters in Singapore, leveraging its position as a financial hub to expand our geographical outreach in the Greater China and Southeast Asia region. Ultimately, we aim to become a leading investment manager in Asia. We will seek regulatory approvals and shareholders approval regarding the spin-off and following which, all eligible shareholders of Yangzijiang will be entitled to a dividend in specie for YZJFH.

This spin-off represents an important milestone for both entities, the management teams and our shareholders. It is also a result of our combined efforts and hard work, building a strong cash position and asset base over the years. As we progress towards this monumental milestone, I would like to encourage all shareholders to give us your fullest support. At its core, nothing has changed and both separate Yangzijiang entities will continue to provide sustainable returns for all our shareholders.

REN YUANLIN
Honorary Chairman