

## INTRODUCTORY DOCUMENT DATED 1 APRIL 2022

**This Document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.**



### **YANGZIJIANG FINANCIAL HOLDING LTD.**

(Company Registration No.: 202143180K)  
(Incorporated in Singapore on 14 December 2021)

#### **INTRODUCTION OF YANGZIJIANG FINANCIAL HOLDING LTD. TO THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

This Document is issued in connection with the listing and quotation of all the issued ordinary shares (the “**Shares**”) in the capital of Yangzijiang Financial Holding Ltd. (the “**Company**”) on the Mainboard of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) by way of an introduction (the “**Introduction**”). This Document provides information on our Company and the Shares in compliance with the listing requirements of the SGX-ST.

An application has been made to the SGX-ST for permission to list on the Mainboard of the SGX-ST all the Shares in issue immediately prior to the date of the commencement of dealing in the Shares on the SGX-ST (the “**Listing Date**”). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST.

Our Company has received a letter of eligibility from the SGX-ST for the listing and quotation on the Mainboard of the SGX-ST of all the Shares in issue immediately prior to the Listing Date. Our Company’s eligibility to list on the Mainboard of the SGX-ST and our admission to the Official List of the SGX-ST are not to be taken as an indication of the merits of the Introduction, the Shares, our Company, or our Group (as defined herein). The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Document.

This Document is issued for information purposes only. There is no offering of any of the Shares in connection with the Introduction in Singapore or elsewhere and recipients of this Document and all prospective investors in the Shares should not take the Introduction or this Document to be an offer of, or an invitation or solicitation of, an offer by our Company or on our behalf, to the public to subscribe for or purchase any Shares. This Document is not a prospectus under Singapore law and has not been lodged with, or registered by, the Monetary Authority of Singapore (the “**MAS**”). No Shares shall be allotted or allocated on the basis of this Document. The MAS assumes no responsibility for the contents of this Document. The MAS has not, in any way, considered the merits of the Shares being listed.

References in this Document to “herein” or “this document” shall be construed as being references to this Document.

**Issue Manager**



**CLSA SINGAPORE PTE LTD**

(Company Registration No.: 198703750W)  
(Incorporated in the Republic of Singapore)



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## NOTICE TO INVESTORS

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No person is authorised to give any information or to make any representation not contained in this Document and any information or representation not so contained must not be relied upon as having been authorised by our Company or CLSA Singapore Pte Ltd (the “**Issue Manager**” or “**CLSA**”). The delivery of this Document shall not under any circumstances, imply that the information herein is correct as at any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of our Company, the Shares or Yangzijiang Shipbuilding (Holdings) Ltd. (“**YSL**”) since the date hereof. Where such changes occur, and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, our Company or, as the case may be, YSL will make an announcement of the same to the SGX-ST. Recipients of this Document and all prospective investors in the Shares should take note of such announcements and upon release of such announcement shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by our Company, the Issue Manager or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Document is, or shall be relied upon as, a promise, representation or covenant by our Company or the Issue Manager or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Recipients of this Document and all prospective investors in the Shares should not construe the contents of this Document as legal, business, financial or tax advice. Recipients of this Document and all prospective investors in the Shares should consult their own professional advisers as to the legal, business, financial, tax and related aspects of holding and owning the Shares.

This Document has been prepared solely for the purpose of the Introduction and may not be relied upon by any persons for purposes other than the Introduction prior to the Listing Date or for any purpose whatsoever on or after the Listing Date. Nothing in this Document constitutes or shall be construed to constitute an offer, invitation or solicitation in any jurisdiction. This Document does not constitute and shall not be construed to constitute an offer, invitation or solicitation to any person to subscribe for or purchase the Shares. This Document does not constitute a prospectus under Singapore law and has not been lodged with or registered by the MAS.

The distribution of this Document may be prohibited or restricted by law in certain jurisdictions. Our Company and the Issue Manager requires persons into whose possession this Document comes to inform themselves of and to observe any such prohibition or restriction at their own expense and without liability to our Company and the Issue Manager. Persons to whom a copy of this Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries where shareholders of YSL (the “**YSL Shareholders**”) may have their registered addresses (other than Singapore), this Document has not been and will not be despatched to any jurisdiction outside Singapore.

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## NOTICE TO INVESTORS

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Copies of this Document may be obtained on request, subject to availability, during office hours from:

**CLSA Singapore Pte Ltd**  
80 Raffles Place  
#18-01 UOB Plaza 1  
Singapore 048624

A copy of this Document is also available on the SGX-ST's website at <http://www.sgx.com>.

### NOTICE TO CPFIS INVESTORS

No further action is required by investors ("**CPFIS Investors**") who have subscribed for or purchased ordinary shares in the issued share capital of YSL (the "**YSL Shares**") using their Central Provident Fund ("**CPF**") account savings under the CPF Investment Scheme – Ordinary Account ("**CPF Funds**") in order to receive the Shares. In the case of YSL Shareholders who have purchased YSL Shares using their CPF Funds, entitlements to the Shares will be determined based on the number of YSL Shares standing to the credit of their respective investment accounts with the CPFIS Agent Banks as at the Books Closure Date (as defined herein).

Following the Books Closure Date (as defined herein), The Central Depository (Pte) Limited ("**CDP**") will credit the relevant securities account at the CPFIS Agent Banks with the relevant number of Shares. The respective CPFIS Agent Banks will notify the relevant YSL Shareholders of the credit and such YSL Shareholders are advised to consult their CPFIS Agent Banks as to the crediting status of their Shares in their respective securities accounts, as CDP will not be sending any notifications to such YSL Shareholders.

If the Distribution (as defined herein) is approved by the YSL Shareholders, CPFIS Investors may, subject to applicable CPF rules and regulations, use their CPF Funds to purchase Shares traded on the Mainboard of the SGX-ST.

### DISTRIBUTION RESTRICTIONS

There is no offering of any of the Shares in connection with the Introduction in Singapore or elsewhere and recipients of this Document and all prospective investors in the Shares should not take the Introduction or this Document to be an offer of, or an invitation to subscribe for or purchase, any Shares. This Document may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares or the possession, circulation or distribution of this Document or any other offering or publicity material relating to our Company, our Group or the Shares in any country or jurisdiction. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Document nor any other material, circular, form of application or advertisement in connection with the Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

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## NOTICE TO INVESTORS

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### PRC

As our Company is not incorporated in the PRC (as defined herein) and the proposed distribution of the Shares pursuant to the Distribution and the Introduction will proceed outside the territory of the PRC, the Securities Law of the PRC (2019 Revision) (中华人民共和国证券法) (the “**Securities Law**”) does not apply to such Distribution given that it is not an issuance of stocks within the PRC regulated under the Securities Law, and such Distribution does not constitute a public offering under the Securities Law. Accordingly, the Introduction does not require prior approval from the China Securities Regulatory Commission.

For the receipt of distributed Shares, eligible YSL Shareholders residing in the PRC may be subject to the relevant registration/filing obligations such as procedures required under the Circular of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping Investment by Domestic Residents through Special Purpose Vehicles (国家外汇管理局关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知) (Hui Fa [2014] No. 37) (the “**No. 37 Circular**”), Circular of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals’ Participation in Equity Incentive Programs of Overseas Listed Companies (国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知) (Hui Fa [2012] No. 7) (the “**No. 7 Circular**”) (if applicable), Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment (国家外汇管理局关于进一步简化和改进直接投资外汇管理政策的通知) (Hui Fa [2015] No.13) (the “**No. 13 Circular**”) and procedures with MOFCOM (as defined herein), NDRC (as defined herein), SAFE (as defined herein), the banks and their counterparts to which outbound investment (referring to the investment activities to overseas ownership, right of control, business management right, and other related rights and interests by an enterprise located within the territory of mainland China) is subject pursuant to the Administrative Measures on Outbound Investment (境外投资管理办法) (MOFCOM Order No. 3, 2014), the Administrative Measures on Outbound Investment by Enterprises (企业境外投资管理办法)(NDRC Order No. 11) and other relevant regulations (the “**ODI Procedures**”), depending on whether the eligible YSL Shareholders residing in the PRC are PRC resident individuals or institutions resident in the PRC. Eligible YSL Shareholders residing in the PRC should consult their own legal advisers for a full understanding of the relevant registration/filing procedures and consequences to them.

For the receipt of distributed Shares, eligible YSL Shareholders residing in the PRC may also be subject to the relevant tax filing obligations and the corresponding payment of income tax in the PRC, such as the PRC individual income tax or PRC corporate income tax, depending on whether the eligible Shareholders residing in the PRC are individuals or entities resident in the PRC. Eligible Shareholders residing in the PRC should consult their own tax advisers for a full understanding of the tax consequences to them.

### FORWARD-LOOKING STATEMENTS

All statements contained in this Document, statements made in press releases and oral statements that may be made by us or our Directors (as defined herein), Executive Officers (as defined herein), employees or authorised persons acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “expects”, “anticipates”, “believes”, “plans”, “intends”, “estimates”, “seeks”, “projects”, “may”, “will”, “would” and “could” or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, trend information, business strategies, plans and prospects are forward-looking statements.



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## NOTICE TO INVESTORS

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These forward-looking statements, including without limitation, statements as to:

- (a) our revenue and profitability;
- (b) projections of capital expenditures in general and other financial items;
- (c) any expected growth in demand;
- (d) other expected industry trends and developments;
- (e) anticipated expansion plans and development plans; and
- (f) other matters discussed in this Document regarding matters that are not historical fact,

are only predictions. Forward-looking statements reflect our current views with respect to future events and are not guarantees of future performance. These statements are based on our beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be inaccurate.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, in no particular order of priority and amongst others, the following:

- (a) changes in political, social, economic, business and financial conditions and stock or securities market conditions and the regulatory environment in Singapore and other jurisdictions in which we conduct business or expect to conduct business;
- (b) wars or acts of international or domestic terrorism;
- (c) occurrences of natural disasters, catastrophic events, outbreaks of communicable diseases and acts of God that affect our business or properties;
- (d) changes in government regulations and their interpretation;
- (e) our inability to implement our business strategies and future plans;
- (f) our inability to realise our anticipated growth strategies and expected internal growth;
- (g) changes in the availability and prices of our products and services;
- (h) changes in customer demand or preferences;
- (i) changes in competitive conditions and our ability to compete under such conditions from time to time;
- (j) changes in our senior management team or loss of key employees;
- (k) changes in labour relations;

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## NOTICE TO INVESTORS

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- (l) changes in the costs associated with environmental, health and safety and security measures;
- (m) changes in our future capital needs and the availability of financing and capital to fund such needs;
- (n) changes in currency exchange or interest rates;
- (o) any other matters not yet known to us;
- (p) other factors beyond our control, including but not limited to, prolonged lockdowns and/or travel restrictions imposed by authorities in jurisdictions where we operate or carry out our business due to COVID-19; and
- (q) the factors described in the section entitled “Risk Factors” of this Document.

The list of important factors is not exhaustive. Additional factors that could cause our actual results, performance or achievements to differ materially from those expected, expressed or implied by the forward-looking statements in this Document include, but are not limited to, those discussed in the sections entitled “Risk Factors”, “Management’s Discussion and Analysis of Results of Operations and Financial Position”, “Business – Prospects, Business Strategies and Future Plans” and “Business – Trend Information” of this Document. All forward-looking statements made by or attributable to our Company, the Issue Manager or person(s) acting on our Company’s or the Issue Manager’s behalf, contained in this Document are expressly qualified in their entirety by such factors.

The sections entitled “Business – Prospects, Business Strategies and Future Plans” and “Business – Trend Information” of this Document, as well as other parts of this Document (to the extent applicable), contain data, information, financial analysis, forecasts, figures and statements (including market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications) which are forward-looking and based on certain assumptions and projections. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. These forward-looking statements are applicable only as at the date of this Document.

None of our Company, the Issue Manager nor person(s) acting on our or their behalf has conducted an independent review or verified the accuracy or veracity of such data, information, financial analysis, forecasts, figures, statements, assumptions and projections (the “**Third Party Data**”). Where any of the Third Party Data or any information in this Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors, the Issue Manager or any person(s) acting on our or their behalf has been to ensure that such Third Party Data or information has been accurately and correctly extracted from these sources and/or reproduced in this Document in its proper form and context. No representation is made by our Company, the Issue Manager or any person(s) acting on our or their behalf in respect of any of the Third Party Data and neither our Company, the Issue Manager nor person(s) acting on our or their behalf take any responsibility for any of the Third Party Data.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Document, investors are cautioned not to place undue reliance

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on those statements which apply only as at the date of this Document. Neither our Company, the Issue Manager nor any other person(s) acting on our or their behalf represents or warrants to you that our Group's actual future results, performance or achievements will be as discussed in those statements.

All forward-looking statements by or attributable to our Company, or persons acting on our behalf, contained in this Document are expressly qualified in their entirety by such factors. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. Further, our Company and the Issue Manager disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

### CERTAIN TERMS AND CONVENTIONS

In this Document, references to our "**Company**" are to Yangzijiang Financial Holding Ltd. and unless the context otherwise requires, the terms "**we**", "**us**", "**our**" and "**our Group**" refer to Yangzijiang Financial Holding Ltd. and its subsidiaries taken as a whole. Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

In this Document, references to "**S\$**", "**Singapore dollar**" or "**Singapore cent**" are to the lawful currency of Singapore, references to "**US\$**" or "**US dollar**" are to the lawful currency of the USA and references to "**RMB**" or "**Renminbi**" are to the lawful currency of the PRC.

This Document contains conversions of Renminbi amounts into Singapore dollars solely for the convenience of the reader. Unless otherwise indicated, Renminbi amounts in this Document have been translated into Singapore dollars based on the exchange rate of S\$1.00 = RMB4.6783 quoted by Bank of China on the Latest Practicable Date (as defined herein). However, these translations should not be construed as representations that the Renminbi has been, would have been or could be converted into Singapore dollars or that Singapore dollar amounts have been, would have been or could be converted into Renminbi at such rates or any other rate or at all. We have included the exchange rates quoted above in its proper form and context in this Document. Bank of China has not provided its consent, for the purposes of Section 249 of the SFA (as defined herein), to the inclusion of the exchange rates quoted above and is thereby not liable for the inclusion of the exchange rates extracted from the information services provided by Bank of China under Sections 253 and 254 of the SFA (as defined herein) and disclaim any responsibility in relation to reliance on these exchange rates. While reasonable actions have been taken by us and the Issue Manager to ensure that the above exchange rates have been reproduced in their proper form and context, and the information is extracted accurately and fairly from such information services, we and the Issue Manager have not conducted an independent review of the information or verified the accuracy of the contents of the relevant information. However, these translations should not be construed as representations that Renminbi amounts have been, would have been or could be converted into Singapore dollars or that Singapore dollar amounts have been, would have been or could be converted into Renminbi amounts at those rates or any other rate or at all.

Any references in this Document to Appendix or Appendices are references to an appendix or appendices respectively in this Document.

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Any discrepancies in tables included herein between the total sum of amounts listed and the totals shown thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Where applicable, figures and percentages are rounded off.

Certain numerical figures set out in this Document, including financial data presented in millions or thousands and percentages, have been subject to rounding adjustments, and as a result, the totals of the data in this Document, may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Document are calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Document, as applicable, and not using the numerical data in the narrative description thereof.

The information on our websites or any website directly or indirectly linked to such websites, is not incorporated by reference into this Document and should not be relied on.

References to our executive officers and directors are to the Executive Officers and Directors of our Company; references to “Our Constitution” are to the Constitution of our Company; and references to “our share capital” are to the share capital of our Company.

Certain Chinese names and characters, such as those of entities, properties, cities, governmental and regulatory authorities, laws and regulations and notices, have been translated into English or from English names and characters, solely for your convenience, and such translations should not be construed as representations that the English names actually represent Chinese names and characters or that the Chinese names actually represent the English names and characters.

In this Document, unless otherwise stated, references to our assets, portfolio or projects or our ownership of, interests or investments in assets, portfolio or projects refer to assets or projects in which we directly or indirectly have an ownership interest, including through our investments in joint ventures, in which we may have a minority interest and which we may not control.

### ENFORCEABILITY OF CIVIL LIABILITIES

Several of our Directors and Executive Officers reside in the PRC. A substantial portion of our assets are located in the PRC. Substantially all of the assets of our Directors and Executive Officers who are resident in the PRC are located in the PRC. As a result, it may be difficult for investors to effect service of process upon such persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. Please see the section entitled “Risk Factors – Risks Relating to Our Operations in the PRC – It may be difficult to effect service of process on our Directors or Executive Officers who reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts” of this Document for further details.

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## NOTICE TO INVESTORS

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### PRESENTATION OF FINANCIAL INFORMATION

The historical financial information in the sections entitled “Summary of our Financial Information” and “Interested Person Transactions” of this Document is that of our Company and its subsidiaries on a combined basis based on common control.

Our audited combined financial statements as at and for the years ended 31 December 2019, 2020 and 2021, as set out in “Appendix D – Reporting Auditor’s Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021” to this Document have been audited by PricewaterhouseCoopers LLP, in accordance with the Singapore Standards on Auditing, as stated in its audit report, which is included with such combined financial statements. Our audited combined financial statements as at and for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with the SFRS(I)s (as defined herein).

Our audited combined financial statements in this Document are presented in Singapore Dollars.

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## CORPORATE INFORMATION

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<b>BOARD OF DIRECTORS</b>	:	Ren Yuanlin	Executive Chairman
		Toe Teow Heng	Executive Director, CEO and CIO – Singapore
		Chew Sutat	Lead Independent Non-Executive Director
		Chua Kim Leng	Independent Non-Executive Director
		Yee Kee Shian, Leon	Independent Non-Executive Director
<b>COMPANY SECRETARY</b>	:	Lee Wei Hsiung (ACIS)	
<b>REGISTERED OFFICE</b>	:	80 Robinson Road #02-00 Singapore 068898	
<b>PRINCIPAL PLACE OF BUSINESS</b>	:	Room 3006, 3rd Floor, Building 2 No. 88 Chengjiang Road Jiangyin-Jingjiang Industrial District Jingjiang, Jiangsu China	
<b>ISSUE MANAGER</b>	:	<b>CLSA Singapore Pte Ltd</b> 80 Raffles Place #18-01 UOB Plaza 1 Singapore 048624	
<b>LEGAL ADVISER TO THE INTRODUCTION AND OUR COMPANY AS TO SINGAPORE LAW</b>	:	<b>Shook Lin &amp; Bok LLP</b> 1 Robinson Road #18-00 AIA Tower Singapore 048542	
<b>LEGAL ADVISER TO THE ISSUE MANAGER AS TO SINGAPORE LAW</b>	:	<b>Rajah &amp; Tann Singapore LLP</b> 9 Straits View Level 6, Marina One West Tower Singapore 018937	
<b>LEGAL ADVISER TO OUR COMPANY AS TO PRC LAW</b>	:	<b>Jingtian &amp; Gongcheng</b> 45/F, K. Wah Centre 1010 Huaihai Road (M) Xuhui District Shanghai 200031 China	

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## CORPORATE INFORMATION

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- LEGAL ADVISER TO THE ISSUE MANAGER AS TO PRC LAW** : **King & Wood Mallesons**  
17th Floor, One ICC, Shanghai ICC  
999 Middle Huai Hai Road, Xuhui District  
Shanghai 200031  
China
- REPORTING AUDITOR** : **PricewaterhouseCoopers LLP**  
7 Straits View  
Level 12, Marina One East Tower  
Singapore 018936  
  
Partner-in-charge: Mr. Alex Toh Wee Keong  
(a member of the Institute of Singapore Chartered Accountants)
- CONSULTANT TO THE RESTRUCTURING EXERCISE** : **PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch**  
42/F New Bund Center  
588 Dongyu Road  
Pudong New Area, Shanghai 200126  
China
- SHARE REGISTRAR** : **Boardroom Corporate & Advisory Services Pte. Ltd.**  
1 Harbourfront Avenue  
#14-07 Keppel Bay Tower  
Singapore 098632
- PRINCIPAL BANKER OF OUR COMPANY AND OUR GROUP** : **Jiangsu Jingjiang Rural Commercial Bank**  
Bawei Telecommunication Complex Building,  
Xinmin Village, Jingjiang Industrial Park,  
Jiangyin, Jingjiang City  
China

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## DEFINITIONS

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In this Document, unless the context otherwise requires, the following definitions apply throughout where the context so admits:

### Companies within our Group

“Company”	:	Yangzijiang Financial Holding Ltd.
“Group” or “Group Companies”	:	Our Company and our subsidiaries and our associated companies following completion of the Restructuring Exercise
“Jiangsu New Yangzi Commerce”	:	Jiangsu New Yangzi Commerce & Trading Co., Ltd. (江苏新扬子商贸有限公司)
“Jiangsu Yangchuan”	:	Jiangsu Yangchuan Investment Development Co., Ltd. (江苏扬船投资发展有限公司)
“Jingjiang Runyuan”	:	Jingjiang Runyuan Rural Microfinance Co., Ltd. (靖江市润元农村小额贷款有限公司)

### Other Companies, Organisations and Agencies

“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“Authority” or “MAS”	:	Monetary Authority of Singapore
“CBRC”	:	China Banking Regulatory Commission (中国银行业监督管理委员会)
“CDP” or “Depository”	:	The Central Depository (Pte) Limited
“CPF”	:	Central Provident Fund
“IRAS”	:	Inland Revenue Authority of Singapore
“Issue Manager” or “CLSA”	:	CLSA Singapore Pte Ltd
“LFRB”	:	Local Financial Regulatory Bureau of Jingjiang City
“MOFCOM”	:	Ministry of Commerce of the PRC (中华人民共和国商务部)
“NDRC”	:	National Development and Reform Commission of the PRC (国家发展和改革委员会)
“PBOC”	:	People’s Bank of China (中国人民银行)
“PwC China, Shanghai branch”	:	PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch



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## DEFINITIONS

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“Reporting Auditor” or “PwC”	:	PricewaterhouseCoopers LLP
“SAFE”	:	State Administration of Foreign Exchange (国家外汇管理局)
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“State Council”	:	State Council of the PRC (国务院)
“YSL”	:	Yangzijiang Shipbuilding (Holdings) Ltd.

### General

“Associate”	:	(a) In relation to any director, CEO, substantial shareholder or controlling shareholder (being an individual), means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and</li></ul>
“Audit and Risk Committee”	:	(b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
“Audit and Risk Committee”	:	The audit and risk committee of our Company as at the date of this Document, unless otherwise stated
“Board” or “Board of Directors”	:	The board of Directors of our Company as at the date of this Document, unless otherwise stated
“Books Closure Date”	:	The date, to be determined by the directors of YSL and announced by YSL, on which the transfer books and register of YSL will be closed in order to determine the entitlements of YSL Shareholders to the Distribution

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## DEFINITIONS

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“Business Day”	:	means a day except a Saturday, Sunday or day gazetted as a public holiday in Singapore, on which banks and financial institutions are generally open in Singapore for the transaction of normal banking business
“CEO”	:	Chief Executive Officer
“CFO”	:	Chief Financial Officer
“CIO”	:	Chief Investment Officer
“CMS”	:	Capital markets services
“Companies Act”	:	Companies Act 1967 (2020 Revised Edition) of Singapore, as amended, supplemented or modified from time to time
“Constitution”	:	The constitution of our Company, as amended, supplemented or modified from time to time
“Controlling Shareholder”	:	As defined in the Listing Manual, a person who:  (a) holds directly or indirectly 15.0% or more of the total voting rights in our Company (unless otherwise determined by the SGX-ST); or  (b) in fact exercises control over our Company
“COO”	:	Chief Operation Officer
“Debt Investment Business”	:	The Debt Investment (at amortised costs) and microfinancing loan business conducted by our Group
“Director”	:	A director of our Company as at the date of this Document
“Distribution”	:	The dividend <i>in specie</i> of approximately 100% of the total issued Shares to YSL Shareholders as at the Books Closure Date on the basis of one (1) Share for every one (1) YSL Share held, fractional entitlements to be disregarded
“Document”	:	This document dated 1 April 2022 issued by our Company in respect of the Introduction
“Entity at Risk”	:	(a) Our Company;  (b) a subsidiary of our Company that is not listed on the SGX-ST or an approved exchange; or

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## DEFINITIONS

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		(c) an associated company that is not listed on the SGX-ST or an approved exchange, provided that our Group or our Group and our Interested Person(s), has control over the associated company
“Entrusted Loan”	:	Fixed interest debt instruments provided through intermediary financial institutions for specific borrowings arranged by such intermediaries. The financial intermediaries will act as an agent of the entrusted funds from the principal to extend the loan, supervise the use of the loan, and help collect the loan according to target borrowers, purpose, amount, term and rate fixed by the principal
“EPS”	:	Earnings per Share
“ESG”	:	Environmental, social and governance
“ETL”	:	The conditional eligibility-to-list for the listing of the Shares on the Mainboard of the SGX-ST by way of an introduction
“Executive Directors”	:	The executive Directors of our Company as at the date of this Document, unless otherwise stated
“Executive Officers”	:	The key executive officers of our Company as at the date of this Document, who are also key executives as defined under the SFR, unless otherwise stated
“FIE”	:	Foreign-invested enterprise
“Fund Investments”	:	The limited partnership interests or shareholdings in PE Funds owned, directly or indirectly, by our Group, including but not limited to entitlements, rights and benefits arising therefrom and any additional or other investments, assets or properties that may be owned, directly or indirectly, by our Group thereby
“Fund/Wealth Management Business”	:	Our Group’s future plans relating to the proposed Singapore-based fund management business of our Group, with CMS licence to undertake businesses such as the proposed management of third party investment funds and the provision of wealth management services
“FVTPL”	:	Fair value through profit or loss
“FY”	:	Financial year ended or ending 31 December, as the case may be, unless otherwise stated

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## DEFINITIONS

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“GDP”	:	Gross domestic product, which is the monetary value of all finished goods and services made within a country during a specific period
“GEM”	:	GEM Asset Management Pte. Ltd., which is a Singapore-based CMS-licensed fund management company
“GEM Acquisition”	:	The proposed acquisition by our Company of 100.0% of the issued and paid-up capital of GEM
“GP”	:	A general partner or manager of a PE Fund who is given unlimited liability for the debts and obligations of a PE Fund as well as the right to manage a PE Fund
“GST”	:	Goods and services tax
“Guiding Opinions”	:	Guiding Opinions on the Pilot Operation of Microfinance Companies (关于小额贷款公司试点的指导意见) jointly issued by the CBRC and the PBOC on 4 May 2008
“Independent Directors”	:	The independent Directors of our Company as at the date of this Document, unless otherwise stated
“Interested Person”	:	(a) a director, CEO or Controlling Shareholder of our Company; or  (b) an Associate of any such director, CEO or Controlling Shareholder
“Interested Person Transaction”	:	A transaction between an Entity at Risk and an Interested Person
“Introduction”	:	The listing of the Shares on the Mainboard of the SGX-ST by way of an introduction without any offer being made of the Shares for subscription or sale
“Investee Company”	:	A company which a PE Fund has invested in
“Investment Management Business”	:	Our Group’s business which seeks capital appreciation and investment income from investments in both public and private companies, Funds as well as deploying funds into various situations
“Latest Practicable Date” or “LPD”	:	29 March 2022, being the latest practicable date for the purposes of the release of this Document
“Listing Date”	:	The date on which trading of the Shares on the SGX-ST commences

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## DEFINITIONS

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“Listing Manual”	:	The listing manual of the SGX-ST, as amended, supplemented or modified from time to time
“LP” or “LPs”	:	A limited partner or limited partners of a PE Fund. As an investor or investors in a PE Fund, the LP or LPs make the commitment to the PE Fund and provide capital as requested and in return, receive distributions (cash or stock) and periodic notifications of the PE Fund’s progress
“LPS”	:	Loss per Share
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“M&A”	:	Merger and acquisition
“NAV”	:	Net asset value
“Newyard Worldwide”	:	Newyard Worldwide Holdings Ltd
“No. 7 Circular”	:	Circular of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals’ Participation in Equity Incentive Programs of Overseas Listed Companies (国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知) (Hui Fa [2012] No. 7)
“No. 13 Circular”	:	Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment (国家外汇管理局关于进一步简化和改进直接投资外汇管理政策的通知) (Hui Fa [2015] No.13)
“No. 37 Circular”	:	Circular of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping Investment by Domestic Residents through Special Purpose Vehicles (国家外汇管理局关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知) (Hui Fa [2014] No. 37)
“Nominating Committee”	:	The nominating committee of our Company as at the date of this Document, unless otherwise stated
“Non-Executive Directors”	:	The non-executive Directors of our Company (including the Independent Directors) as at the date of this Document, unless otherwise stated
“NTA”	:	Net tangible asset

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## DEFINITIONS

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“ODI Procedures”	:	Procedures with MOFCOM, NDRC, SAFE, the banks and their counterparts to which outbound investment (referring to the investment activities to overseas ownership, right of control, business management right, and other related rights and interests by an enterprise located within the territory of mainland China) is subject pursuant to the Administrative Measures on Outbound Investment (境外投资管理辦法) (MOFCOM Order No. 3, 2014), the Administrative Measures on Outbound Investment by Enterprises (企業境外投資管理辦法)(NDRC Order No. 11) and other relevant regulations
“PE”	:	Private equity
“PE Fund” or “PE Funds”	:	Private equity fund or private equity funds
“PER”	:	Price earnings ratio
“Period Under Review”	:	The period which comprises FY2019, FY2020 and FY2021
“PIPE”	:	Private Investment in Public Equity
“Portfolio PE Funds”	:	The PE Funds in which our Group owns Fund Investments
“PRC” or “China”	:	People’s Republic of China, and for the purposes of this Document, the PRC does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“PRC Law”	:	all statutes, enactments, acts of legislature or parliament, ordinances, rules, by-laws, regulations, notifications, guidelines, policies, directions, directives, rulings and orders of any government, statutory authority, court or stock exchange in the PRC
“Proposed Spin-Off”	:	The proposed spin-off of YSL’s investment business via a dividend <i>in specie</i> to YSL’s shareholders of all the issued Shares of our Company and the listing of the Shares by way of the Introduction
“Qualified Domestic Limited Partnership” or “QDLP”	:	A scheme formed by PRC investors in the PRC to allow PRC investors access assets issued by private companies, as well as invest in securities, commodity and financial derivatives
“Qualified Foreign Limited Partnership” or “QFLP”	:	A scheme formed by foreign investors and/or investors in the PRC to allow foreign investors to access assets issued by private companies, as well as invest in securities, commodity and financial derivatives

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## DEFINITIONS

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“REIT”	:	Real Estate Investment Trust
“Relevant Entities”	:	Jiangsu Yangchuan, Jingjiang Runyuan and Jiangsu New Yangzi Commerce
“Relevant Period”	:	The period comprising FY2019, FY2020, FY2021, and the period from 1 January 2022 to the Latest Practicable Date
“Remuneration Committee”	:	The remuneration committee of our Company as at the date of this Document, unless otherwise stated
“Restricted Business”	:	<p>the business of our Group as currently conducted, and the envisaged business of our Group, such as the:</p> <ul style="list-style-type: none"><li>(a) Investment Management Business: the part of our Group’s business which seeks capital appreciation and investment income from investments in both public and private companies, Funds as well as deploying funds into various situations;</li><li>(b) Debt Investment Business: the Debt Investment business (at amortised costs) and microfinancing loan business conducted by our Group; and</li><li>(c) Fund/Wealth Management Business: our Group’s proposed Singapore-based CMS-licensed Fund management business undertaking investments such as managing third party investment Funds and provision of wealth management services</li></ul>
“Restructuring Documents”	:	The share transfer agreements, share swap agreements and asset transfer agreement as well as shareholders’ and board resolutions of YSL, Jiangsu Yangchuan and our Company in connection with the Restructuring Exercise
“Restructuring Exercise”	:	The restructuring exercise which will be completed immediately prior to the Distribution
“Securities Account”	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
“Securities and Futures Act” or “SFA”	:	Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as amended, supplemented or modified from time to time
“Securities Law”	:	Securities Law of the PRC (2019 Revision) (中华人民共和国证券法)

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## DEFINITIONS

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“Service Agreements”	:	The service agreements entered into between our Company and our Executive Directors and Executive Officers, as described in the section entitled “Directors, Management and Employees – Service Agreements” of this Document
“SFR”	:	Securities and Futures (Offers of Investments) (Securities and Securities-Based Derivatives Contracts) Regulations 2018 of Singapore, as amended, supplemented or modified from time to time
“SFRS(I)s”	:	Singapore Financial Reporting Standards (International)
“SGXNet”	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system network prescribed by the SGX-ST
“Share(s)”	:	Ordinary share(s) in the capital of our Company
“Shareholder(s)”	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholder” shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares
“Singapore”	:	The Republic of Singapore
“Singapore Take-over Code”	:	Singapore Code on Take-overs and Mergers, as amended, supplemented or modified from time to time
“Substantial Shareholder(s)”	:	Persons who have an interest in one (1) or more voting shares, and the total votes attaching to that share or those shares, represent not less than 5.0% of the total votes attaching to all the voting shares in our Company
“Total Portfolio NAV”	:	The net asset value of all Fund Investments based on the most recent net asset value of all Fund Investments as reported by the GPs of such Fund Investments (or, in the event that any Fund Investment has been converted into a different asset (including, without limitation, securities, alternative investments and/or cash) and/or into entitlements, rights or interests, the most recent net asset value of such asset, entitlements, rights or interests)
“USA” or “U.S.”	:	United States of America
“YSL Group”	:	YSL and its subsidiaries



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## DEFINITIONS

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### Currencies, Units and Others

“RMB”	:	Renminbi
“S\$” or “\$” or “SGD” and “cents”	:	Singapore dollars and cents, respectively
“sq ft”	:	Square feet
“sq m”	:	Square metres
“US\$” or “USD”	:	USA dollars
“%” or “per cent.”	:	Per centum, or percentage

For the purpose of this Document, the following persons named in the second column below are also known by the names set out in the first column:

<b>Name used in this Document</b>		<b>Name in National Registration Identity Card/Passport</b>
“Mr. Chew”	:	Chew Sutat
“Mr. Chua”	:	Chua Kim Leng
“Ms. Liu”	:	Liu Hua
“Mr. Peng”	:	Peng Xingkui
“Mr. Ren”	:	Ren Yuanlin
“Mr. Su”	:	Su Qing
“Mr. Lee”	:	Lee Kam Wah Terence
“Mr. Toe”	:	Toe Teow Heng
“Mr. Yee”	:	Yee Kee Shian, Leon (Yu Qixian)

The term “entity” shall have the same meaning ascribed to it in Section 2 of the SFA, while the terms “associated company”, “related corporation”, “related entity” and “subsidiary” shall have the same meanings ascribed to them respectively in Paragraph 1 of the Fourth Schedule of the SFR.

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

Any reference in this Document to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted.

Any word defined under the Listing Manual, the Companies Act, the SFA, the SFR or any statutory modification thereof and used in this Document shall, where applicable, have the meaning ascribed to it under the Listing Manual, the Companies Act, the SFA, the SFR or any statutory modification thereto, as the case may be.

Any reference to a time of day in this Document shall be a reference to Singapore time unless otherwise stated.

Unless we specify otherwise or the context requires, all references to the “Shares” refer to ordinary shares in the capital of our Company.

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## GLOSSARY OF TECHNICAL TERMS

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To facilitate a better understanding of the business of our Group, the following glossary provides an explanation and description of certain technical terms and abbreviations used in this Document. The terms and abbreviations and their assigned meanings may not correspond to standard industry meanings or common meanings or usage, as the case may be, of these terms.

“5G”	:	Fifth-generation wireless technology, which can provide higher speed, lower latency and greater capacity than 4G long-term evolution (LTE) networks
“AFR”	:	Agriculture, farmers and rural areas or, as the case may be, individuals or organisations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas
“AI” or “Artificial Intelligence”	:	Application of advanced analysis and logic-based techniques, including machine learning, to interpret events, support and automate decisions, and take actions
“AUM”	:	Assets Under Management
“Big Data”	:	High-volume, high-velocity and/or high-variety information assets that demand cost-effective, innovative forms of information processing that enable enhanced insight, decision making, and process automation
“Carried Interest”	:	A share of the profits realised from the PE Fund's investments that is paid to the Fund manager as a form of compensation. Carried Interest is typically a percentage (e.g. 15.0% to 20.0%) of the profits after return of capital to investors in the PE Fund
“Debt Investments”	:	Fixed interest debt instruments that our Group invests in through intermediary financial institutions for specific borrowings arranged by such intermediaries
“Fair Market Value”	:	The price at which an asset would change hands between a willing buyer and a willing seller on the open market, neither being under any compulsion to buy nor to sell, both having reasonable knowledge of relevant facts
“FUM”	:	Funds Under Management
“Fund”	:	A company or partnership which is set up to pool monies to make investments
“Fund of Funds”	:	An investment vehicle where a Fund invests in a portfolio composed of shares of other Funds, as opposed to investing directly in stocks, bonds or other securities

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## GLOSSARY OF TECHNICAL TERMS

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“Hurdle Rate”	:	The minimum rate of return on a project or investment required by an investor. It is also the rate of return that a PE Fund must achieve before the fund manager can get paid the Carried Interest
“Internal Rate of Return”	:	A metric used in financial analysis to estimate the profitability of potential investments, being a discount rate that makes the net present value of all cash flows equal to zero in a discounted cash flow analysis
“IoT”	:	The Internet of Things (IoT) is the network of physical objects that contain embedded technology to communicate and sense or interact with their internal states or the external environment
“Management Fee”	:	A periodic payment by investors in a PE Fund to the PE Fund’s manager for investment and portfolio management services
“Non-Performing Asset Ratio”	:	With respect to a company, the ratio of a company’s non-performing assets to the company’s capital plus reserves
“Return on Assets”	:	A financial ratio that indicates how profitable a company is in relation to its total assets, which is commonly expressed as a percentage by using a company’s net income and its average assets
“Return on Equity”	:	A measure of financial performance calculated by dividing net income by shareholders’ equity
“Smart Logistics”	:	The combination of traffic management structuring and navigating traffic for optimal use of traffic system and logistics management (organising, planning, control and execution of the flow goods) by effective usage of data
“SMEs”	:	Small and medium-sized enterprises, as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (关于《中小企业分类标准规定》的通知). For example, in respect of the retail business, a small enterprise refers to an entity with 10 to 50 employees and annual revenue of RMB1.0 million to RMB5.0 million, and a medium-sized enterprise refers to an entity with 50 to 300 employees and annual revenue of RMB5.0 million to RMB200.0 million

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## GLOSSARY OF TECHNICAL TERMS

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- “Supply Chain” : A group of functions and processes focused on optimising the flow of products, services and related information from sources of supply to customers or points of demand. It stretches across multiple tiers in the supplier network to customers and to customers of those customers. It includes supply chain planning, sourcing and procurement, manufacturing, distribution, transportation, and services within a company and its ecosystem of partners
- “VCC” : A variable capital company is a legal entity form/structure for all types of investment funds in Singapore. It can be formed as a single standalone fund, or as an umbrella fund with two (2) or more sub-funds, each holding different assets
- “Venture Capital” : A form of private equity and a type of financing that investors provide to start-up companies and small businesses that are believed to have long-term growth potential

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## SUMMARY

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The following summary is qualified in its entirety by, and is subject to, the more detailed information (including the notes thereto) appearing elsewhere in this Document. Terms defined elsewhere in this Document have the same meaning when used herein. As it is a summary, it does not contain all the information that potential investors should consider before investing in the Shares of our Company. Potential investors should carefully consider all the information presented in this Document, especially the matters set out in the “Risk Factors” section of this Document, before deciding to invest in our Shares.

### OVERVIEW OF OUR GROUP

#### Our Company

Our Company was incorporated in Singapore on 14 December 2021 under the Companies Act as a private company limited by shares under the name of “Yangzijiang Financial Holding Pte. Ltd.”. Our Company’s registration number is 202143180K. In preparation for the Introduction, we undertook the Restructuring Exercise whereby our Company became the holding company for the Relevant Entities. Please refer to the section entitled “Restructuring Exercise” of this Document for further details.

We subsequently changed our name to “Yangzijiang Financial Holding Ltd.” on 25 March 2022 in connection with our conversion to a public limited company.

#### Our Business

Upon the completion of the Restructuring Exercise, the principal business of our Group will comprise the (i) Investment Management Business, which seeks capital appreciation and investment income from investments in both public and private companies and Funds, as well as deploying funds into various situations; and (ii) Debt Investment Business, which is primarily made up of Debt Investments (at amortised costs). As at the Listing Date, our market capitalisation is expected to be approximately S\$4,239 million.

Prior to the Restructuring Exercise, the Debt Investment Business’ main objective is to generate predictive income while ensuring adequate financial liquidity for projected growth. To achieve its investment objective, the Debt Investment Business has been investing its excess cash into short-term entrusted loans. Pursuant to the Restructuring Exercise and as an independent investment management company, our Group will reposition the Debt Investment Business to focus on Fund Investments with a view to generate sustainable long-term returns.

The investment principal arising from the matured Entrusted Loans will be partially recycled into investments with longer investment horizon, such as private debt and mezzanine Funds, under the Investment Management Business. As such, going forward, revenue arising from the Debt Investment Business will reduce and the revenue arising from the Investment Management Business will increase. The bulk of the Debt Investments (at amortised costs) is expected to mature by 31 December 2023. The repositioning of the Debt Investment Business would not have a material impact on the financial condition of our Group as the decrease in interest income due to the repositioning of the Debt Investment Business will be offset by the increase in dividend income arising from the increased Fund Investments. Dividend income from our Group’s investments increased approximately 456.0%, or S\$64.3 million, from S\$14.1 million for FY2020 to S\$78.4 million for FY2021. The increase was mainly due to dividends declared by our Group’s investments in FY2021. By increasing our Fund Investments post-Introduction which will lead to an increase in the sources of dividend income, the decrease in interest income will be sufficiently offset with the increase in dividend income with the repositioning of the Debt Investment business,

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## SUMMARY

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such that the financials for the Period Under Review would be reflective of our Group's business operations post-Introduction. Further details are set out in the section entitled "Business – Prospects, Business Strategies and Future Plans" of this Document.

Our Group also intends to deploy a portion of the recycled capital into our newly established offshore Investment Management Business in Singapore. Overall, the repositioning strategy will help us to diversify our exposure and credit risk arising from microfinancing and Entrusted Loans into different asset classes and geographical markets.

Further, our Group intends to enter into the Fund/Wealth Management Business to generate recurring fee-based income from managing third party investment funds and provision of wealth management services via the acquisition of a CMS-licensed fund management company or setting up a fund management company in Singapore. In particular, after the Introduction, our Company intends to enter into sale and purchase agreements with the shareholders of GEM to acquire their entire shareholding interests in GEM. In-principle approval from MAS for the GEM Acquisition has been obtained on 17 March 2022. Our Company intends to proceed with the signing of the sale and purchase agreements for the GEM Acquisition and the completion of the GEM Acquisition after the Introduction. Our Company will make announcement(s) via SGXNet to apprise Shareholders of any material developments on the GEM Acquisition. The source of funding for acquiring fund management companies (such as GEM) is our Company's internal sources of funds. In the event that the GEM Acquisition does not complete, our Group intends to enter into other M&A transactions and strategic alliances in relation to the acquisition of other CMS-licensed fund management companies and/or set up our own fund management company in Singapore to expand our Group's capabilities into the Fund/Wealth Management Business. Further details are set out the sections entitled "Business – Prospects, Business Strategies and Future Plans" and "Interested Person Transactions – Present and On-going Interested Person Transactions – GEM Acquisition" of this Document.

### FINANCIAL HIGHLIGHTS

You should read the following summary financial information in conjunction with the full text of this Document, including the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Document and "Appendix D – Reporting Auditor's Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021" to this Document.

## SUMMARY

### Combined statements of comprehensive income of our Group

	Years ended 31 December		
	2019	2020	2021
	S\$'000	S\$'000	S\$'000
<b>Interest income</b>	426,114	415,479	368,667
Dividend income	27,398	14,068	78,361
Fair value changes on financial assets, at FVTPL	3,715	65,122	(62,801)
Other income	–	509	617
<b>Non-interest income</b>	<b>31,113</b>	<b>79,699</b>	<b>16,177</b>
<b>Total income</b>	<b>457,227</b>	<b>495,178</b>	<b>384,844</b>
Employee compensation	(910)	(1,429)	(1,455)
Other expenses	(23,182)	(23,902)	(20,665)
<b>Total expenses</b>	<b>(24,092)</b>	<b>(25,331)</b>	<b>(22,120)</b>
<b>Profit before allowances</b>	<b>433,135</b>	<b>469,847</b>	<b>362,724</b>
(Allowances for)/reversal of allowances for credit and other losses	(29,379)	(110,129)	9,168
<b>Profit after allowances</b>	<b>403,756</b>	<b>359,718</b>	<b>371,892</b>
Share of results of associated companies, net of tax	22,271	30,964	55,285
<b>Profit before income tax and total comprehensive income</b>	<b>426,027</b>	<b>390,682</b>	<b>427,177</b>
Income tax expense	(81,399)	(69,607)	(99,939)
<b>Net profit attributable to owners of the Investment Business</b>	<b>344,628</b>	<b>321,075</b>	<b>327,238</b>
<b>Earnings per share attributable to equity holders of the Company (expressed in \$ cents per share)</b>			
– Basic and diluted	8.72	8.13	8.28
<b>Net profit for the year</b>	<b>344,628</b>	<b>321,075</b>	<b>327,238</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Currency translation (loss)/gain	(114,475)	217,651	169,193
<b>Other comprehensive (loss)/income, net of tax</b>	<b>(114,475)</b>	<b>217,651</b>	<b>169,193</b>
<b>Total comprehensive income attributable to owners of the Investment Business</b>	<b>230,153</b>	<b>538,726</b>	<b>496,431</b>

## SUMMARY

### Combined balance sheets of our Group

	As at 31 December		
	2019 S\$'000	2020 S\$'000	2021 S\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	155,168	25,863	18,374
Financial assets, at FVTPL	52,292	80,594	77,881
Debt investments (at amortised costs)	2,034,763	2,748,777	3,359,868
Trade and other receivables	125,398	440,244	25,037
	2,367,621	3,295,478	3,481,160
<b>Non-current assets</b>			
Financial assets, at FVTPL	189,122	454,556	427,545
Debt investments (at amortised costs)	753,923	689,940	154,727
Trade and other receivables	3,528	64,249	10,182
Investments in associated companies	261,853	234,322	227,050
Investment properties	–	24,281	24,535
Property, plant and equipment	1,366	2,098	2,078
Deferred income tax assets	43,205	76,654	72,629
	1,252,997	1,546,100	918,746
<b>Total assets</b>	3,620,618	4,841,578	4,399,906
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	11,650	45,265	2,760
Current income tax liabilities	59,699	72,586	65,529
	71,349	117,851	68,289
<b>Non-current liabilities</b>			
Deferred income tax liabilities	21,352	51,835	82,817
	21,352	51,835	82,817
<b>Total liabilities</b>	92,701	169,686	151,106
<b>NET ASSETS</b>	3,527,917	4,671,892	4,248,800
<b>EQUITY</b>			
Owner's net investment	3,020,128	1,657,377	984,363
Combined capital	199,752	2,167,752	2,084,771
Other reserves	12,510	13,373	15,042
Retained earnings	410,002	730,214	892,255
Foreign currency translation reserve	(114,475)	103,176	272,369
<b>Total equity</b>	3,527,917	4,671,892	4,248,800



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## SUMMARY

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### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follow:

- we are a leading Investment Management Business and Debt Investment Business in Asia, in terms of our Group's total AUM size and/or our expected market capitalisation as at the Listing Date, compared to other publicly listed investment management companies in Asia;
- we have a strong investment capacity with deep proprietary capital pool;
- we have an active portfolio management to deliver attractive risk-adjusted returns;
- we have strong leadership and a deep bench of investment professionals;
- we have the ability to attract global talent; and
- we have broad and deep strategic relationships in the Greater China and Southeast Asia regions.

Further details are set out in the section entitled "Business – Competitive Strengths" of this Document.

### PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans for the continued growth of our business are as follow:

- to become a leading investment manager in Asia, focusing on long-term value creation. We seek to create a diversified portfolio with an investment focus on growth opportunities to achieve an attractive risk-adjusted return, while providing a steady stream of dividends to the Shareholders through income generated from our Investment Management Business, and in the near future, our proposed Fund/Wealth Management Business;
- to continue to grow our Investment Portfolio in the PRC;
- to recycle capital from the Debt Investment Business to Fund Investments in the Investment Management Business;
- to extend our investment footprint into Singapore by partnering prominent fund management companies to launch co-GP Funds, taking into consideration, amongst other factors, the fund management companies' scale (in terms of number of investment professionals, clientele, AUM size, deal sourcing capabilities, resources and geographical presence), scope and quality of service and product offerings, past experience and track record, as well as reputation and reliability;
- to diversify into fast-growing sectors and new asset classes; and
- to acquire new Fund/wealth management capabilities to distribute investment products (including own-GP Funds) and generate recurring fee-based income.

Further details of the business strategies, future plans, prospects and trends relevant to our business are set out in the section entitled "Business – Prospects, Business Strategies and Future Plans" of this Document.

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## SUMMARY

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### OUR CONTACT DETAILS

Our Company's registered office is located at 80 Robinson Road, #02-00, Singapore 068898. Our principal place of business is located at Room 3006, 3rd Floor, Building 2, No. 88 Chengjiang Road, Jiangyin-Jingjiang Industrial District, Jingjiang, Jiangsu, the PRC. Our telephone number is +65 6223 2835. Our email address is [public@yzjfin.com](mailto:public@yzjfin.com). We do not have a facsimile number. Our Company's website address is <https://www.yzjfin.com>. Information contained on our website does not constitute part of this Document.

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## EXCHANGE RATES

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Our financial statements are presented in S\$. The exchange rates for S\$:RMB, as outlined in the tables below, are presented solely for information only. The tables and figures below should not be construed as representations that those S\$ or RMB could have been, could be or would be, converted or convertible into the respective mentioned currencies at any particular rate, the rate stated below, or at all.

The following table sets forth, for the financial years indicated, the average and closing exchange rates. The average exchange rates are calculated using the average of the closing rates on the last day of each month during the respective financial years and financial period.

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Year	S\$:RMB <sup>(1)</sup>	
	Average exchange rate	Closing exchange rate
FY2019	5.0600	5.1739
FY2020	5.0085	4.9314
FY2021	4.7991	4.7179

Source: Bank of China

**Note:**

- (1) The above exchange rates have been calculated with reference to exchange rates quoted from Bank of China and should not be construed as representations that the S\$ amounts actually represent such amounts or could be converted into the S\$ at the rate indicated, or at any other rate, or at all. Bank of China has not consented to the inclusion of the exchange rates quoted under this section for the purposes of Section 249 of the SFA and is thereby not liable for these exchange rates under Sections 253 and 254 of the SFA. While our Directors and the Issue Manager have taken reasonable action to ensure that the information is extracted accurately and fairly, and has been included in this Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

The following table sets out the highest and lowest daily closing exchange rates between S\$ and RMB for each of the past six (6) months prior to the Latest Practicable Date.

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Month	S\$:RMB <sup>(1)</sup>	
	High	Low
February 2022	4.7390	4.6503
January 2022	4.7287	4.6848
December 2021	4.7179	4.6456
November 2021	4.7559	4.6601
October 2021	4.7740	4.7388
September 2021	4.8116	4.7632

Source: Bank of China

As at the Latest Practicable Date, the exchange rate for S\$:RMB was S\$1.00:RMB4.6783.

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**Note:**

- (1) The above exchange rates have been calculated with reference to exchange rates quoted from Bank of China and should not be construed as representations that the S\$ amounts actually represent such amounts or could be converted into the S\$ at the rate indicated, or at any other rate, or at all. Bank of China has not consented to the inclusion of the exchange rates quoted under this section for the purposes of Section 249 of the SFA and is thereby not liable for these exchange rates under Sections 253 and 254 of the SFA. While our Directors and the Issue Manager have taken reasonable action to ensure that the information is extracted accurately and fairly, and has been included in this Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

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## RISK FACTORS

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*We are exposed to a number of possible risks that may arise from economic, business, market, financial, political, social, technological and other factors and developments that may have an adverse impact on our future performance. The trading price and value of the Shares could fluctuate and decline due to any of these risks and investors may lose a part or all of their investments in the Shares. The following does not state risks unknown to us now but which could occur in future and risks which we currently believe to be immaterial, which could turn out to be material. Should such risks occur or turn out to be material, they may materially and adversely affect our business, results of operations and financial condition.*

*An investment in the Shares involves risks. Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this Document before deciding to invest in the Shares. Before deciding to invest in the Shares, you should seek professional advice from the relevant advisers about your particular circumstances. To the best of our Directors' knowledge and belief, all risk factors which could directly and/or indirectly affect us and are material to investors in making an informed judgement of our Company have been set out below. Some of the following risk factors relate principally to the industry in which we operate and our business in general. Other considerations relate principally to general economic, social and political conditions, the securities market and ownership of the Shares, including possible future sales of the Shares. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business, operations, financial performance and prospects should risks occur and/or turn out to be material.*

*If any of the following considerations, material risks or uncertainties develop into actual events, our business, operations, financial performance and prospects could be materially and adversely affected. In such cases, the trading price of the Shares could fluctuate and decline due to any of these considerations, material risks or uncertainties, and investors may lose all or part of their investment in the Shares.*

*This Document also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Document. Please see the section entitled "Notice to Investors – Forward-Looking Statements" of this Document for further details.*

### **RISKS RELATING TO OUR INDUSTRY AND BUSINESS**

#### **Our Investment Management Business is subject to intense competition**

We face intense competition in our Investment Management Business for investment opportunities.

According to the Asset Management Association of China, as at 31 December 2020, there were more than 24,560 private equity Fund managers in China with over RMB16.95 trillion of AUM<sup>1</sup>, and 962 registered and licensed Fund managers in Singapore with over S\$4.7 trillion of AUM<sup>2</sup>.

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#### **Notes:**

- (1) The information is derived from the Asset Management Association of China website (<https://www.amac.org.cn/researchstatistics/datastatistics/privategravefundindustrydata/>), data accessed on 29 March 2022. The Asset Management Association of China has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.
- (2) The information is derived from the 2020 Singapore Asset Management Survey (<https://www.mas.gov.sg/-/media/MAS-Media-Library/publications/singapore-asset-management-survey/Singapore-Asset-Management-Survey-2020.pdf>) prepared by the MAS, data accessed on 29 March 2022. The MAS has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

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## RISK FACTORS

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We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. We may lose investment opportunities in the future if we do not match the pricing, terms and structure offered by competitors. However, we may experience decreased investment returns and increased risks of loss if we match the pricing, terms and structure offered by our competitors.

We may not be able to compete effectively with some of our competitors that may have greater financial, technical and marketing resources, stronger public relations expertise and a longer operating track records than our Group. These competitors may also have the ability to offer more competitive pricing, adapt quicker to new or emerging technologies, respond faster to changes in customer preferences and devote more resources to the promotion of their investment products and/or services than us.

Additionally, we have to continue to develop and enhance our Investment Management Business in order to remain competitive. There is no assurance that we will be able to continue to design, develop, implement and maintain a competitive Investment Management Business in a cost-effective manner. As a result, we may face the risk of our customers migrating to alternative services with superior technologies or competitive pricing. Inability on our part to produce or procure a competitive Investment Management Business, any interruption to or decline in the performance of our Investment Management Business or any increase in costs arising from the development or enhancement of our Investment Management Business could have a material adverse effect on our business, financial condition, results of operations and prospects.

### **The loss of any key members of senior management may affect our Group's continuing ability to compete**

We believe that our continuing success is dependent to a certain extent upon the abilities and continuing efforts of our existing directors and senior management. If our Group were to lose the services of any of the key members of senior management, we may not be able to replace those members with persons of comparable expertise or experience, either on a timely basis or at all. Accordingly, the loss of any key members of senior management may affect our Group's continuing ability to compete.

Our Group's personnel possess substantial experience and expertise and have strong business relationships with members of the business community across geographical areas and sectors in which our Group and our Funds operate. The success of our Funds and the assets held within such Funds are similarly dependent on their respective personnel. There is a risk that our Group may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is highly competitive, and such risks may be exacerbated if a number of persons would decide to leave our Group at the same time. Further, our Group's personnel may join or form a firm to compete with us, or solicit other employees to also join competing firms.

If our Group's ability to recruit and maintain our personnel worsens, this could jeopardise our Group's development, culture and relationships with important stakeholders. As the personnel is our Group's most important asset, this could lead to significant adverse consequences in the short term in relation to our existing Funds and in the medium to long term in relation to our Group's ability to raise capital for new Funds.

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## RISK FACTORS

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### **Our business is dependent on our reputation**

Our reputation is key to establishing and maintaining good relationships with our customers, suppliers and market participants in general. Any negative news, information, opinion or publicity about us, especially in relation to integrity, including any incident of employee misconduct, the inability to manage price sensitive information, confidential information and conflicts of interest, among others, will affect the level of confidence that we have built in our customers, suppliers and market participants and their willingness to continue or consider working with us in the future. Any negative publicity and/or perceptions about us resulting in the loss of confidence of our customers, suppliers and market participants in us could have a material adverse effect on our business, financial condition, results of operations and prospects.

### **Our Group is exposed to risks relating to growth and expansion, as well as risks in connection with past, ongoing and future acquisitions, joint ventures and strategic partnerships**

Our Group's future operating results will depend on, among other things, our Group's management's ability to manage our growth. As part of our Group's future plans, we intend to expand our business, both geographically and operationally. Any such expansion carries inherent risks and uncertainties and requires significant management attention and company resources, and may not yield the results our Group expects.

After the Introduction, our Group intends to enter into the Fund/Wealth Management Business via the acquisition of a CMS-licensed fund management company or the setting up a fund management company in Singapore. In particular, we intend to acquire GEM, a Fund management company with a CMS licence in Singapore, to further our Group's expansion into the Fund/Wealth Management Business. The details of the GEM Acquisition are set out in the sections entitled "Business – Prospects, Business Strategies and Future Plans" and "Interested Person Transactions – Present and On-going Interested Person Transactions – GEM Acquisition" of this Document. In the event that the GEM Acquisition does not complete, our Group intends to enter into other M&A transactions and strategic alliances in relation to the acquisition of other CMS-licensed fund management companies and/or set up our own fund management company in Singapore to expand our Group's capabilities into the Fund/Wealth Management Business.

However, should we decide to enter into M&A transactions and/or strategic alliances, there is no certainty that our Group will be able to identify suitable assets or businesses and to acquire them or enter into joint ventures or strategic partnerships on favourable terms. There is also a risk that not all material risks in connection with any such acquisition or the establishment of a joint venture or strategic partnership will be identified in the due diligence process and will or could not be sufficiently taken into account in the decision to acquire an asset or business and in the sale and purchase agreement, or the decision to enter into a joint venture and the joint venture agreement. These risks could materialise only after such acquisition has been completed or a joint venture or strategic partnership has been entered into, and may not be covered by the warranties and indemnities in the sale and purchase agreement or the joint venture agreement and/or by insurance policies, and may result in delays, increases in costs and expenses, disputes and/or proceedings, or other adverse consequences for our Group. Acquisitions, joint ventures, strategic partnerships and reorganisations entail risks resulting from the integration of employees, processes, technologies, and products. Such transactions may give rise to substantial administrative and other expenses, and may also be subject to regulatory oversight, governmental or other approvals. While there have been no past instances of such events or factors having occurred which have had a material adverse effect on our Group's businesses, financial position

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## RISK FACTORS

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and results of operations, any of these events or factors, if and when they do occur, could have a material adverse effect on our Group's businesses, financial position and results of operations.

### **We may not be able to successfully implement our business strategies and future plans**

In determining our strategies and future plans, we have made certain assumptions about the future economic performance of the countries in which we currently operate and that we have identified as our key investment regions.

The successful implementation of our strategies will entail identifying suitable acquisition opportunities and making such acquisitions, undertaking asset enhancement initiatives, raising funds in the capital or credit markets, and the co-operation of our partners who invest with us and other counterparties. Our ability to successfully implement our strategies and future plans is also dependent on various other factors, including but not limited to the competition we face in our business, which may affect our ability to provide private equity (including real estate), fixed income, secondary market (PIPE and equity) and wealth management investment products and services to customers on terms acceptable to us, and our ability to retain our key employees. Our ability to expand into new markets is dependent on our ability to adapt our experience and expertise and to understand and navigate the new environment. We cannot assure you that we will be able to implement all or some of our business strategies and future plans, and the failure to do so may materially adversely affect our business, financial condition, results of operations and prospects.

### **Our Group is subject to risks inherent in investing in entities which our Group does not have control and the manner in which our Group holds our investments and property interests**

Our Group holds, and expects in the future to hold, a portion of our investments through interests and investments in entities that are not our subsidiaries and over which our Group does not have majority control, such as limited partnerships and Fund of Funds. The performance of these entities and our Group's share of their results is subject to the same or similar risks that affect external Fund managers and there can be no assurance that our Group will be able to influence the management, operation and performance of these entities or the underlying investments, whether through our Group's voting rights, contractually, or as manager of some of these entities, in a manner which would be favourable to our Group, or at all. Further, disagreements may occur between our Group, the limited partners and/or third party Fund investors, as the case may be, regarding the business and operations of the limited partnerships and/or Fund of Funds which may not be resolved amicably. In addition, our Group's limited partners and/or third party Fund investors may (a) have economic or business interests or goals that are not aligned with that of our Group, (b) take actions contrary to our Group's instructions, requests, policies or objectives, (c) be unable or unwilling to fulfil their obligations and (d) have financial difficulties, or have disputes with our Group as to the scope of their responsibilities and obligations. While there have been no past instances of such events having occurred which have had a material adverse effect on our Group's businesses, financial position and results of operations, such events, if and when they do occur, may have a material adverse effect on our Group's businesses, financial position and results of operations.

### **Our Group is subject to interest rate fluctuations**

Our Group is exposed to fluctuations in interest rates relating primarily to investment returns and earnings in terms of valuations of financial assets and pricing of debt vehicles. Such interest rate

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## RISK FACTORS

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risks are managed by our Group on an ongoing basis with the primary objective of limiting the extent to which interest income and earnings could be impacted from an adverse movement in interest rates.

Further, our Debt Investment Business also generates income principally from interest that we charge on loans granted to our customers and incurs interest expenses that we pay to obtain funding. Therefore, the profitability of our Debt Investment Business is closely co-related to interest margin, being the difference between interest rate charged to our customers and the interest costs we pay to obtain funding. A narrowing of interest rate spread would have an adverse impact on our income and financial position. If our funding costs increase and we are unable to adjust our lending interest rates in a timely manner, or at all, our interest margin will decline.

In addition, we are also subject to national and regional guiding policies regarding interest rate. For details, please refer to the section entitled “Appendix E – Government Regulations” to this Document. If we are required to reduce our interest rate charged as a result of changes in applicable interest rate ceiling allowable for microfinance companies, or if we have to reduce the interest rates we charge to reflect any decrease of the prevailing PBOC Benchmark Interest Rate from time to time, our interest rate spread may be adversely affected, which may in turn have a negative impact on our profitability and business prospects.

### **Our Group is exposed to foreign exchange fluctuation risks**

Our current and envisaged operations are primarily in Singapore and the PRC and as such, our revenue is primarily denominated in SGD and RMB, amongst other currencies. Our Group is exposed to foreign exchange risk as a result of transactions denominated in a currency other than the functional currencies of our Group entities.

Our Company is also exposed to currency translation risk given that our combined financial statements are prepared and our reporting currency is in SGD while the financial statements of our foreign subsidiaries, associates and joint ventures are prepared in other currencies.

As our Group generally does not hedge the foreign exchange exposures of our equity investments in and earnings streams from our foreign subsidiaries and associates, and will not engage in speculative hedging in the future, any fluctuations in currency exchange rates will impact the value of our equity investments in and earnings from our overseas operations. As a result, our Group’s business, results of operations or financial condition could potentially be adversely affected by exchange rate fluctuations.

### **Our Group’s financial statements are subject to changes in accounting standards**

The accounting standards setting bodies may issue new and revised accounting standards and pronouncements from time to time. Applying such standards and pronouncements to our Group’s financial statements may result in a change in the presentation and measurement of financial information, and thus may result in a change in the way our Group records our revenues, expenses, assets, liabilities or reserves. Our Group cannot predict the impact of other similar changes in accounting standards and pronouncements. These changes could adversely affect our Group’s reported financial results and positions and may adversely affect the comparability of our Group’s future financial statements with those relating to prior periods.

The disclosure, accounting, auditing and reporting standards in the PRC in which the investments by PE Funds (including the Portfolio PE Funds) are made may also change from time to time or may be less stringent and not provide the same level of protection or information to investors as



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## RISK FACTORS

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would generally apply in Singapore. For example, the assets and liabilities and profits and losses appearing in published financial statements of the Investee Companies in such countries may not reflect their financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with generally accepted accounting principles in Singapore. Accordingly, the value of any investment in an Investee Company may be less than what is implied by financial or other statements prepared or published by such Investee Company or the PE Fund. In addition, an Investee Company in such countries may not generally maintain internal management accounts or adopt financial budgeting or internal audit procedures to standards normally expected of companies in Singapore and, accordingly, information supplied to the Portfolio PE Fund which may, in turn, be provided to our Group (as owner of Fund Investments) may be incomplete, inaccurate and subject to significant delay in being produced. While there have been no past instances of such events having occurred, such events, if and when they do occur, may have a material adverse effect on our Group's businesses, financial position and results of operations.

**Occurrence of any acts of God, war, adverse political developments and terrorist attacks and any events beyond our control may adversely and materially affect the business, financial condition, results of operations and prospects of our Group**

Acts of God such as natural disasters are beyond the control of our Group and may adversely affect the economy, infrastructure and livelihood of the local population in the communities in which we operate. Our Group's business and operations may be adversely affected should such acts of God occur. There can also be no assurance that any war, adverse political developments, terrorist attack or other hostilities in any part of the world (potential, threatened or otherwise), such as the 2022 Russian invasion of Ukraine, will not, directly or indirectly, have an adverse effect on the business, financial condition, results of operations and prospects of our Group.

**Our risk management structure, policies, procedures and internal control may not be adequate to protect us against the risks which our business operations may be subject to**

We have implemented risk management policies and procedures to manage our risk exposures such as credit, operation, legal and compliance risks. There is no assurance that these systems are adequate or effective in managing our exposure to, or protecting us against, unanticipated risks, and any failure to identify any potential risks or internal control deficiencies may have a negative effect on our financial conditions and results of operations and therefore adversely affect our business prospects.

Based on a review of our Company's internal controls, several issues were identified with moderate risk rating, such as in the areas of revenue and loan management, investments, treasury and cash management, information technology, budget preparation, setting up of enterprise risk management framework and personal data protection. There are two (2) remaining measures that have only been partially implemented. These relate to (i) the setting up of standalone information systems which are separate from our Group, and (ii) the maintaining of an offsite back-up for data stored in our Group's systems in use. As at the Latest Practicable Date, our Group is still in the process of the implementation of these measures due to the difficulty in coordination with potential suppliers as a result of the movement restrictions imposed by the PRC authorities because of the COVID-19 pandemic. These measures will be fully implemented prior to the Listing Date.

In addition, we cannot assure that all of our employees will adhere to such policies and procedures, or that human errors or mistakes will not occur. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control systems as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control systems, our business and results of operations could be materially and adversely affected.

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## RISK FACTORS

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### **Our Group may be involved in legal and other proceedings from time to time**

In the course of our business, we may be involved, from time to time, in disputes with various parties.

An investment in PE Funds may result in the investor, such as our Group, being exposed to litigation and enforcement risk. For example, such PE Funds might accumulate substantial positions in the securities of a specific company and engage in a proxy fight, become involved in litigation, or attempt to gain control of a company. Under such circumstances involving a Portfolio PE Fund, our Group could be named as a defendant in a lawsuit or regulatory action.

Our Group is also exposed to the risk of litigation by investors of our PE Funds if our management of any of our PE Funds or their properties is alleged to constitute fraud, negligence, wilful default, breach of applicable laws or regulations or breach of the relevant trust deed or other constitutive documents or breach of any relevant agreement. Investors could sue our Group to recover amounts due to our alleged misconduct. Further, our Group may be subject to litigation arising from investor dissatisfaction with the performance of our PE Funds.

There is no assurance that disputes or proceedings will be resolved, settled or settled on terms which are favourable or reasonable to our Group or that we will be able to successfully defend such claims. We could incur costs, and our time and management resources may be diverted towards resolving or settling such disputes or proceedings, or defending such claims. In the event that such disputes or proceedings are not resolved, settled or settled on terms which are favourable or reasonable to our Group or in the event that we are unable to successfully defend ourselves and sufficiently claim from our insurance proceeds and/or indemnities available, our Group's business, financial condition, results of operations and prospects may be adversely affected. While there have been no past instances of such disputes or proceedings, such events, if and when they do occur, may have a material adverse effect on our Group's businesses, financial position and results of operations.

### **Our Group relies on third party contractors and consultants to provide various services**

Our Group engages third party contractors and consultants to provide various services in connection with the day-to-day operations of providing private equity (including real estate), fixed income, secondary market (PIPE and equity) and wealth management investment products and services, including information technology services, professional consultancy services as well as legal and financial advice. Our Group is exposed to the risk that a service provider or consultant may require additional capital in excess of the price originally tendered to complete a project and may have to bear such additional amounts in order to provide the contractor with sufficient incentives to complete the project. Furthermore, there is a risk that major service providers may experience financial or other difficulties which may affect their ability to provide the services, thus delaying the completion of projects or resulting in additional costs to our Group. There can also be no assurance that the services rendered by such third party service providers and consultants will always be satisfactory or meet our Group's targeted quality standards. All of these factors could adversely affect our Group's businesses, financial condition and results of operations.

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### **Our Group is subject to risks of failure, inadequacy, interruption or security failure of information technology used in our operations**

Our Group relies on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which may include personally identifiable information of customers and lease data. Our Group also relies on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing confidential customer information, such as individually identifiable information relating to financial accounts. Although our Group has implemented procedures to mitigate technology risk and will continue to take steps to protect the security of the data maintained in our information systems, it is possible that such security measures will not be able to prevent the systems' improper functioning, or the improper disclosure of personally identifiable information such as in the event of cyber-attacks, phishing and malicious software such as ransomware. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorised disclosure of confidential information. Any failure to maintain proper function, security and availability of our Group's information systems could interrupt our operations, damage our reputation, subject our Group to liability claims or regulatory penalties and could materially and adversely affect our Group.

### **Our Group's businesses, financial condition and results of operations may be materially and adversely affected by natural calamities, outbreak of communicable diseases and pandemics/epidemics**

Natural calamities, outbreak of communicable diseases and pandemics/epidemics could result in sporadic or prolonged market and/or supply disruptions, an economic downturn or recession, volatilities in domestic and/or international capital markets (the "Macro Events") and may materially and adversely affect Singapore, PRC and other economies. The occurrence of any of these events or developments may materially and adversely affect our Group's businesses, financial condition and results of operations.

In particular, the outbreak in late 2019 of a novel strain of coronavirus (i.e. COVID-19) has since spread globally and triggered a global downturn and global economic contraction, causing disruptions in demand and supply chains. The number of reported cases of COVID-19 worldwide, as well as the number of reported deaths as a consequence of COVID-19 worldwide, significantly exceed those observed during the Severe Acute Respiratory Syndrome ("SARS") epidemic that occurred in 2003 and the COVID-19 outbreak has resulted in a more widespread health crisis than that observed during the SARS epidemic. On 30 January 2020, the World Health Organisation declared the COVID-19 outbreak a public health emergency of international concern, and later on 11 March 2020, declared the COVID-19 outbreak a pandemic.

While many countries have rolled out vaccination for the general population, the COVID-19 pandemic is still ongoing and the actual extent of the pandemic and its impact on the domestic, regional and global economy remain uncertain. The COVID-19 pandemic could result in protracted volatility in international markets and/or result in a global recession as a consequence of disruptions to travel and retail segments, tourism and manufacturing supply chains, imposition of quarantines and prolonged closures of workplaces.

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Macro Events such as the COVID-19 pandemic could have a significant impact on PE asset valuations and/or the volume of PE deal activity if they cause (a) adverse changes in certain macro-economic expectations based on which companies (including Investee Companies) are valued; (b) disruptions in an Investee Company's supply chains or changes in the demand for an Investee Company's products and/or services, which affects such Investee Company's growth prospects; and/or (c) adverse changes in public market valuations due to its traditionally high correlation with PE asset valuations, where an adverse change in public market valuations could be caused by adverse changes in investor's confidence in certain companies (including Investee Companies), and their risk appetite in major economies such as the PRC.

The occurrence of some or all of the Macro Events could result in a macro-economic environment which is not favourable to PE Fund managers and/or PE asset valuations. If the PE Fund managers were to exit the underlying investments in Investee Companies during a period of declining asset valuations or deal activity, they may not be able to sell those investments at the same attractive valuations and/or acquisition multiples as they might have received in a more buoyant market. In such a case, the Portfolio PE Funds will receive lower level of cash flows which will lead to a consequent decline in distributions to our Group from its Fund Investments.

Our Group's businesses have remained relatively resilient during the peak impact of the COVID-19 pandemic in FY2020, compared to other industries and there was no material adverse impact on the financial condition and results of operations of our Investment Management Business and Debt Investment Business. Debt investments (at amortised costs) under the Debt Investment Business contributes to the bulk of our Group's revenue (88.6% and 82.0% of total income in FY2019 and FY2020, respectively) and the average investment return rate on such investments remained relatively steady at 13.0% in FY2020, compared to 14.1% in FY2019. In addition, the expected credit loss rates (which takes into account the historical loss rates for each category of customers and adjusted for forward looking macroeconomic data) applied on such investments remained relatively steady at 10.4% as at 31 December 2020, as compared to 9.4% as at 31 December 2019. Nonetheless, given that the COVID-19 pandemic is still unfolding, its full impact on macro-economic conditions remains to be seen and it may materially and adversely affect our Group in the future.

### RISKS RELATING TO OUR OPERATIONS IN THE PRC

**Our Group's current and envisaged operations are concentrated in the Asia-Pacific region, mainly in Singapore and the PRC, and are subject to country-specific risks, including political, regulatory, economic and currency risks**

Most of our Group's current and envisaged business activities are concentrated in the Asia-Pacific region, mainly in Singapore and the PRC. As part of our Group's strategy, our Group expects to continue to expand our business in the PRC and as well as in other markets. Accordingly, our Group's business, earnings, prospects and value of the assets that our Group manages may be materially and adversely affected by a variety of conditions and developments, including:

- inflation, interest rates, and general economic conditions;
- governmental policies, laws and regulations, particularly those relating to asset and Fund management, marketing, fund raising and real estate, and changes to such policies, laws and regulations;
- difficulties and costs of staffing and managing international operations;

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- price controls;
- the ability of our Group's management to deal with multiple, diverse regulatory regimes;
- potentially adverse tax consequences;
- the risk of nationalisation and expropriation of our Group's assets;
- currency fluctuation and regulation risks;
- social unrest or political instability;
- adverse economic, political and other conditions; and
- terrorism,

in each of the countries in which our Group currently, or in the future, conducts business. We may also be subject to tax audits and other related matters.

Other policies and measures introduced and which may be introduced by the respective governments of the countries in which our Group currently, or in the future, operates in may lead to changes in market conditions, including price instability and an imbalance between supply of and demand for properties. The respective governments may adjust interest rates, tax rates and other economic policies or impose other regulations or restrictions that may have an adverse effect on the securities and financial services industry and property market, which may adversely affect our Group's business.

Our Group expects our exposure to these risks to increase as our Group continues to expand our operations in countries that we operate in. For example, in the PRC, the foreign investment and real estate laws and in particular, the laws relevant to the rights of foreign investors and the entities through which they may invest, are sometimes unclear. PRC laws and regulations are continually evolving in response to changing economic and other conditions, and the interpretation and application of such laws and regulations are at times ambiguous and can be inconsistent. If our Group fails to comply with applicable laws and regulations in the PRC, our Group may be subject to penalties, have our licences or approvals revoked, or lose our right to own or manage our properties and our businesses in the PRC, among other things, any or all of which could have a material adverse impact on our businesses, financial condition, results of operations and prospects.

### **Changes in the political, social and economic policies of the PRC government may materially and adversely affect our operations**

Our financial position and results of operations may be affected by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy in the past four (4) decades, a substantial part of the PRC economy is still being operated under various controls by the government. By implementing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government plays a significant role in China's economic growth. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. Therefore, any adverse changes in the PRC

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economic, political and social conditions may materially and adversely impact our business, financial position, results of operations and prospects.

### **Our Group is subject to currency conversion/repatriation risks relating to our operations in the PRC**

A material portion of our Group's revenue is denominated in RMB and must be converted to make payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and expenditures from trade, may be made in foreign currencies without prior approval of the SAFE, subject to certain procedural requirements. However, strict foreign exchange controls continue to remain in place for capital account transactions, such as repayment of loan principal and return of direct capital investments and investments in negotiable securities.

### **Our business may be materially and adversely affected by the inherent uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations of new laws or changes to existing laws by the PRC government**

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. In the event of a breach of any of the foregoing due to an act or omission by our PRC subsidiaries, it will be subject to the relevant penalties prescribed thereunder. The PRC government is still in the process of developing a fully integrated legal system so as to meet the needs of investors and to encourage foreign investment. As recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in the PRC or may be subject to a significant degree of interpretation by PRC regulatory agencies and courts, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain events or circumstances, as well as the manner of such application. As such, the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities, leading to the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. It is possible that our existing operations may be found not to be in full compliance with relevant laws and regulations in the future. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. Therefore, we may not be aware of our violation of these policies and rules until after the occurrence of the violation. These uncertainties could materially and adversely affect our business, financial position and results of operations.

### **The approval of the CSRC and other compliance procedures may be required in connection with any offering we may make and, if required, we cannot predict whether we will be able to obtain such approval**

On 24 December 2021, the CSRC issued draft rules and measures to revise the Special Provisions of the State Council Concerning the Overseas Securities Offering and Listing by Limited Stock Companies (No. 160 Order of the State Council) by introducing the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (the "**Administration Provisions**"), as well as Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (the "**Measures**") as supporting rules (the "**New Draft Rules**"). The deadline for submission of public comments was 23 January 2022.

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Under the Administration Provisions, a filing-based regulatory system will be introduced to cover both direct and indirect overseas offerings and listings. The Administration Provisions further define the legal liabilities of breaches to include failure in fulfilling filing obligations or fraudulent filing conduct.

The Measures include, amongst others, the scope of activities subject to the filing requirement and relevant criteria for determining whether an activity falls within the scope, as well as requirements on filings of overseas securities firms who provide services for overseas securities offering and listing by domestic companies.

Neither we nor any of our subsidiaries have made any filing and/or obtained the approval from the CSRC for the Introduction under this Document as the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, are of the view that neither we nor any of our subsidiaries are required to make and/or obtain such approval under existing PRC laws and regulations. Depending on when the New Draft Rules may take effect, there may be different implications which may affect our business operations in the PRC. Please refer to the section entitled “Business – New Draft Rules by CSRC” of this Document for further details. There can also be no assurance that regulators in China will not take a contrary view from Jingtian & Gongcheng and King & Wood Mallesons, or will not subsequently require us to undergo the filing procedures and subject us to penalties for non-compliance in connection with this Introduction.

Further, if such regulations also require us to obtain filings with the CSRC for future fund raising activities, we may not be able to meet the relevant requirements in a timely manner, thereby affecting our use of funds, which may materially and adversely affect our business, financial position and results of operations.

### **The restrictions on the PRC foreign exchange or outbound capital flows may affect our ability to receive dividends and other payments from our PRC subsidiaries**

In the PRC, foreign investment enterprises are subject to the PRC rules and regulations on currency conversion, including the Regulation for Foreign Exchange Controls in the PRC. The ability of our PRC subsidiaries to pay dividends or to repatriate profits to us may be affected by changes in the PRC foreign exchange control. For example, each of our PRC subsidiaries is required to set aside 10.0% of its after-tax profits annually to fund statutory reserve until its cumulative reserve reaches 50.0% of its registered capital. None of our PRC subsidiaries' cumulative reserve has reached 50.0% of its registered capital as at the Latest Practicable Date. These reserves, together with the registered equity, are not distributable as cash dividends.

As a result of these laws, rules and regulations, our PRC subsidiaries are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. Please also refer to the section entitled “Exchange Controls” of this Document for further details.

### **It may be difficult to effect service of process on our Directors or Executive Officers who reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts**

A substantial portion of our assets are located in the PRC. Substantially all of the assets of our Directors and Executive Officers who are resident in the PRC are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. The PRC has not entered into any treaties providing for the reciprocal recognition and enforcement of

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judgements of courts with the Cayman Islands, the United States of America, the United Kingdom, Singapore, Japan and many other developed countries. Therefore, recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

### **ADDITIONAL RISKS RELATING TO OUR INVESTMENT MANAGEMENT BUSINESS**

#### **Fund Investments are highly illiquid**

Fund Investments are highly illiquid and not readily tradable. Our Group's investments in the Portfolio PE Funds are generally prohibited from encumbering, assigning, pledging, selling, exchanging or otherwise transferring any of its Fund Investments, or withdrawing from its Fund Investments, without the consent of the relevant GP (which may be given or withheld at its discretion).

Furthermore, the offer of interests in PE Funds (including interests in a Portfolio PE Fund) is generally not registered under applicable securities laws of each jurisdiction where the offer is made due to the availability of certain exemptions or "safe harbours" from the relevant registration requirements. Accordingly, the governing documents of PE Funds (including the governing documents of the Portfolio PE Funds) generally will impose restrictions on transfer of investors' interests in such PE Funds in order to comply with the applicable exemptions or "safe harbours". As such, our Group bears the risks of owning the Fund Investments for the long term.

#### **Calculation of net asset value of a Fund Investment may not be reliable**

The net asset value of a Fund Investment will be the valuation of such Fund Investment attributable to it from the most recent financial report, statement, document or notice received by our Group from the GP of the relevant Portfolio PE Fund in relation to such Fund Investment. Such report, statement, document or notice may be outdated and may have been superseded by other materials or events. Accordingly, information relating to Portfolio PE Funds received by our Group may be significantly outdated and reliance on such outdated information would result in an erroneous calculation of net asset value of a Fund Investment. In addition, GPs may not be able to reflect changes in the valuation of Investee Companies (and consequently, the valuation of a Portfolio PE Fund) on a timely basis when valuations change rapidly due to sudden changes in the global macro-economic environment. Such sudden changes in the macro-economic environment could be caused by a myriad of different factors such as the unfolding COVID-19 pandemic. There is generally no obligation on GPs to report material changes in the value of the underlying portfolio of the Portfolio PE Funds on a basis more frequent than quarterly. Investments made by the Portfolio PE Funds typically do not have an active trading market and their valuation may reflect the subjective determination by the GPs.

In addition, there is no single, uniform technique applied to the valuations reported by the different GPs because each GP performs its own valuation and accordingly, the Total Portfolio NAV is derived from the valuations from the different GPs. While certain limited due diligence has been undertaken in respect of the Fund Investments, no due diligence has been undertaken by our Group or any other party in respect of the net asset value of each Fund Investment reported by the relevant GPs. As the Fund Investments will not be independently valued, our Group will rely exclusively on the values reported by the GPs, even if they are not audited. The values reported by the GPs may differ significantly from the values that would have been used had a ready market for the Fund Investments existed. Such factors may lead to inconsistency and uncertainty in the determination and accuracy of the net asset value of any Fund Investment and the Total Portfolio NAV more generally. As a result, the net asset value of a Fund Investment may be substantially different from the amount recoverable in connection with a liquidation of such Fund Investment or



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the Fair Market Value of the relative share of the investments in the Investee Companies held by the Portfolio PE Fund in respect of such Fund Investment. Based on industry practice, the fund manager is responsible for determining the net asset value of the Fund it manages and as an investor of Fund Investments, our Company can only depend on the latest net asset value of Fund Investments provided by the respective fund managers.

**Actual realised cash flows from Fund Investments may differ from GPs' net asset value indications**

Our Group invests on a "long-only" basis, taking only long positions on its investments. This means that our net asset value will rise (or fall) in value based on the market value of the assets we hold. Actual realised returns and cash flows on unrealised investments of a Portfolio PE Fund will depend on, among other factors, future operating results, the value of the assets, market conditions at the time of disposition, any related transaction costs, the timing and manner of sale, interest rate risks, credit risks, currency risks, regulatory risks and information technology risks, all of which may differ from the assumptions and circumstances on which the valuations used by GPs are based. Accordingly, the actual realised returns and cash flows on these unrealised investments may differ materially from the net asset value indicated by the GP of a Portfolio PE Fund and there can be no assurance that any appreciation in value will occur.

**There is no certainty on the amount or timing of distributions from Fund Investments and there can be no assurance that the Fund Investments will generate sufficient cash flows to repay investors**

Private equity investments, such as the Fund Investments, typically do not generate a determinable and scheduled stream of income and the level of distributions thereon is uncertain. Most PE Funds (including the Portfolio PE Funds) have a maturity date by which the PE Fund is required to have liquidated its investments and returned all available proceeds to the investors in the PE Fund. However, these PE Funds may also permit the GP to extend such maturity date by certain periods, and there may be few or no limitations on the GP's discretion to do so.

The Portfolio PE Funds may hold private equity securities or related income-oriented investments, which are not typically debt investments or other investments which by their terms convert to cash in a finite period of time. Such Portfolio PE Funds generally expect to realise a profit on an investment in an Investee Company upon the sale of such investment (whether through an initial public offering (the "IPO") of the Investee Company or in a privately negotiated sale of the Investee Company or its assets), or through distributions of income over substantial periods of time. As a result, the Fund Investments represent long-term investments that are generally not expected to generate an investment return or cash flows for a number of years and, consequently, the timing of cash distributions to our Group from the Fund Investments may be uncertain and unpredictable. In light of the above, there can be no assurance that the Fund Investments will generate sufficient cash flows to repay the investors.

**Our Group may receive from Fund Investments securities or other property in lieu of cash**

The PE Funds (including the Portfolio PE Funds) may distribute assets in kind, including (without limitation) securities or other property, to their investors in lieu of cash. Such distributions in kind may be restricted securities that are highly illiquid and the liquidation proceeds thereof may be significantly less than the amount of cash which would have been distributed instead of such securities. There can be no assurance that our Group will be able to dispose of these investments or that the value of these securities will be realised. In the event that our Group attempts to dispose of such securities or other investments, there may be substantial delays and costs (such

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as selling commissions, brokerage and legal documentation costs) associated with such dispositions and the amounts of cash which may be realised may be diminished, any of which may have a materially adverse effect on our Group's business, financial condition, results of operation and prospects.

### **Performance of Fund Investments depends on the relevant GPs' abilities**

PE Funds (including the Portfolio PE Funds) may have limited or no operational history and may have no established track record in achieving their investment objectives. The success or failure of any investment in a PE Fund, such as the Fund Investments, depends largely on the ability of its GP to select, develop and realise appropriate investments in Investee Companies held by the PE Fund (including a Portfolio PE Fund), which in turn could be affected by wider macro-economic and market conditions, as well as increased competition in the PE markets. As a result of the high degree of risk associated with the Fund Investments, there can be no assurance that the Fund Investments will generate sufficient cash flows to repay investors. Furthermore, some or all of the Fund Investments may decline in value which could result in a decrease of the Total Portfolio NAV.

### **The success of a Portfolio PE Fund is highly dependent on key private equity professionals and their absence could adversely affect the performance of such PE Fund**

The successful identification, completion and exit of investments by a Portfolio PE Fund in Investee Companies will be highly dependent on the skills of the GP of that Portfolio PE Fund. Accordingly, the success of a Portfolio PE Fund will depend in part upon the skills and expertise of the GP, its relevant affiliates or its private equity professionals, especially the founders or the senior professionals. However, there can be no assurance that such professionals will continue to be associated with the GP or its affiliates throughout the life of the relevant Portfolio PE Fund. In certain Portfolio PE Funds, should one (1) or more of these individuals become incapacitated or in some way cease to participate in the management of the relevant Portfolio PE Fund, the performance of such Portfolio PE Fund could be adversely affected. In addition, the past performance of a given private equity professional or team is not predictive of the future performance of that professional or team.

### **There is no assurance that investments made by PE Funds will be successful**

The performance of an Investee Company may be highly dependent on its management team as well as other factors or circumstances beyond its control. An Investee Company may perform poorly after an investment is made by a PE Fund (such as a Portfolio PE Fund) in such Investee Company due to factors or circumstances affecting such Investee Company (for example, weak management, intense competition, inadequate financing, cross-border investment risks, equity risks, debt risks or disruptive market or industry conditions). As mentioned earlier, the COVID-19 pandemic could be one of the reasons why markets or industries may be disrupted. There can be no assurance that any investment made by such PE Fund in an Investee Company will be successful.

### **Performance of Investee Companies could be impacted by political, social-economical and other market-related factors**

Investee Companies of Portfolio PE Funds may be sensitive to movements in the overall economy, changes in laws, currency exchange controls, changes in national and international political and socioeconomic circumstances, or in the Investee Companies' industrial or economic sectors. A recession, sustained downturn in the global economy (or any particular segment thereof) or adverse development in the geopolitical landscape or the securities or financial markets might

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have an adverse impact on some or all of the investments held by such Portfolio PE Fund in Investee Companies, which may impede the ability of the Investee Companies to perform under or refinance their existing obligations, or impair such Portfolio PE Fund's ability to effectively exit its investment on favourable terms. These could, in turn, affect the performance and profitability of investments in such Portfolio PE Fund. For instance, the contraction of the high yield bond market or the IPO market may limit the exit strategies available to a Portfolio PE Fund with respect to its investments in Investee Companies. Any of these factors may lead to an adverse impact on the Portfolio PE Fund's investments in such Investee Companies which might, in turn, affect the performance of the Portfolio PE Fund itself.

### **Our Group will have no rights to participate in the management of Portfolio PE Funds or Investee Companies**

The GPs generally have control over the management and operations of the PE Funds (including, without limitation, evaluation of the relevant economic and financial information regarding the structuring, acquisition, monitoring and disposition of the investments in the Investee Companies held by the PE Funds) and the investors in the PE Funds, such as our Group, have limited (if any) rights to replace the GPs. Our Group, as the owner of Fund Investments, will not have the right to control, or participate in the management or operations of, the Portfolio PE Funds or the unilateral right to replace the GPs, although our Group has veto rights in respect of some of our Fund Investments by way of a board seat on the investment committees of some of the Portfolio PE Funds. As such, we will have only a limited ability to monitor the investments made by the Portfolio PE Funds, whether any Portfolio PE Fund has engaged in additional or alternative strategies without consent or advice of any other person and/or whether the investment strategies and guidelines of the Portfolio PE Funds are being adhered to.

Under certain circumstances, our Group, as owner of a Fund Investment, will have the right or obligation to vote on certain matters affecting the related Portfolio PE Fund as part of the investors (or an affected class thereof) in the Portfolio PE Fund. In casting such vote, the instructions of our Group's authorised representative (as long as it remains appointed) on the casting of such vote on behalf of our Group will be followed. Such casting of vote could result in adverse consequences to the Portfolio PE Funds and our Group. Our Group must depend solely on the ability of the relevant GPs to operate the businesses of the Portfolio PE Funds and to manage the investments in the Investee Companies held by the Portfolio PE Funds.

### **PE Funds (including the Portfolio PE Funds) may not conduct themselves as expected**

As an investor in the Fund Investments, our Group does not have control over the Portfolio PE Funds and consequently does not have control over the assets or investments of such Portfolio PE Funds. A Portfolio PE Fund could divert assets, fail to follow agreed upon investment strategies, provide false reports of operations, or engage in other misconduct, resulting in losses to our Group which may, in turn, adversely impact our Group's business, financial condition, results of operation and prospects.

### **Certain PE Funds may co-invest with third parties. Such investments may involve risks not present in investments where a third party is not involved**

A PE Fund (including a Portfolio PE Fund) may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments. While our Company has effective measures in place to mitigate the risks in relation to such co-investments with third parties through minority protection rights including reserved matters, tag along, drag along rights, board seats and information rights, selection of reputable co-investors

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who have similar investment objectives, exit timeframe and methods for the investment targets, investment through special purpose vehicle structures to isolate risks to our Group and according veto rights on investment decisions for Funds our Group invests substantially in, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or investor may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with that of such PE Fund, or may be in a position to take action contrary to such PE Fund's investment objectives. In addition, such PE Fund may in certain circumstances be liable for the actions of its third party partners or co-venturers. Such PE Fund (alone, or together with other investors) may be deemed to have a control position with respect to some Investee Companies which could expose it to liabilities not normally associated with minority equity investments, such as additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

### **The investment strategies of PE Funds (including the Portfolio PE Funds) may not be successful**

There can be no assurance that the investment strategies employed by the Portfolio PE Funds will be successful or that their investment objectives will be achieved. Past performance of a GP or a PE Fund is not predictive of future performance.

### **Our Group may be required to make additional capital contributions in the event of default by other investors to meet capital calls, and our Group may be subject to sanctions for failure to meet such additional capital contribution obligations**

Upon the failure by an investor in a PE Fund, such as a Portfolio PE Fund, to meet a capital call in respect of such PE Fund, the GP usually has the right to require the non-defaulting investors in the PE Fund, including our Group (where it is not a defaulting investor), to make additional capital contributions on a pro-rata basis to make up the amount not paid by the defaulting investor. This would result in the non-defaulting investors, including our Group, contributing a larger share of their capital to a particular investment than they otherwise would have. However, it is also usually provided that such additional capital contributions will not individually exceed the non-defaulting investor's then undrawn capital commitment or in the aggregate increase the capital commitment of the non-defaulting investor. If our Group fails to meet such additional capital contribution obligations, it could be subject to sanctions. Any failure by our Group to meet any such additional capital contribution obligations with respect to a Fund Investment may have a material adverse effect on such Fund Investment.

### **Our Group may be liable for returns of certain distributions from PE Funds**

Investors in a PE Fund, such as our Group, may be required to return cash distributions previously received by them to the extent such distributions are deemed to be recallable or deemed to have been wrongfully paid to them. An example of a recallable distribution is where an investment is realised and distributed within a specified period, certain GPs may have the right to re-cycle such distribution for future investments within the specified investment period.

In light of the effect that the unfolding COVID-19 pandemic has on global economies, it is possible that a GP may exercise the right to recall such distributions more frequently during such pandemic in order to strengthen the liquidity position of certain Investee Companies. If this occurs and our Group fails to meet such obligations, we could be subject to sanctions. Any failure by our Group to meet any such obligations with respect to a Fund Investment may have a material adverse

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effect on such Fund Investment. While there have been no past instances of such events having occurred, such events, if and when they do occur, may have a material adverse effect on our Group's businesses, financial position and results of operations.

### **Performance-based compensation induces additional risks**

A PE Fund (including a Portfolio PE Fund) typically provides for a performance fee or allocation (also known as "**Carried Interest**") to its GP in addition to a basic management fee. Carried Interest could create an incentive for a GP to choose riskier or more speculative underlying investments than would otherwise be the case. Similarly, the GP may be allocated a profit share, which may create an incentive for the GP to allocate assets utilising more speculative strategies than would otherwise be the case.

Carried Interest is typically paid to a GP upon the realisation by a PE Fund of gains on its investments. If the later realised investments perform more poorly than the earlier realised investments, the cumulative Carried Interest to be paid to the GP may be less than the amount already paid on the basis of such earlier realisations. In such a circumstance, the GP would typically be obligated to reimburse the PE Fund for such excess amount, but there can be no assurance that a GP will be able to satisfy such reimbursement obligations.

### **Risks arising from cross-border investments by PE Funds**

Cross-border investments could be subject to additional risks which might not otherwise be involved in domestic investments. The value of investments in a country could be materially affected by inflation, currency devaluation, interest rate changes, exchange rate fluctuations, changes in government policies, more volatile or less liquid capital markets, changes or differences in infrastructure and business environments, natural disasters, pandemics (such as the COVID-19 pandemic) or epidemics, armed conflicts, political or social instability, trade tensions and other developments affecting such country.

Investments may be made by the PE Funds (including Portfolio PE Funds) in emerging markets. These investments involve specific risks not associated with more established markets, and include risks attributable to nationalisation, expropriation or confiscatory taxation, currency devaluation, foreign exchange control, social or political instability, military conflict or governmental restrictions.

### **Increased government or market regulation could affect investments in PE Funds (including the Portfolio PE Funds)**

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of the private equity industry in general. It is impossible to predict what, if any, changes in the regulations applicable to PE Funds, GPs, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the PE Funds, GPs and the investors in the PE Funds (including our Group as owner of Fund Investments) as well as require increased transparency as to the identity of the investors in PE Funds.

### **PE Funds (including the Portfolio PE Funds) may be exposed to risks relating to fraud**

Instances of fraud and other deceptive practices committed by senior management of GPs or the Investee Companies may undermine the operations or performance of PE Funds (including the Portfolio PE Funds) or their Investee Companies, and may adversely affect the valuation of the

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Fund Investment in such Portfolio PE Fund, which may in turn adversely impact our Group's business, financial condition, results of operation and prospects.

### ADDITIONAL RISKS RELATING TO OUR DEBT INVESTMENT BUSINESS

#### Our Debt Investment Business is heavily regulated in the PRC.

##### *Jingjiang Runyuan*

Our PRC subsidiary, Jingjiang Runyuan, is a microfinance company that operates in a heavily regulated industry. Jingjiang Runyuan has obtained approvals on promotion (筹建) and commencement of business (the “**Promotion and Commencement Approval**”), as well as a business licence for engaging in micro and small loan business. The microfinance industry in the PRC is subject to extensive laws, rules, regulations, policies and measures at the national, provincial, municipal and local levels. These laws, rules, regulations, policies and measures are issued by different national, provincial, municipal and local government authorities. As such, our business operations are subject to the supervision of all the relevant regulatory authorities as well as the discretion of different authorities with respect to the interpretation, implementation and enforcement of relevant laws, rules, regulations, policies and measures. In addition, given the complexity, uncertainties and frequent changes in these laws, rules, regulations, policies and measures, including changes in their interpretation and implementation, our business operations may be adversely affected if we do not respond to such changes in a timely manner, or if we fail to fully comply with the applicable laws, rules, regulations, policies and measures as a result of such changes or any uncertainties as to the interpretation, implementation and enforcement of such laws, rules, regulations, policies and measures, or if we fail to renew our business licence, which expires on 12 June 2033 in respect of the Debt Investment Business. Any non-compliance may subject us to administrative penalties and restrictions on our business activities or the termination of our business operations, and thus may adversely affect our business, results of operations and prospects. While the applicable laws, rules and regulations do not provide that the Promotion and Commencement Approval will be revoked if a microfinance company violates any relevant provision, we cannot rule out the possibility that the relevant authorities would exercise their power or discretion to revoke the Promotion and Commencement Approval in case of material violation.

During the Relevant Period, our PRC subsidiary, Jingjiang Runyuan, committed the following non-compliances as listed below. Based on the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), which includes the specific rules on the supervision and punishment of rural microfinance companies within the jurisdiction of the Jiangsu Province, the regulatory actions or penalties which the authorities may impose for each of the non-compliances are also set out below.

<b>Non-Compliance</b>	<b>Regulatory Action/Penalty</b>
The balance of some loans granted by Jingjiang Runyuan to the same borrower may have exceeded 10.0% of its net assets.	The following measures may be imposed individually or in combination, with item (1) (i.e. a regulatory talk) occurring as a first step:  (1) Regulatory talk;  (2) Suspend the creative business <sup>(1)</sup> ;  (3) Suspend security business; or  (4) Limitation on financing may be imposed.

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### Non-Compliance

Both (a) the aggregate value of micro loans outstanding and (b) the aggregate value of AFR micro loans (based on the definition of PBOC statistics) outstanding were below 70.0% of Jingjiang Runyuan's total loans outstanding under the Debt Investment Business.

The amounts of some loans granted by Jingjiang Runyuan have exceeded the aforesaid upper limit of RMB3,000,000.

The total loan and entrusted loan amounts granted by our Debt Investment Business have exceeded 100.0% of the net balance of share capital.

No more than 30.0% of our loans granted by Jingjiang Runyuan are used for financing in the real estate market, some of which were deemed as non-compliant financing in the real estate market.

Please refer to the section entitled "Business – Debt Investment Business – Non-compliances" of this Document for further details of these non-compliances.

Our ability to continue our operations depends on our ability to obtain or maintain the relevant operating licences and/or approvals from government authorities at the local, municipal, provincial and national levels. Failure to obtain or maintain any of these licences or approvals in a timely manner or at all as a result of any changes in laws and regulations or in any interpretation, implementation or enforcement of laws and regulations that are unfavourable to us may prevent us from conducting our business as planned. Extensive government regulations and the related delays in seeking the appropriate licences and/or approvals or suspension of business for rectification can also materially adversely affect our market competitiveness, profitability and prospects. Even if we do obtain the licence or approval from the appropriate authorities, such approval may be granted on a limited basis or subject to the modification of our business and services, which could increase our costs.

### Regulatory Action/Penalty

The following measures may be imposed individually or in combination, with item (1) (i.e. a regulatory talk) occurring as a first step:

- (1) Regulatory talk;
- (2) Suspend the creative business<sup>(1)</sup>;
- (3) Suspend security business; or
- (4) Limitation on financing may be imposed.

No specific penalties for this item

No specific penalties for this item

No specific penalties for this item

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#### Note:

- (1) According to the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), "creative business" comprises "cash pool", fund transfers, letter of guarantees, insurance agencies, unified loan assistance, etc.

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### **Any changes in the trend of banking industry may negatively affect our business model**

Commercial banks and rural banks are reluctant to provide financing services to SMEs, micro enterprises and individual proprietors, as the loan amounts are relatively small; as such, such SMEs, micro enterprises and individual proprietors usually lack sufficient credit support or credit history to obtain loans from commercial and rural banks. We believe that this norm will continue in the foreseeable future, but it is uncertain if such trend will change or if there will be any change in regulatory requirements which will make these potential customers more attractive to commercial and rural banks, particularly in light of the rise of the use of artificial intelligence technology in the banking industry. In the event that the commercial and rural banks expand their business to target SMEs, micro enterprises and individual proprietors by providing lending terms which are comparable to or better than ours, our existing loan and Debt Investment portfolios may be affected and as a result, our business and results of operation would be adversely affected.

### **We mainly rely on the creditworthiness of our customers and/or their guarantors, which may limit our ability to recover payments from defaulting customers**

Our Debt Investment Business is exposed to credit risks from our customers. We have adopted a risk management system which aims to enable us to make decisions based on the creditworthiness of our customers and/or their guarantors. However, our ability to recover payments from defaulting customers of guaranteed loans and our Debt Investments may be more limited than those secured with collateral. If a customer defaults on a guaranteed loan or Debt Investment, we may in turn pursue and demand the guarantor to repay the principal amount and any interest accrued. If we are unable to locate the guarantor, or if the guarantor no longer has sufficient or any financial resources to repay the loan, we may not be able to fully recover the principal amount of loans or Debt Investments and outstanding interests or at all.

In the event our customers default and we are unable to receive full repayment from their guarantors, we may have to apply for foreclosure on the assets (if any) of the defaulting customers and their guarantors, such as land use rights and/or building ownership rights, through court orders. We may also apply to the court to enforce our unsecured interest against these assets as attachment through legal proceedings. However, the application to attach assets of another person or liquidating or realising the value of such assets may be time-consuming and may not ultimately be possible. In addition, the enforcement process may be difficult for legal and practical reasons as defaulting customers may not have sufficient assets for our Group to apply for attachment. Furthermore, the defaulting customers and their guarantors may have concealed, transferred or disposed of their assets beforehand, which make it difficult or impossible for us to apply for attachment. Moreover, if the attached assets are subject to mortgage or other prior third parties' rights, our interests will rank behind the secured creditors and these prior third parties and our unsecured rights may not be enforced until after the secured creditors and/or other prior third parties have received full payment, thereby limiting or even preventing us from benefiting from such assets. As a result, in case of defaults we may not be able to recover the full amount of loans or Debt Investments and outstanding interests or at all, and in turn our financial condition and results of operations may be materially and adversely affected.

As our customers comprise mainly SMEs, micro enterprises and individual proprietors, we are subject to a higher degree of credit risks and our credit risk management may not be adequate to protect against customer defaults. As a microfinance company dedicated to serving the interim business financing needs of SMEs, micro enterprises and individual proprietors, credit risk is the most significant risk inherent to our Debt Investment Business. Our customers, primarily comprising SMEs, micro enterprises and individual proprietors, generally have a less established business track record, fewer financial resources or lower borrowing capacity (as compared to



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larger enterprises), and may be more vulnerable to adverse market, economic or regulatory conditions. In particular, the business of SMEs, micro enterprises and individual proprietors may be adversely affected by regional financial markets turmoil and changes in the macro credit policies. Conditions such as inflation, economic downturns, policy changes, adjustments of industry structure and other factors beyond their control may result in deterioration of our customers' business operations, financial conditions and repayment ability, thereby increasing our credit risk. While there have been no past instances of such events or factors having occurred, such events, if and when they do occur, may have a material adverse effect on our Group's businesses, financial position and results of operations.

In addition, with the aim of addressing credit risks, we have put in place a risk management system. While our risk management system is designed to manage our credit risk, there can be no assurance that such system will be effective in avoiding all undue credit risk.

**Any extension of the loan or Debt Investment repayment term for our customers or failure to effectively manage credit risk of our loans and Debt Investments and maintain a low impaired loan or Debt Investment ratio may affect our business**

Subject to requisite approvals, we may agree to extend the term of a loan for customers who apply for extension due to their own needs or the term of a Debt Investment. Although we consider and process an application for loan or Debt Investment extension as if it were a new loan or Debt Investment application and such requisite approvals include a review of the extension application by the Investment Committee, we cannot assure you that such loans or Debt Investments with extended terms in the future will not increase the credit risk of our loan or Debt Investment portfolio, which in turn may adversely impact our liquidity, financial conditions and results of operations. Please refer to the section entitled "Business – Debt Investment Business – Business Process – Loan and Debt Investment extension" of this Document for further information.

Effective management of our loans and Debt Investments and impaired loan and Debt Investment ratio is fundamental to the sustainability of our Debt Investment Business. Any deterioration in the quality of our loans or Debt Investments and undue increase in loan or Debt Investment impairment will materially and adversely affect our results of operations.

We may not be able to effectively control the level of our impaired loans or impaired Debt Investments in the future. Our impaired loan ratio and impaired Debt Investment ratio may increase due to factors that are beyond our control, such as slowdown in economic growth of China or Jiangsu Province, or other adverse macroeconomic trends. These factors may have a negative impact on the financial, operational and liquidity conditions of our customers, which in turn may affect their ability to repay our loans and Debt Investments. If we cannot manage such credit risks and our impaired loan amount or impaired Debt Investment and/or impaired loan ratio or impaired Debt Investment ratio increases, our business, financial conditions and results of operations may be materially and adversely affected.

**As our Debt Investment Business is confined to the Jiangsu Province in the PRC, any adverse change of the economy or regulatory environment of the Jiangsu Province may materially affect our business**

During the Period Under Review, we operated our Debt Investment Business in the Jiangsu Province and six (6) out of twelve (12) of our LP Fund Investments were also in the Jiangsu Province. As such, our ability to geographically diversify our economic risks is limited by the local markets and economy.

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We expect that our business will continue to be only in the Jiangsu Province in the PRC in the near term. As a result, our business and financial performance will continue to depend on the stability of the economy in the Jiangsu Province. Any significant downturn in the local economy or the implementation of local policies unfavourable to SMEs, micro enterprises or individual proprietors in general may result in a decrease in demand for our loans, have a negative impact on our customers' ability to repay our loans on a timely basis or at all, and adversely affect the values of our real property collaterals, all of which may materially and adversely affect our financial conditions and results of operations.

**The collaterals securing our loans and Debt Investments and any assets that we may have repossessed may not be sufficient to cover the corresponding loan or Debt Investment value, which may significantly increase our credit risk**

During the Period Under Review, we required some of our customers to provide collaterals to secure loans and Debt Investments granted. As at 31 December 2019, 2020 and 2021, approximately 60.9%, 78.4% and 70.5% of our Debt Investments were secured by collaterals, respectively. We mainly accept land use rights, building ownership rights or other securities as collateral for our loans and Debt Investments granted.

The value of our collaterals, which are mainly real properties, may fluctuate and decline due to various factors, including those affecting the PRC economy, real properties, real estate market and financial market in general. The changes in the PRC interest rate policies and credit policies may also adversely affect the real estate market in China or in the Jiangsu Province and lead to a decline in the value of the collaterals. Further, force majeure events may lead to damages of the collaterals. Oversupply or reduction in the demand of the real properties may also significantly reduce their value. If there is a significant decline in collateral value due to any of the above reasons, and in the event of customers' default which we have to enforce the security to recover the loans, the value of collaterals may be insufficient to cover our loans or Debt Investments in full. While there have been no past instances of such events or factors having occurred, such events, if and when they do occur, may have a material adverse effect on our Group's businesses, financial position and results of operations.

In addition, the enforcement process may be difficult for legal and practical reasons as defaulting customers may not have sufficient assets for our Group to apply for attachment of assets, and that bringing an action in the PRC court for foreclosure on collaterals can be a time-consuming process, thereby resulting in additional costs.

**ADDITIONAL RISKS RELATING TO THE PROPOSED FUND/WEALTH MANAGEMENT BUSINESS UPON COMPLETION OF THE ACQUISITION OF A CMS-LICENSED FUND MANAGEMENT COMPANY OR THE SETTING UP A FUND MANAGEMENT COMPANY IN SINGAPORE**

**The proposed Fund/Wealth Management Business is subject to government regulation and government policies**

The Fund management industry is subject to extensive regulation in Singapore. After the Introduction, our Group intends to acquire CMS-licensed fund management companies and/or set up a fund management company in Singapore. In particular, we intend to acquire GEM. CMS-licensed fund management companies, including GEM, are approved by the MAS to conduct the regulated activity of Fund management and will have to comply with the SFA and the subsidiary legislation issued thereunder, as well as notices, circulars, guidelines, practice notes and codes issued by the MAS from time to time, as may be applicable to it in respect of its regulated activities. Notwithstanding that a CMS-licensed fund management company (such as GEM) may presently comply with and will be able to satisfy all the conditions imposed by MAS on

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the CMS licence to conduct the Fund/Wealth Management Business, as the MAS has regulatory powers over many aspects of services of CMS licensees, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular businesses, there is no assurance that CMS licensees will be granted permissions to carry on particular businesses or if such permissions are granted, there is no assurance that such permissions will not be cancelled. Please see the sections entitled “Business – Prospects, Business Strategies and Future Plans” and “Interested Person Transactions – Present and On-going Transactions – GEM Acquisition” of this Document for further details on the GEM Acquisition.

Our Group’s proposed Fund/Wealth Management Business may also be adversely affected if new or revised legislation or regulations are enacted, if current exemptions which our Group relies on are changed, or by changes in the interpretation or enforcement of existing rules and regulations imposed. Any such changes could increase our Group’s cost of doing business or materially and adversely affect our profitability.

### **A changing regulatory landscape in the securities and financial services industry could alter the relationships between fund managers and their customers and suppliers**

The securities and financial services industry has been subject to increasing and changing regulations in recent years. If our Group expands into the Fund/Wealth Management Business, our Group will derive revenue from recurring fee-based income from managing third party investment Funds and provision of wealth management services to customers. Changes in the regulatory conditions of the securities and financial services industry in Singapore and in other jurisdictions in which our proposed Fund/Wealth Management Business would operate could directly affect our potential customers, suppliers and our proposed Fund/Wealth Management Business as well as alter the relationship between our proposed Fund/Wealth Management Business and our potential customers and suppliers in a manner that could materially and adversely affect our proposed Fund/Wealth Management Business, financial condition, results of operation and prospects. For example, our potential customers, and suppliers’ incentive for dealing with us and the supply or demand for our services and products could be altered by changes in regulations and we could also be made to limit or alter our range of services and products to comply with regulatory requirements. Such changes could materially and adversely affect our proposed Fund/Wealth Management Business, financial condition, results of operation and prospects.

### **Recurring revenue from the Fund/Wealth Management Business may be affected by a reduction in the base fee, performance fee and/or AUM of fund management companies**

It is expected that the recurring revenue of a fund management company will comprise base fees and performance fees which will be calculated based on stated percentages of the annual Internal Rate of Return of the Funds in excess of one or more “Hurdle Rates” of return. Factors that affect the determination of base fees and performance fees include such fund manager’s business volume, AUM, relationship with its customers and the support and services it can provide to the customer. For example, a larger business volume and AUM value tends to lead to higher base fees and performance fees.

The attractiveness of the third party investment Funds and wealth management services that our customers in the proposed Fund/Wealth Management Business invest in will depend on, amongst other factors, their investment performance, which is not within our control. For example, investors may withdraw or reduce their investments when markets are volatile or economic conditions are unfavourable or when their investments objectives are reached. Significant or prolonged underperformance of third party investment Funds and our wealth management services may negatively impact the value of our AUM, under the proposed Fund/Wealth Management Business.

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There is no assurance that we will, upon expansion into the Fund/Wealth Management Business, be able to grow our AUM or that we will receive performance fees from our customers at the agreed rate or at all. A reduction or cessation of performance fees we may receive from our customers and/or the reduction of our AUM would either alone or in the aggregate negatively impact our recurring revenue and could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, revenues of fund management companies are expected to be dependent on the performance and value of their AUM which may be materially and adversely affected by economic instability or a prolonged economic downturn in the jurisdictions in which we operate, regionally, or globally. Fluctuations in financial markets for example, equity markets, may adversely affect the performance and value of our AUM and investor confidence. A sudden or sustained deterioration of the financial markets or investment market conditions may prompt investors to sell investments held through our proposed Fund/Wealth Management Business. Additionally, negative sentiment surrounding the financial markets may cause potential investors to be less willing to make new investments. Inability on our part to maintain and/or increase the value of our AUM after we enter into the Fund/Wealth Management Business could have a material adverse effect on our proposed Fund/Wealth Management Business, financial condition, results of operations and prospects.

### **Fee pressures on management fees for the Funds that our Group may manage under our proposed Fund/Wealth Management Business could reduce our Group's future margins**

In order for our Group to offer a competitive fee structure for Funds that we would manage under the proposed Fund/Wealth Management Business after we enter into the Fund/Wealth Management Business, we must be able to provide clients with investment returns and services that will encourage them to be willing to pay such fees. Any fee reductions in relation to future Funds which we may manage without corresponding decreases in the cost structure would have an adverse impact on our Group's future margins.

### **Funds under management under our proposed Fund/Wealth Management Business may not grow as expected, which may adversely affect the management fees and investment income to be generated**

The amount of management fees to be generated by a fund management company will be largely based on the size of such fund management company's FUM. Following our proposed acquisition of a CMS-licensed fund management company, the growth of its FUM will be primarily dependent on its ability to raise capital for new funds, deliver attractive absolute and relative returns to investors of the funds, the execution of the fund management company's growth strategy and the fund management company being able to establish and maintain its brand and positive reputation. FUM is also dependent on the current life cycle stages of the funds a fund management company manages, including the maturity of such funds and the realisation of investments.

Even if FUM were to grow as expected, the management fees to be generated by a fund management company's FUM may decline if the fees that investors are willing to pay for fund management services decline. Management fee rates are impacted by a number of factors, including demand across investment strategies and investors' desire to increase commitments to public and/or private markets, historical and expected performance of the funds a fund management company manages and industry standard fee levels, terms and conditions for funds of similar investment criteria and investment performance. However, there is a risk that investors in future funds may negotiate to pay the fund management company lower management fees and the economic terms of future funds may be less favourable to a fund management company comparable to those obtained on historical funds. Furthermore, if a fund management company

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expands into lower fee-paying asset classes, the average management fee rate for such fund management company may decline.

If any of the foregoing were to occur to our proposed Fund/Wealth Management Business such that our Group's FUM under our proposed Fund/Wealth Management Business does not grow as expected, or even declines, or if management fee rates decrease, this may adversely affect, in the medium or long-term, the management fees and investment income received by our Group.

### **Poor or non-performance of any of the Funds to be managed by our Group under the proposed Fund/Wealth Management Business may adversely affect our Group's business**

If the Funds managed by our Group under the proposed Fund/Wealth Management Business do not perform as expected, the revenue our Group derives from this proposed business will be adversely affected, since it is or will be tied to the value and performance of the Funds. The Funds may face withdrawals by investors and be unable to attract new subscriptions. Going forward, our Group also expects to commit seed capital to the Funds managed by our Group under the proposed Fund/Wealth Management Business, our Group may also lose some or all of our investment in these Funds if the investments made by the Funds fail or perform poorly. In addition, a sustained or material poor performance of our Group's proposed Fund/Wealth Management Business may adversely affect our Group's reputation and make our Group less effective in securing future investments and raising capital for new Funds that our Group may wish to set up in the future. Furthermore, for Funds to be managed by our Group that have fixed life spans, our Group's Funds under management may decline if new Funds are not established to introduce additional Funds. The occurrence of any or all of the above may adversely affect our Group's business, financial condition, results of operations and prospects.

### **Dependence on leverage in investments by the Funds that our Group may manage could adversely affect their performance which may in turn adversely affect our Group**

Investments of the Funds to be managed by our Group under the proposed Fund/Wealth Management Business may rely on the use of leverage. Our ability to achieve attractive yields and rates of return on the investments to be managed by our Group on behalf of such Funds may thus depend on the Funds' continued ability to access sufficient sources of financing at attractive rates. Due to the use of leverage, indebtedness may constitute a majority of an asset's value. An increase in either the general levels of interest rates or in the risk spread demanded by sources of financing would make it more expensive to finance those investments.

Highly leveraged investments are inherently more sensitive to declines in revenue, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and/or

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- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

Any of the foregoing circumstances could have a material adverse effect on the performance of the Funds to be managed by our Group under the proposed Fund/Wealth Management Business, which may in turn adversely affect our Group's business, financial condition, results of operations, prospects and cash flow.

### **We may not have sufficient insurance coverage or the cost of insurance may increase significantly**

The proposed Fund/Wealth Management Business entails the risk of liability related to litigation from our customers under the proposed Fund/Wealth Management Business and other third parties. There is no assurance that any claims made or decided against us will be covered by insurance, or if covered, will not exceed the limits of our coverage. As at the Latest Practicable Date, on a Group basis, we only have basic group health, property all risks and machinery breakdown insurance policies. Our Directors are of the view that the existing insurance policies taken up by our Group are in line with industry practice and are adequate. As such, we will, where necessary, take up additional insurance policies to cover any further risks arising from our Group's further entry into the Fund/Wealth Management Business. We have not taken up any professional liability, professional indemnity or directors and officers liability to provide coverage against such risks. There is also no certainty whether any or all of our insurers will remain solvent and meet their contractual obligations to provide the coverage we are contracted for or that such coverage will continue to be made available to us at a reasonable premium for future renewals. Increased costs of maintaining our existing insurance coverage or obtaining additional coverage not covered by our existing insurance could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may also be subject to liabilities or losses resulting from business interruptions or other disruptions to our operations, services or technological infrastructure, against which we have not insured adequately, or at all, or cannot insure. The occurrence of an adverse event and the damages from which are not covered or fully covered or honoured by our insurers, could have a material adverse effect on our business, financial condition, results of operations and prospects.

### **RISKS RELATING TO OWNERSHIP OF THE SHARES**

#### **Future issues or sales of our Shares, and the availability of a large number of the Shares for sale, could depress the Share price**

The sale of a significant number of the Shares in the public market after the Distribution, or the perception that such sales may occur, could materially and adversely affect the market price of the Shares. These factors could also affect our ability to sell additional equity securities.

Although certain of our Controlling Shareholders are subject to a moratorium, any substantial issuance or sale or perceived substantial issuance or sale of our Shares over a short period of time after the expiry of the applicable moratorium period (where applicable) by our Company or such Controlling Shareholders could cause our Share price to fall. Except as otherwise described in the section entitled "Moratorium" of this Document, there are no restrictions on the ability of our Controlling Shareholders to sell their Shares, either on the SGX-ST or otherwise.

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### **Shareholders may experience further dilution in the value of the Shares**

Our Company may need to raise additional funds in the future and if such additional funds are raised through the issuance by our Company of new Shares other than on a *pro rata* basis to then existing Shareholders, the percentage ownership of then existing Shareholders may be reduced and then existing Shareholders may experience dilution in the value of their Shares. If we fail to utilise the additional funds to generate a commensurate increase in earnings, this will also lead to a dilution in our earnings per Share and could lead to a decline in the Share price.

### **Our post-Introduction Share price may not be reflective of our value and our Share price may be volatile in the future**

The listing will be by way of an Introduction. Unlike a listing undertaken together with an initial public offering, there will not be a price-discovery process such as bookbuilding undertaken prior to and in connection with the Introduction. As such, the price of the Shares immediately post-Introduction may not reflect an appropriate value for our Company.

The price of the Shares may fluctuate widely, depending on many factors, including:

- changes in market valuations and share prices of companies with similar businesses to our Group that may be listed in Singapore;
- announcements of significant acquisitions, strategic alliances or joint ventures;
- fluctuations in stock market prices and trading volume;
- involvement in material litigation;
- addition or departure of key personnel;
- success or failure of management in implementing business and growth strategies;
- variations in operating results;
- changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;
- general changes in rules/regulations with regard to the industries that our Group operates in, including those that affect the demand for our Group's properties and services; and
- changes in conditions affecting the industries in which our Group operates, the general economic conditions or stock market sentiments or other events or factors.

### **Our Controlling Shareholder will be able to exercise substantial control over our Company and may have interests that are different from those of our other Shareholders**

After the Distribution, our Executive Chairman, Mr. Ren Yuanlin, will become our Controlling Shareholder, having a deemed interest in approximately 21.6% of the issued Shares. Please refer to the sections entitled "Shareholding and Ownership Structure" and "Restructuring Exercise" of this Document for further details. By virtue of his deemed interest in the Shares of our Company, our Controlling Shareholder will have the ability to indirectly exercise control over our Company and our affairs and business, including the election of directors, the timing and payment of

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## RISK FACTORS

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dividends, and the approval of other actions requiring the simple majority approval of our Shareholders. Control of a majority of the Shares by our Controlling Shareholder could delay, defer or prevent a future take-over or a change in control of our Company and could make some transactions more difficult or impossible to complete without the support of our Controlling Shareholder. The interests of our Controlling Shareholder may also differ from or conflict with the interests of other Shareholders.

### **Shareholders' ability to participate in future rights offerings may be limited**

If we offer to our Shareholders rights to subscribe for additional Shares or any rights of any other nature, we will have discretion as to the procedure to be followed in making the rights available to our Shareholders or in disposing of the rights for the benefit of our Shareholders and making the net proceeds available to our Shareholders. We may choose not to offer the rights to our Shareholders who have a registered address outside Singapore.

### **We may not be able to pay dividends**

Our ability to declare dividends in relation to the Shares will depend on our future financial performance, which, in turn, depends on the successful implementation of our strategy and on financial, competitive, regulatory and other factors, general economic conditions and other factors specific to our industry or specific projects, many of which are beyond our control.

In addition, our ability to pay dividends will be substantially affected by the ability of our subsidiaries, associated companies or Funds we may invest in, to declare and pay us dividends or other distributions. The ability of our subsidiaries and such entities to declare and pay dividends or other distributions to us will be dependent on the cash income of and cash available to such subsidiary or entity and may be restricted or subject to conditions under applicable laws, regulations or contractual agreements. There are covenants under the terms of certain existing bank facilities of our subsidiaries, associated companies, our Funds which may impose restrictions on the ability of these entities to distribute dividends or distributions to our Company upon the occurrence of specified events such as where interest payments under the relevant facility are in arrears.

### **Singapore take-over laws contain provisions which may vary from those in other jurisdictions**

We are subject to the Singapore Take-Over Code, which contains certain provisions that may possibly delay, deter or prevent a future take-over or change in control of our Company. Under the Singapore Take-Over Code, except with the consent of the Securities Industry Council of Singapore (“SIC”), any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares, is required to extend a take-over offer for the remaining voting Shares in accordance with the Singapore Take-Over Code. Except with the consent of the SIC, such a take-over offer is also required to be made if a person holding between 30.0% and 50.0% (both inclusive) of the voting Shares, either on his own or together with parties acting in concert with him, acquires additional voting Shares representing more than 1.0% of the voting Shares in any six (6)-month period.

While the Singapore Take-Over Code seeks to ensure an equality of treatment among shareholders, its provisions could substantially impede the ability of the shareholders to benefit from a change of control and, as a result, may adversely affect the market price of our Shares and the ability to realise any benefit from a potential change of control.



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## RISK FACTORS

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### **The listing by way of an Introduction may not result in an active or liquid market for the Shares**

An active public market for the Shares may not develop or be sustained after the listing by way of an Introduction. We have applied to the SGX-ST for permission to have the Shares listed and quoted on the SGX-ST. Listing and quotation does not, however, guarantee that a trading market for the Shares will develop or, if a market does develop, there is no guarantee of the liquidity of that market for the Shares. In addition, approximately 64.8% of the Shares outstanding post-Distribution, will be held by the public (i.e. persons other than our Directors, Substantial Shareholders, Controlling Shareholders or their respective associates). There may be a limited number of Shares available for trading at any given time, resulting in reduced trading liquidity of the Shares.

Although it is currently intended that the Shares will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Shares.

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## DIVIDEND POLICY

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Statements contained herein that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties and should under no circumstances be regarded as a representation, warranty or prediction by us and the Issue Manager, or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date hereof.

### PAST DIVIDENDS

Our Company was incorporated in Singapore on 14 December 2021.

The following table shows the amount of dividends declared and paid by our Company and each of our subsidiaries for each of FY2019, FY2020, FY2021 and the period from 1 January 2022 to the Latest Practicable Date.

	FY2019	FY2020	FY2021	1 January 2022 to the Latest Practicable Date
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Our Company</b>	–	–	–	–
<b>Jiangsu Yangchuan</b>	–	–	–	–
<b>Jingjiang Runyuan</b>	–	–	363,822	71,862 <sup>(1)</sup>
<b>Jiangsu New Yangzi Commerce</b>	–	–	430,934	–

**Note:**

(1) The dividend amounting to RMB71,862,468.34 has been paid on 10 February 2022. The amount of dividends was determined based on stamp duty considerations, in view of the transfer of shares of Jingjiang Runyuan pursuant to the Restructuring Exercise. The dividend of RMB71,862,468.34 is not expected to be material to our Group and will not have a material effect on the financial position or profitability of our Group as it only represents 0.4% of our Group's NTA as at 31 December 2021.

Save as disclosed above and in the section entitled "Restructuring Exercise" of this Document, none of our Company or our subsidiaries has declared or paid dividends in respect of each of the last three (3) financial years ended 31 December 2019, 2020 and 2021, and the period from 1 January 2022 to the Latest Practicable Date.

### DIVIDEND POLICY

The form, frequency and amount of future dividends that our Directors may recommend or declare in respect of any financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors:

- (a) the level of our cash available and retained earnings;
- (b) our actual and projected financial performance, and results of our operations;
- (c) our projected levels of capital expenditure and other investment plans;
- (d) reserves required for future growth of our Group's business;

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## DIVIDEND POLICY

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- (e) our working capital requirements and general financing condition;
- (f) restrictions on payment of dividends imposed on us by our financing arrangements (if any);  
and
- (g) the general economic and business conditions in countries in which we operate.

Following the Introduction and subject to the aforementioned factors, we are committed to delivering dividends that will increase over time with growth in the underlying earnings. Following the Introduction, our Directors intend to recommend and distribute dividends of not less than 30.0% of our Group's net profit after tax to equity holders of our Company, excluding non-recurring, one-off and exceptional items, whether as an annual dividend or an interim dividend for the next three (3) financial years comprising FY2022, FY2023 and FY2024 (the "**Proposed Dividends**") as we wish to reward Shareholders for participating in our Group's growth.

Investors should note that the foregoing statement on the Proposed Dividends is merely a statement of our present intention and shall not constitute a legally binding obligation on our Company or a legally binding statement in respect of our future dividends, and may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion. Investors should not treat the Proposed Dividends as an indication of our Group's future dividend policy. Please refer to the section entitled "Risk Factors – Risks Relating to Ownership of the Shares – We may not be able to pay dividends" of this Document.

We may declare final dividends by way of an ordinary resolution of our Shareholders at a general meeting, but may not pay total dividends in excess of the amount recommended by our Directors. The declaration and payment of final dividends will be determined at the sole discretion of our Directors, subject to the approval of our Shareholders. Our Directors may also declare an interim dividend without the approval of our Shareholders. All dividends will be paid in accordance with the Companies Act.

The amount of dividends declared and paid by us in the past should not be taken as an indication of the dividends payable in the future. Investors should not make any inference from the foregoing statements as to our actual future profitability or our ability to pay any future dividends. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future. Payment of any dividends shall be in S\$. Currently, there are no loan covenants or regulations restricting the payment of dividends by our Group.

For information relating to taxes payable on dividends, please refer to the section entitled "Appendix C – Taxation" to this Document.

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## SHARE CAPITAL

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Our Company (Registration Number: 202143180K) was incorporated in Singapore on 14 December 2021 under the Companies Act as a private company limited by shares under the name of “Yangzijiang Financial Holding Pte. Ltd.”. On 25 March 2022, our Company was converted into a public company limited by shares and our name was changed to “Yangzijiang Financial Holding Ltd.”.

### Share Capital

As at the date of incorporation, our Company’s issued and paid-up share capital was S\$100 comprising 100 ordinary shares. As at the Latest Practicable Date, our issued and paid-up share capital was S\$4,264,195,899 comprising 3,950,589,220 Shares.

Pursuant to the written resolutions passed on 25 March 2022, our sole shareholder approved, *inter alia*, the following:

- (a) the conversion of our Company into a public company limited by shares and the consequential change of our name to “Yangzijiang Financial Holding Ltd.”;
- (b) the adoption of a new Constitution;
- (c) the approval of the listing and quotation of all the issued Shares on the Mainboard of the SGX-ST;
- (d) the authorisation for our Directors, pursuant to Section 161 of the Companies Act and the Listing Manual and contingent upon and subject to the Introduction, to:
  - (a) (i) issue Shares whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (each an “**Instrument**” and collectively, “**Instruments**”) that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into shares; and/or
  - (iii) notwithstanding that such authority may have ceased to be in force at the time that Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) issue Shares in pursuance of any Instrument made or granted by the Directors pursuant to (a)(ii) and/or (a)(iii) above, while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

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## SHARE CAPITAL

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provided that:

- (1) the aggregate number of Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments (the “**Adjustments**”) effected under any relevant Instrument, which Adjustments shall be made in compliance with the provisions of the SGX-ST Listing Manual (the “**Listing Manual**”) for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company), does not exceed 100.0% of the post-Introduction issued share capital excluding treasury shares and subsidiary holdings, and provided further that the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority but excluding Shares which may be issued pursuant to Adjustments effected under any relevant Instrument) shall not exceed 50.0% of the post-Introduction issued share capital excluding treasury shares and subsidiary holdings;
- (2) in exercising such authority, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (3) unless revoked or varied by the Company in general meeting by ordinary resolution, the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

For the purpose of the resolution and pursuant to Rules 806(3) and 806(4) of the Listing Manual, the “post-Listing issued share capital” shall mean the total number of issued Shares of our Company (excluding treasury shares and subsidiary holdings) immediately after the completion of the Introduction, after adjusting for: (i) new Shares arising from the conversion or exercise of any convertible securities issued and outstanding or subsisting at the time such authority is given; (ii) new Shares arising from exercising share options or vesting of share awards issued and outstanding or subsisting at the time such authority is given, provided that the options or share awards were granted in compliance with the Listing Manual; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

As at the date of this Document, there is only one (1) class of Shares in the capital of our Company, being ordinary shares. A summary of the Constitution of our Company relating to, among others, the voting rights of our Shareholders are set out in the section entitled “Appendix A – Summary of Our Constitution” to this Document.

There are no founder, management or deferred shares.

### Changes in Issued Share Capital

As at the date of incorporation, the issued and paid-up share capital of our Company was S\$100 comprising 100 Shares.

On 25 March 2022, YSL subscribed for new Shares in our Company (the “**Capitalisation**”) for a total subscription amount of S\$4,264,195,799 comprising 3,950,589,120 shares in anticipation of the Distribution. The exact number of new Shares to be issued pursuant to the Distribution will

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## SHARE CAPITAL

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depend on the total number of Shares held by the shareholders of YSL as at the Books Closure Date (the “**Entitled Shareholders**”), fractional entitlements to be disregarded.

The Distribution involves the distribution by YSL to its shareholders of all the Shares held by YSL, representing 100.0% of the issued Shares, on the basis of one (1) Share for each Share held by shareholders of YSL or on their behalf as at the Books Closure Date. The Distribution will be effected by the distribution of all the Shares which will be held by YSL after the completion of the Restructuring Exercise, representing 100.0% of the issued Shares, to the shareholders of YSL by way of a dividend *in specie*, on the basis of one (1) Share for each share held by a shareholder of YSL or on their behalf as at the Books Closure Date, fractional entitlements to be disregarded. Fractional entitlements, if any, will be aggregated and sold for the benefit of YSL, or otherwise dealt with in such manner and on such terms and conditions as the directors of YSL may in their discretion deem fit.

For illustrative purposes and based on the envisaged number of 3,950,589,220 issued shares of YSL as at the Books Closure Date, an aggregate of 3,950,589,220 Shares, representing 100.0% of the issued Shares after the completion of the Restructuring Exercise (including the Capitalisation) will be distributed to Entitled Shareholders pursuant to the Distribution. The final number of shares of YSL to be distributed to Entitled Shareholders will depend on the total number of shares of YSL held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

Entitled Shareholders will not be required to pay for any Shares received pursuant to the Distribution. The Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Distribution is effected.

Details of the changes in the issued and paid-up share capital of our Company for the period from 14 December 2021, being the date of incorporation of our Company, and up to the date of this Document are set out below:

	<b>Total Number of Shares</b>	<b>Resultant Issued and Paid-up Share Capital (S\$)</b>
Issued and fully paid Shares as at incorporation	100	100
Issue of new Shares pursuant to the Restructuring Exercise <sup>(1)</sup>	<u>3,950,589,120</u>	<u>4,264,195,799</u>
Issued and fully paid Shares immediately after the Restructuring Exercise <sup>(1)</sup>	<u><u>3,950,589,220</u></u>	<u><u>4,264,195,899</u></u>

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**Note:**

(1) Please refer to the section entitled “Restructuring Exercise” of this Document for more details.

Save as disclosed above, there have been no other changes in the share capital of our Company since the date of its incorporation.

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## SHARE CAPITAL

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Details of the changes in the issued and paid-up share capital of our subsidiaries within the three (3) years preceding the Latest Practicable Date are as follows:

<b>Name of Subsidiary</b>	<b>Date of Change</b>	<b>Registered capital before change</b>	<b>Amount of Change</b>	<b>Registered capital after change</b>	<b>Resultant Paid-up Share Capital</b>
Jingjiang Runyuan	22 July 2021	RMB1,000 million	(RMB400 million)	RMB600 million	RMB600 million
Jiangsu New Yangzi Commerce	24 January 2022	RMB10 billion	(RMB9,900 million)	RMB100 million	RMB100 million

Save as disclosed above, there were no changes in the issued and paid-up share capital of our Company and our subsidiaries within three (3) years preceding the Latest Practicable Date.

## SHAREHOLDING AND OWNERSHIP STRUCTURE

Our Directors and Substantial Shareholders and their respective shareholdings as at the Listing Date are set out below:

	Shares to be owned at the Listing Date <sup>(1)</sup>			
	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
<b>Directors</b>				
Ren Yuanlin <sup>(2)</sup>	–	–	852,845,825	21.6
Toe Teow Heng	200,000	0.0	–	–
Chew Sutat	188,000	0.0	–	–
Chua Kim Leng	35,000	0.0	–	–
Yee Kee Shian, Leon	–	–	–	–
<b>Substantial Shareholders</b>				
Ren Yuanlin	–	–	852,845,825	21.6
Yangzi International Holdings Limited <sup>(3)</sup>	852,845,825	21.6	–	–
Julius Baer Trust Company (Singapore) Limited (as trustee of the YZJ Settlement) <sup>(4)</sup>	–	–	852,845,825	21.6
Sapphire Skye Limited (as nominee of Zedra Trust Company (Singapore) Limited) <sup>(5)</sup>	–	–	394,134,000	10.0
Lido Point Investments Ltd	394,134,000	10.0	–	–
T. Rowe Price Associates, Inc.	–	–	275,361,200	7.0
<b>Other Shareholders</b>				
Hengyuan Asset Investment Limited <sup>(6)</sup>	165,797,370	4.2	–	–
Ren Letian <sup>(6)</sup>	–	–	165,797,370	4.2
Xinyangchuan Settlement (gifted as employee trust) <sup>(7)</sup>	150,000,000	3.8	–	–
EDB Investments Pte Ltd	18,587,360	0.5	–	–
Alexandrian Worldwide Incorporated <sup>(8)</sup>	18,587,360	0.5	–	–
<b>Public Shareholders</b>	2,074,853,105	52.5	–	–

**Notes:**

- (1) Based on the number of shares in YSL envisaged to be held by its shareholders as at the Books Closure Date.
- (2) Our Executive Chairman, Mr. Ren, is the settlor and sole beneficiary of the YZJ Settlement (the “Trust”), which is revocable by the settlor and established as a “purpose trust”. See note (4) below. Under the terms of the Trust, he has the powers, as settlor, to direct Julius Baer Trust Company (Singapore) Limited, as trustee, as to the investment in the Shares which form the assets of the Trust. Such powers include decisions relating to any purchase, sale, exchange, letting or retention and exercising of any voting and other rights in relation to the Shares. Accordingly, Mr. Ren can control the exercise of the rights of the 852,845,825 Shares under the Trust. By virtue of Section 4 of the SFA, Mr. Ren is deemed to have an interest in the 852,845,825 Shares held by Yangzi International Holdings Limited.
- (3) Yangzi International Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by Julius Baer Trust Company (Singapore) Limited in its capacity as trustee of the Trust. Mr. Ren is the sole beneficiary of the Trust. Accordingly, Mr. Ren can control the exercise of the rights of the 852,845,825 Shares held by Yangzi International Holdings Limited under the Trust.



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## SHAREHOLDING AND OWNERSHIP STRUCTURE

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- (4) Julius Baer Trust Company (Singapore) Limited is the trustee of the Trust. The Trust is a “purpose trust”. As at the Latest Practicable Date, Mr. Ren is the sole beneficiary under the Trust. The 852,845,825 Shares held by Yangzi International Holdings Limited are assets of the Trust. The settlor of the Trust is Mr. Ren. By virtue of Section 4 of the SFA, Julius Baer Trust Company (Singapore) Limited is deemed to have an interest in the 852,845,825 Shares held by Yangzi International Holdings Limited.
- (5) Sapphire Skye Limited is wholly-owned by Zedra Trust Company (Singapore) Limited which is the trustee of the Lido Trust, an employee benefit trust set up for the purpose of rewarding employees of our Group. Wang Dong is the settlor of the Lido Trust. Under the terms of the Lido Trust, Zedra Trust Company (Singapore) Limited manages the 394,134,000 Shares that Sapphire Skye Limited is deemed interested in and Wang Dong does not have any control over such Shares. There are no relationships between Wang Dong and our Group, the Directors, Executive Officers, Controlling Shareholders and/or any of the associates of the aforementioned parties. The beneficiaries of the Lido Trust are not fixed. Wang Dong, as the 100.0% shareholder of Lido Point Investments Ltd, which held 394,134,000 shares of YSL, had transferred all the shares of Lido Point Investments Ltd to the Lido Trust set up for the purpose of rewarding employees of the YSL Group in December 2021. Wang Dong was a founding member of YSL and over the years had contributed to the success of the YSL Group. He had retired in 2019 from his role as Deputy General Manager to pursue his personal interests. It was his wish that the employee benefit trust would reward and motivate the YSL Group to reach greater heights and foster a sense of personal ownership by the employees.
- (6) Ren Letian is deemed to be interested in 165,797,370 Shares which are held by Hengyuan Asset Investment Limited (“**Hengyuan**”) through his interests in Hengyuan by virtue of Section 4 of the SFA.
- (7) Xinyangchuan Settlement is a trust and the beneficiaries are the employees of YSL. After the Proposed Spin-Off, there will be no overlap between the employees of YSL and the employees of our Company.
- (8) Alexandrian Worldwide Incorporated is a company that was formed by four (4) members of the senior management of YSL. These senior management members are not the Directors, CEO, Substantial Shareholders or Controlling Shareholders of our Company nor our subsidiaries, and are not Associates of the foregoing persons.

Save as disclosed above and in the section entitled “Directors, Management and Employees” of this Document, there are no other relationships among our Directors, Substantial Shareholders and Executive Officers.

As at the Latest Practicable Date, none of our Directors or Executive Officers has, or has the right to be given, an option to subscribe for or purchase any securities or securities-based derivatives contracts of our Company.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Shares. Our Directors are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or units of a business trust which has occurred between the date of incorporation of our Company and the Latest Practicable Date.

Save as disclosed above, our Company is not directly or indirectly owned or controlled, whether severally or jointly by any other corporation, any person or government.

Save as disclosed above and in the sections entitled “Restructuring Exercise” and “Share Capital” of this Document, no securities or securities-based derivatives contracts were issued or agreed to be issued by our Company for cash or for a consideration other than cash during the last three (3) years preceding the Latest Practicable Date.

There are no Shares in our Company that are held by or on behalf of our Company or by the subsidiaries of our Company.

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## SHAREHOLDING AND OWNERSHIP STRUCTURE

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### Significant Changes in Percentage of Ownership

Save as disclosed above and in the sections entitled “Share Capital” and “Restructuring Exercise” of this Document, there were no significant changes in the percentage of ownership of the Shares in our Company between the date of incorporation of our Company on 14 December 2021 and the Latest Practicable Date.

### Moratorium

To demonstrate their commitment to our Group, each of Mr. Ren, Julius Baer Trust Company (Singapore) Limited and Yangzi International Holdings Limited has agreed that in relation to all Shares held by him/it (whether directly or indirectly) immediately after the Introduction (as adjusted for any bonus issue, subdivision or consolidation of Shares) (the “**Moratorium Shares**”), that he/it will not, without the prior written consent of each of the Issue Manager and our Company, directly or indirectly:

- (a) sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, sell any option or contract to purchase, purchase any option or contract to sell, grant any security over, encumber (such as by way of mortgage, assignment of rights, charge, pre-emption rights, rights of first refusal or otherwise) or otherwise transfer or dispose of any or all of their Moratorium Shares or any other securities of our Company or any subsidiary of our Company (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company), whether such transaction is settled by delivery of such Moratorium Shares or such other securities, in cash or otherwise;
- (b) enter into any agreement, transaction or arrangement (including any swap, hedge or derivative transaction) that will directly or indirectly constitute or will be deemed as a disposal of or transfer (in whole or in part) with a similar effect (economic or otherwise) to the foregoing of any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company), whether such agreement, transaction or arrangement is settled by delivery of such Moratorium Shares or such other securities, in cash or otherwise;
- (c) deposit any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company) in any depository receipt facilities, whether any such transaction described above is to be settled by the delivery of such Moratorium Shares or such other securities, in cash or otherwise;
- (d) enter into any transaction or arrangement which is designed or which may reasonably be expected to result in or have the same effect (economic or otherwise) as (in whole or in part) any of the above; and/or
- (e) offer or agree to make any announcement with respect to any of the foregoing transactions or publicly disclose any intention to do any of the above,

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## SHAREHOLDING AND OWNERSHIP STRUCTURE

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(collectively, the “**Restrictions**”), for a period of six (6) months from the date of our admission to the Official List of the SGX-ST (the “**First Moratorium Period**”).

In addition to the First Moratorium Period, they have further agreed to comply with the Restrictions in respect of 50.0% of their Moratorium Shares for the next six (6)-month period after the First Moratorium Period (the “**Second Moratorium Period**”).

In addition, Julius Baer Trust Company (Singapore) Limited (in its capacity as trustee of the YZJ Settlement), which holds the entire issued share capital of Yangzi International Holdings Limited (“**YIHL**”), has agreed that in relation to all shares in YIHL held by it immediately after the Introduction (as adjusted for any bonus issue, subdivision or consolidation of shares of YIHL) (the “**YIHL Moratorium Shares**”), that it will not, without the prior written consent of each of the Issue Manager and our Company, directly or indirectly:

- (a) sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, sell any option or contract to purchase, purchase any option or contract to sell, grant any security over, encumber (such as by way of mortgage, assignment of rights, charge, pre-emption rights, rights of first refusal or otherwise) or otherwise transfer or dispose of any or all of the YIHL Moratorium Shares or any other securities of YIHL or any subsidiary of YIHL (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the YIHL Moratorium Shares or any other securities of YIHL or any subsidiary of YIHL), whether such transaction is settled by delivery of such YIHL Moratorium Shares or such other securities, in cash or otherwise;
- (b) enter into any agreement, transaction or arrangement (including any swap, hedge or derivative transaction) that will directly or indirectly constitute or will be deemed as a disposal of or transfer (in whole or in part) with a similar effect (economic or otherwise) to the foregoing of any or all of the YIHL Moratorium Shares or any other securities of YIHL or any subsidiary of YIHL (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the YIHL Moratorium Shares or any other securities of YIHL or any subsidiary of YIHL), whether such agreement, transaction or arrangement is settled by delivery of such YIHL Moratorium Shares or such other securities, in cash or otherwise;
- (c) deposit any or all of the YIHL Moratorium Shares or any other securities of YIHL or any subsidiary of YIHL (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the YIHL Moratorium Shares or any other securities of YIHL or any subsidiary of YIHL) in any depository receipt facilities, whether any such transaction described above is to be settled by the delivery of such YIHL Moratorium Shares or such other securities, in cash or otherwise;
- (d) enter into any transaction or arrangement which is designed or which may reasonably be expected to result in or have the same effect (economic or otherwise) as (in whole or in part) any of the above; and/or
- (e) offer or agree to make any announcement with respect to any of the foregoing transactions or publicly disclose any intention to do any of the above,

for a period of 12 months from the date of our admission to the Official List of the SGX-ST.

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## SHAREHOLDING AND OWNERSHIP STRUCTURE

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Mr. Ren, as the settlor of the YZJ Settlement, has also undertaken to the Issue Manager and our Company that he shall procure that each of Julius Baer Trust Company (Singapore) Limited and YIHL complies with their respective deeds of moratorium undertakings given to the Issue Manager and our Company.

On 2 March 2022, YSL entered into bond subscription agreements with certain strategic investors, namely, EDB Investments Pte. Ltd. and Alexandrian Worldwide Incorporated (the “**Strategic Investors**”). Pursuant to the terms of the bond subscription agreements, the Strategic Investors will be issued convertible bonds that can be converted into shares in YSL. The Strategic Investors have the mandatory right to convert the bonds upon the occurrence of the mandatory conversion event, which includes *inter alia*, the obtaining of ETL and the approval from shareholders of YSL for the Proposed Spin-Off. The Strategic Investors will thus be Entitled Shareholders who will receive shares in our Company pursuant to the Distribution. Each of the Strategic Investors has agreed not to, directly or indirectly:

- (a) offer, pledge, sell, realise, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, hypothecate, grant any security over, encumber or otherwise transfer or dispose of, any of their Shares;
- (b) enter into any swap, hedge or other transaction or arrangement (including a derivative transaction) that transfers to another, in whole or in part, any of the economic consequences of ownership of their Shares; and/or
- (c) enter into any transaction which is designed or which may reasonably be expected to result in any of the above,

for a period of six (6) months commencing from the date of our admission to the Official List of the SGX-ST. The envisaged estimated percentage of shareholding interests held by the bond subscription Strategic Investors as at the Listing Date is 0.9%, the details of which are as follows:

Name	Number of Shares	% of Post-Introduction share capital
EDB Investments Pte Ltd	18,587,360	0.5
Alexandrian Worldwide Incorporated	18,587,360	0.5

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## RESTRUCTURING EXERCISE

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### Restructuring Exercise

In connection with the Distribution and the Introduction, our Group undertook the Restructuring Exercise to rationalise and streamline our Group's corporate structure, pursuant to which our Company became the holding company for our operations.

The details of our Restructuring Exercise are as follows:

Immediately prior to the Restructuring Exercise (as described below), the issued ordinary share capital of our Company was S\$100 comprising 100 ordinary shares.

In connection with the Introduction, our Group undertook a restructuring exercise to consolidate our Group's Debt Investment Business and Investment Management Business under our Company, details of which are set out below:

- (i) on 5 January 2022, a dividend of RMB18.6 billion was declared by Jiangsu New Yangzi Shipbuilding Co., Ltd. to its 51.1% shareholder, Jiangsu Yangzijiang Shipbuilding Co., Ltd.. No dividends were declared in favour of the other two (2) shareholders, Yitian Investments Pte. Ltd. and Seavi Advent Asia Investments (III) Ltd, which collectively hold 48.9% of the shares in Jiangsu New Yangzijiang Shipbuilding Co., Ltd., and which are wholly-owned subsidiaries of YSL). The RMB18.6 billion dividend was recorded in the books of Jiangsu Yangzijiang Shipbuilding Co., Ltd. as a dividend receivable (the "**JNYS Dividend Receivable**");
- (ii) on 31 January 2022, Jiangsu Yangzijiang Shipbuilding Co., Ltd. declared dividends amounting to RMB19.99 billion to YSL, and such amount was recorded in the accounts of YSL as a dividend receivable (the "**JYS Dividend Receivable**") and in the accounts of Jiangsu Yangzijiang Shipbuilding Co., Ltd. as a dividend payable ("**JYS Dividend Payable**");
- (iii) on 8 February 2022, Jiangsu Yangzijiang Shipbuilding Co., Ltd. assigned the RMB18.6 billion JNYS Dividend Receivable, RMB1.4 billion cash, RMB19.99 billion JYS Dividend Payable and RMB0.01 billion share capital to Jiangsu Yangchuan, a separate PRC company established, following the company split of Jiangsu Yangzijiang Shipbuilding Co., Ltd. under PRC laws (the "**Assignment**"). As a consequence of the Assignment, YSL had a RMB19.99 billion receivable from Jiangsu Yangchuan (the "**JYA Receivable**"). YSL is the beneficial owner of both Jiangsu Yangzijiang Shipbuilding Co., Ltd. and Jiangsu Yangchuan. On 8 February 2022, Jiangsu Yangchuan also entered into binding agreements for the acquisition of equity interests in Jiangsu New Yangzi Commerce and Jingjiang Runyuan for the purchase considerations of RMB1.00 and RMB689,810,000, respectively. The purchase considerations were based on the net book values of the entities. Jiangsu Yangchuan's acquisition of the equity interests in Jiangsu New Yangzi Commerce and Jingjiang Runyuan were completed on 28 February 2022 and 26 March 2022 respectively;
- (iv) on 15 February 2022, YSL injected capital of RMB0.01 billion (or the SGD equivalent of the same amount) into our Company, and the shares in Jiangsu Yangchuan were transferred by YSL to our Company at a consideration of RMB0.01 billion (the "**Transfer**"). As a consequence of the Transfer, YSL recorded a RMB0.01 billion investment in our Company. YSL also re-assigned the JYA Receivable of RMB19.99 billion to our Company and recorded a corresponding RMB19.99 billion of receivables from our Company (the "**YSL Receivables**"); and

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## RESTRUCTURING EXERCISE

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- (v) on 25 March 2022, YSL capitalised the YSL Receivables owing from our Company to YSL into Shares in our Company. On 8 February 2022, Jiangsu Yangchuan completed the purchase of certain investments that are currently part of our Group (i.e. the Debt Investments at amortised costs, financial assets at FVTPL, and investment in associated companies). These assets were acquired by Jiangsu Yangchuan from Jiangsu New Yangzi Shipbuilding Co., Ltd. and Jiangsu Yangzijiang Shipbuilding Co., Ltd.. With regard to approximately 15.1% of the debt investments at amortised cost and 16.8% of the financial assets at FVTPL that were recorded by YSL Group as at 31 December 2021, these assets will not be acquired by our Group due to various reasons, including the fact that some of these debt investments are involved in ongoing litigation to recover overdue payment, and that if these debt investments were to be transferred from YSL and its subsidiaries to our Group, it could jeopardise the legal position of YSL and its subsidiaries. Some other debt investments were also not transferred because the contracting counterparties are unwilling to consent to the novation of the agreement from YSL and its subsidiaries to our Group or because such assets matured before the Restructuring Exercise was completed. Certain FVTPL will also not be transferred as the relevant contracts restrict a change in the owner and/or there are practical difficulties in effecting the transfer of ownership in respect of companies that are in the midst of restructuring, and there are no potential conflicts of interests as YSL will not have any new investments going forward and will wind down any existing investments under its portfolio.

The abovementioned steps (i) to (v) were undertaken so as to ensure that efficient tax structure on dividend declared for our Group will be achieved. Our Company had also engaged PwC China, Shanghai branch to advise our Company on the abovementioned steps, taking into account the relevant tax considerations. In analysing step (iii) of the Restructuring Exercise above, PwC China, Shanghai branch considered the split transaction as merely cash and receivable being transferred thus they conducted a detailed examination in accordance with Article 5 of Circular on Issues Concerning Treatment of Enterprise Income Tax in Enterprise Restructuring Business Cai Shui [2009] No. 59 (“**Circular 59**”). PwC China, Shanghai branch’s technical conclusion is that there is no tax that should be paid. However, there is no detailed guidance in tax calculation published by State Taxation of Administration (“**STA**”) in China further to Circular 59. Under this circumstance, the tax payer is allowed to follow accounting treatment and determine its tax positioning according to its understanding of the available regulation/law. In the absence of the detailed guidance, they analysed that there is no tax that should be paid though tax law is not crystal clear. Given the principle of non-retroactivity of the law, technically they consider that there is no impact to the Restructuring Exercise. As at the Latest Practicable Date, the relevant taxes for the Restructuring Exercise are not due for filing yet. Our Company’s management considers no capital gain is generated in the company split of Jiangsu Yangzijiang Shipbuilding Co., Ltd and thereafter in the transfer by YSL of 100.0% of the shares of Jiangsu Yangchuan to our Company, thus no PRC taxes (in terms of corporate income tax, withholding tax, etc.) were generated during the Restructuring Exercise. From a tax filing perspective, according to relevant PRC tax laws and regulations, Jiangsu Yangzijiang Shipbuilding Co., Ltd will disclose and report its transaction in its annual corporate income tax annual filing package before 31 May 2023. The estimated quantum of tax is zero and therefore, there is no impact on the working capital of our Company. Our Company has sufficient cashflow to pay for all the relevant taxes for the Restructuring Exercise.

All the applicable regulatory approvals, registrations and/or filings required for the relevant steps of the Restructuring Exercise, which have been completed, have been obtained as of the Latest Practicable Date. The Restructuring Exercise has not violated any existing PRC Laws. The Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, are also of the view that the Restructuring Exercise has been conducted in compliance with the applicable PRC Laws.

## RESTRUCTURING EXERCISE

The details of the Debt Investments and financial assets at FVTPL (including the nature of such investments/assets, the quantum and maturity profile, and the specific reasons that each of these investments are retained by YSL) that were not acquired by our Group from YSL, are set out as follows below. Except for Debt Investment Q, none of the Debt Investments and FVTPLs are with related parties. Debt Investment Q is a related party transaction as it is a loan extended by a subsidiary that is and will be part of the YSL Group, to Jiangsu Jiangyin-Jingjiang Industrial Zone Tongyi Trading Pte Ltd (“**Jiangsu Jiangyin**”), having a loan quantum of RMB107,000,000. Jiangsu Jiangyin is an entity that is indirectly held by the YZJ Fund. While it is a related party transaction, the management of Jiangsu Jiangyin is independent of the management of YSL and our Company, and Mr. Ren is not involved in the day-to-day management of Jiangsu Jiangyin. The management of Jiangsu Jiangyin has declined to consent to the novation of the loan agreement from the YSL Group to our Group. Debt Investment Q is envisaged to mature in the short term, by the end of 2022. Jiangsu Jiangyin has not consented to the novation of Debt Investment Q from YSL to our Group as their management has indicated that they are reviewing their working capital and are considering early repayment of the debt. As such, they are of the view that to effect the novation at this juncture would not be very sensible from a commercial and practical perspective, in view of the repayment timeline.

### Debt Investments

Name	Quantum as at 31 December 2021 (Gross carrying amount before impairment losses) (RMB)	Maturity	Reason for Retention
Debt Investment A	19,882,026	31 January 2022	These Debt Investments are not transferred to our Group as YSL is currently involved in litigation proceedings with the debtors for overdue payment for such Debt Investments.
Debt Investment B	122,840,000	31 December 2018	
Debt Investment C	230,000,000	31 May 2020	
Debt Investment D	146,000,000	4 July 2020	
Debt Investment E	35,600,000	10 June 2020	
Debt Investment F	780,771,120	31 March 2021	
Debt Investment G	39,871,094	17 March 2020	
Debt Investment H	334,000,000	19 June 2021	
Debt Investment I	150,000,000	31 December 2020	
Debt Investment J	267,000,000	20 March 2021	

## RESTRUCTURING EXERCISE

Name	Quantum as at 31 December 2021 (Gross carrying amount before impairment losses) (RMB)	Maturity	Reason for Retention
Debt Investment K	428,331,595	30 June 2021	These Debt Investments are not transferred to our Group as they are embroiled in financial difficulties. In order not to jeopardise YSL Group's eligibility for collection and claim of collaterals, our Company's management had decided not to transfer these Debt Investments to our Group.
Debt Investment L	100,000,000	27 December 2021	
Debt Investment M	95,995,919	15 June 2022	
Debt Investment N	80,000,000	24 March 2023	
Debt Investment O	2,500,000	1 January 2022	Debt Investment O has been repaid.
Debt Investment P	700,000,000	9 July 2022	These Debt Investments are not transferred to our Group as the debtors disagreed on the transfer upon discussions with our Company's management.
Debt Investment Q	107,000,000	25 September 2022	
Debt Investment R	150,000,000	30 March 2023	
Debt Investment S	6,479,574	30 October 2022	
Debt Investment T	10,500,000	4 September 2022	
Debt Investment U	5,500,000	25 October 2022	



## RESTRUCTURING EXERCISE

### FVTPL

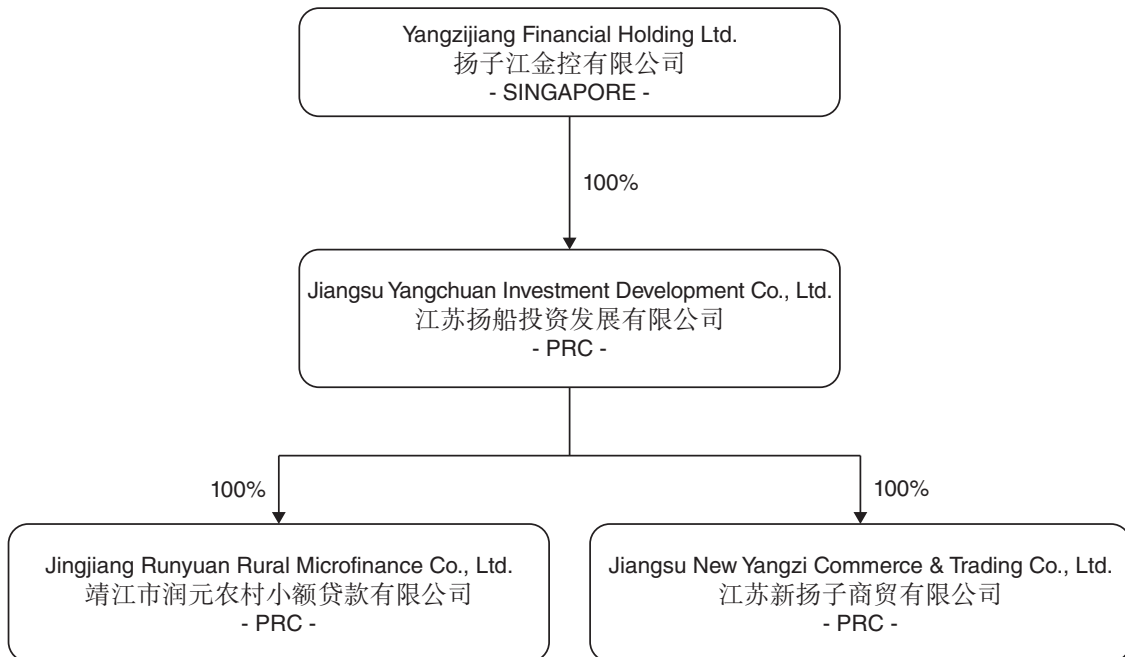
Name	Quantum as at 31 December 2021 (RMB)	Reason for Retention
FVTPL A	300,000	These FTVPLs are not transferred to our Group as they are related to the shipbuilding business of YSL. These investments were previously there to support shipbuilding suppliers.
FVTPL B	15,000,000	
FVTPL C	10,000,000	
FVTPL D	2,000,000	This is a small financial asset which will be disposed of soon.
FVTPL E	3,372,000	These FTVPLs are not transferred to our Group as they have delisted in FY2021. Our Company's management is of the view that it is relatively difficult to change the owner of the shares, given that these companies are in the midst of restructuring.
FVTPL F	14,922,341	
FVTPL G	156,240,000	These FTVPLs are not transferred to our Group as there is a stipulated period as per existing contractual terms that the owner cannot be changed.
FVTPL H	198,000,000	

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## GROUP STRUCTURE

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Our Group structure following the Restructuring Exercise and as at the date of this Document is as follows:



## GROUP STRUCTURE

The details of our subsidiaries as at the date of this Document are set out below:

No.	Company Name	Date of Incorporation	Country of Incorporation	Principal Place of Business	General Nature of Business	Ownership/ Effective Interest (%)
1.	Jiangsu Yangchuan Investment Development Co., Ltd. (江苏扬船投资发展有限公司)	8 February 2022	PRC	Jiangsu Province, the PRC	Investment	100.0
2.	Jingjiang Runyuan Rural Microfinance Co., Ltd. (靖江市润元农村小额贷款有限公司)	13 June 2010	PRC	Jiangsu Province, the PRC	Provision of loans, financing guarantee, financial institutions services agency and other services for agriculture, farmers and rural areas (provided that the aforesaid business requires prior approval, such prior approval shall be acquired before conducting those business)	100.0
3.	Jiangsu New Yangzi Commerce & Trading Co., Ltd. (江苏新扬子商贸有限公司)	2 June 2020	PRC	Jiangsu Province, the PRC	Investment	100.0

## SUMMARY OF OUR FINANCIAL INFORMATION

### SUMMARY OF OUR FINANCIAL INFORMATION

*The following summary financial information should be read in conjunction with the full text of this Document, including the sections entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” and “Appendix D – Reporting Auditor’s Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021” of this Document respectively.*

A summary of the financial information of our Group in respect of FY2019, FY2020 and FY2021 is set out below:

### OUR COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<b>Years ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>S\$’000</b>	<b>S\$’000</b>	<b>S\$’000</b>
<b>Interest income</b>	426,114	415,479	368,667
Dividend income	27,398	14,068	78,361
Fair value changes on financial assets, at FVTPL	3,715	65,122	(62,801)
Other income	–	509	617
<b>Non-interest income</b>	<b>31,113</b>	<b>79,699</b>	<b>16,177</b>
<b>Total income</b>	<b>457,227</b>	<b>495,178</b>	<b>384,844</b>
Employee compensation	(910)	(1,429)	(1,455)
Other expenses	(23,182)	(23,902)	(20,665)
<b>Total expenses</b>	<b>(24,092)</b>	<b>(25,331)</b>	<b>(22,120)</b>
<b>Profit before allowances</b>	<b>433,135</b>	<b>469,847</b>	<b>362,724</b>
(Allowances for)/reversal of allowances for credit and other losses	(29,379)	(110,129)	9,168
<b>Profit after allowances</b>	<b>403,756</b>	<b>359,718</b>	<b>371,892</b>
Share of results of associated companies, net of tax	22,271	30,964	55,285
<b>Profit before income tax and total comprehensive income</b>	<b>426,027</b>	<b>390,682</b>	<b>427,177</b>
Income tax expense	(81,399)	(69,607)	(99,939)
<b>Net profit attributable to owners of the Investment Business</b>	<b>344,628</b>	<b>321,075</b>	<b>327,238</b>
<b>Earnings per share attributable to equity holders of the Company (expressed in \$ cents per share)</b>			
– Basic and diluted	8.72	8.13	8.28

## SUMMARY OF OUR FINANCIAL INFORMATION

	<u>Years ended 31 December</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	S\$'000	S\$'000	S\$'000
<b>Net profit for the year</b>	344,628	321,075	327,238
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Currency translation (loss)/gain	(114,475)	217,651	169,193
<b>Other comprehensive (loss)/income, net of tax</b>	<b>(114,475)</b>	<b>217,651</b>	<b>169,193</b>
<b>Total comprehensive income attributable to owners of the Investment Business</b>	<b>230,153</b>	<b>538,726</b>	<b>496,431</b>

### OUR COMBINED BALANCE SHEETS

	<u>As at 31 December</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	155,168	25,863	18,374
Financial assets, at FVTPL	52,292	80,594	77,881
Debt investments (at amortised costs)	2,034,763	2,748,777	3,359,868
Trade and other receivables	125,398	440,244	25,037
	2,367,621	3,295,478	3,481,160
<b>Non-current assets</b>			
Financial assets, at FVTPL	189,122	454,556	427,545
Debt investments (at amortised costs)	753,923	689,940	154,727
Trade and other receivables	3,528	64,249	10,182
Investments in associated companies	261,853	234,322	227,050
Investment properties	–	24,281	24,535
Property, plant and equipment	1,366	2,098	2,078
Deferred income tax assets	43,205	76,654	72,629
	1,252,997	1,546,100	918,746
<b>Total assets</b>	<b>3,620,618</b>	<b>4,841,578</b>	<b>4,399,906</b>

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## SUMMARY OF OUR FINANCIAL INFORMATION

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	<u>As at 31 December</u>		
	<u>2019</u> S\$'000	<u>2020</u> S\$'000	<u>2021</u> S\$'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	11,650	45,265	2,760
Current income tax liabilities	59,699	72,586	65,529
	71,349	117,851	68,289
<b>Non-current liabilities</b>			
Deferred income tax liabilities	21,352	51,835	82,817
	21,352	51,835	82,817
<b>Total liabilities</b>	92,701	169,686	151,106
<b>NET ASSETS</b>	<b>3,527,917</b>	<b>4,671,892</b>	<b>4,248,800</b>
<b>EQUITY</b>			
Owner's net investment	3,020,128	1,657,377	984,363
Combined capital	199,752	2,167,752	2,084,771
Other reserves	12,510	13,373	15,042
Retained earnings	410,002	730,214	892,255
Foreign currency translation reserve	(114,475)	103,176	272,369
<b>Total equity</b>	<b>3,527,917</b>	<b>4,671,892</b>	<b>4,248,800</b>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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*The following discussion of our results of operations and financial position should be read in conjunction with "Appendix D – Reporting Auditor's Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021" to this Document. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Document, particularly in the section entitled "Risk Factors" of this Document. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Issue Manager or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date hereof. Please refer to the section entitled "Notice to Investors – Forward-Looking Statements" of this Document.*

*Except as otherwise indicated, the following discussion is based on our audited financial statements, which have been prepared in accordance with the SFRS(I)s.*

### OVERVIEW

Upon the completion of the Restructuring Exercise, the principal business of our Group will comprise the (i) Investment Management Business, which seeks capital appreciation and investment income from investments in both public and private companies, Funds as well as deploying funds into various situations; and (ii) the Debt Investment Business, which is made up of primarily Debt Investments (at amortised costs).

Prior to the Restructuring Exercise, the Debt Investment Business' main objective is to generate predictive income while ensuring adequate financial liquidity for projected growth. To achieve its investment objective, the Debt Investment Business has been investing its excess cash into short-term entrusted loans. Pursuant to the Restructuring Exercise and as an independent investment management company, our Group will reposition the Debt Investment Business to focus on Fund Investments with a view to generate sustainable long-term returns.

The investment principal arising from the matured entrusted loans will be partially recycled into investments with longer investment horizon, such as private debt and mezzanine Funds, under the Investment Management Business. As such, going forward, revenue arising from the Debt Investment Business will reduce and the revenue arising from the Investment Management Business will increase. The bulk of the Debt Investments (at amortised costs) is expected to mature by 31 December 2023. The repositioning of the Debt Investment Business would not have a material impact on the financial condition of our Group as the decrease in interest income due to the repositioning of the Debt Investment Business will be offset by the increase in dividend income arising from increased Fund Investments. Dividend income from our Group's investments increased approximately 457.0%, or S\$64.3 million from S\$14.1 million for FY2020 to S\$78.4 million for FY2021. The increase was mainly due to dividends declared by our Group's investments in FY2021. By increasing our Fund Investments post-Introduction which will lead to an increase in the sources of dividend income, the decrease in interest income will be sufficiently offset with the increase in dividend income with the repositioning of the Debt Investment business, such that the financials for the Period Under Review would be reflective of our Group's business operations post-Introduction. Further details are set out in the section entitled "Business – Prospects, Business Strategies and Future Plans" of this Document.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our Group also intends to deploy a portion of the recycled capital into our newly established offshore Investment Management Business in Singapore. Overall, the reinvestment strategy will help to diversify our Group's exposure and credit risk arising from microfinancing and entrusted loans into different asset classes and geographical markets.

After the Introduction, our Company intends to enter into the Fund/Wealth Management Business to generate recurring fee-based income from managing third party investment funds and provision of wealth management services via acquisition of a CMS-licensed fund management company or setting up a fund management company in Singapore. In particular, after the Introduction, our Company intends to enter into sale and purchase agreements with the shareholders of GEM to acquire their entire shareholding interests in GEM. In-principle approval from the MAS for the GEM Acquisition has been obtained on 17 March 2022. Our Company intends to proceed with the signing of the sale and purchase agreements for the GEM Acquisition and the completion of the GEM Acquisition after the Introduction. We will make announcement(s) via SGXNet to apprise Shareholders of any material developments on the GEM Acquisition. Further details are set out the sections entitled "Business – Prospects, Business Strategies and Future Plans" and "Interested Person Transactions – Present and On-going Interested Person Transactions – GEM Acquisition" of this Document.

Please refer to the section entitled "Business" of this Document for further details of our business activities.

### KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

#### Total Income

For the Period Under Review, our income is mainly derived from:

- (i) the interest income segment which, which accounted for approximately 93.2%, 83.9% and 95.8% of our total income in FY2019, FY2020 and FY2021, respectively; and
- (ii) the non-interest income segment, which accounted for approximately 6.8%, 16.1% and 4.2% of our total income in FY2019, FY2020 and FY2021, respectively.

The breakdown of our revenue by business segments for the Period Under Review is as follows:

Total Income	FY2019		Audited FY2020		FY2021	
	S\$'000	%	S\$'000	%	S\$'000	%
<b>Interest income</b>	426,114	93.2%	415,479	83.9%	368,667	95.8%
Dividend income	27,398	6.0%	14,068	2.8%	78,361	20.4%
Fair value changes on financial assets, at FVTPL	3,715	0.8%	65,122	13.2%	(62,801)	(16.3)%
Other income	–	–	509	0.1%	617	0.2%
<b>Non-interest income</b>	31,113	6.8%	79,699	16.1%	16,177	4.2%
<b>Total income</b>	<b>457,227</b>	<b>100.0%</b>	<b>495,178</b>	<b>100.0%</b>	<b>384,844</b>	<b>100.0%</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

### Interest income

Interest Income, our main revenue generator in the Period Under Review, is derived from our Group's Debt Investments. As part of the Debt Investment Business, our Group also invests in Debt Investments comprising fixed interest debt instruments through intermediary financial institutions for specific borrowings arranged by such intermediaries.

During the Period Under Review, we offered loans principally under the format of term loans. A term loan provides a customer a fixed amount of loan, with maturity generally within two (2) years, at an agreed interest rate.

The proportion of the income generated by the Debt Investment Business through entrusted loan structure arrangement is as follows:

<b>Breakdown</b>	<b>FY2019</b>	<b>Audited FY2020</b>	<b>FY2021</b>
	%	%	%
Interest income generated by the Debt Investment Business through entrusted loan structure arrangement	95.1	95.5	93.2

The breakdown of our interest income for the Period Under Review is as follows:

<b>Interest Income</b>	<b>FY2019</b>		<b>Audited FY2020</b>		<b>FY2021</b>	
	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>%</b>
Interest income from:						
Debt investments (at amortised costs)	405,295	95.1%	406,213	97.8%	352,641	95.7%
Microfinance	20,200	4.7%	8,702	2.1%	14,918	4.0%
	425,495	99.8%	414,915	99.9%	367,559	99.7%
Cash and cash equivalents	619	0.2%	564	0.1%	1,108	0.3%
<b>Total Interest income</b>	<b>426,114</b>	<b>100.0%</b>	<b>415,479</b>	<b>100.0%</b>	<b>368,667</b>	<b>100.0%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The maturity profile of the loans offered under our Debt Investment Business is as follows:

	FY2019		FY2020		FY2021	
	S\$'000	%	S\$'000	%	S\$'000	%
<b>Debt investments (at amortised costs)</b>						
Within one (1) year	2,276,618	74.1%	3,092,011	80.4%	3,736,103	95.3%
Between one (1) year to two (2) years	658,799	21.4%	723,723	18.8%	166,653	4.2%
Over two (2) years	136,667	4.5%	29,728	0.8%	17,402	0.5%
	<b>3,072,084</b>	<b>100.0%</b>	<b>3,845,462</b>	<b>100.0%</b>	<b>3,920,158</b>	<b>100.0%</b>
<b>Microfinance</b>						
Within one (1) year	55,212	92.9%	38,455	73.1%	27,047	72.6%
Between one (1) year to two (2) years	3,160	5.3%	12,471	23.7%	9,999	26.9%
Over two (2) years	1,045	1.8%	1,691	3.2%	183	0.5%
	<b>59,417</b>	<b>100.0%</b>	<b>52,617</b>	<b>100.0%</b>	<b>37,229</b>	<b>100.0%</b>
<b>Total Debt Investment Business</b>						
Within one (1) year	2,331,830	74.5%	3,130,466	80.3%	3,763,150	95.1%
Between one (1) year to two (2) years	661,959	21.1%	736,194	18.9%	176,652	4.5%
Over two (2) years	137,712	4.4%	31,419	0.8%	17,585	0.4%
	<b>3,131,501</b>	<b>100.0%</b>	<b>3,898,079</b>	<b>100.0%</b>	<b>3,957,387</b>	<b>100.0%</b>

### Non-interest income

Our Group's non-interest income comprises of dividend income, derived through dividends earned on our investments in financial assets at FVTPL, net changes in fair values of our investments in financial assets at FVTPL and other income including rental income from investment properties and service income earned from consultation services.

### **Total Expenses**

For the Period Under Review, our expenses were mainly incurred from:

- (i) employee compensation, which accounted for approximately 3.8%, 5.6% and 6.6% of our total expenses in FY2019, FY2020 and FY2021, respectively; and
- (ii) other expenses, which accounted for approximately 96.2%, 94.4% and 93.4% of our total expenses in FY2019, FY2020 and FY2021, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

### Employee compensation

Our employee compensation comprises mainly of salaries, wages and employer's contributions to defined contribution plans. Our employee compensation expense as a percentage of our total income was approximately 0.2%, 0.3% and 0.4% in FY2019, FY2020 and FY2021, respectively. Employee compensation expense incurred by our Group is small given the nature of our businesses. Though the increase for the Period Under Review was mainly due to our Group's expanding business operations.

### Other expenses

Other expenses form majority of our Group's total expenses and they comprise mainly of the following items detailed in the table below:

Other expenses	FY2019		Audited FY2020		FY2021	
	S\$'000	%	S\$'000	%	S\$'000	%
Business tax on interest income from debt instruments (at amortised costs) and loans to non-related parties – microfinance	18,981	81.9%	18,786	78.6%	18,975	91.8%
Transportation expenses	56	0.2%	49	0.2%	77	0.4%
Depreciation of investment properties	–	–	407	1.7%	831	4.0%
Depreciation of property, plant and equipment	71	0.3%	93	0.4%	113	0.5%
Legal fees	665	2.9%	1,988	8.3%	2,029	9.8%
Business hospitality expenses	209	0.9%	33	0.1%	43	0.2%
Professional fees	616	2.6%	550	2.3%	1,394	6.8%
Bad debt recovery	–	–	(1,110)	(4.6)%	(6,010)	(29.1)%
Tax surcharge	2,271	9.8%	2,247	9.4%	2,289	11.1%
Others	313	1.4%	859	3.6%	924	4.5%
<b>Total</b>	<b>23,182</b>	<b>100.0%</b>	<b>23,902</b>	<b>100.0%</b>	<b>20,665</b>	<b>100.0%</b>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Business tax on interest income from debt instruments (at amortised costs) and loans to non-related parties – microfinance contributed to 81.9%, 78.6% and 91.8% of total other expenses incurred by our Group in FY2019, FY2020 and FY2021 respectively. Our Group has not appointed a tax adviser as at the Latest Practicable Date but will appoint one post-Introduction to provide tax advice for our Group in Singapore. Our Group's subsidiaries in the PRC have their own in-house accountants specialising in tax filings and who will handle the tax filings, including business tax and liaise directly with the PRC tax authority in the ordinary course of the subsidiaries' business. However, our Group will from time to time appoint tax advisers whenever it is necessary to do so. As at the Latest Practicable Date, the tax authorities in the PRC have not raised any key comments on our Group's tax submissions that resulted in material adjustments.

The material reversal in bad debt recovery accounted in FY2020 and FY2021 was due to some of the debts having been recovered, maturity of debts and repayment of debts.

### **(Allowances for)/Reversal of allowances for credit and other losses**

Our Group has recorded allowances for or reversal of allowances for credit and other losses on our debt investments (at amortised costs) and loans to non-related parties – microfinance. Such allowances relate to the expected credit losses of debt investments (at amortised costs) and loans to non-related parties – microfinance.

	<b>FY2019</b>	<b>Audited FY2020</b>	<b>FY2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Allowances for/(reversal of allowances for) credit and other losses</b>			
– Debt investments (at amortised costs)	25,320	107,728	(10,132)
– Loans to non-related parties – microfinance	4,059	2,401	964
	29,379	110,129	(9,168)
	29,379	110,129	(9,168)

### **Share of results of associated companies, net of tax**

Our Group's share of results of associated companies, net of tax, comprise of Venture Capital investments and provision of seed funding activities carried out by such associated companies. For the Period Under Review, the share of results increased by approximately 148.2%, mainly due to favourable investment performances in a selected number of associated companies, which resulted in higher share of profits recorded.

### **Income tax expense**

Our Group is subject to income tax at the applicable rates in Singapore and the PRC. The statutory tax rate in Singapore and the PRC was 17.0% and 25.0%, respectively under the Period Under Review. Our effective tax rates were approximately 19.1%, 17.8% and 23.4% in FY2019, FY2020 and FY2021, respectively. Our income tax expense comprise certain tax incentive benefits, partially offset by deferred tax on undistributed profits and certain expenses not deductible for tax purposes.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### REVIEW OF RESULTS OF OPERATION

#### FY2019 and FY2020

##### **Total Income**

Total income increased by approximately S\$38.0 million or 8.3% from S\$457.2 million in FY2019 to S\$495.2 million in FY2020. Our total income is mainly derived from the following items:

##### Interest income

Interest income from our Group's debt investments and microfinancing loans was approximately S\$415.5 million for FY2020. This represents approximately a 2.5% decrease or S\$10.6 million from S\$426.1 million for FY2019, mainly due to a S\$11.5 million decrease or 56.9% decrease in interest income earned on our Group's microfinancing loans. This was a result of lower average microfinancing loan balance in FY2020. Interest income represented 83.9% of total income for FY2020, a 9.3% decrease from 93.2% for FY2019.

##### Non-interest income

Gain from net change in fair value of our investments in financial assets, at FVTPL, increased by approximately S\$61.4 million or 1653.0% from S\$3.7 million for FY2019 to S\$65.1 million for FY2020. The increase was mainly due to overall market gains from listed shares within the PE Funds we have invested in. Our portfolio of investments are diversified into various industries including petrochemicals, materials, electronic vehicles, pharmaceuticals etc.

Dividend income from our Group's investments was approximately S\$14.1 million for FY2020. This represents approximately a 48.7% decrease or S\$13.3 million from S\$27.4 million for FY2019. The decrease was mainly due to less dividend declared by one of our Venture Capital investments in FY2020. Dividend income represented 2.8% of total income for FY2020, a 3.2% decrease from 6.0% for FY2019.

Other income was approximately S\$0.5 million for FY2020, representing 0.1% of total income.

##### **Total Expenses**

Our Group recorded approximately 5.1% increase or S\$1.2 million in FY2020 total expenses, from S\$24.1 million in FY2019 to S\$25.3 million in FY2020.

##### Employee compensation expense

Our employee compensation expense increased by approximately S\$0.5 million or 57.0% from S\$0.9 million in FY2019 to S\$1.4 million in FY2020. The increase was mainly attributable to increase in staff wages and employee headcount.

##### Other expenses

Other expenses contributed approximately 94.4% of total expenses or S\$23.9 million in FY2020. This represents a 3.1% increase or S\$0.7 million from S\$23.2 million in FY2019. The increase in other expenses was mainly attributed to a S\$1.3 million increase in legal fees from FY2019 to FY2020, partially offset by bad debt recovery and other miscellaneous items.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### (Allowances for)/Reversal of allowances for credit and other losses

Allowances for credit and other losses increased by S\$80.7 million or 274.5% from S\$29.4 million in FY2019 to S\$110.1 million in FY2020. The increase was mainly attributed to higher allowances for credit and other losses set out for debt investments (at amortised costs).

	<b>Audited</b>	
	<b>FY2019</b>	<b>FY2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Loss allowance recognised in profit or loss during the year on:</b>		
– Asset acquired/originated*	101,034	208,804
– Reversal of unutilised amount	(130,858)	(108,907)
– Changes in risk parameters**	55,144	7,831
	25,320	107,728
	25,320	107,728

\* This relates to the loss allowance recorded in profit or loss on debt investments acquired/originated in the same year and for which the debt investment remains outstanding as at balance sheet date. These debt investments dropped to Stage 2 or 3 after origination and during the financial year.

\*\* For the performing and under-performing debt investments, the change in the loss allowance is due to change in the probability of default used or estimated loss given default to calculate the expected credit losses.

For the non-performing debt investments, the change in the loss allowance is due to change in the estimated loss given default to calculate the lifetime expected credit loss.

The additional allowances of S\$216.6 million recognised in FY2020 due to asset acquired during FY2020 and changes in the expected credit loss rates applied in FY2020, was partially offset by the reversal of unutilised amount of S\$108.9 million on debt investments (at amortised costs), which were fully repaid during FY2020.

### Profit before/after allowances

As a result of the above changes to income and expenses, profit before allowances increased by approximately 8.5%, or S\$36.7 million from S\$433.1 million for FY2019 to S\$469.8 million for FY2020. The increase was fully offset by an approximately 274.5% or S\$80.7 million increase in allowances for credit and other losses from S\$29.4 million for FY2019 to S\$110.1 million for FY2020. The increase in allowances was mainly attributed to an approximately S\$82.4 million or 325.6% increase in impairment losses recognised from debt investments in FY2020.

As a result, profit after allowances decreased by 10.9% or S\$44.1 million from S\$403.8 million as at FY2019 to S\$359.7 million as at FY2020.

### Share of results of associated companies, net of tax

Share of results of associated companies, net of tax, increased by 39.0% or S\$8.7 million from S\$22.3 million in FY2019 to S\$31.0 million in FY2020. The increase was mainly due to increased share of profits by associated companies, which engage in Venture Capital investments and provision of funding activities.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### **Profit before income tax**

As a result of the above, profit before income tax decreased by approximately 8.3% or S\$35.3 million from S\$426.0 million in FY2019 to S\$390.7 million in FY2020.

### **Income tax expense**

In line with a lower profit before income tax, income tax expense decreased by approximately 14.5%, or S\$11.8 million from S\$81.4 million in FY2019 to S\$69.6 million in FY2020.

### **Net Income**

Overall, net income decreased by approximately 6.8% or S\$23.6 million from S\$344.6 million for FY2019 to S\$321.1 million for FY2020.

### **FY2020 and FY2021**

#### **Total Income**

Total income decreased by approximately S\$110.0 million or 22.3% from S\$495.2 million in FY2020 to S\$384.8 million in FY2021. Our total income is mainly derived from the following items:

#### Interest income

Interest income from our Group's debt investments and microfinancing loans was approximately S\$368.7 million for FY2021. This represent approximately an 11.3% decrease or S\$46.8 million from S\$415.5 million for FY2020. This was mainly due to a S\$53.6 million decrease or 13.2% decrease in interest income earned on our Group's debt investments (at amortised costs) as a result of lower average quantum of investments made by our Group during the year, while partially offset with an S\$6.2 million increase or 71.4% increase in interest income earned on our Group's microfinancing loans mainly due to recovery of delinquent interest income of S\$5.2 million from loans written off or repaid in previous year during the year. Interest income represented 95.8% of total income for FY2021, or an 11.9% increase from 83.9% for FY2020.

#### Non-interest income

Loss from net change in fair value of our investments in financial assets, at FVTPL was a S\$127.9 million or 196.4% change from a S\$65.1 million gain for FY2020 to a S\$62.8 million loss for FY2021. The decrease was mainly due to mark to market losses from listed shares within the PE Funds we have invested in, withdrawals of certain investments and the declaration of dividends made by some of our PE Funds.

Dividend income from our Group's investments was approximately S\$78.4 million for FY2021. This represents approximately a 457.0% increase or S\$64.3 million from S\$14.1 million for FY2020. The increase was mainly due to dividends declared by some of our Venture Capital investments in FY2021. Dividend income represented 20.4% of total income for FY2021, a 17.6% increase from 2.8% for FY2020.

Other income was approximately S\$0.6 million for FY2021, representing 0.2% of total income.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Total Expenses

Our Group recorded approximately 12.7% decrease or S\$3.2 million in total expenses, from S\$25.3 million in FY2020 to S\$22.1 million in FY2021.

#### Employee compensation expense

Our employee compensation expense increased by approximately S\$0.03 million or 1.8% from S\$1.4 million in FY2020 to S\$1.5 million in FY2021. The increase was mainly attributable to increase in staff wages and employee headcount, though relatively negligible in terms of absolute amount.

#### Other expenses

Other expenses contributed approximately 93.4% of total expenses or S\$20.7 million in FY2021. This represents a 13.5% decrease or S\$3.2 million from S\$23.9 million in FY2020. The increase in other expenses was mainly attributed to a S\$0.9 million increase in professional fees from FY2020 to FY2021, offset by bad debt recovery.

### **(Allowances for)/Reversal of allowances for credit and other losses**

Reversal of allowances for credit and other losses in FY2021 was S\$9.2 million. This was a decrease of S\$119.3 million from FY2020's allowances for credit and other losses of S\$110.1 million. The overall net change was mainly attributed to reversals from our Group's debt investments (at amortised costs).

	<b>Audited</b>	
	<b>FY2020</b>	<b>FY2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Loss allowance recognised in profit or loss during the year on:</b>		
– Asset acquired/originated*	208,804	120,892
– Reversal of unutilised amount	(108,907)	(171,446)
– Changes in risk parameters**	7,831	40,422
	107,728	(10,132)
	107,728	(10,132)

\* This relates to the loss allowance recorded in profit or loss on debt investments acquired/originated in the same year and for which the debt investment remains outstanding as at balance sheet date. These debt investments dropped to Stage 2 or 3 after origination and during the financial year.

\*\* For the performing and under-performing debt investments, the change in the loss allowance is due to change in the probability of default used or estimated loss given default to calculate the expected credit losses.

For the non-performing debt investments, the change in the loss allowance is due to change in the estimated loss given default to calculate the lifetime expected credit loss.

The reversal of unutilised amount of S\$171.4 million in FY2021 on debt investments (at amortised costs) which were fully repaid during FY2021, was partially offset by the additional allowances of S\$161.3 million recognised in FY2021 due to asset acquired during FY2021 and changes in the expected credit loss rates applied in FY2021.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### **Profit before/after allowances**

As a result of the above changes to income and expenses, profit before allowances decreased by approximately 22.8%, or S\$107.1 million from S\$469.8 million for FY2020 to S\$362.7 million for FY2021. This decrease was fully offset by an approximately S\$119.3 million change in (allowances for)/reversal for credit and other losses from an allowance of S\$110.1 million for FY2020 to a reversal of allowance of S\$9.2 million for FY2021. The change in allowances was mainly attributed to an approximate S\$117.8 million decrease in impairment expense recognised from debt investments in FY2021.

As a result, profit after allowances increased by 3.4% or S\$12.2 million from S\$359.7 million as at FY2020 to S\$371.9 million as at FY2021.

### **Share of results of associated companies, net of tax**

Share of results of associated companies, net of tax, increased by 78.4% or S\$24.3 million from S\$31.0 million in FY2020 to S\$55.3 million in FY2021. This was mainly due to increased share of profits by associated companies, who engage in Venture Capital investments and provision of funding activities.

### **Profit before income tax**

As a result of the above, profit before income tax increased by approximately 9.3% or S\$36.5 million from S\$390.7 million in FY2020 to S\$427.2 million in FY2021.

### **Income tax expense**

In line with the higher profit before income tax, income tax expense increased by approximately 43.6%, or S\$30.3 million from S\$69.6 million in FY2020 to S\$99.9 million in FY2021.

### **Net Income**

Overall, net income increased by approximately 1.9% or S\$6.2 million from S\$321.1 million for FY2020 to S\$327.2 million for FY2021.

## **REVIEW OF FINANCIAL POSITION**

### **As at 31 December 2019**

A review of the financial position of our Group as at 31 December 2019 is set out below:

### **Non-Current assets**

Our total assets stood at approximately S\$3.6 billion as at 31 December 2019. Non-current assets stood at approximately S\$1.3 billion and mainly comprises of our debt investments in the portfolio of S\$753.9 million, which accounted for approximately 20.8% of our total assets.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Current assets

As at 31 December 2019, our current assets stood at approximately S\$2.4 billion, and mainly comprised cash and cash equivalents, financial assets at FVTPL, debt investments (at amortised costs), and trade and other receivables. Debt investments (at amortised costs) was one of the largest components of our current assets and comprised fixed interest debt instruments through intermediary financial institutions for specific borrowings arranged by these intermediaries. Debt investments (at amortised costs) accounted for approximately S\$2.0 billion or 56.2% of our total assets.

### Non-Current liabilities

Our total liabilities stood at approximately S\$92.7 million as at 31 December 2019. Non-current liabilities stood at approximately S\$21.4 million, and comprises of deferred income tax liabilities. This comprises approximately S\$17.7 million from undistributed profits of subsidiaries, and S\$3.6 million from net fair value gains, accounting for 19.1% and 3.9% of total liabilities respectively.

### Current liabilities

Our current liabilities stood at approximately S\$71.3 million as at as of 31 December 2019, and mainly comprised other payables of approximately S\$11.7 million and current income tax liabilities of approximately S\$59.7 million, which accounted for approximately 12.6% and 64.4% of total liabilities respectively.

### Equity

Our total equity stood at approximately S\$3.5 billion as at 31 December 2019, and mainly comprised owner's net investment. Owner's net investment stood at approximately S\$3.0 billion accounting for approximately 85.6% of total equity.

### As of 31 December 2020

A review of the financial position of our Group as at 31 December 2020 is set out below:

### Non-Current assets

Our total assets increased by approximately 33.7% or S\$1.2 billion from approximately S\$3.6 billion as at 31 December 2019 to approximately S\$4.8 billion as at 31 December 2020. Non-current assets increased by approximately 23.4% or S\$293.1 million from S\$1.3 billion as at 31 December 2019 to S\$1.5 billion as at 31 December 2020. This was mainly attributed to an increase in financial assets at FVTPL, of 140.4% or S\$265.4 million, from S\$189.1 million as at 31 December 2019, to S\$454.6 million as at 31 December 2020.

The increase in financial assets at fair value was mainly due to an increase in fair values of non-current unlisted equity securities in China of approximately 140.4% or S\$265.4 million from S\$189.1 million as at 31 December 2019 to S\$454.6 million as at 31 December 2020. The increase in fair value of financial assets of non-current unlisted equity securities in China is mainly due to additional investments made during the financial year and overall market gains from listed shares of PE Funds that we have invested in.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Debt investments (at amortised costs) decreased by approximately 8.5% or S\$64.0 million from S\$753.9 million as at 31 December 2019 to S\$689.9 million as at 31 December 2020. The decrease was mainly attributed to the reclassification of loans due in the next year to current assets instead of non-current assets and this change is not offset by new loans with tenure of more than one (1) year.

Trade and other receivables increased by approximately 1721.1% or S\$60.7 million from S\$3.5 million as at 31 December 2019 to S\$64.2 million as at 31 December 2020. The increase was mainly due to a S\$50.1 million loan to a related party.

Investments in associated companies decreased by approximately 10.5% or S\$27.5 million from S\$261.9 million as at 31 December 2019 to S\$234.3 million as at 31 December 2020. The decrease was a result of return of capital and disposals between FY2019 and FY2020. The associated companies of our Group engage in Venture Capital investments and provision of seed funding activities.

Our Group obtained two (2) investment properties of S\$24.3 million through a PRC court process in FY2020, comprising one (1) property located at Jiangyin City Real Estate Property No 0002049 Ganglong Commercial Plaza No. 209-212 for approximately S\$22.2 million and another property located at Room 801, No. 95 Dongjin West Road, Hailing District for approximately S\$2.1 million. Both investment properties were put on sale by the PRC court and our Group successfully obtained the properties. The investment properties were obtained as a form of settlement for default in repayment of certain debt investments (at amortised costs) and loans to non-related parties – microfinance. A depreciation charge of S\$0.4 million was recorded on the investment properties in FY2020, resulting in the net book value of S\$24.3 million as at FY2020. Our Group obtained the two (2) properties at a discount to their respective values via a court process and the consideration for the two (2) properties was set off against the debts owing by the relevant borrowers to our Group. There was therefore not a need to, and the Group hence had not paid any cash out-of-pocket to the court to satisfy the consideration for the two (2) investment properties. Rather, the value of the consideration for the two (2) investment properties was set-off against the debts owed by the relevant borrowers to our Group.

In relation to the property located at Jiangyin City Real Estate Property No 0002049 Ganglong Commercial Plaza No. 209-212, it was put up as collateral by the borrowers for debts amounting to RMB119,180,000 (comprising the principal amount of the loans plus interest) that were owed to our Group. Consideration for the property was RMB108,110,000. The full consideration was set off against the debts amounting to RMB119,180,000 and no cash was paid by our Group to the court for obtaining the property through the court process. The remaining debts amounting to RMB11,070,000 was settled in cash by the borrower. As such, our Group had fully recovered the debts owing by such borrowers.

In relation to the property located at Room 801, No. 95 Dongjin West Road, Hailing District, it was put up as collateral by the borrower for a debt amounting to RMB10,337,600 (comprising the principal amount of the loans plus interest) owing to our Group. The consideration for obtaining the property was RMB10,337,600 (equivalent to approximately S\$2.1 million). This was used to fully set off against the debt of RMB10,337,600, and no cash was paid by our Group to the court for obtaining the property through the court process. As such, our Group had similarly fully recovered the debt owing by such borrower in that instance.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Our Group obtained these properties as we were of the view that there is value in the properties and our Group is willing to hold on to the properties for capital appreciation. Save as disclosed in the foregoing, our Group does not accept payments other than cash. However, if our Group is familiar with the borrower's asset which is being sold via a court process due to the borrower's inability to repay its loan, our Group may consider making an offer to obtain the particular asset. Our Group will also consider the value of the property in assessing the investment opportunity to obtain the asset. Such obtaining of the collateral is a separate investment decision, which our Group will evaluate on a case-by-case basis. Our Group is fully aware of the implications of accepting in-kind assets on the financials including working capital adequacy, and therefore does not accept payments other than cash.

Property, plant and equipment increased by approximately 53.6% or S\$0.7 million from S\$1.4 million as at 31 December 2019 to S\$2.1 million as at 31 December 2020. The increase was mainly due to additions worth of S\$0.8 million. A depreciation charge of S\$0.1 million was recorded in FY2020, resulting in a net book value of S\$2.1 million as at 31 December 2020.

Deferred income tax assets increased by approximately 77.4% or S\$33.4 million from S\$43.2 million for FY2019 to S\$76.7 million for FY2020.

### Current assets

As at 31 December 2020, current assets stood at approximately S\$3.3 billion and mainly comprised cash and cash equivalents, financial assets at FVTPL, debt investments (at amortised costs), and trade and other receivables. This represented an increase of approximately 39.2% or S\$927.9 million from S\$2.4 billion as at 31 December 2019 to S\$3.3 billion as at 31 December 2020.

Cash and cash equivalents decreased by approximately 83.3% or S\$129.3 million from S\$155.2 million as at 31 December 2019 to S\$25.9 million as at 31 December 2020. This is a result of a decrease in cash at bank and on hand for FY2020.

Financial assets at FVTPL increased by approximately 54.1% or S\$28.3 million from S\$52.3 million as at 31 December 2019 to S\$80.6 million as at 31 December 2020. The increase was mainly attributed to an approximately 147.8% increase or S\$31.4 million increase in fair values of unlisted equity securities in China, from S\$21.3 million as at 31 December 2019 to S\$52.7 million as at 31 December 2020. However, the value of listed equity securities in China decreased by approximately 10.0% or S\$3.1 million from S\$31.0 million for as at 31 December 2019 to S\$27.9 million for as at 31 December 2020, resulting in a net increase in fair value of financial assets of S\$28.3 million.

Debt investments (at amortised costs) accounted for approximately S\$2.7 billion, representing 83.4% of our current assets. This represented an increase of approximately S\$714.0 million or 35.1% from our debt investments (at amortised costs) of S\$2.0 billion for as at 31 December 2019 mainly due to new investments made and reclassification of loans that are due in the next one (1) year from non-current to current.

Our trade and other receivables increased by approximately S\$314.8 million or 251.1% from approximately S\$125.4 million as at 31 December 2019 to approximately S\$440.2 million as at 31 December 2020, representing 13.4% of our current assets. This was mainly due to an increase in deposit of S\$202.8 million in FY2020.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Non-Current liabilities

Our total liabilities stood at S\$169.7 million as at 31 December 2020. Our non-current liabilities represented approximately 30.5% of our total liabilities, increased by approximately S\$30.5 million or 142.8% from approximately S\$21.4 million as at 31 December 2019 to approximately S\$51.8 million as at 31 December 2020.

This was mainly attributable to an increase in deferred income tax liabilities of approximately S\$30.5 million from approximately S\$21.4 million as at 31 December 2019 to approximately S\$51.8 million as at 31 December 2020 due to S\$30.5 million additional deferred tax liabilities recorded in relation to undistributed profits of subsidiaries and net fair value gains.

### Current liabilities

Our current liabilities increased by approximately S\$46.5 million or 65.2% from approximately S\$71.3 million as at 31 December 2019 to S\$117.9 million as at 31 December 2020 mainly due to an increase of approximately S\$33.6 million or 288.5% in other payables from approximately S\$11.7 million as at 31 December 2019 to S\$45.3 million as at 31 December 2020 as a result of an increase in other payables to non-related parties.

Current income tax liabilities increased by approximately 21.6% or S\$12.9 million from S\$59.7 million as at 31 December 2019 to S\$72.6 million as at 31 December 2020. This was because credit loss is only tax deductible when realised, and the increase in current tax liabilities is offset by an increase in deferred tax assets recorded on impairment losses.

### Equity

Total equity increased approximately 32.4% or S\$1.1 billion from S\$3.5 billion as at 31 December 2019 to S\$4.7 billion as at 31 December 2020. Total equity of our Company could be attributed to owner's net investment, combined capital, other reserves, foreign currency transaction reserves and retained earnings.

Owner's net investment represents net funding position from owner, stood at approximately S\$1.7 billion as at 31 December 2020, representing a decrease of approximately S\$1.4 billion or 45.1% from S\$3.0 billion as at 31 December 2019.

Combined capital increased by approximately S\$2.0 billion from S\$199.8 million as at 31 December 2019 to S\$2.2 billion as at 31 December 2020 due to the incorporation of Jiangsu New Yangzi Commerce in FY2020, and its capital of S\$2.0 billion.

Other reserves increased by approximately 6.9% or S\$0.9 million from S\$12.5 million as at 31 December 2019 to S\$13.4 million as at 31 December 2020 due to an increase in statutory reserves.

Retained earnings increased by approximately 78.1% or S\$320.2 million from S\$410.0 million as at 31 December 2019 to S\$730.2 million as at 31 December 2020 due to profits within the period.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### As at 31 December 2021

A review of the financial position of our Group as at 31 December 2021 is set out below:

#### Non-Current assets

Our total assets decreased by approximately 9.1% or S\$441.7 million from approximately S\$4.8 billion as at 31 December 2020 to approximately S\$4.4 billion as at 31 December 2021. Non-current assets decreased by approximately 40.6% or S\$627.4 million from S\$1.5 billion as at 31 December 2020 to S\$918.7 million as at 31 December 2021. This is mainly attributable to a decrease in debt investments (at amortised costs) of 77.6% or S\$535.2 million, from S\$689.9 million as at 31 December 2020 to S\$154.7 million as at 31 December 2021. The decrease was mainly attributed to the reclassification of loans due in the next year to current assets instead of non-current assets and this change is not offset by new loans with tenure of more than one (1) year.

Financial assets at FVTPL decreased by approximately 5.9% or S\$27.0 million from S\$454.6 million as at 31 December 2020 to S\$427.5 million as at 31 December 2021. The decrease was mainly attributed to a S\$27.0 million decrease in unlisted equity securities in the PRC within the period.

Non-current trade receivables decreased by approximately 84.2% or S\$54.1 million from S\$64.2 million as at 31 December 2020 to S\$10.2 million as at 31 December 2021. The decrease was mainly due to a S\$50.1 million loan to Yangzi-Mitsui Shipbuilding Co., Ltd. a related party recorded in FY2020, which was fully repaid in FY2021.

Investments in associated companies decreased by approximately 3.1% or S\$7.3 million from S\$234.3 million as at 31 December 2020 to S\$227.1 million as at 31 December 2021. The decrease was a result of return of capital and disposals in FY2021.

Deferred income tax assets decreased by approximately 5.3% or S\$4.0 million from S\$76.7 million as at 31 December 2020 to S\$72.6 million as at 31 December 2021.

#### Current assets

As at 31 December 2021, current assets stood at approximately S\$3.5 billion and mainly comprised cash and cash equivalents, financial assets at FVTPL, debt investments (at amortised costs), and trade and other receivables. This represented an increase of approximately 5.6% or S\$185.7 million from S\$3.3 billion as at 31 December 2020 to S\$3.5 billion as at 31 December 2021.

Cash and cash equivalents decreased by approximately 29.0% or S\$7.5 million from S\$25.9 million as at 31 December 2020 to S\$18.4 million as at 31 December 2021. This is a result of a decrease in cash at bank and on hand for FY2021.

Financial assets at FVTPL decreased by approximately 3.4% or S\$2.7 million from S\$80.6 million as at 31 December 2020 to S\$77.9 million as at 31 December 2021. The decrease was mainly due to a disposal of unlisted equity security amounting to approximately S\$55 million, offset by a net increase in listed equity securities of S\$47.8 million.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Debt investments (at amortised costs) accounted for approximately S\$3.4 billion, representing 96.5% of our current assets. This represented an increase of approximately S\$611.1 million or 22.2% from our debt investments (at amortised costs) of S\$2.7 billion as at FY2020 which was mainly due to an increase in current debt investments of S\$644.1 million due to new investment made and reclassification of loans that are due in the next one (1) year from current to non-current.

Our trade and other receivables decreased by approximately S\$415.2 million or 94.3% from approximately S\$440.2 million as at 31 December 2020 to approximately S\$25.0 million as at 31 December 2021, representing 0.7% of our current assets.

### **Non-Current liabilities**

Our total liabilities stood at S\$151.1 million as at 31 December 2021. Our non-current liabilities represented approximately 54.8% of our total liabilities, increased by approximately S\$31.0 million or 59.8% from approximately S\$51.8 million as at 31 December 2020 to approximately S\$82.8 million as at 31 December 2021.

This was mainly due to an increase in deferred income tax liabilities of approximately S\$31.0 million from approximately S\$51.8 million as at 31 December 2020 to approximately S\$82.8 million as at 31 December 2021 due to deferred tax liabilities recorded in relation to undistributed profits of subsidiaries and net fair value gains.

### **Current liabilities**

Our current liabilities decreased by approximately S\$49.6 million or 42.1% from approximately S\$117.9 million as at 31 December 2020 to S\$68.3 million as at 31 December 2021, mainly due to a decrease of approximately S\$42.5 million or 93.9% in other payables from approximately S\$45.3 million as at 31 December 2020 to S\$2.8 million as at 31 December 2021 as a result of an decrease in other payables from both related and non-related parties.

Current income tax liabilities decreased by approximately 9.7% or S\$7.1 million from S\$72.6 million as at 31 December 2020 to S\$65.5 million as at 31 December 2021.

### **Equity**

Total equity decreased approximately 9.1% or S\$423.1 million from S\$4.7 billion as at 31 December 2020 to S\$4.2 billion as at 31 December 2021. Total equity of our Company can be attributed to owner's net investment, combined capital, other reserves, foreign currency transaction reserves and retained earnings.

Owner's net investment represents net funding position from owner, stood at approximately S\$984.4 million as at 31 December 2021, representing a decrease of approximately S\$673.0 million or 40.6% from S\$1.7 billion as at 31 December 2020.

Combined capital decreased by approximately S\$83.0 million from S\$2.2 billion as at 31 December 2020 to S\$2.1 billion as at 31 December 2021 due to a capital reduction in Jingjiang Runyuan.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Other reserves increased by approximately 12.5% or S\$1.7 million from S\$13.4 million as at 31 December 2020 to S\$15.0 million as at 31 December 2021 due to an increase in statutory reserves.

Retained earnings increased by approximately 22.2% or S\$162.0 million from S\$730.2 million as at 31 December 2020 to S\$892.3 million as at 31 December 2021 due to profits within the period.

### REVIEW OF CASH FLOW STATEMENT

The following table sets out a summary of our Group's cash flow for FY2019, FY2020 and FY2021:

	<b>FY2019</b>	<b>Audited FY2020</b>	<b>FY2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Net cash provided by/(used in) operating activities	518,242	(611,687)	801,057
Net cash provided by/(used in) investing activities	54,119	(129,001)	141,448
Net cash (used in)/provided by financing activities	(437,834)	605,828	(948,573)
Net increase/(decrease) in cash and cash equivalents	134,527	(134,860)	(6,068)
Cash and cash equivalents at the beginning of the period	24,394	155,168	25,863
Effects of currency translation on cash and cash equivalents	(3,753)	5,555	(1,421)
<b>Cash and cash equivalents at the end of the period</b>	<b>155,168</b>	<b>25,863</b>	<b>18,374</b>

In relation to the changes in working capital in the combined statements of cash flows, there was a negative outflow of debt investments (at amortised costs) amounting to approximately S\$490.8 million for FY2020 due to additional investments by our Group during FY2020, which was incurred in the normal course of our Group's business.

### FY2019

A review of the liquidity and capital resources of our Group for FY2019 is set out below:

#### Net cash provided by/(used in) operating activities

In FY2019, our Group recorded net cash provided by operating activities of approximately S\$518.2 million, which was a result of profit after income tax of S\$344.6 million and adjustments for items such as (i) Income tax expenses of S\$81.4 million, (ii) Dividend income of S\$27.4 million, (iii) Share of results of associated companies, net of tax of S\$22.3 million, (iv) Fair value gain on financial assets at FVTPL of S\$3.7 million, (v) Depreciation of property, plant and equipment of S\$0.07 million, and (vi) working capital inflows of S\$191.3 million. Working capital inflows were due to the following:

- (i) an increase in trade and receivables of S\$116.3 million;
- (ii) a decrease in other payables of S\$0.5 million; and
- (iii) an increase in debt investments (at amortised costs) at S\$75.5 million.



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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### **Net cash provided by/(used in) investing activities**

Net cash provided by investing activities amounted to approximately S\$54.1 million mainly due to proceeds from (i) the return of capital by associated companies of S\$24.6 million, (ii) Proceeds from sale of financial assets, at FVTPL of S\$20.0 million, and (iii) Dividend received of S\$27.4 million. This was partially offset by (i) the acquisition of financial assets of S\$15.9 million at FVTPL and (ii) additions to investments in associated companies by S\$2.0 million.

### **Net cash provided by/(used in) financing activities**

Net cash used in financing activities amounted to approximately S\$437.8 million. This was due to the reduction in owner's funding from the YSL Group during FY2019. Our Group operated and was managed as part of the YSL Group during the Period Under Review. The owner's net investment reflects the net funding position between our Group and YSL Group. The net funding position relates to all balances with YSL Group, except for intercompany current accounts with YSL Group that are settled periodically based on instructions from YSL Group treasury department.

### **Cash and cash equivalents**

As a result of the above and effects of currency translation amounting to a deduction of S\$3.8 million, there was a net increase of approximately S\$130.8 million or 536.1% in our cash and cash equivalents, from approximately S\$24.4 million at 1 January 2019 to S\$155.2 million at 31 December 2019.

### **FY2020**

A review of the liquidity and capital resources of our Group for FY2020 is set out below:

### **Net cash provided by/(used in) operating activities**

In FY2020, our Group recorded net cash used in operating activities of approximately S\$611.7 million, which was a result of a profit after income tax of S\$321.1 million and adjustments for items such as (i) fair value gain on financial assets at FVTPL of S\$65.1 million, (ii) share of results of associated companies of S\$31.0 million, (iii) dividend income of S\$14.1 million, (iv) income tax expenses of S\$69.6 million, (v) depreciation of property, plant and equipment of S\$0.09 million, (vi) depreciation of investment properties of S\$0.4 million, and (vii) working capital outflows of S\$831.0 million. Working capital outflows were due to the following:

- (i) a decrease in trade and other receivables of S\$372.7 million;
- (ii) a decrease in debt investments (at amortised costs) of S\$490.8 million; and
- (iii) an increase in other payables of S\$32.5 million.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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### **Net cash provided by/(used in) investing activities**

Net cash used in investing activities amounted to approximately S\$129.0 million mainly due to (i) proceeds from sale of financial assets at FVTPL of S\$42.6 million, (ii) proceeds from disposal of associated company of S\$39.9 million, (iii) return of capital by associated companies of S\$34.8 million, and (iv) dividend received of S\$14.1 million. This was offset by (i) the acquisition of financial assets at FVTPL of S\$255.0 million (ii) purchase of property, plant and equipment of S\$0.7 million (iii) additions to investment properties of S\$0.7 million, and (iv) additions to investments in associated companies of S\$4.0 million.

### **Net cash provided by/(used in) financing activities**

Net cash provided by financing activities amount to approximately S\$605.8 million, mainly due to proceeds from capital injection of S\$2.0 billion attributable to the incorporation of Jiangsu New Yangzi Commerce, a dedicated Investment Business legal entity in 2020. This was partially offset by the reduction in the owner's funding from YSL Group of S\$1.3 billion.

### **Cash and cash equivalents**

As a result of the above and effects of currency translation amounting to an addition of S\$5.6 million, there was a net decrease of approximately S\$129.3 million or 83.3% in our cash and cash equivalents, from approximately S\$155.2 million as at 1 January 2020 to S\$25.9 million at 31 December 2020.

### **FY2021**

A review of the liquidity and capital resources of our Group for FY2021 is set out below:

### **Net cash provided by/(used in) operating activities**

In FY2021, our Group recorded net cash provided operating activities of approximately S\$801.1 million, which was a result of a profit after income tax of S\$327.2 million and adjustments for items such as (i) fair value loss on financial assets of S\$62.8 million, (ii) share of results of associated companies of S\$55.3 million, (iii) dividend income of S\$78.4 million, (iv) income tax expenses of S\$99.9 million, (v) depreciation of property, plant and equipment of S\$0.1 million, (vi) depreciation of investment properties of S\$0.8 million, and (vii) working capital inflows of S\$518.4 million. Working capital inflows were due to the following:

- (i) an increase in trade and other receivables of S\$483.8 million;
- (ii) an increase in debt investments (at amortised costs) of S\$78.4 million; and
- (iii) a decrease in other payables of S\$43.8 million.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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### **Net cash provided by/(used in) investing activities**

Net cash provided by investing activities amounted to approximately S\$141.4 million mainly due to (i) proceeds from sale of financial assets of S\$87.2 million, (ii) proceeds from disposal of associated company of S\$14.4 million, (iii) return of capital by associated companies of S\$58.5 million, and (iv) dividend received of S\$78.4 million. This was partially offset by the acquisition of financial assets of S\$97.0 million at FVTPL.

### **Net cash provided by/(used in) financing activities**

Net cash used in financing activities amount to approximately S\$948.6 million, mainly due to (i) capital reduction of S\$83.0 million, (ii) reduction in funding from YSL Group of S\$702.1 million, and (iii) distributions to owners amounting to S\$163.5 million. Our Group operated and was managed as part of the YSL Group during the Period Under Review. The owner's net investment reflects the net funding position between our Group and YSL Group. The net funding position relates to all balances with YSL Group, except for intercompany current accounts with the YSL Group that are settled periodically based on instructions from YSL Group's treasury department.

### **Cash and cash equivalents**

Due to the above and the effects of currency translation amounting to a deduction of S\$1.4 million, there was a net decrease of approximately S\$7.5 million or 29.0% in our cash and cash equivalents, from approximately S\$25.9 million as at 1 January 2021 to S\$18.4 million as at 31 December 2021.

## **MATERIAL CAPITAL EXPENDITURES AND DIVESTMENTS**

### **Capital Expenditures**

There were no capital expenditures made by our Group during the Period Under Review.

### **Capital Divestment**

There were no material capital divestments during the Period Under Review.

## **CAPITAL COMMITMENTS**

We have no material capital commitments for capital expenditures as at the Latest Practicable Date.

## **ACCOUNTING TREATMENT OF FOREIGN CURRENCIES**

The combined financial statements are presented in SGD, which is our Group's presentation currency.

Please refer to the section entitled "Significant Accounting Policies" in "Appendix D – Reporting Auditor's Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021" to this Document, for details on our Group's accounting policies in relation to foreign currency transactions.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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### **SEASONALITY**

We generally do not experience any significant seasonality patterns in the context of our Group's overall operations and business.

### **SIGNIFICANT ACCOUNTING POLICY CHANGES**

Our audited combined financial statements as at and for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with the SFRS(I)s.

The accounting policies have been consistently applied by our Group during the Period Under Review. We expect that the adoption of new or revised accounting standards issued but not yet effective for the Period Under Review will have no material impact on our future financial statements. Please refer to the section entitled "Significant Accounting Policies" in "Appendix D – Reporting Auditor's Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021" to this Document, for details on our Group's accounting policies.

We have no intention to make changes to our Group's accounting policy in the 12 months following the Introduction that may result in material adjustments to the financial information disclosed in this Document.

## CAPITALISATION AND INDEBTEDNESS

The following table, which should be read in conjunction with the section entitled “Reporting Auditor’s Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021”, as set out in Appendix D to this Document respectively and the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Document, shows our cash and cash equivalents, capitalisation and indebtedness:

- (i) as at 31 December 2021, based on our audited combined financial statements for FY2019, FY2020 and FY2021;
- (ii) as at 28 February 2022 based on our unaudited combined management accounts; and
- (iii) as adjusted to give effect to the Restructuring Exercise as follows:
  - (1) the capitalisation of RMB19.99 billion of YSL Receivables owing from the Company into shares in the Company as described under the “Restructuring Exercise” section of this Document; and
  - (2) the increase in cash and cash equivalents is based on the net cash settlement of the related party amount due from YSL Group of S\$577,239,000 after the completion of the Restructuring Exercise.

(SGD’000)	As at 28 February 2022		
	As at 31 December 2021	(Unaudited) Combined	(Unaudited) As adjusted for the Restructuring Exercise
Cash and cash equivalents	18,374	78,779	656,018
<b>Current</b>			
Secured and guaranteed	–	–	–
Non-secured and non-guaranteed	–	–	–
	–	–	–
<b>Non-current</b>			
Secured and guaranteed	–	–	–
Non-secured and non-guaranteed	–	–	–
	–	–	–
<b>–Total indebtedness</b>	–	–	–
<b>Total shareholders’ equity and reserves</b>	4,248,800	4,300,798*	4,300,798*
<b>Total capitalisation and indebtedness</b>	4,248,800	4,300,798*	4,300,798*

\* Based on RMB20.0 billion translated using an exchange rate of S\$1:RMB4.6503.

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## CAPITALISATION AND INDEBTEDNESS

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As at the Latest Practicable Date, save for the (i) changes in working capital; and (ii) changes in our shareholders' equity and reserves arising from day-to-day operations in the ordinary course of business, there were no material changes to our capitalisation and indebtedness as disclosed above.

### **Credit Facilities**

As at 31 December 2021 and as at the Latest Practicable Date, our Group has no loans, borrowings or any credit facility from any financial institutions.

### **Performance Bonds**

As at the Latest Practicable Date, our Group does not have any performance bonds.

### **Contingent Liabilities**

As at the Latest Practicable Date, our Group does not have any contingent liabilities.

### **Working Capital**

Our Group has financed its operations through both internal and external sources. Our internal sources of funds comprised mainly cash generated from our Company's operating activities. These were utilised to fund both our day to day operating and capital expenditure. Please refer to section entitled "Capitalisation and Indebtedness" of this Document for further details.

Our Group had cash and bank balances of approximately S\$155.2 million, S\$25.9 million and S\$18.4 million as at 31 December 2019, 2020 and 2021, respectively.

Our Group recorded positive working capital of approximately S\$2,296 million, S\$3,178 million and S\$3,413 million as at 31 December 2019, 2020 and 2021 respectively. Working capital means total current assets less total current liabilities.

Our Directors are of the opinion that, after having made due and careful enquiry and after taking into account the cash flows generated from our operations, our existing cash and cash equivalents, the amount of dividends declared and paid by our Company and each of our subsidiaries for FY2022, the working capital available to us as at the date of this Document is sufficient for present requirements and for at least 12 months after the Introduction.

Our Company intends to maintain the liability-to-asset ratio at below 10.0% post Introduction.

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## BUSINESS

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### HISTORY

#### Overview

Our Company was incorporated in Singapore as “Yangzijiang Financial Holding Pte. Ltd.” on 14 December 2021 under the Companies Act, as a private company limited by shares. In preparation for the Introduction, we undertook the Restructuring Exercise, pursuant to which our Company became the holding company of our Group. Please refer to the section entitled “Restructuring Exercise” of this Document for further details.

Our Company was converted into a public company and renamed “Yangzijiang Financial Holding Ltd.” on 25 March 2022.

#### Key Milestones

The table below sets forth our key milestones:

Year	Milestone
2008	Commencement of Debt Investments
2009	Commencement of PE investments by venturing into PE Funds
2010	Establishment of Jingjiang Runyuan on 13 June 2010  Obtained business licence in respect of the Debt Investment Business
2019	Investment income doubled to RMB2.0 billion from RMB1.0 billion in 2011
2020	Establishment of Jiangsu New Yangzi Commerce on 2 June 2020  Achieved a doubling of investment size from RMB10 billion in 2011 to RMB20 billion in 2020
2022	Establishment of Jiangsu Yangchuan on 8 February 2022

#### BUSINESS OVERVIEW

Upon the completion of the Restructuring Exercise, the principal business of our Group will comprise the (i) Investment Management Business, which seeks capital appreciation and investment income from investments in both public and private companies and Funds, as well as deploying funds into various situations; and the (ii) Debt Investment Business, which is made up primarily of Debt Investments (at amortised costs).

Prior to the Restructuring Exercise, the Debt Investment Business’s main objective is to generate predictive income while ensuring adequate financial liquidity for projected growth. To achieve its investment objective, the Debt Investment Business has been investing its excess cash into short-term entrusted loans. Pursuant to the Restructuring Exercise and as an independent investment management company, we will reposition our Debt Investment Business to focus on Fund Investments with a view to generate sustainable long-term returns.

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## BUSINESS

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The investment principal arising from the matured entrusted loans will be partially recycled into investments with a longer investment horizon, such as private debt and mezzanine Funds, under the Investment Management Business. As such, going forward, revenue arising from the Debt Investment Business will reduce and the revenue arising from the Investment Management Business will increase. The bulk of the Debt Investments (at amortised costs) is expected to mature by 31 December 2023. The repositioning of the Debt Investment Business would not have a material impact on the financial condition of our Group as the decrease in interest income due to the repositioning of the Debt Investment Business will be offset by the increase in dividend income arising from increased Fund Investments. Dividend income from our Group's investments increased approximately 457.0%, or S\$64.3 million, from S\$14.1 million for FY2020 to S\$78.4 million for FY2021. The increase was mainly due to dividends declared by our Group's investments in FY2021. By increasing our Fund Investments post-Introduction which will lead to an increase in the sources of dividend income, the decrease in interest income will be sufficiently offset with the increase in dividend income with the repositioning of the Debt Investment business, such that the financials for the Period Under Review would be reflective of our Group's business operations post-Introduction. Further details are set out in the section entitled "Business – Prospects, Business Strategies and Future Plans" of this Document.

Our Group's plans to reposition the Debt Investment Business will not affect our Company's suitability to list based on the following reasons:

- (i) The Debt Investment Business will not be discontinued, and our Group instead plans to reposition the business to focus on Fund Investments by recycling the investment principal arising from the matured entrusted loans will be partially recycled as elaborated in paragraphs (ii) and (iii) below. Accordingly, there is no discontinuance of the funds/ investment principal from the Debt Investment Business and there will be a continuation of business with the funds recycled in such a manner.
- (ii) As at 31 December 2021, our Group had S\$18.4 million of cash and cash equivalents, as well as S\$3.4 billion of Debt Investments (at amortised costs), which is expected to mature over the next 12 months. The investment principal arising from the matured entrusted loans will be partially recycled into investments with longer investment horizon, such as private debt and mezzanine Funds, under the Investment Management Business. Prior to the Restructuring Exercise, the main objective of the Debt Investment Business (which is primarily made up of Debt Investments (at amortised costs) is to generate predictive income while ensuring adequate financial liquidity for projected growth, and has been investing its excess cash into short-term entrusted loans. Pursuant to the Restructuring Exercise and as an independent investment management company, our Group will reposition our Debt Investment Business to focus on Fund Investments with a view to generate sustainable long-term returns. As such, going forward, revenue arising from the Debt Investment Business will decrease and the revenue arising from the Investment Management Business will increase due to the expected rise in dividend income arising from increased Fund Investments.
- (iii) Our Group also intends to deploy a portion of the recycled capital into its newly established offshore Investment Management Business in Singapore. Overall, the reinvestment strategy will help to diversify our Group's exposure and credit risk arising from microfinancing and entrusted loans into different asset classes and geographical markets.



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## BUSINESS

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After the Introduction, our Company intends to enter into the Fund/Wealth Management Business to generate recurring fee-based income from managing third party investment funds and provision of wealth management services via the acquisition of a CMS-licensed fund management company (such as GEM) or setting up a fund management company in Singapore. In-principle approval from the MAS for the GEM Acquisition has been obtained on 17 March 2022. Our Company intends to proceed with the signing of the sale and purchase agreements for the GEM Acquisition and the completion of the GEM Acquisition after the Introduction. Our Company will make announcement(s) via SGXNet to apprise Shareholders of any material developments on the GEM Acquisition. Further details are set out the section entitled “Business – Prospects, Business Strategies and Future Plans” and “Interested Person Transactions – Present and On-going Interested Person Transactions – GEM Acquisition” of this Document.

Our Group has consistently delivered more than 95.0% operating profit margins and pre-tax Return on Assets of more than 9.5% for FY2019, FY2020 and FY2021.

Our Group operates in the PRC. The total revenue generated by the Investment Management Business and Debt Investment Business of our Group in the PRC as at 31 December 2019, 2020 and 2021 are as follows:

<b>Total Income (SGD'000)</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
<b>Investment Management Business</b>	11,045	81,241	5,443
<b>Debt Investment Business</b>	425,495	414,915	367,559
<b>Others<sup>(1)</sup></b>	20,687	(978)	11,842
<b>Total Income<sup>(2)</sup></b>	457,227	495,178	384,844

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**Notes:**

- (1) This includes interest income from cash and cash equivalent, dividend income, fair value changes on financial assets, at FVTPL and other income from other investments.
- (2) This excludes the profits from certain Funds under the Investment Business that are reflected under “share of results of associated companies, net of tax”.

## INVESTMENT MANAGEMENT BUSINESS

Our Investment Management Business seeks to achieve capital appreciation and investment income from investments in both public and private companies and Funds, as well as deploying funds into various situations. In pursuing our Group’s investment objective, our Group will participate in a wide range of investment activities, including third-party managed Funds, co-investment mandates, income-producing assets and direct investment deals. In the foreseeable future, our Group seeks to invest across a broad spectrum of Funds, focusing on growth equity and debt, mezzanine financing, PIPE, special situations, real estate, and other PE Funds, diversified by geography (Singapore and the PRC as core markets, Asia Pacific emerging markets and global developed markets), via joint investments with other prominent investment management companies either as a LP or co-GP. As set out in the section entitled “Business – Business Overview” of this Document, the investment principal arising from the matured entrusted loans will be gradually recycled into (a) Funds Investment and managed under the Investment Management Business in the PRC; and (b) its newly established offshore Investment Management Business in Singapore.

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As at 31 December 2021, our Group's Investment Management Business consists of twelve (12) Fund Investments managed by twelve (12) GPs in the PRC (the "**Investment Portfolio**"), covering twenty-three (23) projects with an aggregate invested amount of approximately RMB4.6 billion. Seven (7) of the twelve (12) GPs are independent third-party financial institutions in the PRC. Our Group holds minor stakes in the remaining five (5) GPs, with interests ranging from 10.0% to 25.0%, but does not maintain control over these GPs. As at 31 December 2021, the Fund Investments reflected investments in eighty-nine (89) underlying Investee Companies.

Please refer to our Group's audited financial statements in the section entitled "Appendix D – Reporting Auditor's Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021" to this Document for further details.

### Group's Investment Policies

Our Group seeks capital appreciation and investment income from investments in both public and private companies and Funds, as well as deploying funds into special situations.

Investment assets include equities, bonds and mezzanine assets. Our Group has an investment framework, supported by due diligence procedures and our Group conducts risk management and regular reviews.

Our Group's portfolio is diversified in sectors as well as in asset classes. The following asset classes are permitted to be held in our Group's Investment Portfolio, subject to the investment policies established and any applicable legal restrictions:

- **private debt investments**, such as asset-backed debt securities, diversified by geographic location, type of debt (usage of capital), size of debt, and type of collateral.
- **public fixed income/bond investments**, including international and domestic corporate bonds, government debt securities, units in funds, and fixed income derivatives (e.g., futures, options, swaps etc.). Publicly traded fixed income securities when purchased must be rated BBB- or higher by Standard and Poor, or have an equivalent credit rating from another credit rating agency. Investments in private placement debt should meet similar credit quality standards.
- **equity investments**, including common and preferred shares, common stock equivalents (such as, convertible debentures, convertible preferred shares, equity warrants, and share rights), units in funds, exchange traded funds, depository receipts, and equity derivatives (e.g., futures, options, equity swaps).
- **real estate investments**, including direct real estate holdings, public and private REITS, development REITS, units in real estate funds, and real estate securities including trust units, shares in real estate companies. Real estate investments shall be well diversified by property type, property location, and property risk.
- **money market short-term holdings**, including money market instruments and bonds with a term to maturity of fifteen (15) months or less, for cash management purpose.

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Our key investment policies are as follows:

- each single investment shall not be more than 10.0% of our Group's total investment amount; and
- exposure to each single issuer, company, sponsor and counterparty shall not exceed 15.0% of our Group's total investment amount.

### Details of Investment Portfolio

The Investment Portfolio is diversified across twelve (12) PE Funds and twelve (12) GPs, six (6) of which are located in the Jiangsu Province, four (4) of which are located in Shanghai, with the remaining two (2) located in Guangdong Province and Anhui Province. The twelve (12) Fund Investments in the Investment Portfolio are owned by our Group and were set up pursuant to the partnership agreements entered into by Jiangsu New Yangzi Shipbuilding Co. Ltd, Jiangsu New Yangzi Commerce or Jiangsu Yangzijiang Shipbuilding Co., Ltd from 2014 to 2021. The partnership agreements set out the framework for the respective partnerships, and include the following key terms:

- (i) the amount and mode of capital contribution: the amount to be contributed by each partner, and the timeframe to fulfil the capital contribution obligation;
- (ii) the decision making process for the partnership: such as the frequency that the partners have to meet, the procedural requirements to convene a meeting of the partners, the partners' voting rights, the composition of the investment committee etc.;
- (iii) rights and responsibilities: such as the scope of authority and responsibilities of the general partner in managing the partnership;
- (iv) investment business: the types of industries and businesses that the partnership targets to invest in, as well as the scope of activities that the partnership is restricted from engaging in;
- (v) expenses and profits: the parties' agreement on the sharing of expenses incurred, such as tax and management fees, as well as the mode of distributing income received from investments amongst the partners;
- (vi) transfer of interest in partnership and withdrawal from partnership: imposes restrictions on transfer of partnership interest, and specifies the steps that have to be taken to effect a transfer as well as situations in which a partner is allowed to withdraw from the partnership;
- (vii) accounting requirements: to impose a timeframe for the financial statements and reports of the partnership to be prepared; and
- (viii) governing law and mode of dispute resolution.

As part of the Restructuring Exercise, all the rights and obligations of the partnership agreements entered into by Jiangsu New Yangzi Shipbuilding Co. Ltd and Jiangsu Yangzijiang Shipbuilding Co., Ltd will be novated to our Group. Our Group will obtain all consents/waivers from other partners that are required for the novation of the partnership agreements to our Group prior to the Listing Date.

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Please refer to the diagram below for the percentage of our Group's investment stakes in the Investment Portfolio for FY2019, FY2020 and FY2021.

Name of associated companies		Principal activities	Place of business/ country of incorporation	Effective equity holding		
				FY2019 %	FY2020 %	FY2021 %
Everbright Capital Co., Ltd.	Venture Jiangyin	Engaging in Venture Capital investment and providing seed capital	PRC	21.4	21.4	21.4
Jiangsu New Material Industrial Capital (Limited Partnership)	Venture Enterprise	Engaging in Venture Capital investment and providing seed capital	PRC	38.0	38.0	38.0
Shanghai Yangzi Partnership (Limited Partnership)	Chengding Investment Enterprise	Engaging in Venture Capital investment and providing seed capital	PRC	29.2	29.2	29.2
Shanghai New Yangzi Partnership (Limited Partnership)	Chengding Investment Enterprise	Engaging in Venture Capital investment and providing seed capital	PRC	29.9	29.9	29.9
Zhuhai Leading Industrial Center	Interconnect High-Tech Investment (Limited Partnership)	Engaging in Venture Capital investment and providing seed capital	PRC	30.0	30.0	–
Wuxi Jinrui Investment (Limited Partnership)	Zhonghe Enterprise	Engaging in Venture Capital investment and providing seed capital	PRC	33.3	–	–
Jiangsu Industry Partnership	Sushang Joint Investment (Limited Partnership)	Engaging in Venture Capital investment and providing seed capital	PRC	23.7	20.3	20.3

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Name of associated companies		Principal activities	Place of business/ country of incorporation	Effective equity holding		
				FY2019 %	FY2020 %	FY2021 %
Jiangsu Yanhai Industrial Fund Partnership)	Nantong Emerging Investment (Limited Partnership)	Engaging in Venture Capital investment and providing seed capital	PRC	30.0	30.0	30.0
Jiangsu Emerging Development (Limited Partnership)	Jiequan Industry Fund	Engaging in Venture Capital investment and providing seed capital	PRC	–	20.0	20.0
Shanghai New Yangzi Investment Partnership Enterprise (Limited Partnership)	Chengding Equity Fund Management Enterprise (Limited Partnership)	Engaging in Venture Capital investment and providing seed capital	PRC	12.5	12.5	12.5
Shanghai Yangzi Investment Partnership Enterprise (Limited Partnership)	Chengding Equity Fund Management Enterprise (Limited Partnership)	Engaging in Venture Capital investment and providing seed capital	PRC	24.4	24.4	24.4
Zhuhai Asset Center Partnership)	Leading Power Management (Limited Partnership)	Engaging in Venture Capital investment and providing seed capital	PRC	30.0	30.0	–
Shenzhen Sports Partnership Partnership)	Daoge No. 8 Investment (Limited Partnership)	Engaging in Venture Capital investment and providing seed capital	PRC	34.6	34.6	34.6

Our Directors are of the opinion that there is only one (1) associated company, being Jiangsu Nantong Yanhai Emerging Industrial Investment Fund (Limited Partnership), which contributes significantly to the results or financial position of our Group. In particular, it contributed 14.1%, 51.5% and 49.1% towards the share of results from associated companies in terms of profit and loss and 9.2%, 17.7% and 28.7% of investments in associated companies in terms of balance sheet contribution for FY2019, FY2020 and FY2021, respectively.

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Our Group is not the single largest holder in the GPs which our Group has an interest in or shareholder of any of the associated companies. The remaining holders in such GPs and/or shareholders of such associated companies are independent third parties.

While our Group generally invests as a LP in our PRC Fund Investments, we typically contribute to a substantial share of the Fund size. Although our Group exercises influence over our Fund Investments, including the veto right over investment decisions by way of a board seat on the investment committees of some of the Portfolio PE Funds, we only have a limited ability to monitor the investments made by the Portfolio PE Funds, including whether any Portfolio PE Fund has engaged in additional or alternative strategies without consent or advice of any other person or whether the investment strategies and guidelines of the Portfolio PE Funds are being adhered to. Our Group does not currently invest as a GP in any our Fund Investments. Please refer to the section entitled “Risk Factors – Additional Risks Relating to our Investment Management Business” of this Document for further details.

As at 31 December 2021, the share of NAV held by our Investment Portfolio amounts to approximately RMB2,163.7 million. As at 31 December 2021, our top three (3) Fund Investments amount to approximately RMB521.5 million, RMB307.4 million and RMB308.9 million, representing approximately 24.1%, 14.2% and 14.3% of our NAV, respectively. “NAV”, in relation to any Fund Investment of our Group at any date, means the most recent net asset value of such Fund Investment as reported by the GP of such Fund Investment as at such date and adjusted for all distributions received and capital calls made after such reported net asset value and up to such date.

As at 31 December 2021, our Investee Companies operate in various industries, such as industrials, materials, consumer discretionary, healthcare and information technology. Some of our Investee Companies are publicly listed on stock exchanges such as the Shenzhen Stock Exchange and Shanghai Stock Exchange.

### **Management of Investment Opportunities**

We have instituted a process for management of investment opportunities which includes assessing and allocating deal opportunities among existing and future Fund Investments. We may launch new PE Funds which will be managed by our Group, in connection with the GEM Acquisition and/or the acquisition of other fund management companies, or seed the Funds to be managed by GEM or the other fund management companies that we may acquire.

### ***Fund Investments where our Group act as a LP of the relevant Fund***

Before investing in a Fund, our Group will assess the Fund’s operational competence, ability of the third-party fund management team to follow through on its investment strategy, and whether a GP will be a consistent and professional partner that communicates effectively.

The due diligence on such Fund Investment will generally include:

- validating the investment and impact thesis;
- evaluating its strategy for achieving impact;
- assessing its performance volatility during various periods of the market cycle;
- assessing the experience of the team;

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- visiting fund offices, investees, and pipeline projects;
- analysing fund economics; and
- assessing fund operations (e.g. back office operations, hiring processes).

### ***Fund Investments where our Group act as the GP or co-GP of the relevant Fund***

Fund Investments that are owned and/or managed and/or advised by our Group have been designed to have differentiated mandates and strategies so that any conflict of interest is minimised. Differentiation in mandates can be in the form of different sectors, geographies or strategies. However, our Group may have access to investment opportunities, which at any particular time and from time to time, fall within investment mandates of more than one (1) investment segment.

Other than to assess investment opportunities within our Group, we have established our investment committee which has adopted a process to deliberate, approve and allocate investment opportunities sourced, in order to mitigate any conflict of interest among our Fund Investments. The investment committee has adopted a process to guide its decision-making.

### ***Investment Committee***

The investment committee of our Company (the “**Investment Committee**”) comprises our Executive Chairman, CEO, Lead Independent Non-Executive Director, CFO, CIO – PRC, CIO – Singapore. The Board may also appoint other persons with relevant qualification and experience as the Board thinks appropriate to be independent external advisors to the Investment Committee. The investment approval process (as described below) is administered and supported by our Group Investment Department.

### ***Investment Approval Process***

All investment proposals are intended to be subject to the Investment Committee’s review and approval process. It will begin with the deal team submitting the deal proposal in respect of a selected investment opportunity to our Group Investment Department following its review and assessment.

Our Group Investment Department will consider the following factors while analysing investment opportunities:

- (a) the track record and credibility of the target company;
- (b) the target company’s business conditions, existing and potential competition, competitive strengths, price and cost trends, growth drivers, upcoming industry development, as assessed by market research conducted;
- (c) the target company’s business plan; and
- (d) the potential issues and risks involved and the adequacy of corresponding risk mitigation measures, if any.

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Following the identification of a potential Investment, our Group Investment Department will circulate the deal proposal to the Investment Committee ahead of the Investment Committee meeting at which the investment opportunity will be tabled for discussion and deliberation. The Investment Committee will then decide whether to proceed with the proposed investment, considering the Fund's investment objective and focus. Upon obtaining preliminary approval for the investment, the Investment Department will conduct a detailed due diligence process including legal, financial and operational due diligence. A final assessment along with valuation and investment recommendation on the proposed investment will be submitted to the Investment Committee for final approval. Investments will be made after the execution of transaction documents and satisfaction of conditions precedent therein. During the investment period, the Investment Department will conduct ongoing monitoring and engage in regular communication with the management of the investee company.

All investments made by each Fund that our Group manages shall be subject to the approval of respective Fund's investment committee. For the avoidance of doubt, where our Group's subsidiaries act as fund managers, they will be part of the investment committee of the respective Funds. For investments valuing above S\$60.0 million (or RMB300.0 million or equivalent value in other currencies) and/or requiring an announcement to be made, they will be tabled to Group Investment Committee prior to seeking approval from the Board for the investment proposal.

In the event that our Group manages its own GP Funds or launch co-GP Funds, and where the investment opportunity may fall within the mandate or strategy of more than one (1) Fund Investment, the Investment Committee will discuss, with the recommendation of the CIO – Singapore or CIO – PRC, in good faith the allocation of such investment opportunity. In coming to a determination on the allocation of such investment opportunity, the Investment Committee may consider the:

- (i) presence of any pre-emptive rights;
- (ii) nature of investment – property type, investment size, risk profile, location, holding structure and currency risk;
- (iii) investment returns and investment hurdles of the Fund Investments;
- (iv) availability of financial resources, where applicable, the certainty of funding, type of funding, the amount of committed capital available for investment, availability of loan financing and the corresponding cost of capital for the different financial resources. In the case of private equity closed-end funds, the amount of committed funds available for investment (in total and within the diversification limits);
- (v) timing of transaction, where applicable, the timing constraint of the investment opportunity, if any, and the execution process;
- (vi) regulatory considerations and restrictions; and
- (vii) any other specific reasons e.g. prior experience in dealing with the counterparty.



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Taking into account the above and other considerations, if an investment opportunity is assessed to be suitable for more than one (1) Fund Investment, such investment opportunity will be further reviewed for determination as to the type of portfolio allocation to utilise and whether it is suitable for joint investment, via co-investment or otherwise, and be allocated to multiple Fund Investments. The portfolio allocation strategy will be reviewed by the Investment Committee and are subject to revisions from time to time.

This will generally be relevant in circumstances where our Group is the GP or co-GP of the Funds. Our Group is not involved in deal sourcing and investment selection for Funds where our Group invests as LP.

Our Group's Board of Directors shall provide ultimate oversight of the investment policies. Any changes to our Group's investment policies and mandates will have to be raised to our Group's Investment Committee for approval before submitting it for the Board of Directors' approval. The Investment Department will submit a proposal detailing the basis of the change or deviation as well as the impact(s) arising from the change or deviation, including the assessment on potential variance and impact on overall investment objective, return and risks, to our Group Investment Committee. The members of our Group's Investment Committee, which will comprise Chew Sutat (Lead Independent Non-Executive Director), Ren Yuanlin (Executive Chairman), Toe Teow Heng (Executive Director/Group CEO/CIO – Singapore), Liu Hua (Group CFO), and Peng Xingkui (CIO – PRC) will then review the proposal before recommending it to the Board, the ultimate approving body, for approval.

### DEBT INVESTMENT BUSINESS

As part of the Debt Investment Business, our Group invests in Debt Investments comprising fixed interest debt instruments through intermediary financial institutions for specific borrowings arranged by such intermediaries.

A small part of our business also comprise the provision of microfinancing loans in the Jiangsu Province, in the PRC and focus on serving the business financing needs of SMEs, microenterprises and individual proprietors. We operate via our headquarters located in the Jiangsu Province. From the commencement of our operations in 2010, we were authorised to engage in micro and small loan business in the Jiangsu Province, where our headquarters are located.

Through our comprehensive due diligence and application review and approval process, comprising the conduct of legal due diligence, project due diligence and basic background review on borrowers, we offer flexible, accessible and efficient micro and small loan services aiming to best match our customers' interim business financing needs, as well as approve projects and fund disbursements in relation to Debt Investments.

In respect of loan arrangements which are conducted through intermediary third parties such as other financial institutions, the due diligence undertaken by our Group with respect to direct investments would be to ascertain that the financial institutions have the requisite licence and have set up a separate trust and/or enter into entrusted loan agreements (so as to mitigate any risks involved) to undertake the direct investments. As for microfinancing loans, our Group will conduct legal due diligence (including review of licence, taxation documents, audit and credit reports) and project due diligence (including fund use, fund withdrawal plan, safeguard measures, pre-assessment report, character of customer and repayment ability) on the third party.

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During the Period Under Review, we offered loans principally under the format of term loans. A term loan provides a customer a fixed amount of short-term loan, with maturity generally within two (2) years, at an agreed interest rate within a short period after execution of the loan documents.

### **Business Process**

Our business process typically starts with identifying potential customers and covers acceptance of loan or Debt Investment application, pre-loan or Debt Investment due diligence, loan or Debt Investment application review and approval, grant of loan or Debt Investment, post-loan or Debt Investment monitoring and collection. As a local microfinance and debt investment company, we consider risk management to be an essential element for a healthy and proper functioning of our business, and have put in place a risk management system that is integrated with our business process. The following is a summary description of our business process:

#### ***Identification of Potential Customers***

Our customers are generally identified through word of mouth, visits from potential customers, referrals from banks, intermediary financial institutions such as trusts, securities brokers and Funds), wealth companies, as well as our customers.

#### ***Acceptance of Loan or Debt Investment Application***

We require a loan or Debt Investment applicant to provide certain basic information to determine whether the loan or Debt Investment application is eligible to be accepted. Loan or Debt Investment applications that do not meet our basic customer eligibility requirements are liable to be rejected by our business manager without proceeding further.

#### ***Pre-loan or Debt Investment Due Diligence***

We will proceed with detailed due diligence exercise on an applicant if the loan or Debt Investment application passes our preliminary assessment. While the scope of such due diligence exercise may vary depending on a variety of factors such as the applicant's scale of business operation, the industry of the applicant's business, the amount and term of the loan applied for or Debt Investment to be considered, and its intended usage, our due diligence exercise generally includes (i) collecting further business and financial information on the applicant; (ii) conducting on-site visits and interviews with the applicant; and (iii) assessing "soft data" from third party sources.

If a loan or Debt Investment application involves guarantees, we conduct due diligence on the guarantor(s) of the loan or Debt Investment application primarily in the same manner as that of the loan or Debt Investment applicant. On the other hand, if a loan or Debt Investment application involves collaterals, we conduct due diligence to ascertain the ownership title and validity, typically through physical inspection and obtaining the corresponding certificate of title or other ownership document(s) of the collaterals. For real property collaterals, we require a property valuation report to be issued by an independent valuer on such real property.

Based on the results of our due diligence exercise, our business manager will prepare and submit a due diligence report for internal review and approval. For loan or Debt Investment amounts equal to or exceeding RMB5.0 million, our risk management department will separately compile a risk assessment report based on separate due diligence conducted independently from our business manager.

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### ***Loan or Debt Investment Application Review and Approval***

The key terms and conditions of a loan or Debt Investment, such as the principal loan or investment amount, interest rate, quality and sufficiency of guarantees and collaterals (if any) and term of loan or Debt Investment, are considered and approved in the loan or Debt Investment application review and approval process. Loans or investment amounts in the amount of S\$1.0 million or above must be approved by our Investment Committee which is headed by our Executive Chairman, Mr. Ren Yuanlin, while loans or investment amounts in the amount of less than S\$1.0 million can be approved by our Executive Chairman, Mr. Ren Yuanlin, without seeking the approval of our Investment Committee, who as the head of our Investment Committee which comprises six (6) members, is vested with the right to veto a loan or Debt Investment application.

### ***Grant of Loans or Debt Investments***

After a loan or Debt Investment application is approved, we will proceed with the execution of loan or Debt Investment documents, which may include a term loan agreement a guarantee agreement or a collateral agreement (as applicable), or other documentation in relation to the Debt Investment. If any collateral provided is registrable, we proceed with registering our security interest in such collateral with the relevant government authorities before release of the loan or entry into the Debt Investment.

### ***Post-loan Monitoring and Collection***

We continue to monitor our customers' abilities to repay our loans and Debt Investments after drawdown. Our business managers conduct periodic site visits and gather updated information to evaluate whether there are indications that customers may have difficulty in making timely repayments, and whether there are any changes in the appearance and condition of the collaterals which may affect their market value. Our business managers are required to prepare periodic post-loan monitoring memoranda and reports, which are regularly reviewed by our risk management department to identify any potential risk of defaults at an early stage, and highlight them to our management as and when appropriate.

We generally require our customers to pay quarterly interest on our loans and Debt Investments and repay the loan or investment amount principal upon maturity of the loan or Debt Investment, and occasionally we may accept monthly instalment payments of part principal plus interest. We send advance notices to remind our customers of their payment obligations before the relevant due dates, and have in place collection procedures in the event of overdue payments.

### ***Loan or Debt Investment Extension***

Our customers may apply for term extension of their respective loan or Debt Investment before maturity of principal. The term of a loan extension, if granted at our sole discretion, generally will not exceed twelve (12) months from the date of extension. We generally do not accept loan extension application for overdue loans or Debt Investments. We consider and process an application for loan or Debt Investment extension as if it were a new loan or Debt Investment application. The application for extension of loan or Debt Investments will be reviewed and approved by the Investment Committee. The approval process entails a review of the credit record of the borrower, changes in financial position of the borrower, additional security measures such as additional collaterals or guarantees and reviewing repayment sources.

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### ***Management of Non-Performing Loans***

Our Group adopts the following policy to manage non-performing loans:

- After a loan has a default risk, our business department will promptly notify our audit and risk control department.
- If the loan is overdue for more than fifteen (15) days, our business, audit and risk, and legal affairs departments will discuss and prepare a written report to be submitted to the senior management for approval to decide whether the case should be transferred to our legal affairs department. Before any formal transfer of the case, a case disclosure meeting will be held and a representative from our legal affairs department will be designated to the case. In the event of an emergency and rapid seizure of assets is required, our legal affairs department will immediately initiate such measures after consultation with the senior management.
- For major cases that require representation by external lawyers, an in-principle agreement for such representation by external lawyers will be drafted by our legal affairs department and shall be implemented after being reviewed by the senior management and approval has been sought from our Executive Chairman.
- Our legal affairs department analyses non-performing loans on a monthly basis and submits a progress report on the handling of such non-performing loans to our Executive Chairman within the first ten (10) days of the following month, as well as copies of such progress reports to relevant heads of departments.
- Our audit and risk control department also tracks and summarises any non-performing loans which are at risk of litigation and reports the situation to the head of our legal affairs department and Executive Chairman within the first ten (10) days of the following month.
- A non-performing loan will only be written off if it is ascertained that there is no prospect of recovery for the Debt Investment Business. There were no direct write-offs during the Period Under Review. However, the movement for the provision made on credit losses against Debt Investments at amortised costs are found in note 22(b)(iv) of the section entitled “Appendix D – Reporting Auditor’s Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021” to this Document.

The non-performing Debt Investments that have been taken on by our Group differs from that retained by YSL as these were accrued due to our Group having reached an agreement with the relevant end-borrowers on the repayment arrangement for these non-performing Debt Investments.

### ***Loan Documents***

We have adopted a standard form of loan and Debt Investment documents in our business operations. The loan and Debt Investment documents are prepared, reviewed and revised by our legal affairs department as and when appropriate. The key terms in respect of grant of loans, Debt Investments, provision of guarantees and collaterals under the loan or Debt Investment documents we previously and currently adopted are substantially the same.

The key terms of our loan and Debt Investment documents typically include details of the loan or Debt Investment, use of funds, principal amount, term, interest charges, events of default and details of guarantee or collateral (if any).

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### Interest Rate

In relation to microfinancing loans, our revenue comprised principally interest income which arises from interest we charged on the micro and small loans extended to our customers. We generally adopt an initial standard rate which is benchmarked to the statutory and guiding interest rate ceilings stipulated under applicable regulatory rules, regulations and guidance (i.e. currently, four (4) times of the PBOC Benchmark Interest Rate). Depending on factors such as the background, credit history and financial status of the loan applicant, whether any securities are provided, the value of collaterals, the quality of the guarantee, and the intended use and term of the loan, and upon request from and negotiations with a loan applicant, we may agree to offer an interest rate lower than that of our standard rate on a case-by-case basis. We do not charge additional administrative fees or handling charges besides interest payments. We generally require interest payments to be settled on a quarterly basis during the term of the loan.

### Our Loan and Debt Investments Portfolio

During the Period Under Review, loans offered to and undertaken by our customers and Debt Investments generally ranged from RMB6,000 to RMB150,000,000 and RMB3,250,000 to RMB1,500,000,000 respectively, which are either backed by corporate and/or personal guarantees and/or secured with collaterals, with maturity generally within two (2) years. Repayment terms of our loans and Debt Investments are generally structured with quarterly interest payments and repayment of principal upon maturity of the loans and Debt Investments. As at 31 December 2021, approximately more than 90.0% of the loans offered to and undertaken by our customers and Debt Investments will mature within one (1) year.

The following table sets forth certain of our key operational statistics during the Period Under Review:

RMB'000	FY2019		FY2020		FY2021	
	Debt Investments (at amortised costs)	Microfinancing Loans	Debt Investments (at amortised costs)	Microfinancing Loans	Debt Investments (at amortised costs)	Microfinancing Loans
Total outstanding loans/Debt Investments receivable as at the end of the year	15,894,655	307,415	18,963,511	259,477	18,494,915	175,641
Total outstanding loans/Debt Investments receivable less allowance for impairment losses as at the end of the year	14,428,382	302,110	16,957,689	242,144	16,581,505	153,681
Total amount of new loans/Debt Investments granted/obtained during the year	13,647,168	5,100	24,015,718	407,329	21,931,820	101,743
Outstanding amount of loans to connected persons as at the end of the year <sup>(a)</sup>	–	–	–	–	177,000 <sup>(g)</sup>	–

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RMB'000	FY2019		FY2020		FY2021	
	Debt Investments (at amortised costs)	Microfinancing Loans	Debt Investments (at amortised costs)	Microfinancing Loans	Debt Investments (at amortised costs)	Microfinancing Loans
Non-performing Debt Investments as at the end of the year – Gross carrying amount <sup>(b)</sup>	2,363,915	–	3,262,969	–	3,011,078	–
Non-performing Debt Investments as at the end of the year – net of allowance for impairment losses <sup>(c)</sup>	1,655,873	–	2,187,771	–	1,726,013	–
Utilisation of allowance for impairment losses on Debt Investments during the year <sup>(d)</sup>	208,022	26,319	–	–	43,790	–
Allowance for impairment losses on Debt Investments at the end of the year	1,466,273	5,305	2,005,822	17,333	1,913,410	21,960
Debt Investments utilisation ratio <sup>(e)</sup>	12.4%	83.2%	–	–	2.2%	–
Non-performing Debt Investments utilisation ratio <sup>(f)</sup>	14.8%	–	17.2%	–	16.3%	–

### Notes:

- a. Connected persons include our Controlling Shareholders, Directors and their respective associates during the Period Under Review.
- b. Non-performing Debt Investments as at the end of the year – gross carrying amount refers to the outstanding loan amount of non-performing Debt Investments (at amortised costs) for which principal payments are past due, end-borrowers are facing litigations or extension of principal repayment date due to financial difficulties and the outstanding loan amount of microfinancing loans which are credit impaired.
- c. Non-performing Debt Investments as at the end of the year – net of allowance for impairment losses refers to the outstanding loan amount of non-performing Debt Investments (at amortised costs) for which principal payments are past due, end-borrowers are facing litigations or extension of principal repayment date due to financial difficulties, net of allowances for impairment losses and the outstanding loan amount of microfinancing loans which are credit impaired, net of allowance for impairment losses.
- d. Debt Investments utilisation amount refers to the amount of allowance for impairment losses that were utilised during the year.
- e. Debt Investments utilisation ratio is calculated by dividing the utilisation of allowance for impairment losses on Debt Investments during the year over the sum of the allowance for impairment losses on Debt Investments at the start of the year and the loss allowance recognised in profit or loss during the year.
- f. Non-performing Debt Investments ratio is calculated by dividing the non-performing Debt Investments (at amortised costs) as at the dates indicated by the total Debt Investments (at amortised costs) as at the dates indicated.
- g. This includes the RMB70 million loan from Jingjiang Runyuan to Jiangsu Qinli Thermoelectricity Co., Ltd. The remaining RMB107 million has not been disclosed as interested person transaction(s) in this Document because the loan amount will remain with YSL and will not be transferred to our Group after the Restructuring Exercise and the Proposed Spin-Off. The RMB177 million figure disclosed in the table is a reflection of the historical figure, and it is not a reflection of the outstanding amount of loans to connected persons after the Restructuring Exercise and the Proposed Spin-Off.

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Our Group recorded non-performing loan ratios on debt investments (at amortised costs) of 14.8%, 17.2% and 16.3% in FY2019, FY2020 and FY2021, respectively. Our Group has underperformed comparable peers which had an average of 4.9%, 3.0% and 2.6% in FY2018, FY2019 and FY2020, respectively. The higher non-performing loan ratios are due to our Group's more prudent stance in providing for loss allowance. To safeguard our Group's interest in the event of default, our Group has obtained collaterals from the end-borrowers through third party financial institutions for the majority of the loans. Such collaterals are project specific and cannot be used for any other purpose. As such, our Group is thus the ultimate beneficiary of the collaterals. Debt investments (at amortised costs) with collaterals have loan-to-value of an average of 46.09% from their borrowers (implying collateral coverage ratio of 1.96 times). Including the debt investments (at amortised costs) without collateral, the loan-to-value is an average of 75.0% from their borrowers (implying collateral coverage ratio of 1.21 times). Nonetheless, the majority of the debt investments (at amortised costs) without collateral include borrowers' guarantees from end-borrowers which comprise government-related entities and reputable large corporations.

Furthermore, our Group has only utilised 12.4%, 0.0% and 2.2% of the allowance for impairment losses on debt investments (at amortised costs) in FY2019, FY2020 and FY2021, respectively.

To elaborate on the more prudent stance taken by our Group in providing for loss allowance, our Group implements a three-category classification of assets compared to the industry standard of three- to five-category classification. In addition, our Group classifies a debt investment (at amortised costs) as non-performing immediately after the principal payments have passed due, compared to the industry standard of being overdue for more than ninety (90) days. Notwithstanding that the bases on deriving non-performing debt investments (at amortised costs) ratios are more prudent from its comparable peers, which resulted to the higher non-performing debt investments (at amortised costs) ratios, our Group has also implemented a defined credit monitoring system to mitigate credit risk.

Our Group has measures in place to monitor and manage such ratios, including a reporting system within its risk management department to the CIO, regular reviews conducted by the Investment Committee and adjustment of investment profiles to reduce exposure in the high non-performing ratio sector or industry.

The CIO will also report to the Audit and Risk Committee on the key ratios periodically, and Audit and Risk Committee will conduct independent risk assessments ensure that our Group's financial performance and position are not compromised. The Non-Performing Debt Investments ratio is also one of the key performance indicators of our Group to evaluate management and employee performance.

In addition, the Debt Investments (at amortised costs) team will also assist in the proactive management, as well as follow up of past due payments and recovery efforts for non-performing Debt Investments.

Our Group does not have an approved threshold for the Non-Performing Debt Investments but has in place measures to monitor and manage the Non-Performing Debt Investments ratios. If the Non-Performing Debt Investment is ascertained as there is no prospect of recovery, then the Non-Performing Debt Investment will be written off. Our Group has obtained collaterals for a majority of the loans to minimise the effect of downside risk. As a testament to its active credit risk management and debt recovery efforts, the utilisation of the allowance for impairment losses are at 12.4%, 0.0% and 2.2% of the allowance for impairment losses on debt investments (at amortised costs) in FY2019, FY2020 and FY2021, respectively.

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Please refer to the section entitled “Business – Debt Investment Business – Management of Non-Performing Loans” of this Document for more details.

### **Collateralised Loans and Debt Investments**

The tables below set forth our outstanding collateralised Debt Investments and microfinancing loans by collateral type. As at the Latest Practicable Date, our Company confirms that there are no guarantees provided by related corporations or individuals.

#### ***Debt Investments***

<b>Collateral Type</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Listed shares in the PRC	3,255,200	4,193,170	2,744,696
Unlisted shares in the PRC	1,025,000	5,523,972	3,456,250
Properties and land use rights	5,392,869	5,151,296	6,845,228
Guaranteed by government, corporations and non-related corporations	6,221,586	4,095,073	5,448,741
<b>Total</b>	<b>15,894,655</b>	<b>18,963,511</b>	<b>18,494,915</b>

#### ***Microfinancing Loans***

<b>Collateral Type</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Listed shares in the PRC	4,204	3,762	468
Unlisted shares in the PRC	24,876	33,860	10,154
Properties and land use rights	120,520	118,425	99,648
Guaranteed by non-related individuals	43,665	10,080	59,120
Guaranteed by non-related corporations	114,150	93,350	6,250
<b>Total</b>	<b>307,415</b>	<b>259,477</b>	<b>175,640</b>



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To mitigate the credit risk of collaterals via (i) guarantees by non-related individuals; (ii) guarantees by non-related corporations; and (iii) unlisted shares in PRC, our Group has in place the following measures:

(i) Guarantees by Non-Related Individuals

- Perform legal and financial due diligence on the non-related individual guarantor to ensure they are financially sound and have good standing credit record, and no criminal record or involvement in gambling; and
- Require personal property list and relevant proof of rights and interests to match the guarantee amount.

(ii) Corporate Guarantors

- Review the financial position and cash flow forecast to ensure the guarantor's ability to provide the guarantee;
- Impose financial covenants to the guarantor to ensure the financial position of the guarantor is not impaired during the guarantee period; and
- Require controlling shareholders' personal guarantee or its parent company's corporate guarantee.

(iii) Unlisted Shares in the PRC

- Review the statutory documents to ensure there is no restriction regarding the transfer and sale of the equity;
- Obtain equity pledges from non-listed companies; and
- Assess the value of the unlisted shares and its liquidity.

### Entrusted Loans

The businesses conducted by Jiangsu New Yangzi Commerce and Jingjiang Runyuan are of a different nature. Jingjiang Runyuan provides microfinance loans directly to borrowers. This requires a lending licence which Jingjiang Runyuan holds. Jiangsu New Yangzi Commerce, on the other hand, provides entrusted loans, which does not require a licence. Historically, Jiangsu New Yangzi Commerce's business of fund lending via entrusted loans offered diversified financing channels for YSL to effectively utilise YSL's surplus funds, with an objective to generate predictive income while ensuring adequate financial liquidity for projected growth. Such surplus funds of YSL would have had high opportunity cost of capital if they were unutilised and held under banks in return for deposit rate, as compared to investing the surplus funds into short-term entrusted loans that could generate up to four (4) times of the PBOC Benchmark Interest Rate. Jiangsu New Yangzi Commerce has a diversified network of licensed financial institutions that provide entrusted loan services.

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According to the provisions of the Lending General Provisions (贷款通则), the term “entrusted loans” refers to loans for which funds are provided by an entrusting party such as a government department, unit of an enterprise or institution, or an individual, of which the use is supervised and the recovery assisted by the lender (being the entrusted party) in accordance with the loan beneficiary, purpose, amount, term, interest rate, etc. determined by the entrusting party. The lender (being the entrusted party) is entitled to receive service fees but does not bear the loan risk.

As the entrusting party, Jiangsu New Yangzi Commerce will disburse funds to borrowers via entrusted financial firms (who are licensed financial intermediaries such as microfinance companies and banks). Under such arrangement, Jiangsu New Yangzi Commerce can undertake the Debt Investment Business through entrusted loan structure arrangement by conducting its business via the entrusted financial firms, as the entrusting party, and does not require a licence. This is unlike the entrusted financial firms, such as microfinance companies (like Jingjiang Runyuan) and banks, which act as the entrusted lender who directly provides loans to the borrowers and requires the requisite licence to provide such loans. The Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have confirmed that such arrangement of Jiangsu New Yangzi Commerce to undertake the Debt Investment Business through entrusted loan structure arrangement does not breach the applicable PRC Laws, and is in compliance with Jiangsu New Yangzi Commerce’s business licence.

There are three (3) parties to the entrusted loan contracts entered into by Jiangsu New Yangzi Commerce. Specifically, (a) Jiangsu New Yangzi Commerce acts as the entrusting party; (b) the licensed third-party service providers, such as banks, act as the entrusted party; and (c) end-borrowers act as the borrowers. As such, Jiangsu New Yangzi Commerce has the discretion to decide whether to enter into the entrusted loan contract with a particular end-borrower. Given that the entrusted loan contract is legally binding on all the three (3) parties, Jiangsu New Yangzi Commerce, as a party of the entrusted loan contracts, is entitled to take action against or pursue payments from the end-borrower directly. In the event of disputes with the end-borrowers or enforcement of repayment of the entrusted loans, the end-borrower is the party which Jiangsu New Yangzi Commerce can take action against or pursue payments from, given that Jiangsu New Yangzi Commerce is a party of the entrusted loan contracts. While Jiangsu New Yangzi Commerce usually enters into tripartite contracts, the entrusted loan contracts will clearly state that the licensed third-party service providers, such as the banks, are extending the loans to the end-borrowers pursuant to the entrustment of Jiangsu New Yangzi Commerce. As such, the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, as at the Latest Practicable Date, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have confirmed that Jiangsu New Yangzi Commerce would not be considered as extending loans directly to the end-borrowers under such circumstances.

Our Company confirms that, as at the Latest Practicable Date, Jiangsu New Yangzi Commerce has not been included in the Professional Lender Directory previously. Pursuant to the Minutes of the National Court Civil and Commercial Trial Work Conference (全国法院民商事审判工作会议纪要), if a same lender repeatedly engages in remunerative private lending activities within a certain period of time, the lender may be regarded as a professional lender and the loan contracts entered into by such professional lender will be regarded as invalid. The LFRB, which is the relevant PRC government authority responsible for the supervision of Debt Investment Business through entrusted loan structure arrangement of microfinance companies of Jingjiang City, has confirmed during the consultation that entrusted loan contracts with Jiangsu New Yangzi Commerce entered by microfinance companies are considered financial loan contracts and not private lending contracts. Further, the Wuxi Branch of China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会无锡监管分局), which is the relevant PRC government

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authority responsible for the supervision of Debt Investment Business through entrusted loan structure arrangement of banks of Wuxi City, has also confirmed during the consultation that entrusted loan contracts with Jiangsu New Yangzi Commerce entered by banks are considered financial loan contracts. Given the above considerations, the Legal Adviser to the Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, are of the view that the likelihood that the Debt Investment Business through entrusted loan structure arrangement conducted by Jiangsu New Yangzi Commerce via licensed third-party service providers would cause Jiangsu New Yangzi Commerce to be considered as a “professional lender” by the PRC authorities is remote. Notwithstanding the foregoing, in the unlikely event Jiangsu New Yangzi Commerce is deemed to be a professional lender, the Legal Adviser to the Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have confirmed that Jiangsu New Yangzi Commerce will still be entitled to claim back the principal amount of the loans and reasonable amount of the cost of fund (which will be determined based on the standard interest rate declared by PBOC) during the lending period under the respective agreements according to PRC Laws, but Jiangsu New Yangzi Commerce may fail to claim back the full amount of the interest of loans from the relevant borrowers. Our Company is fully aware that there may be more regulatory developments from time to time and will closely monitor the relevant regulatory updates to ensure that the risk in this regard will be well managed and controlled. The Board will monitor and oversee the compliance of our Group’s business operations with all the applicable PRC Laws relating to the conduct of the entrusted loan business and the “professional lending” requirements.

The Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have confirmed that, based on consultations with the LFRB and the Wuxi Branch of China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会无锡监管分局), which are the relevant PRC government authorities responsible for the supervision of Debt Investment Business through entrusted loan structure arrangement of microfinance companies and banks of Jingjiang City and Wuxi City respectively, Jiangsu New Yangzi Commerce’s conduct of business via entrusted financial firms/licensed third-party service and the respective contractual agreements are in compliance with all the applicable PRC Laws relating to the Debt Investment Business through entrusted loan structure arrangement including the General Rules for Loans, Measures for the Administration of Entrusted Loans of Commercial Banks and the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional). During the consultation with the Wuxi Branch of China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会无锡监管分局), the relevant officer had confirmed that (a) enterprises can provide loans via banks; (b) enterprises can continue to entrust loans via the banks in the future; and (c) the entrusted loan arrangement is common in the PRC and is in compliance with PRC Laws. The Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have confirmed that the nature of the principal business operations of Jiangsu New Yangzi Commerce was clearly made known to the Wuxi Branch of China Banking and Insurance Regulatory Commission during the interviews. The nature of the principal business operations of Jiangsu New Yangzi Commerce is primarily the conduct of Debt Investment Business through entrusted loan structure arrangement.

Jiangsu New Yangzi Commerce has not commenced any legal action against borrowers for a failure to repay and/or breach of covenants under the entrusted loan agreements.

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### Non-Compliances

As at the Latest Practicable Date, Jingjiang Runyuan had committed the non-compliances in relation to microfinancing loans under the Debt Investment Business as set out in the paragraphs below. Notwithstanding these non-compliances, the LFRB, which as advised by the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, based on public research and the Measures on Supervision and Administration of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监督管理办法), is the competent authority which has oversight of Jingjiang Runyuan's daily operations as a microfinance company and the areas of non-compliances by Jingjiang Runyuan, including in respect of the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), Notice on Strengthening Supervision and Administration of Microfinance Companies (中国银保监会办公厅关于加强小额贷款公司监督管理的通知) [2020] No. 86), Circular Concerning Promoting the Sound and Fast Development of Rural Microfinance Companies (江苏省政府办公厅关于推进农村小额贷款公司又好又快发展的意见), the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)) and Circular Concerning Adjusting and Clarifying Regulatory Policies on Rural Microfinance Companies (关于调整明确小额贷款公司部分监管政策的通知), has issued a confirmation letter on 21 January 2022 to confirm that (i) since its establishment, Jingjiang Runyuan has been perfecting its company governance structure and internal control system; (ii) Jingjiang Runyuan has complied with various regulations applicable to conduct the business of the microfinance company generally; (iii) no penalties have been imposed on Jingjiang Runyuan by the relevant regulatory authorities; and (iv) Jingjiang Runyuan is allowed to conduct its business in the future.

According to the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)), Jingjiang Runyuan is subject to irregular inspection/audit by the local Financial Bureau (地方金融监管机构) or the local Government (地方人民政府). Apart from this, for supervision purposes, the relevant PRC authorities, such as the Market Supervision Administration (市场监督管理局) and the Taxation Bureau (税务局) may also conduct irregular inspection to our Group's PRC entities. There has been no material adverse findings/observations arising from abovementioned inspections/audits of our Group's PRC entities.

### ***Balance of Loans Granted to Same Borrower***

According to the Notice on Strengthening Supervision and Administration of Microfinance Companies (中国银保监会办公厅关于加强小额贷款公司监督管理的通知) [2020] No. 86) issued by the General Office of the China Banking and Insurance Regulatory Commission dated 7 September 2020 (the "**7 September 2020 Circular**"), a microfinance company should conduct business in the county-level administrative area where the company's domicile belongs to. For microfinance companies with good management, strong risk control ability and good supervision and evaluation, with the approval of the local financial supervision department, the restrictions on business areas may be relaxed, but they shall not exceed the provincial administrative areas where the company's domicile belongs. Pursuant to the 7 September 2020 Circular, unless otherwise provided for in the network microfinance business, the balance of loans granted by a microfinance company to the same borrower shall not exceed 10.0% of the company's net assets; and the balance of loans granted to the same borrower and its related parties shall not exceed 15.0% of the company's net assets. A microfinance company shall monitor the use of loans. The use of loan shall conform to laws and regulations, national macro-control and industrial policies.

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Loans granted by a microfinance company shall not be used for: investments in stocks and financial derivatives; non-compliant financing in the real estate market; and other purposes prohibited by laws and regulations, the China Banking and Insurance Regulatory Commission and the local financial regulatory authority. As at 31 December 2021, the balance of some loans granted by Jingjiang Runyuan to the same borrower may have exceeded 10.0% of its net assets. Further, no more than 30.0% of the loans granted by Jingjiang Runyuan were used for financing in the real estate market, some of which were deemed as non-compliant financing in the real estate market. As such, some of these loans may constitute violations or breaches of the aforesaid regulations.

### ***Proportion of loans in relation to Agriculture, Farmers and Rural areas***

Pursuant to the Circular Concerning Promoting the Sound and Fast Development of Rural Microfinance Companies (江苏省政府办公厅关于推进农村小额贷款公司又好又快发展的意见) issued on 28 November 2009 by the General Office of Jiangsu Province People's Government (江苏省人民政府办公厅) and relevant regulations, the aggregate value of micro loans outstanding of total loans outstanding shall not be below 70.0%; the aggregate value of AFR micro loans (based on the definition of PBOC statistics) outstanding of total loans outstanding shall not be below 70.0%; the aggregate value of loans that last more than three months of total loans outstanding shall not be below 70.0%. As at 31 December 2021, both the (a) aggregate value of micro loans outstanding and the (b) aggregate value of AFR micro loans (based on the definition of PBOC statistics) outstanding were below 70.0% of Jingjiang Runyuan's total loans outstanding under the Debt Investment Business, which may constitute violations or breaches of the aforesaid regulations.

### ***Limit of Microfinancing Loans***

Pursuant to the Circular Concerning Adjusting and Clarifying Regulatory Policies on Rural Microfinance Companies (关于调整明确小额贷款公司部分监管政策的通知) (the "**22 September 2013 Circular**") issued on 22 September 2013 by the Jiangsu Finance Office and the Circular Concerning the Insurance of Standard of Micro Loan, a small loan shall be any loan in the amount of RMB3,000,000 or below. As at 31 December 2021, the amounts of some loans granted by Jingjiang Runyuan have exceeded the aforesaid upper limit of RMB3,000,000, which may constitute violations or breaches against the aforesaid regulations.

Pursuant to the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)) issued on 25 December 2013 by the Jiangsu Finance Office, a microfinance company with an "A" grading is eligible for a maximum entrusted loan business of 100% of its net capital. As at the Latest Practicable Date, the amount of entrusted loans granted by Jingjiang Runyuan has exceeded 100% of its net capital.

Pursuant to the Measures on Supervision and Administration of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监督管理办法) and Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), if a company is found to be in breach of the relevant notices or circulars, the local governmental authorities may as a first step, proceed with a regulatory talk with the company and require the company to rectify any non-compliance within a required time. If the company fails to complete the rectification, the local governmental authorities can report the non-compliances to the higher-level governmental authorities. Such company may be forced to suspend the creative business<sup>(1)</sup> and security business on financing, only upon approval/sanction by the higher-level governmental authorities.

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Based on the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), which includes the specific rules on the supervision and punishment of rural microfinance companies within the jurisdiction of the Jiangsu Province. The regulatory actions/penalties which the authorities may impose for each of the non-compliances are as follows:

### Non-Compliance

### Regulatory Action/Penalty

The balance of some loans granted by Jingjiang Runyuan to the same borrower may have exceeded 10.0% of its net assets

The following measures may be imposed individually or in combination, with item (1) (i.e. a regulatory talk) occurring as a first step:

- (1) Regulatory talk;
- (2) Suspend the creative business<sup>(1)</sup>;
- (3) Suspend security business; or
- (4) Limitation on financing may be imposed

Both (a) the aggregate value of micro loans outstanding and (b) the aggregate value of AFR micro loans (based on the definition of PBOC statistics) outstanding were below 70.0% of Jingjiang Runyuan's total loans outstanding under the Debt Investment Business

The following measures may be imposed individually or in combination, with item (1) (i.e. a regulatory talk) occurring as a first step:

- (1) Regulatory talk;
- (2) Suspend the creative business<sup>(1)</sup>;
- (3) Suspend security business; or
- (4) Limitation on financing may be imposed

The amounts of some loans granted by Jingjiang Runyuan have exceeded the aforesaid upper limit of RMB3,000,000

No specific penalties for this item

The total loan and entrusted loan amounts granted by our Debt Investment Business have exceeded 100.0% of the net balance of share capital

No specific penalties for this item

No more than 30.0% of our loans granted by Jingjiang Runyuan are used for financing in the real estate market, some of which were deemed as non-compliant financing in the real estate market

No specific penalties for this item

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### Note:

- (1) According to the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), "creative business" comprises "cash pool", fund transfers, letters of guarantee, insurance agencies, unified loan assistance etc.

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Under PRC Laws, real estate developers are not allowed to pay land premiums with funds obtained from financing. The provision of financing to real estate developers for construction funds are thus subject to various requirements by PBOC and CBRC. Consequently, if Jingjiang Runyuan provides loans to real estate developers to pay the land premium or provide loans to real estate developers who did not satisfy the requirements for the financing for construction funds, this will constitute a non-compliance on the part of Jingjiang Runyuan. As confirmed by our Company, no more than 30.0% of the loans granted by Jingjiang Runyuan are used for financing in the real estate market and some of these loans may not have been made in a compliant manner with the relevant laws and regulations.

The applicable requirements which Jingjiang Runyuan has breached are the Notice on Strengthening Supervision and Administration of Microfinance Companies (中国银保监会办公厅关于加强小额贷款公司监督管理的通知), which stipulates that loans granted by a microfinance company shall not be used in non-compliant financing of the real estate market. It is clarified that whilst the borrowers were reviewed on creditworthiness and security(ies), it would not be apparent solely from the review of such information as to whether the borrowers were real estate developers. Jingjiang Runyuan would have to review further information on the profile of the borrower before it can determine whether such borrower is a real estate developer. However, for the purposes of the pre-loan or Debt Investment due diligence process on these borrowers, these borrowers would usually have met the customer eligibility requirements based their financial information. While Jingjiang Runyuan was aware that some of the loans were made to real estate developers, it did not closely monitor the number of borrowers who were real estate developers and/or the usage of the loan by such real estate developers, thereby resulting in the inadvertent contravention of the relevant PRC Laws. In respect of such breaches involving loans extended to real estate developers to pay the land premium, our Group has implemented the following measures: (i) incorporating a checklist to ensure that know-your-client checks are duly conducted during the pre-loan or Debt Investment due diligence, and maintained up to date to ensure compliance with the applicable PRC Laws, and (ii) customers will be required to provide an undertaking to ensure that the use of funds are in line with the applicable PRC regulatory requirements.

The confirmation letter issued by the LFRB confirmed that no penalties have been imposed on Jingjiang Runyuan by each level of authority and Jingjiang Runyuan is allowed to continue to conduct the business in the future. Jingjiang Runyuan has also confirmed that it has not been required to attend any regulatory talk and has not received any formal notice from the LFRB to make any rectification with regard to the non-compliances.

Jingjiang Runyuan has further confirmed that it is carrying out rectification measures in the following areas: (a) Jingjiang Runyuan has not been and will not be extending the duration/tenure of the loans which are not technically in compliance with the applicable regulations, and Jingjiang Runyuan has not been and will not grant any new loans which are not in compliance with the applicable regulations; (b) Jingjiang Runyuan intends to increase its share capital after obtaining approvals from its board of directors and shareholders on or before 31 March 2022; and (c) by adopting the measures in (a) and (b) above, Jingjiang Runyuan will thereafter conduct business in compliance with all the applicable laws and regulations, particularly legal and regulatory compliance with the material aspects of its business operations. The current Board (comprising the Executive Directors) is of the view that such measures are adequate.

Considering (a) according to the confirmation letter of the LFRB, which is based on the LFRB's own internal records, there are no penalties which have been imposed by each level of the regulatory authority on Jingjiang Runyuan and Jingjiang Runyuan is allowed to continue to conduct the business in the future; (b) Jingjiang Runyuan will adopt various measures to rectify

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the non-compliances as described above; and (c) as confirmed by Jingjiang Runyuan, it has not been required to attend any regulatory talk and has also not received any formal notice from the LFRB to make any rectification, the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, is of the opinion that the risk that Jingjiang Runyuan will be forced to suspend its business by the LFRB is low and the aforesaid regulatory concerns would not be reasonably expected to have a material adverse effect on Jingjiang Runyuan's business operations. The Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, agrees with this view.

The Board and the Audit and Risk Committee will review and monitor the measures to rectify the non-compliances on an on-going basis, including engaging PRC legal advisers to advise our Group on compliance with the applicable laws and regulations, and the impact of the non-compliances on our Group's operations and licences.

The internal auditors have also conducted a review on the internal control procedures and recommended some areas of improvement, including (i) performing due diligence where practicable, defining narrow and clear pre-set conditions and setting limit for loans eligible for fast-track arrangements; (ii) ensuring loans are backed by collateral/guarantee, comply with loan to value ratio limits and ensuring deviations are properly justified; (iii) tracking credit concentration risks from loan portfolio regularly; (iv) setting up sufficiently complete compliance checklists and evaluation forms to cover requirements of the loans and investment standard operating procedures; and (v) performing proper due diligence in accordance with the investment standard operating procedures. Such recommendations have since been implemented by our Group.

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**Note:**

(1) According to the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), "creative business" comprises "cash pool", fund transfers, letters of guarantee, insurance agencies, unified loan assistance etc.

### OUR MAJOR CUSTOMERS

We derive investment income and fee-based income from Fund Investments made by our Investment Management Business. Due to the nature of our revenue model and operations, we do not have any customers.

Our customers for the Debt Investment Business comprise SMEs, micro enterprises and individual proprietors.

Our major customers which accounted for 5.0% or more of our Group's total revenue or other income from our existing operations for the Period Under Review are set out below:

Name of Customer	Industry	Business Segment	Service	FY2019	FY2020	FY2021
Customer A <sup>(1)</sup>	Government	Debt Investment Business	Provision of capital funding	8.6%	1.5%	–
Shenzhen Bainahang Asset Management Co., Ltd (深圳市百纳行资产管理有限公司)	Asset Management	Debt Investment Business	Provision of capital funding	6.0%	3.4%	–



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Name of Customer	Industry	Business Segment	Service	FY2019	FY2020	FY2021
Jiangsu Zhongli Group Co., Ltd (江苏中利集团股份有限公司)	Manufacturing	Debt Investment Business	Provision of capital funding	–	5.7%	–
Jiangyin Rongheng Real Estate Co., Ltd (江阴融恒置业有限公司)	Real Estate	Debt Investment Business	Provision of capital funding	–	6.9%	–

**Note:**

- (1) The name of Customer A has not been identified as there are confidentiality obligations pursuant to the agreement we have with Customer A. We have written to Customer A to seek consent for disclosure of its identity in this Document but consent was not provided.

There is no contribution from any major customers of our Debt Investment Business for FY2021 as the major customers for FY2019 and FY2020 had fully repaid the loans and Debt Investments (at amortised costs). Save as disclosed above, there are no other customers which each accounted for 5.0% or more of our Group’s revenue during the Period under Review.

To the best of our knowledge, as at the Latest Practicable Date, we are not aware of any information or arrangement which would lead to a cessation or termination of our relationship with any of our major customers.

As at the Latest Practicable Date, none of our Directors, Executive Officers or Substantial Shareholders or their respective associates has any interest, direct or indirect, in, and/or are involved in the management of, any of our major customers.

To the best of our knowledge and belief, there are no arrangements or understanding with any customers pursuant to which any of our Directors and Executive Officers were appointed.

### OUR MAJOR SUPPLIERS

Due to the nature of our operations, we do not have suppliers which accounted for 5.0% or more of our purchases for each of FY2019, FY2020 and FY2021.

As at the Latest Practicable Date, none of our Directors, Executive Officers or Substantial Shareholders or their respective associates has any interest, direct or indirect, in, and/or are involved in the management of, any of our suppliers.

To the best of our Directors’ knowledge and belief, there are no arrangements or understanding with any suppliers pursuant to which any of our Directors and Executive Officers were appointed.

### CREDIT TERMS

Due to the nature of our operations, we do not have trade receivables other than the microfinance loans for each of FY2019, FY2020 and FY2021. Please refer to the section entitled “Business – Debt Investment Business” of this Document for further details of the microfinance loans.

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### INVENTORY

Due to the nature of our business and operations, we do not maintain any inventory.

### SALES AND MARKETING

To raise our profile among our potential customers, and to increase our network of contacts, we may participate in and/or sponsor industry seminars and conferences from time to time. We may also undertake roadshows to target specific customers or as investors of our Funds.

Our investment management team is responsible for the formulation and planning of fund raising strategies and activities, as well as establishing relationships with customers. We may from time to time collaborate with established partners focusing on sector-specific as well as regional and global Funds and target local and international investors. Our investment management team will also identify areas and markets of interest to investors or suitable assets to seed or for injection into Funds. Our investment management team will seek to generate increased investment income and Carried Interest to enhance Return on Equity for our Group. We may also engage external agents to execute such fundraising strategies and activities.

### INSURANCE

Our Group is covered by insurance policies arranged with reputable insurance intermediaries, which cover group health insurance and risks such as property all risks and machinery breakdown. Our Group believes that we have adequate insurance coverage provided by reputable independent insurance companies, with coverage and financial limits that are commercially reasonable and appropriate, based on insurance benchmarking to the financial services industry, for a group of our size and activities in the financial services business. The adequacy of coverage is also reviewed periodically. Notwithstanding our Group's insurance coverage, damage to our facilities, equipment, machinery, buildings or other properties as a result of occurrences such as fire, explosion, power loss, communications failure, intentional unlawful act, human error or natural disaster, could nevertheless have a material adverse effect on our Group's financial condition and results of operations to the extent that such occurrences disrupt the normal operation of our Group's businesses.

### INTELLECTUAL PROPERTY

We do not own any intellectual property rights apart from our internet domain names in the course of our business. Currently, our business and profitability are not materially dependent on any intellectual property such as trademarks, patents, patent rights, licences and processes or other tangible assets. During the Period Under Review and up to the Latest Practicable Date, we did not have any dispute or any other pending legal proceedings concerning intellectual property rights.

#### Trademarks

As at the Latest Practicable Date, our Group has not registered any trademarks.

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### Domain Names

As at the Latest Practicable Date, our Group owns the following domain names:

Domain Name	Registration Date	Renewal Due Date
yangzifinancial.com	26 January 2021	26 January 2024
yangzijiangfinance.com	26 January 2021	26 January 2024
yangzijiangfinancial.com	26 January 2021	26 January 2024
yzjfinancial.com	28 January 2021	28 January 2024
yzjfin.com	28 January 2021	28 January 2024

We have not encountered any issues with the renewal of our domain names in the past. Barring any unforeseen circumstances, we do not foresee any difficulties in renewing our domain names in the future.

### MATERIAL LICENCES, PERMITS, APPROVALS AND GOVERNMENT REGULATIONS

#### Licences, Permits and Approvals

As at the Latest Practicable Date, our Group has obtained the requisite licences, permits and/or approvals for our business and operations.

Our Group has obtained the following material licences and approvals in order to carry on its Debt Investment Business and Investment Management Business in the PRC:

Name of approval/ licence/permit	Description of Approval/Licence	Licensing Body/ Authority	Date of Issue and Date of Expiry (if applicable)
<b>Jiangsu Yangchuan</b>			
Approval for the Establishment of Jiangsu Yangchuan	For the Establishment of Jiangsu Yangchuan	The Leading Group on Prevention and Disposal of Illegal Fund-raising of Jiangyin	Date of Issue: 30 December 2021  Date of Expiry: Not applicable
Approval for the Establishment of Jiangsu Yangchuan	For the Establishment of Jiangsu Yangchuan	Administration for Market Regulation of Jiangsu Province	Date of Issue: 8 February 2022  Date of Expiry: Not applicable
Business Licence	For Jiangsu Yangchuan's business registration	Administrative Examination and Approval Bureau of Jiangsu	Date of Issue: 11 February 2022  Date of Expiry: Not applicable

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Name of approval/ licence/permit	Description of Approval/Licence	Licensing Body/ Authority	Date of Issue and Date of Expiry (if applicable)
<b>Jingjiang Runyuan</b>			
Approval for the establishment of Jingjiang Runyuan	Establishment of Jingjiang Runyuan	Financial Service Office of Jiangsu Province People's Government (江苏省人民政府金融工 作办公室)	Date of Issue: 9 December 2009  Date of Expiry: Not applicable
Approval for the opening of Jingjiang Runyuan	Opening of Jingjiang Runyuan	Financial Service Office of Jiangsu Province People's Government (江苏省人民政府金融工 作办公室)	Date of Issue: 4 June 2010  Date of Expiry: Not applicable
Approval for adjusting the standard of microfinance for single-customer	Adjusting the standard of microfinance for single- customer	Leading Group Office of Rural Microfinance Organisation Pilot Work of Taizhou (泰州市农村小额贷款组 织试点工作领导小组办公室)	Date of Issue: 3 August 2010  Date of Expiry: Not applicable
Approval for Jingjiang Runyuan to conduct entrusted loan business	Conduct of Debt Investment Business through entrusted loan structure arrangement	Leading Group Office of Rural Microfinance Organisation Pilot Work of Taizhou (泰州市农村小额贷款组 织试点工作领导小组办公室)	Date of Issue: 10 September 2010  Date of Expiry: Not applicable
Approval for the conduct of financing guarantee by microfinance enterprises	Conduct of financing guarantee	Financial Service Office of Jiangsu Province People's Government (江苏省人民政府金融工 作办公室)	Date of Issue: 9 March 2011  Date of Expiry: Not applicable
Business Licence	Business registration	Administrative Examination and Approval Bureau of Jingjiang (靖江市行政审批局)	Date of Issue: 26 March 2022  Date of Expiry: 12 June 2033

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Name of approval/ licence/permit	Description of Approval/Licence	Licensing Body/ Authority	Date of Issue and Date of Expiry (if applicable)
<b>Jiangsu New Yangzi Commerce</b>			
Business Licence	Business registration	Administrative Examination and Approval Bureau of Jiangsu	Date of Issue: 28 February 2022  Date of Expiry: 1 June 2070
Consultation letter regarding the establishment of Jiangsu New Yangzi Commerce	For the establishment of Jiangsu New Yangzi Commerce	Administration for Market Regulation of Jiangsu Province	Date of Issue: 28 April 2020  Date of Expiry: Not applicable
Approval for the Establishment of Jiangsu New Yangzi Commerce	For the establishment of Jiangsu New Yangzi Commerce	The Leading Group on Prevention and Disposal of Illegal Fund-raising of Jiangyin	Date of Issue: 29 April 2020  Date of Expiry: Not applicable
Approval for the Establishment of Jiangsu New Yangzi Commerce	For the establishment of Jiangsu New Yangzi Commerce	Administration for Market Regulation of Jiangsu Province	Date of Issue: 2 June 2020  Date of Expiry: Not applicable

The LFRB, which as advised by the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, based on public research and the Measures on Supervision and Administration of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监督管理办法), is the competent authority which has oversight of Jingjiang Runyuan's daily operations as a microfinance company and the areas of non-compliances by Jingjiang Runyuan, including in respect of the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), "Notice on Strengthening Supervision and Administration of Microfinance Companies (中国银保监会办公厅关于加强小额贷款公司监督管理的通知) [2020] No. 86), Circular Concerning Promoting the Sound and Fast Development of Rural Microfinance Companies (江苏省政府办公厅关于推进农村小额贷款公司又好又快发展的意见), the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)) and Circular Concerning Adjusting and Clarifying Regulatory Policies on Rural Microfinance Companies (关于调整明确小额贷款公司部分监管政策的通知), has issued a confirmation letter on 21 January 2022 to confirm that (i) since its establishment, Jingjiang Runyuan has been perfecting its company governance structure and internal control system; (ii) Jingjiang Runyuan has complied with various regulations applicable to conduct the business of the microfinance company generally; (iii) no penalties have been imposed on Jingjiang Runyuan by the relevant regulatory authorities; and (iv) Jingjiang Runyuan is allowed to conduct its business in the future.

According to the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)), Jingjiang Runyuan is subject to irregular inspection/audit by the local

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Financial Bureau (地方金融监管机构) or the local Government (地方人民政府). Apart from this, for supervision purposes, the relevant PRC authorities, such as the Market Supervision Administration (市场监督管理局) and the Taxation Bureau (税务局) may also conduct irregular inspection to our Group's PRC entities. There has been no material adverse findings/observations arising from abovementioned inspections and/or audits of our Group's PRC entities.

Based on the above confirmations, the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have advised that our Group has obtained all material licences, permits or certificates necessary to conduct our operations from the relevant government bodies in the PRC.

To the best of our Directors' knowledge, our Group has obtained all requisite licences, permits and approvals for our business operations, and is in compliance with all applicable laws and regulations that would materially affect our business operations. See the section entitled "Appendix E – Government Regulations" to this Document for further information. As at the Latest Practicable Date, none of the aforesaid licences, permits and approvals have been suspended, revoked or cancelled and to the best of our Directors' knowledge and belief, we are not aware of any facts or circumstances which would cause such licences, permits and approvals to be suspended, revoked or cancelled as the case may be, or for any applications for, or renewal of, any of these licences, permits, approvals and certificates to be rejected by the relevant authorities.

### **Applicable Government Laws and Regulations**

Please refer to "Appendix E – Government Regulations" to this Document for further details.

### **EMPLOYEE TRAINING**

We provide both internal and external training opportunities to enhance the skills set of our employees and cultivate their potential for career advancement. The objectives of our learning and development plans are to provide substantial preliminary training for new employees and continuous developmental training for existing staff. We aim to equip our employees with the necessary competencies for them to execute their present responsibilities effectively while also equipping them for future growth.

We believe that training is essential in ensuring our employees are suitably and adequately prepared to respond readily to changing policies, product and service demands, markets, organisational structure and other elements affecting the business environment. We aim to nurture an innovative and agile team dedicated to providing superior service to our customers in our competitive industry.

All employees undergo an onboarding training session with our human resource team which will provide them with an overview of our mission, vision and values. Employees from different departments may also undergo training relevant to the requirements of their roles. In addition, our investment team members are trained extensively on their product knowledge and kept abreast of emerging market trends which are required for customer engagement.

Our Group also prioritises the health and safety of our employees, and invests in our employees to ensure they have ample opportunities to develop in their personal and professional space. We arrange internal initiatives and external tie-ups with training opportunities to encourage our employees to engage in continuous learning and upskilling.

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### CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

We are committed to being a good corporate citizen in the communities we operate and recognise that the long-term success of our Group's business is closely intertwined with the health and prosperity of the communities in which we operate.

Our Group places sustainability at the core of everything we do. We are committed to growing in a responsible manner, delivering long-term economic value, and contributing to the environmental and social well-being of the communities in which we have a presence. In keeping with this commitment, sustainability-related considerations will be key aspects of our Board's strategy formulation. We have built a firm foundation that has helped make our business resilient to the sustainability and economic challenges faced by the industries that we operate in. Our Group was part of and will continue that journey after the Introduction.

Our Group celebrates diversity and there is a continuous effort to promote diversity and gender equality amongst the Board, our Executive Officers and employees. Our Group ensures effective participation and equal opportunities for leadership by our female employees.

### RESEARCH AND DEVELOPMENT

The nature of our business does not require us to carry out research and development, and our Group has neither carried out any research and development activities nor incurred any costs on research and development during the Period Under Review.

### MATERIAL PROPERTIES AND FIXED ASSETS

#### Material Properties Owned by our Group

The following table sets out details of the material property owned by our Group as at the Latest Practicable Date:

Address	Owner	Type of Right	Existing Use	Built-up area/land area (sq m)	Tenure	Encumbrances
No. 209-212 etc., Ganglong Commercial Plaza (港龙商业广场209号-212号等) (the "Ganglong Property")	Jingjiang Runyuan	Real estate ownership	Wholesale and retail land/commercial services	Land area is 3,967.5 m <sup>2</sup> / building area is 33,731.16 m <sup>2</sup>	24 September 2020 to 4 May 2052 (Land Use Rights)	Nil

Jingjiang Runyuan also leases units of its Ganglong Property and other properties to third parties for office, shop, and hospitality purposes. Apart from the Ganglong Property, Jingjiang Runyuan owns eleven (11) other properties in the PRC which are primarily used for commercial, non-residential and office purposes.

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### Material Properties Leased by our Group

The following table sets out details of the properties leased by our Group as at the Latest Practicable Date:

Address	Registered Owner	Lessor	Lessee	Purpose	Built-up area	Term of lease	Rental Amount
Room 3005, 3rd Floor, Building 2, No. 88, Chengjiang Road, Jiangyin-Jingjiang Industrial District, Jiangsu, the PRC	Jiangyin, Jiangsu-Jingjiang Industrial District Investment Development Co., Ltd. (江苏江阴-靖江工业园区投资开发有限公司)	Jiangsu Liangjiang Maker Space Technology Incubator Co., Ltd. (江苏两江创客空间科技孵化器有限公司)	Jiangsu New Yangzi Commerce	Non-residential	100 sq m	9 February 2022 to 8 February 2025	Nil
Room 3006, 3rd Floor, Building 2, No. 88 Chengjiang Road, Jiangyin-Jingjiang Industrial District, Jiangyin, Jiangsu, the PRC	Jiangsu, Jiangyin-Jingjiang Industrial District Investment Development Co., Ltd. (江苏江阴-靖江工业园区投资开发有限公司)	Jiangsu Liangjiang Maker Space Technology Incubator Co., Ltd. (江苏两江创客空间科技孵化器有限公司)	Jiangsu Yangchuan	Non-residential	100 sq m	9 February 2022 to 8 February 2025	Nil

To the best of our knowledge and belief, there are no regulatory requirements or environmental issues that may materially affect our Group's utilisation of the above properties and fixed assets.

### COMPETITION

#### Investment Management Business

We face intense competition in our Investment Management Business for investment opportunities.

Our competitors comprise primarily of managers of public and private investment Funds, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses in the jurisdictions that our Group operates in, whom we think will undertake similar investments as us, thereby having a negative impact on our AUM.

We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. At the same time, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. Additionally, we have to continue to develop and enhance our Investment Management Business in order to remain competitive.

For a discussion of the competitive risks that are faced by our Group in our operations, please refer to the section entitled "Risk Factors – Risks Relating to our Industry and Business" of this Document.



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### Debt Investment Business

According to the China Micro-credit Companies Association, as at 31 March 2021, there were a total of 6,841 microfinance companies in the PRC, of which 125, 433 and 564 microfinance companies were located in Shanghai, Guangdong Province and Jiangsu Province, respectively.<sup>(1)</sup> While we directly compete with local licensed microfinance companies in the Jiangsu Province, to a varying degree, we are also competing with Peer-to-Peer (P2P) lending platforms, rural banks, wealthy individuals and other unlicensed microfinance institutions that lend to SMEs, micro enterprises and individual proprietors with financing needs.

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#### Note:

(1) Source: China Micro-credit Companies Association, “Statistical data report of Microfinance Companies in the First Quarter of 2021”, published in 2021, <http://www.china-cmca.org/xyzx/hyzz/20210511/1741.html>, data accessed on 29 March 2022. The China Micro-credit Companies Association has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

### COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

**We are a leading Investment Management Business and Debt Investment Business in Asia, in terms of our Group’s total AUM size and/or market capitalisation, compared to other publicly listed investment management companies in Asia<sup>(1)</sup>**

***Proven track record of investment management and investment return growth***

Our Group has had a long-established presence in the PRC for over fourteen (14) years, where we have developed extensive local market insights and deal sourcing capabilities through our domestic relationships and network. We have demonstrated capabilities in identifying, structuring and executing investment strategies to generate sustainable investment returns over a long-term investment horizon.

As at 31 December 2021, our Group’s Investment Portfolio consists of 12 Fund Investments managed by twelve (12) GPs in the PRC, covering twenty-three (23) projects with an aggregate invested amount of approximately RMB4.6 billion.

***We have a well-established Debt Investment Business in the Jiangsu Province authorised to offer micro and small loan services across the province***

We have been authorised to engage in micro and small loan business in the Jiangsu Province by the Jiangsu Finance Office since 2010 and have been focusing on serving the business financing needs of SMEs, micro enterprises and individual proprietors, enabling us to gain valuable local understanding of our target customers’ financing needs as well as the business and credit environment they face. It also enables us to build a strong local brand reputation as a preferred partner for, as well as long-term and enduring relationships with, our customers.

We believe that our in-depth knowledge of the local market and credit environment owing to our long-term commitment in serving the Jiangsu Province market has enabled us to identify and build

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a solid customer base. For FY2019, FY2020 and FY2021, we granted microfinancing loans to 238, 247 and 232 customers, respectively. Our customers comprise primarily SMEs, micro enterprises and individual proprietors who operate in a variety of industries.

During the Period Under Review, our total outstanding loans and Debt Investments receivable were approximately RMB307.4 million, RMB259.5 million and RMB175.6 million and RMB15,894.7 million, RMB18,963.5 million and RMB18,494.9 million for FY2019, FY2020 and FY2021, respectively. We consider our relatively small individual loan size coupled with the diversity of industries and businesses of our customers, serve to alleviate our risk of concentration and position us to better withstand periodic business and economic cycles of different industries. Our Debt Investment Business (excluding microfinancing loans) is conducted through third parties, banks or trust structures. As such, our Group is also not required to maintain any minimum capital requirements. The Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, has confirmed that under PRC Laws, there are no requirements for entities such as Jiangsu New Yangzi Commerce, which entrust third party licensed intermediaries to provide loans, to maintain any minimum capital. The Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, concurs with Jingtian & Gongcheng's views.

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### Note:

(1) Sources: Singapore Exchange Limited, "Securities Prices", <https://www.sgx.com/securities/securities-prices>, data accessed on 29 March 2022. Singapore Exchange Limited has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

Hong Kong Exchanges and Clearing Limited, "Securities Prices – Equities", [https://www.hkex.com.hk/Market-Data/Securities-Prices/Equities?sc\\_lang=en](https://www.hkex.com.hk/Market-Data/Securities-Prices/Equities?sc_lang=en), data accessed on 29 March 2022. Hong Kong Exchanges and Clearing Limited has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

Australian Securities Exchange Ltd, "Company Directory", <https://www2.asx.com.au/markets/trade-our-cash-market/directory>, data accessed on 29 March 2022. Australian Securities Exchange Ltd has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

OANDA Business Information & Services Inc., "OANDA Currency Converter", <https://www.oanda.com/currency-converter/en/?from=HKD&to=SGD&amount=1>, data accessed on 29 March 2022. OANDA Business Information & Services Inc has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

The Financial Times Ltd., "Markets – Market Data – Equities", <https://markets.ft.com/data/equities?expandedScreener=true>, data accessed on 29 March 2022. The Financial Times Ltd. has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

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### **Strong investment capacity with deep proprietary capital pool**

#### ***Well-positioned to grow investment portfolio***

The Investment Management Business platform, underpinned by a deep war chest, being reserves of cash built up or cash stockpile forming the proprietary capital pool that will be used by our Group for investments for both organic and inorganic growth should the opportunity arise, enables us to deploy funds for growth and capitalise on new opportunities in various fast-growing markets and sectors. As at 31 December 2021, our Group had S\$18.4 million of cash and cash equivalents, as well as S\$3.4 billion of Debt Investments (at amortised costs) which is expected to mature over the next twelve (12) months. Our Group envisages that the investment principal arising from the matured Debt Investments (at amortised costs) will be recycled into (a) investments with longer investment horizon, such as private debt and mezzanine funds, under the Investment Management Business in the PRC; and (b) our newly established offshore Investment Management Business in Singapore.

With approximately RMB10.0 billion (or approximately S\$2.0 billion) of proprietary capital earmarked for offshore investments, our Group will be able to further diversify its portfolio mix to a multi-country, multi-asset and multi-sector portfolio.

Our Group's offshore investments will be subject to:

- (a) the investment policies established by our Group;
- (b) any applicable legal restrictions in Singapore as well as the different legal and regulatory restrictions across different foreign jurisdictions, depending on the source of funds (via proprietary capital in Singapore or cross-border fund via QDLP, as well as the market and/or country of origin of the assets; and
- (c) any foreign exchange regulations of foreign jurisdictions.

Some of our Group's key investment policies are as follows:

- i. Each single investment shall not be more than 10.0% of Group's total investment amount; and
- ii. Exposure to each single issuer, company, sponsor and counterparty shall not exceed 15.0% Group's total investment amount.

In addition, our Group will be able to engage in long-term investment vehicles that are especially suited to long-lived assets such as infrastructure and property, which require flexibility on the timing of any eventual exit. These assets could provide our Group with a source of sustainable investment return and resiliency throughout fluctuating business cycles. Our investments typically will have five (5) to seven (7) years of holding period. As at 31 December 2021, our Investment Portfolio's weighted average age by NAV stood at 4.8 years.

#### ***Strong capital management while upholding high regulatory standards***

The microfinance loan business is conducted by Jingjiang Runyuan. As a microfinance company, sufficient liquidity and ability to obtain debt financing when needed are among the crucial factors supporting our business development. Pursuant to the applicable laws and regulations of the PRC, the maximum amount of debt financing eligible for a microfinance company is determined

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with reference to its net capital and its accredited grading under the Microfinance Companies Regulatory Grading Scheme. More particularly, according to the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)) issued by the Jiangsu Finance Office, a microfinance company with an “AA” or “AAA” grading is eligible for a maximum debt financing of 100.0% of its net capital, as compared to the lower maximum of 50.0% of net capital allowed for microfinance companies with “BBB”, “BB” or “B” grading. A microfinance company with a stronger capital base and higher grading therefore enjoys more flexibility to leverage up and expand its loan portfolio, which in turn enhances its capacity to achieve higher profitability and better Return on Equity.

As at the Latest Practicable Date Jingjiang Runyuan has a registered capital of RMB600 million and has an accredited “A” grading by the Jiangsu Finance Office pursuant to the Microfinance Companies Regulatory Grading Scheme. As such, Jingjiang Runyuan is eligible for a maximum debt financing of 80.0% of its net capital. We believe our strong capital base coupled with our accredited grading have provided, and will continue to provide, us with the flexibility and competitive edge to excel in our core businesses and support our existing businesses.

### ***Alignment of Interests***

In addition, by putting our own capital behind our ideas, we could achieve alignment of interests between our Group and our investors, portfolio companies and other stakeholders.

### **Active portfolio management to deliver attractive risk-adjusted returns**

We believe that the combination of robust investment and risk management framework, coupled with effective asset allocation and strategy positioning are the key value drivers of our investment returns. Leveraging on our own independent in-house investment and risk management teams with in-depth local knowledge and management know-how, our Group could proactively identify quality and attractive investment projects, loans and Debt Investment opportunities, and third-party GPs, to create value for shareholders.

As at 31 December 2021, our Investment Management Business has deployed more than RMB5.0 billion of proprietary capital into various Fund Investments and has achieved cumulative historical investment returns in excess of RMB2.0 billion with an Internal Rate of Return ranging between 10.0% to 30.0%. Our Debt Investment Business has also managed to maintain our debt yield to between 10.0% to 15.0% with a default rate below 5.0% and recovery ratio of above 70.0%. The Debt Investment Business will be one of the components of our Group’s existing investment portfolio. Our Group’s current Debt Investment Business is mainly concentrated on Debt Investments (at amortised costs) as well as Venture Capital-related investments in the form of financial assets, FVTPL and investments in associated companies in the balance sheet. After the Proposed Spin-Off, it is envisaged that the business of our Group will comprise the Debt Investment Business and the Investment Management Business, which includes direct investment and the Fund/Wealth Management Business.

Notwithstanding the Proposed Spin-Off, interest income derived from the Debt Investments will still be our Group’s main revenue generator in the foreseeable future.

Our Group’s non-interest income comprises dividend income, derived through dividends earned on our investments in financial assets at FVTPL, net changes in fair values of our investments in financial assets at FVTPL, and other income including rental income from investment properties and service income earned from consultation services.

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Our Group is also adapting to changing times and markets proactively to address the evolving investment landscape, in particular with an increasing focus on ESG investing. On 20 January 2022, our Group allocated RMB900.0 million into an upcoming Venture Capital investment Fund focused on sectors such as healthcare, new materials, information technology services, smart manufacturing, new energy and ecological environment industries.

### **Strong leadership and a deep bench of investment professionals**

We have assembled a strong leadership team with in-depth experience across strategies and asset classes. On average, the leadership has about seventeen (17) years of relevant experience.

Mr. Toe, our Executive Director, CEO and CIO – Singapore, has over twenty-five (25) years of experience in Fund management and investment advisory, mergers and acquisitions, IPO deals and fundraising, throughout Asia.

Mr. Peng, our CIO – PRC, has more than ten (10) years of experience in both domestic and foreign investment management. From May 2016 to May 2017 and May 2017 to December 2019, he held the position of Director of the President's Office and the position of Investment Director of the Investment Management Department respectively in Jiangsu Yangzijiang Shipbuilding Co., Ltd., and has been the Head of the Investment Management Department of Jiangsu Yangzijiang Shipbuilding Co., Ltd. since January 2020.

The leadership team is also well supported by over forty (40) investment professionals as at 31 December 2021 providing our Group with a competitive advantage in deal sourcing and origination and extensive local market insights, domestic and cross border investment experience, as well as a track record in deal execution.

We believe that the experience, network and track record of our leadership team and investment management specialists are the principal reasons for our success in achieving significant growth for our business since its incorporation, and they will continue to play an instrumental role in our Group's success going forward.

We also believe that a company can only be as good as its employees. We intend to continue to invest in people to continually sharpen this competitive edge.

### **The ability to attract global talent**

Through our expansion into the Fund/Wealth Management Business, we will have an extensive platform to offer end-to-end domestic and international investment management solutions. We believe that our strong brand equity, opportunity to gain exposure to our top leadership and team of investment professionals with diverse skillsets, and availability of two (2) distinct Investment Management Business and Fund/Wealth Management Business platforms, will provide our Group with a competitive advantage to compete for global talents.

### **Broad and deep strategic relationships in the Greater China and Southeast Asia region**

Our Group possesses strong partnerships and networks in the Greater China and Southeast Asia region. In the process of investments and monitoring our underlying portfolio companies, we have developed long-term relationships with management consultants and management teams in various sectors, as well as substantial information concerning these sectors. We expect that the in-depth coverage and experience of our Group's investment professionals in investing across sectors throughout various stages of the economic cycle will provide our Group with access to

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ongoing market insights and deal flows. Through our industry focus and network of various prominent families, investment banks and sovereign wealth Funds, we are often able to obtain exclusive or limited access to investment opportunities with favourable valuations and terms.

### **PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS**

Currently, our Debt Investment Business conducted via the entrusted loan structure comprises 70.4% of our Group's NTA as at 31 December 2021. Upon our listing on the Mainboard of the SGX-ST, our Group intends to pare down our Debt Investment Business conducted via the entrusted loan structure to below 50.0% of our Group's NTA as at 31 December 2022 within 12 months of the Introduction and to below 30.0% of our Group's NTA as at 31 December 2023 within 24 months of the Introduction. Thereafter, it is our Group's intention to, at the end of each year, maintain the Debt Investment Business conducted via the entrusted loan structure at below 30.0% of our Group's audited NTA for the immediately preceding year. To illustrate, for FY2024, our Group will maintain the Debt Investment Business arising from the entrusted loan business at below 30.0% of our Group's audited NTA as at 31 December 2023 and for FY2025, our Group will maintain the Debt Investment Business arising from the entrusted loan business at below 30.0% of our Group's audited NTA as at 31 December 2024. Concurrently, we intend to continue to strengthen our position by pursuing growth via our Investment Management Business and by entering into the Fund/Wealth Management Business, underpinned by focused strategies to (a) grow our Investment Portfolio in the PRC; (b) recycle capital from the Debt Investment Business to Fund Investments in the Investment Management Business; (c) extend our investment footprint into Singapore by partnering prominent Fund management companies to launch co-GP Funds; (d) diversify into fast-growing sectors and new asset classes; and (e) establish the Fund/Wealth Management Business via the acquisition of a CMS-licensed fund management company or the setting up a fund management company in Singapore.

In terms of the implications on our Group's financials and operations, maintaining the Debt Investment Business arising from the entrusted loan business at below 30.0% of the preceding year's NTA will not have any material impact on our Group's financials and business operations, given that our Group has a period of twenty four (24) months after the Introduction to recycle the funds from the Debt Investment Business conducted via the entrusted loan structure to focus on Fund Investments under our Group's Investment Management Business, with a view to generate sustainable returns for our Group.

### **Strategies and Future Plans**

Our Group's vision is to become a leading investment manager in Asia, focusing on long-term value creation. We seek to create a diversified portfolio with an investment focus on growth opportunities to achieve an attractive risk-adjusted return, while providing a steady stream of dividends to shareholders through income generated from our Investment Management Business, and in the near future, our Fund/Wealth Management Business.

### ***Continue to grow our Investment Portfolio in the PRC***

We will continue to build on the track record established by our Fund Investments and strengthen our leadership position in the PRC's investment industry. Our PRC investment management team remains committed to delivering sustainable returns through disciplined investment while seeking value opportunities and building resilience into the portfolio through sector and asset diversification.

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### ***Recycle capital from the Debt Investment Business to Fund Investments in the Investment Management Business***

Pursuant to the Restructuring Exercise and as an independent investment management company, our Group will reposition its Debt Investment Business to focus on Fund Investments with a view to generate sustainable long-term returns. Jiangsu New Yangzi Commerce intends to continue entering into entrusted loan contracts via entrusted financial firms/licensed third-party service providers in the short term, subject to any changes in the relevant regulatory framework.

The investment principal arising from the matured entrusted loans will be partially recycled into investments with longer investment horizon, such as private debt and mezzanine Funds, under the Investment Management Business in the PRC. Notwithstanding this, a portion of the recycled capital will also be deployed into its newly established offshore Investment Management Business in Singapore. The reinvestment strategy will enable our Group to tap into investment opportunities in various asset classes and geographical markets, thus providing greater diversification and investment flexibility to our Investment Portfolio.

### ***Extend our investment footprint into Singapore by partnering prominent Fund management companies to launch co-GP Funds***

Our Group plans to start its Investment Management Business in Singapore via joint investments with other prominent investment management companies either as a LP or co-GP, while building on our talent pool and experiences. Our Group will decide on which prominent investment management companies to partner with by taking into consideration, amongst other factors, the management companies' scale (in terms of number of investment professionals, clientele, AUM size, deal sourcing capabilities, resources and geographical presence), scope and quality of service and products offerings; past experience and track record, as well as reputation and reliability.

As at the Latest Practicable Date, our Group has identified and is in the process of negotiating the following Fund management projects with other third parties:

<b>Fund</b>	<b>Fund Type</b>	<b>Fund Strategy</b>	<b>Investment Type</b>
Fund A	Private Equity	Control and Growth Companies	Limited Partner
Fund B	Fixed Income	Growth and Tech Companies	Co-General Partner
Fund C	Real Estate	Purpose-Built Student Accommodation in the United Kingdom	Co-General Partner
Fund D	Private Equity	Growth Companies	Co-General Partner
Fund E	Private Equity	Unicorn Opportunities	Co-General Partner
Fund F	PIPE/Equity	Absolute Returns	Co-General Partner

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### ***Diversify into fast-growing sectors and new asset classes***

We have identified a number of key strategic areas of growth, including but not limited to the following:

#### Investment Strategies

Initially, we expect that our Investment Portfolio will consist primarily of Fund Investments in the PRC. Over time, however, we expect that our portfolio will consist of a well-balanced geographical mix, with PRC and Singapore investments each accounting for 50.0% of our Group's total investment amount.

Upon the completion of the Restructuring Exercise and our listing on the Mainboard of the SGX-ST, our Group targets to deploy approximately RMB5.0 billion (or equivalent to approximately S\$1.0 billion) of its proprietary capital into offshore investments by the end of FY2022. Out of the total offshore investments, approximately 50.0% will be deployed under Investment Management Business and the remaining 50.0% will be used to seed our own-GP Funds which will be managed by our in-house CMS-licensed fund manager. We also intend to leverage on the Qualified Domestic Limited Partnership and Qualified Foreign Limited Partnership schemes in the PRC to capture cross-border investment opportunities. Apart from QDLP and QFLP, our Group can engage in overseas direct investment through various other channels, including the setting up of new overseas entities, mergers and acquisitions, purchase of company shares, etc.), after completing the necessary filing requirements under PRC Laws and obtaining the relevant permits from competent regulatory authorities, including the PRC National Development and Reform Commission (国家发展和改革委员会), the Ministry of Commerce of the PRC (商务部) and the Foreign Exchange Administration (外汇管理局). The PRC companies set-up by our Group can also invest in overseas public market investment opportunities through QDII (Qualified Domestic Institutional Investor).

#### Asset Classes

Our Group's current Investment Portfolio is primarily concentrated in Fund Investments, with underlying assets being listed and unlisted equities.

We intend to diversify into new asset classes such as private debt, mezzanine financing and REITs.

#### Geographies

Our Group's current Investment Portfolio is primarily concentrated in the PRC, which will remain as one of our core markets. We intend to diversify into Singapore, forming our second core market. We will also explore investment opportunities in emerging markets in the Asia Pacific region as well as global developed markets.

#### Key Focus/Themes

Our key focus and themes will be as follows:

- (a) Late-stage companies, which are typically growth or pre-initial public offering companies;
- (b) ESG, including clean/new energy and strategic investments in the shipping industry;



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- (c) “New Economy”, including but not limited to 5G, Big Data, AI, IoT, Supply Chain, Smart Logistics;
- (d) Real estate, particularly purpose-built student accommodation, data centres and aged care; and
- (e) Opportunistic investments, which will be intended to enhance our returns to investors. These investments may include, but are not limited to, PIPE investors, initial public offering anchor investors, and special situations.

We believe that our extensive network, track record and long-standing presence in the public and private markets in Singapore and the PRC represent a key competitive advantage. It will allow us to identify valuable, broad based and sustainable pipeline of investment opportunities to grow our businesses and thereby supporting our strategic growth objectives.

By end-FY2022, our Group targets to deploy approximately RMB5.0 billion (equivalent to approximately S\$1.0 billion) of our proprietary capital into offshore investments. Out of the S\$1.0 billion, approximately 50.0% will be deployed under Investment Management Business and the remaining 50.0% will be used to seed our own-general partner (GP) funds which will be managed by our in-house CMS-licensed fund manager.

Subsequently, our Group plans to gradually increase our offshore investments over the next five (5) years, such that our investment portfolio will consist of a well-balanced geographical mix, with onshore and offshore investments each accounting for 50.0% of our Group’s total investment amount.

### **Portfolio Allocation**

The FY2022 offshore investment allocation of approximately S\$1.0 billion is expected to be equally deployed to Investment Management Business in Singapore and the Fund/Wealth Management Business (assuming the Fund/Wealth Management Business is successfully established by FY2022), i.e. approximately S\$500 million each. This is in line with our Group’s long-term investment strategy to generate sustainable investment returns over a long-term investment horizon.

To achieve this, our Group plans to, among others:

- (a) partner other prominent investment companies for joint investments under its Investment Management Business, while building on its talent pool and experiences in order to extend its investment footprint into Singapore; and
- (b) assuming the successful establishment of Fund/Wealth Management Business, launch our own-GP Funds that invest in various asset classes and expand our Fund/Wealth Management Business to expand into managing third party investment Funds and provision of wealth management services to generate recurring fee-based income.

The long-term onshore-offshore geographical mix of 50.0%:50.0% of our Group’s total investment amount is due to:

- i. the identified core markets of our Group being the PRC and Singapore; and

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- ii. our Group's extensive network, track record and long-standing presence in the public and private markets in Singapore and the PRC.

Our Group will also tap into investment opportunities in emerging markets in the Asia Pacific region as well as global developed markets, via its PRC or Singapore proprietary capital pool.

As our Group executes our various growth strategies, we would look to deepen and/or add new capabilities to enhance and extend the capabilities of the current management team.

Our Group could strengthen its management team via:

- (a) Organic growth: building on our talent pool and collective experience by (i) employing global talents with diverse knowledge and experience, and (ii) partnering other prominent investment management companies for joint investments; and
- (b) Inorganic growth: integrating the existing management team of the target companies that may be acquired by our Group, with our Group's existing management team.

***Acquire new Fund/wealth management capabilities to distribute investment products (including own-GP Funds) and generate recurring fee-based income***

After the Introduction, our Group intends to enter into the Fund/Wealth Management Business by exploring acquisitions or investment opportunities in order to gain access to this business, including through the GEM Acquisition, and/or the acquisition of other fund management companies and/or set up our own fund/wealth management company. The source of funding for the GEM Acquisition, the acquisition of other fund managers and/or the setting up of our own fund/wealth management capabilities, will be our Company's internal sources of funds. In-principle approval from MAS for the GEM Acquisition has been obtained on 17 March 2022. Our Company intends to proceed with the signing of the sale and purchase agreements for the GEM Acquisition and the completion of the GEM Acquisition after the Introduction. We will make announcement(s) via SGXNet to apprise Shareholders of any material developments on the GEM Acquisition. Based on a review of Article 21 of the Interim Measures for the Pilot Program of Outbound Investment by the Chongqing Qualified Domestic Limited Partners (重庆市合格境内有限合伙人对外投资试点工作暂行办法) in the PRC, the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have confirmed that there is no requirement for GEM to obtain any approvals from PRC regulatory authorities such as the Chongqing Financial Supervision Bureau (重庆市金融监管局) in relation to the GEM Acquisition.

In relation to our intended GEM Acquisition, GEM is an asset management firm founded and headquartered in Singapore that holds a CMS licence. It provides asset management and family incubation services, including providing and managing an efficient and private investment platform for investors through the establishment of variable capital companies. As at the Latest Practicable Date, GEM manages three (3) Funds, namely ICH Gemini Asia Growth Fund, GEM Tech Dev Holdings (a sub-fund under the GEM Tech Holdings VCC), and Golden Ox Medical Fund (a sub-fund under the Golden Ox Fund VCC). GEM is also the fund manager of all the sub-funds under GEM Tech Holdings VCC and Golden Ox Fund VCC. The total FUM under GEM amounted to approximately S\$58.3 million as at 31 December 2021, which is held via two (2) managed Funds – ICH Gemini Asia Growth Fund (S\$58.0 million) and GEM Tech Holdings (S\$257,047). Currently, ICH Gemini Asia Growth Fund is in the midst of exiting its investments, while GEM is fundraising for its four (4) sub-funds under GEM Tech Holdings VCC and Golden Ox Fund VCC. GEM is also licensed to manage third party investment funds in Singapore.

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GEM is also in the midst of setting up a subsidiary in Chongqing, the PRC, namely, GEM (Chongqing) Private Fund Management Co., Ltd. (捷元(重庆)私募基金管理有限公司) (“**GEM (Chongqing)**”). GEM has received the QDLP “allocation quota notice” issued by the Chongqing Local Financial Supervision and Administration Bureau. The QDLP programme is one that allows foreign and domestic (PRC) asset managers to raise RMB from high net worth and institutional investors in China to be channelled towards offshore investments through a Chinese product or fund. This QDLP programme is largely based on a quota i.e. the quantum that fund managers are allowed to bring out of China for investments offshore is based on the quota granted by the SAFE to various local governments. The various local governments in turn grant a part of their allocation to each applicant for the QDLP quota. For an offshore entity to participate in the QDLP programme, it will first have to apply for the “QDLP allocation quota” from the local authority, which GEM has obtained. Subsequently, to utilise its allocated quota, the fund manager then has to be licensed under the Asset Management Association of China (“**AMAC**”) and be registered as a QDLP manager. GEM (Chongqing) is in the process of fulfilling the AMAC requirements and GEM does not foresee any difficulties in fulfilling the registration requirements. Regarding the QDLP “allocation quota notice” held by GEM, GEM has commenced the process for the renewal of the QDLP “allocation quota notice” and does not foresee any difficulties in renewing this QDLP “allocation quota notice”. With the QDLP “allocation quota notice” and the completion of the registration requirements imposed by the AMAC, it will enable GEM (Chongqing) to accept third-party investment funds in the PRC.

Our Company is of the view that GEM would be able to effectively integrate with our Group for the following reasons:

- (a) Each of Mr. Ren and Mr. Toe is a director/indirect shareholder and shareholder of GEM respectively. The Chief Compliance Officer – Singapore of our Group, Mr. Terence Lee, is also currently the Head, Director of Compliance and Operations of GEM. After the completion of the GEM Acquisition, another employee of GEM will also be joining our Group. Given this, there will be a continuity in management and employees. For the avoidance of doubt, Mr. Terence Lee will join our Group prior to the Listing Date;
- (b) In view of the familiarity of our Group’s Executive Directors and key executive with the operations of GEM, our Group expects that the process of integrating GEM’s operations with our Group will be more seamless. Our Company would like to highlight that Mr. Toe was the founding CEO of GEM and the person that had established the business processes and standard operating procedures of GEM, As Mr. Toe is our Company’s director and CEO, he will be in an advantageous position to ensure the integration of GEM’s business and operations with our Group’s;
- (c) It is envisaged that Mr. Xu Fan, the present CEO of GEM, will continue as the CEO of GEM and work with our Company and its management to ensure that GEM’s business and operations will be able to be smoothly integrated with our Group’s; and
- (d) Further, as GEM is an existing MAS CMS licensee, it would have already implemented standard operating procedures and processes expected of a CMS licensee, and would be able to integrate well with our Group’s business processes.

In the event that the GEM Acquisition is not successful, our Group will seek to expand our Fund/Wealth Management Business through acquiring other fund management companies and/or even set up our own fund management companies. See also the section entitled “Interested Person Transactions – Potential Conflict of Interests” of this Document for further details of the

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undertaking from each of Mr. Ren and Mr. Toe in the event that the GEM Acquisition does not complete without six (6) months after the Listing Date.

We also plan to launch our own-GP Funds that invest in various asset classes, which are generally aligned with our Company's overall strategy, by end of FY2022. Our Group will contribute capital into the Funds it manages and may co-invest along-side these Funds. Currently, our Group plans to seed 70.0% of Funds under its management, while the remaining 30.0% of the Funds will be from third parties. Going forward, our Group seeks to expand the Fund/Wealth Management Business under GEM or other fund management companies that we may acquire by growing our AUM and raising third-party capital to invest in various investment asset classes including but not limited to private equity, private debt, securities, and real estate. Our Group plans to contribute capital into the Funds which GEM (or other fund management companies that we may acquire) manages and may co-invest alongside these Funds. Currently, our Group intends to seed 70.0% of the FUM while the remaining 30.0% of the Funds will be seeded by third parties.

We will focus on continuing to grow management fee income through increasing the assets under management via driving organic growth potential and returns for each Investee Company, as well as distributing new Fund products and raising third party capital.

### ORDER BOOK

Due to the nature of our business and operations, we do not maintain an order book.

### TREND INFORMATION

Based on the financial performance and condition of our Group as at the Latest Practicable Date and barring any unforeseen circumstances such as further lockdowns by the Singapore and PRC governments for a prolonged period of time and/or the worsening of the COVID-19 outbreak in Singapore, the PRC and globally, we have observed that our business and results of operations for the next 12 months from the Latest Practicable Date will be affected by the following trends:

- (a) According to the World Bank, global growth is expected to decelerate from an estimated 5.5% in 2021 to 4.1% in 2022, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks. The World Bank added that global growth is projected to soften further to 3.2% in 2023, as pent-up demand wanes and supportive macroeconomic policies continue to be unwound;<sup>(1)</sup>
- (b) According to the MAS Monetary Policy Statement – January 2022, global economic prospects remain largely intact, with global GDP still forecast to expand at an above-trend pace for a second consecutive year in 2022, even as uncertainties remain. Meanwhile, Singapore's Ministry of Trade and Industry expects economic recovery to extend into 2022 with Singapore's GDP to grow at 3.0% to 5.0%. We believe that our Investment Management Business and Fund/Wealth Management Business (assuming that it is successfully established by FY2022) will benefit from the further easing of safe management measures and border restrictions. In addition, our expansion into the Singapore market should help to diversify potential risk on China's growth slowdown<sup>(2)</sup>;

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- (c) Asia is becoming a global force in capital markets, with Singapore well-poised to become one of the leading fund-raising centres in Asia. Our Group should benefit from the growing appetite and demand for investments within Singapore and Asia<sup>(3)</sup>:
- (i) in 2020, equity capital raised in the Asia Pacific region increased by two-thirds, while debt capital increased by 10.0%. The Asia Pacific accounted for more than one third of global equity proceeds as well as one-third of debt issuance for the year.
  - (ii) Singapore has a vibrant PE and IVC ecosystem, evidenced by PE/VC assets under management in Singapore having doubled over the last five (5) years. They grew by over 50.0% in 2020 despite the COVID-19 pandemic and recession, being testament to the resilience of the ecosystem. Singapore is currently home to over 370 global and regional PE/VC managers; and
  - (iii) Asia Pacific's population of ultra-high-net-worth individuals ("UHNWI") is predicted to grow by at 39.0% over the next five (5) years – much faster than the 27.0% global average, according to Knight Frank's Wealth Report 2021. By 2025, Asia will host 24.0% of all UHNWIs, up from 17.0% a decade earlier. Singapore is expected to benefit from the burgeoning wealth in the region, underpinned by its stable and progressive legal and regulatory framework, free-market credentials and wide range of Fund and wealth management solutions;<sup>(4)</sup>
- (d) We remain cognisant of the changes to laws, regulations and policies regulating the Debt Investment Business, Investment Management Business and Fund/Wealth Management Business, particularly in our core markets. For example, the Singapore government has recently announced a series of initiatives to attract promising high-growth companies and boost the capital markets<sup>(5)</sup>, including:
- (i) the Singapore government will co-invest with state investment firm Temasek in a new Fund to help companies raise capital. The Fund will start with a first tranche of S\$1.5 billion;
  - (ii) the investment arm of Singapore's Economic Development Board will establish a new Fund to invest in later-stage companies. The Fund will start with up to S\$500 million;
  - (iii) the MAS will increase its grants to help companies defray the cost of listings; and
  - (iv) the SGX-ST will help high-growth companies to raise funds privately prior to a public listing.

We believe that these initiatives will reinvigorate and fuel growth in Singapore's investment landscape, by drawing more firms to raise funds in the city-state, helping them to scale up, extract value and provide access to business connections, technology and expertise;<sup>(6)</sup>

- (e) Persistent inflation risks that led to policy tightening measures by major central banks, including the US Federal Reserve and MAS, may somewhat dampen market sentiment. In contrast, China's inflation pressures showed signs of easing, adding impetus for the PBOC to further cut its policy interest rate to stabilise economic growth<sup>(7)</sup>;
- (f) Despite the near-term outlook for global growth is somewhat clouded by various downside risks, demand for private assets is growing due to the collapse of risk premiums in other asset classes, according to the 2022 Investment Managers Outlook Survey by The

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Investment Management Association of Singapore, which represents the views of global buyside firms who manage over US\$31 trillion dollars in assets. The survey added that ESG will continue to be an important driver over the next three (3) years, with 59.0% of the respondents integrating ESG into existing strategies and more than half of them are looking into new launches of ESG and impact strategies for 2022;<sup>(8)</sup>

- (g) Shortage of required skills to support future business growth strategies and rising labour wage costs could also weigh on our margins; and
- (h) We also expect additional costs and expenses, mainly due to our foray into the Singapore market, coupled with the ongoing compliance costs of being a public listed company and our one-time listing expenses. However, based on the foregoing, such additional costs are not considered significant and would not have a material adverse effect on our Group's our business, financial condition, results of operations and prospects.

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### Notes:

- (1) Source: World Bank, "Global Economic Prospects, January 2021", published in 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/34710/9781464816123.pdf>. Washington, DC: World Bank.doi: 10.1596/978-1-4648-1612-3. Licence: Creative Commons Attribution CC BY 3.0 IGO, data accessed on 29 March 2022. The World Bank has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.
- (2) Source: MAS, "MAS Monetary Policy Statement – January 2022", published in 2022, <https://www.mas.gov.sg/news/monetary-policy-statements/2022/mas-monetary-policy-statement-25jan22>, data accessed on 29 March 2022. The MAS has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.
- (3) Source: MAS, "Singapore as a Centre for Fund – Raising in Asia" – Keynote Speech by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at Singapore Exchange Capital Markets Symposium on 17 November 2021", published in 2021, <https://www.mas.gov.sg/news/speeches/2021/singapore-as-a-centre-for-fund-raising-in-asia>, data accessed on 29 March 2022. The MAS has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.
- (4) Source: Knight Frank LLP, "The Wealth Report", published in 2021, <https://content.knightfrank.com/research/83/documents/en/the-wealth-report-2021-7865.pdf>, data accessed on 29 March 2022. Knight Frank has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.
- (5) Source: CNBC, "Singapore government announces \$1 billion new fund to boost local stock market", published in 2021, <https://www.cnbc.com/2021/09/17/singapore-government-sgx-announce-measures-to-boost-stock-market.html>, data accessed on 29 March 2022. CNBC has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

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- (6) Source: MAS, “Building Talent to Fuel the Future of Financial Services” – Keynote Speech by Dr Tan See Leng, Minister for Manpower, at the Institute of Banking and Finance Distinction Evening 2021 on 16 December 2021, published in 2021, <https://www.mas.gov.sg/news/speeches/2021/building-talent-to-fuel-the-future-of-financial-services-keynote-speech-by-dr-tan-see-leng-minister-for-manpower-at-the-institute-of-banking-and-finance-distinction-evening-2021-on-16-december-2021>, data accessed on 29 March 2022. MAS has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.
- (7) Source: The Straits Times, “China’s inflation pressures ease, adding to rate cut calls”, published in 2022, <https://www.straitstimes.com/business/economy/chinas-inflation-pressure-ease-adding-to-rate-cut-calls>, data accessed on 29 March 2022. The Straits Times has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.
- (8) Source: The Investment Management Association of Singapore, “2022 Investment Managers Outlook Survey”, published in 2022, [https://imas.org.sg/press\\_releases/singapore-investment-managers-see-growth-in-private-asset-classes-due-to-collapse-in-risk-premiums-remain-optimistic-about-growth-in-2022](https://imas.org.sg/press_releases/singapore-investment-managers-see-growth-in-private-asset-classes-due-to-collapse-in-risk-premiums-remain-optimistic-about-growth-in-2022), data accessed on 29 March 2022. The Investment Management Association of Singapore has not provided consent, for the purposes of Section 249 of the SFA, to the inclusion of the above information in this Document and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the above information has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly, none of our Company, the Issue Manager or any other party has conducted an independent review of the information or verified the accuracy of the contents of the relevant information.

Save as discussed above and in the sections entitled “Risk Factors”, “Management’s Discussion and Analysis of Results of Operations and Financial Position” and “Business – Prospects, Business Strategies and Future Plans” of this Document and barring any unforeseen circumstances, we are not aware of any significant recent trends or any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our Group’s revenue, profitability, liquidity or capital resources for at least FY2022, or that would cause the financial information disclosed in this Document to be not necessarily indicative of the future operating results or financial condition of our Group. Please also refer to the section entitled “Notice to Investors – Forward Looking Statements” of this Document.

### THE NEW DRAFT RULES BY THE CSRC

#### *The New Draft Rules*

On 24 December 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the “**Draft Administration Provisions**”), as well as Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the “**Draft Measures**”), together with the Draft Administration Provisions, the “**New Draft Rules**”) as supporting rules. The New Draft Rules were released for public comment only, and its provisions may be subject to change and the anticipated effective date remains uncertain. The deadline for submission of public comments was 23 January 2022.

Under the Draft Administration Provisions, a filing-based regulatory system will be introduced to cover both direct and indirect overseas offerings and listings. The Administration Provisions further define the legal liabilities of breaches such as failure in fulfilling filing obligations or fraudulent filing conduct.

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The Draft Measures include, amongst others, the scope of activities subject to the filing requirement and relevant criteria for determining whether an activity falls within the scope, as well as requirements on filings of overseas securities firms who provide services for overseas securities offering and listing by domestic companies.

The details of the filing procedure in the New Draft Rules for the overseas listings of indirect or direct domestic companies are as follows:

- (a) According to the New Draft Rules, a filing-based regulatory system will be introduced to cover both direct and indirect overseas offerings and listings. The filing-based regulatory system requires that when a PRC company makes an application for both direct and indirect offering and listing in an overseas market, the PRC company shall submit to the CSRC filing documents, which include but are not limited to, (i) a filing report and associated undertaking; (ii) regulatory opinions, filings or approval and related documents issued by competent industry authorities (where applicable); (iii) opinions issued by competent authorities on security assessment and review of the issuer (where applicable); (iv) legal opinion(s) issued by a domestic (PRC) law firm; and (v) a prospectus (collectively, the “**Pre-listing Filing Documents**”). According to the Draft Measures, the filing report and the legal opinion shall include such information on the issuer, such as its major subsidiaries, major domestic operating entities and control relationship. Information on the issuer’s other subsidiaries and domestic operating entities may be compiled into a classified summary and provided in the Pre-listing Filing Documents. However, the Draft Measures do not clearly specify what should be included in the associated undertakings.
- (b) The main filing process for overseas listings of indirect or direct domestic companies is as follows:
  - (i) Where an issuer makes an application for initial public offering and listing in an overseas market, the PRC entities shall submit the Pre-listing Filing Documents to the CSRC within three (3) working days after the listing application to the SGX-ST has been submitted;
  - (ii) If the Pre-listing Filing Documents are incomplete or do not conform to stipulated requirements, the CSRC can issue a single notice requesting supplementation and amendment thereto within five (5) working days after receiving the Pre-listing Filing Documents. The time taken to prepare the requested supplementation and amendment shall not be counted in the time limit for the filing; and
  - (iii) The CSRC will, within twenty (20) working days after receiving the Pre-listing Filing Documents that are deemed complete and in compliance with stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC’s website.

The details of filing procedure in the New Draft Rules for a listed issuer offering new securities are as follows:

- (a) According to the New Draft Rules, any new offering of securities by indirect or direct-listed domestic companies in an overseas market shall submit to the CSRC filing documents, which include but are not limited to: (i) a filing report and associated undertaking; (ii) legal opinion(s) issued by a domestic law firm (collectively, the “**Post-Introduction Filing Documents**”).



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- (b) The main filing process for a listed issuer offering new securities is as follows:
- (i) The PRC entities shall submit the Post-Introduction Filing Documents to the CSRC within three (3) working days after the offering is completed;
  - (ii) If the Post-Introduction Filing Documents are incomplete or do not conform to stipulated requirements, the CSRC can issue a single notice requesting supplementation and amendment thereto within five (5) working days after receiving the Post-Introduction Filing Documents. The time taken to prepare the requested supplementation and amendment shall not be counted in the time limit for the filing; and
  - (iii) The CSRC will, within twenty (20) working days after receiving the Post-Introduction Filing Documents that are deemed complete and in compliance with stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC's website.

As of the date of this Document, the New Draft Rules have not been formally adopted and it is uncertain when the New Draft Rules will take effect. None of our Company's PRC subsidiaries are required to obtain, and therefore have not obtained the filing with the CSRC for the proposed Introduction based on existing PRC Laws.

Pursuant to the New Draft Rules, our Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng, and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, understand that depending on when the New Draft Rules may take effect, the different implications are as follows:

- (a) If the New Draft Rules were to come into effect, in its proposed form, between our Company's submission of application for the proposed Introduction and the completion of the proposed Introduction, the New Draft Rules do not prescribe whether, or not, the relevant PRC entities will be required to make filing with the CSRC upon the date of effective of the New Draft Rules for the proposed Introduction.

The New Draft Rules, in their current form, do not explicitly prescribe the filing for overseas listing by PRC entities as governmental approval.

If the New Draft Rules, in their final form, provide that filing is required for any proposed overseas listing by PRC entities which have not yet completed as of the effective date of the New Draft Rules and if our Company completes the proposed Introduction after such effective date but without completing the filing procedure, the PRC entities may be subject to penalties from the CSRC and other competent authorities.

- (b) If the New Draft Rules were to come into effect, in its proposed form, after the completion of the proposed Introduction, based on the publicly available sources, such as the response of relevant officials of the CSRC to reporters' questions, the "Grandfathering principle" may be applicable, under which alternative measures may be taken in the case of such existing overseas-listed companies, such as sufficient transition period being granted for such companies who had completed their overseas listings prior to the date of implementation of the New Draft Rules. For the avoidance of doubt, the New Draft Rules do not prescribe that failure to complete filing by such companies already listed overseas will result in a loss of listing status of such companies; and

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- (c) After the New Draft Rules come into effect, in its proposed form, any indirect or direct-listed domestic companies offering new securities in overseas markets will be required to submit the Post-Introduction Filing Documents with the CSRC within three (3) working days after the offering is completed. No notification is required prior to that.

However, the provisions and anticipated effective date of the New Draft Rules are subject to change and its interpretation and implementation remain uncertain. In addition, even if the New Draft Rules come into force in the same form and content as currently proposed, the PRC governmental authorities may have wide discretion in the interpretation and enforcement of the New Draft Rules, and there can be no assurance that the PRC governmental authorities will not take a view that is contrary to or otherwise different from the opinion stated above.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### DIRECTORS

The Board of Directors is entrusted with the responsibility for the overall management of our Group. The particulars of each of our Directors as at the date of this Document are set out below:

Name	Age	Address	Country of Principal Residence	Position
Ren Yuanlin	68	c/o 80 Robinson Road #02-00 Singapore 068898	PRC	Executive Chairman
Toe Teow Heng	53	c/o 80 Robinson Road #02-00 Singapore 068898	Singapore	Executive Director, CEO and CIO – Singapore
Chew Sutat	49	c/o 80 Robinson Road #02-00 Singapore 068898	Singapore	Lead Independent Non-Executive Director
Chua Kim Leng	53	c/o 80 Robinson Road #02-00 Singapore 068898	Singapore	Independent Non-Executive Director
Yee Kee Shian, Leon	45	c/o 80 Robinson Road #02-00 Singapore 068898	Singapore	Independent Non-Executive Director

### Experience of our Directors

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Directors are set out below:

#### ***Ren Yuanlin***

Mr. Ren Yuanlin (“**Mr. Ren**”) is our Executive Chairman. He was appointed to our Board on 14 December 2021. His responsibilities include providing leadership and governance of the Board so as to create the conditions for the Board’s effectiveness, and ensuring that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Ren will also ensure that the Board as a whole plays a full and constructive part in the development and determination of our Group’s strategies and policies, and that Board decisions taken are in our Group’s best interests and fairly reflect the Board’s consensus. He will also ensure that the strategies and policies agreed by the Board are effectively implemented by the CEO and the management team. Mr. Ren is also responsible for establishing good corporate governance practices and procedures, and promoting the highest standards of integrity, probity and corporate governance throughout our Group and particularly, at the Board level.

Mr. Ren graduated with a college diploma from Jiangsu Radio and TV University in 1986.

Mr. Ren joined YSL (formerly known as Jiangyin Shiprepairing & Shipbuilding Cooperative) in July 1973 as a construction steel worker in its hull workshop. Mr. Ren has since held various roles in several areas, including technology management and production management, and was appointed as a director of the company in 1985. Mr. Ren was named as the President of YSL in January 2007, before YSL became publicly listed on the Mainboard of the SGX-ST in April 2007.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Mr. Ren was awarded the Ernst & Young Entrepreneur Award in 2011. In 2020, Mr. Ren became the Honorary Chairman of Jiangsu Yangzijiang Shipbuilding Co., Ltd..

### ***Toe Teow Heng***

Mr. Toe Teow Heng (“**Mr. Toe**”) is our Executive Director, CEO and CIO – Singapore. He was appointed to our Board on 27 January 2022 and is a member of our Investment Committee.

As CEO, Mr. Toe will be responsible for driving the Investment Management Business and Fund/Wealth Management Businesses in Singapore and the PRC. He will develop, propose and implement, with the support of the management, our Group’s strategies and policies in pursuit of our Group’s objectives. Mr. Toe will also lead the management team in the day-to-day running of our Group’s business in accordance with the business plans, and ensure that the management team gives appropriate priority to providing reports to the Board which contain relevant, accurate, timely and clear information necessary for the Board to fulfil its duties. He will also lead the communications programme with our stakeholders, including the Shareholders.

As CIO – Singapore, Mr. Toe is responsible for developing, sourcing, executing, managing and monitoring the Investment Management Business, Fund/Wealth Management Business and marketing strategies for our Group in Singapore. He will also lead the Singapore team to expand the reach and mission of our Group through new products and services.

Mr. Toe is the co-Founder of ICH Group Ltd, an investment holding group founded and headquartered in Singapore since 2000. Before joining our Group, he was the Managing Director of ICHAM Pte. Ltd., a Fund management company that holds a CMS licence in Singapore.

Mr. Toe has over twenty five (25) years of experience in Fund management and investment advisory, mergers and acquisitions, initial public offering deals and fundraising, throughout Asia. Prior to joining ICHAM Pte. Ltd., he was an investment banker at UBS AG, DBS Bank Ltd and J.P. Morgan Singapore. He was also a Fund manager of GEM, which specialises in wealth management, private equity and Venture Capital Fund management. Mr. Toe was also involved in the Fund management and investment advisory business activities of ICH-Nikko Antfactory Fund Management Pte Ltd and ICH Asset Management Pte Ltd previously.

Mr. Toe was the Independent Non-executive Director of YSL, which is listed on the Mainboard of the SGX-ST, as well as the Independent Director and Chairman of Audit Committee of Tianjin Zhong Xin Pharmaceutical Co., Ltd., which is listed on the Shanghai Stock Exchange.

Mr. Toe holds a Bachelor of Business (First Class Honours, Gold Medal) Degree from Nanyang Technological University of Singapore, and is a Chartered Financial Analyst.

### ***Chew Sutat***

Mr. Chew Sutat (“**Mr. Chew**”) is our Lead Independent Non-Executive Director. He was appointed to our Board on 25 March 2022 and is a member of our investment committee.

Mr. Chew was senior managing director and a member of Singapore Exchange Limited’s executive management team for fourteen (14) years. Prior to Singapore Exchange Limited, Mr. Chew held senior roles at Standard Chartered Bank (Singapore) Limited, OCBC Securities Private Limited and DBS Bank Ltd, where he held varying portfolios in strategic planning and business development for institutional banking and private clients.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Mr. Chew co-founded Shan De Advisors Pte. Ltd. and serves as a Non-Executive Board Member of ICHX Tech Pte. Ltd., which operates the ADDX platform in Singapore and holds a CMS licence in Singapore. He is a Fellow of Singapore Institute of Directors and the Institute of Banking and Finance Singapore, and was awarded the Global Investor Asia Capital Markets Lifetime Achievement Award in 2021.

Mr. Chew graduated with a Bachelor of Arts (First Class Honours) degree in Philosophy Politics & Economics (PPE) from Oxford University and also holds a Master of Arts degree from Oxford University. Mr. Chew also serves as Vice-Chairman of the Community Chest Singapore.

### ***Chua Kim Leng***

Mr. Chua Kim Leng (“**Mr. Chua**”) is our Independent Non-Executive Director. He was appointed to our Board on 25 March 2022 and is the Chairman of the Audit and Risk Committee.

Mr. Chua spent twenty-five (25) years of service with the MAS and last held the position of Special Advisor (Financial Supervision) before stepping down in 2018. Prior to that, Mr. Chua was the Assistant Managing Director in charge of the Banking & Insurance Group and a member of the MAS Executive Committee. In that role, he was responsible for the licensing and supervision of banks, insurance companies, finance companies and money changing & remittance companies, as well as for the anti-money laundering supervision of the financial sector.

Mr. Chua currently serves as a member of the board of directors of the Casino Regulatory Authority of Singapore, United Overseas Insurance Limited, which is listed on the Mainboard of the SGX-ST, and TEHO International Inc Ltd., which is listed on the Catalist of the SGX-ST. He is also a member of the board of directors of Sygnum Bank AG, which is the world’s first regulated digital asset bank and ICHX Tech Pte. Ltd., which operates the ADDX platform in Singapore and holds a CMS licence in Singapore.

Mr. Chua obtained a Bachelor of Business Administration (Honours) from the National University of Singapore in 1994.

He was awarded the Public Administration Medal by the President of Singapore in 2014 for his contributions to the public service.

### ***Yee Kee Shian, Leon***

Mr. Yee Kee Shian Leon (“**Mr. Yee**”) was appointed as our Independent Non-Executive Director on 25 March 2022 and appointed as the Chairman of the Nominating and Remuneration Committees. Mr. Yee has approximately two (2) decades of experience as a corporate law practitioner and is presently the Chairman of Duane Morris & Selvam LLP. He serves as the Global Head of Corporate, and leads the Banking & Finance, Energy and China practice groups.

Mr. Yee currently also serves as an independent non-executive director of FJ Benjamin Holdings Ltd, which is listed on the Mainboard of the SGX-ST. He was the former non-executive independent chairman of Pacific Star Development Limited and a former independent director of Federal International (2000) Ltd, both of which are listed on SGX-ST. He was also a former independent director of Laura Ashley Holdings Plc, a fashion company listed on the London Stock Exchange.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Mr. Yee read Law at Christ's College, Cambridge University on a Cambridge Commonwealth Trust Scholarship, where he graduated with honours in 2000. He went on to obtain a Master of Arts from Christ's College, Cambridge University in 2006. He also founded and chaired the Cambridge University Asian Lawyers Association, and established the Christ's College Cambridge-SJI Foundation Scholarship, a scholarship fund for St. Joseph Institution's students admitted to Christ's College, Cambridge University. He is an Advocate & Solicitor of the Supreme Court of Singapore and a Solicitor of England and Wales.

### Listed Company Experience

All our Directors have prior or current experience as a director of a public listed company in Singapore with the exception of Mr. Chew.

In accordance with the requirements under the Listing Manual, Mr. Chew has been briefed on the roles and responsibilities of a director of a public listed company in Singapore and will complete the prescribed mandatory training as specified under Practice Note 2.3 of the Listing Manual within one (1) year of the date of his appointment to the Board.

### Present and Past Directorships of our Directors

The list of present and past directorships of each Director over the last five (5) years preceding the date of this Document, excluding those held in our Company, is set out below:

Name	Present Directorships	Past Directorships
Mr. Ren	<p><b>Group Companies</b></p> <p>Jiangsu Yangchuan</p> <p><b>Other Companies</b></p> <p>GEM</p> <p>Jiangsu Runhua Technology Investment Co., Ltd.</p> <p>Jiangsu Yangzi Shengda Paper Technology Development Co., Ltd.</p> <p>Jiangyin Yangliuan Manor Co., Ltd.</p> <p>Jiangyin Zhongji Mining Investment Co., Ltd.</p> <p>Newyard Worldwide Holdings Ltd</p> <p>Yunnan Douyue Mining Co., Ltd.</p>	<p><b>Group Companies</b></p> <p>Jingjiang Runyuan</p> <p><b>Other Companies</b></p> <p>Jiangsu Xinfu Heavy Industry Machinery Co., Ltd.<sup>(1)</sup></p> <p>Zhuhai Leading Power Financial Leasing Co., Ltd.<sup>(1)</sup></p> <p>Jingjiang Xinyuan Investment Co., Ltd.</p> <p>Jiangsu Yangzjiang Shipbuilding Co., Ltd.</p> <p>Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.</p> <p>YSL</p>

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Name	Present Directorships	Past Directorships
Mr. Toe	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>ICH Capital Pte Ltd            ICH Gemini Asia Growth Fund Pte. Ltd.            ICH Investment Pte. Ltd.            ICH Partners Ltd            Newfort Land Pte. Ltd.            Newfort Realty Pte. Ltd.            XM Studios Pte. Ltd.            Zymmetry Investments Ltd.</p>	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>YSL            A21 Pte. Ltd.<sup>(1)</sup>            Eagle Healthcare International Pte. Ltd.            GEM            Hexaton Capital Pte. Ltd.            iCapital Holdings (SG) Pte. Ltd.            ICH China Pte. Ltd.            Prometheus (S) Pte. Ltd.            Skin Inc Global Pte. Ltd.            Tianjin Zhong Xin Pharmaceutical Group Corporation Limited            ICH Group Ltd            ICH Singapore Holdings Pte. Ltd.            ICH Gemini Healthcare RE Fund VCC            ICH Orion Healthcare Master Fund VCC</p>
Mr. Chew	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>Caregivers Alliance Pte. Ltd.            ICHX Tech Pte. Ltd.            Nanyang Technological University – NTUITIVE Pte. Ltd.            Shan De Advisors Pte. Ltd.</p>	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>Asian Gateway Investments Ltd            Asian Gateway Investments (China) Pte. Ltd.            Avalon Asia Capital Pte. Ltd.<sup>(1)</sup>            Capbridge Pte. Ltd.            Resilience Collective Ltd            Shanghai Yaxu Consultancy Company Limited</p>
Mr. Chua	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>Casino Regulatory Authority            ICHX Tech Pte. Ltd.            Sygnum Bank AG            Teho International Inc Ltd            United Overseas Insurance Ltd</p>	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>Ayumu Singapore Pte. Ltd.            Sygnum Pte. Ltd.            Ternary Asia Master Fund Pte. Ltd.            Ternary Centennial Pte. Ltd.            Ternary Fund Management Pte. Ltd.            Ternary PBP Capital Private Limited</p>

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Name	Present Directorships	Past Directorships
Mr. Yee	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>Caelius Pte. Ltd.  Cambridge Alliance Capital Pte. Ltd.  Cambridge Alliance Fund No. 1 Pte. Ltd.  Char Yong (Dabu) Foundation Limited  Christ's College, Cambridge Fund (Singapore) Limited  Ee Hoe Hean Club  F J Benjamin Holdings Ltd.  Ladderman (HK) Limited  Ladderman Limited  LHN Logistics Pte. Ltd.  Selvam LLC  St. Joseph's Institution Philanthropic Fund for the Lasallian Mission Ltd.</p>	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>Cambridge Alliance China Group Pte. Ltd.  Cambridge Alliance Global Holdings Pte. Ltd.  Cambridge Alliance Realtor Pte. Ltd.  Cambridge RE Assets Fund No. 1 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 10 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 11 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 2 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 3 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 4 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 5 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 6 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 7 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 8 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Fund No. 9 Pte. Ltd.<sup>(1)</sup>  Cambridge RE Assets Pte. Ltd.<sup>(1)</sup>  Federal International (2000) Ltd  Knightsbridge Auto Pte. Ltd.<sup>(1)</sup>  Knightsbridge Fund No. 1 Pte. Ltd.<sup>(1)</sup>  Knightsbridge Fund No. 2 Pte. Ltd.<sup>(1)</sup>  Krystal Titan Pte. Ltd.<sup>(1)</sup>  Laura Ashley Holdings Plc<sup>(2)</sup>  Pacific Star Development Limited (f.k.a. LH Group Limited)  Pentagon Football Centre Pte. Ltd.<sup>(1)</sup>  Purple Sunshine Pte. Ltd.<sup>(1)</sup>  Rabbit Colors Pte. Ltd.<sup>(1)</sup>  Sweet Orchid Pte. Ltd. <sup>(1)</sup>  The Knightsbridge Group Pte. Ltd. <sup>(1)</sup>  Yellow Lullaby Pte. Ltd. <sup>(1)</sup></p>

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**Notes:**

- (1) This company has been struck-off.
- (2) This company is in creditors' voluntary liquidation. Please refer to the section entitled "General Information – Information on Directors, Executive Officers and Controlling Shareholders" of this Document for further information.



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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### EXECUTIVE OFFICERS

Our day-to-day operations are entrusted to our Executive Directors who are assisted by our experienced and qualified Executive Officers. The particulars of our Executive Officers are set out below:

Name	Age	Address	Country of Principal Residence	Principal Occupation
Su Qing	37	c/o 80 Robinson Road #02-00 Singapore 068898	PRC	Chief Compliance Officer – PRC
Lee Kam Wah Terence	57	c/o 80 Robinson Road #02-00 Singapore 068898	Singapore	Chief Compliance Officer – Singapore
Liu Hua	46	c/o 80 Robinson Road #02-00 Singapore 068898	Singapore	CFO and COO
Peng Xingkui	39	c/o 80 Robinson Road #02-00 Singapore 068898	PRC	CIO – PRC

### Experience of our Executive Officers

The business and working experience, education and professional qualifications, if any, and areas of responsibility of our Executive Officers are set out below:

#### *Su Qing*

Mr. Su Qing (“**Mr. Su**”) is our Chief Compliance Officer – PRC, and he joined our Group in November 2007. His responsibilities include overseeing the legal compliance, corporate secretarial and risk management functions of our Group, covering the Debt Investment Business, Investment Management Business and operations in the PRC. He will also be responsible for ensuring that there are appropriate procedures and processes in place to implement policies approved by the Board, as well as adequate systems to monitor compliance with established policies and procedures.

Upon graduating from the Economic Law School of East China University of Political Science and Law, Mr. Su joined Jiangsu Yangzijiang Shipyard Co., Ltd. as a translator in November 2007. From May 2008 to June 2009 and June 2009 to October 2012, he held the positions of operating representative and investment manager respectively in Jiangsu Yangzijiang Shipyard Co., Ltd.. From October 2012 to March 2015 and March 2015 to December 2018, Mr. Su held the positions of Chief of Legal Affairs and Director of the Legal Affairs Department in Jiangsu Yangzijiang Shipbuilding Co., Ltd. and Jiangsu New Yangzi Shipbuilding Co., Ltd. respectively. He has been the Legal Director of Jiangsu Xinyang Ship Investment Co., Ltd. since January 2019.

Mr. Su graduated from the Economic Law School of East China University of Political Science and Law with a Bachelor of Science (Economic Law) in June 2007.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### ***Lee Kam Wah Terence***

Mr. Lee Kam Wah Terence (“**Mr. Lee**”) is our Chief Compliance Officer – Singapore, and he joined our Group on 31 March 2022. His responsibilities include overseeing the legal compliance, corporate secretarial and risk management functions of our Group, covering the Investment Management Business and Fund/Wealth Management Business and operations in Singapore. He will also be responsible for ensuring that there are appropriate procedures and processes in place to implement policies approved by the Board, as well as adequate systems to monitor compliance with established policies and procedures.

Mr. Lee has more than fifteen (15) years of experience in compliance and finance in the financial and banking industry. Before joining our Group, he was the Director of Compliance and Operations of GEM. Prior to that, he was the Compliance and Financial Director of Zhongtai International Asset Management and Securities Company, China Construction Bank and First Commercial Bank. He was also previously a financial manager in Citibank Singapore Limited and HSBC Bank (Singapore) Limited.

Mr. Lee graduated with a Master of Accounting, from Curtin University in 2007 and a Honours degree in Economics from London School of Economics, University of London in 1991. He is a member of CPA Australia, a Professional Member of International Compliance Association (ICA), and a Member of the Association of Anti-Money Laundering Specialist (ACAM-Association of Anti-Money Laundering Specialist).

### ***Liu Hua***

Ms. Liu Hua (“**Ms. Liu**”) is our CFO and COO. She joined YSL Group in November 2007 as Financial Controller and was re-designated as Chief Financial Officer in June 2008. Ms. Liu was re-designated as the CFO and COO of our Company following the completion of the Restructuring Exercise.

As our CFO and COO, Ms. Liu is responsible for the financial management functions, as well as the sourcing and management of funds for our Company. She will oversee matters involving treasury, accounting and capital management. Ms. Liu will also collaborate with our Executive Chairman and CEO in setting and driving our Group’s vision, operational strategy and hiring needs. She will be responsible for driving organisational excellence by overseeing our Group’s strategy, structure workflow, processes and business objectives, as well as overseeing operational matters including investment, fund management, investor relations, information technology and strategic planning.

Ms. Liu has extensive experience in finance and corporate finance management. Prior to joining our Group in November 2007, she was the financial controller of Global Container Freight Pte. Ltd. and was responsible for the overall financial functions of its subsidiaries in Singapore, the PRC, Taiwan, Malaysia, Myanmar, Cambodia, Thailand and Vietnam.

Ms. Liu graduated from Oxford Brookes University with a Bachelor’s Degree in Applied Accounting in 2003. She has been a member of the Institute of Certified Public Accountants of Singapore since 2004 and was awarded the Chartered Financial Analyst (CFA) designation by the CFA Institute in 2007. Ms. Liu was also admitted as a Fellow Member of Association of Chartered Certified Accountants in 2009.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### ***Peng Xingkui***

Mr. Peng Xingkui (“**Mr. Peng**”) is our CIO – PRC, and he joined the YSL Group in April 2015. Following the completion of the Restructuring Exercise, he was re-designated as the CIO – PRC of our Company. His responsibilities include developing, sourcing, executing, managing and monitoring the Debt Investments, Fund Investments and marketing strategies of our Group in the PRC. He will also lead the PRC team to expand the reach and mission of our Group through new products and services.

Mr. Peng has extensive experience in both domestic and foreign investment management. Prior to joining the YSL Group, Mr. Peng worked in the International Business Department of Jiangsu Jiangyin Rural Commercial Bank Co., Ltd from April 2010 to April 2015. From April 2015 to May 2016, he was the Deputy Chief of the Capital Business section of Jiangsu New Yangzi Shipbuilding Co., Ltd. From May 2016 to May 2017 and May 2017 to December 2019, Mr. Peng held the position of Director of the President’s Office and Investment Director of the Investment Management Department respectively in Jiangsu Yangzijiang Shipbuilding Co., Ltd.. He has been the Head of the Investment Management Department of Jiangsu Yangzijiang Shipbuilding Co., Ltd. since January 2020.

Mr. Peng obtained a Bachelor of Economics (International Economics and Trade) degree from Shandong University of Finance and Economics in June 2007 and a Master’s degree in Economics (International Trade) from the Nanjing University of Finance and Economics in April 2010.

### **Present and Past Directorships of our Executive Officers**

The list of present and past directorships of each Executive Officer over the last five (5) years preceding the date of this Document, excluding those held in our Company, is set out below:

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Mr. Su	<b>Group Companies</b>	<b>Group Companies</b>
	–	–
	<b>Other Companies</b>	<b>Other Companies</b>
	Jiangyin, Jiangsu-Jingjiang Industrial Park Hongsheng Trading Co., Ltd.	–
Ms. Liu	<b>Group Companies</b>	<b>Group Companies</b>
	–	–
	<b>Other Companies</b>	<b>Other Companies</b>
	Agora Shipping Pte. Ltd.	Baoling Investments Pte. Ltd. <sup>(1)</sup>
	Australian Pet Products Pty Limited	New Asia Wealth Investment
	Blackplus Investment Pte. Ltd.	Holding (SG) Pte. Ltd.
	Canon Shipping Pte. Ltd.	
	Cygnus Shipping Pte. Ltd.	
	Draco Shipping Pte. Ltd.	
	Eastern Juniper Shipping Pte. Ltd.	
	Eris Shipping Pte. Ltd.	
	Hours Shipping Pte. Ltd.	
	Hua Development Pty Ltd	
	Jiangsu Yangzi Jiasheng Terminal Co., Ltd.	
	Jiangsu Yangzijiang Offshore Oil and Gas Equipment Co., Ltd.	

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Name	Present Directorships	Past Directorships
	Ladon Shipping Pte. Ltd.	
	Lynx Shipping Pte. Ltd.	
	Marin Shipping Pte. Ltd.	
	Misty Shipping Pte. Ltd.	
	Monoceros Shipping Pte. Ltd.	
	Moses Shipping Pte. Ltd.	
	MV TW Beijing Shipping Pte. Ltd.	
	MV TW Hamburg Shipping Pte. Ltd.	
	MV TW Jiangsu Shipping Pte. Ltd.	
	MV TW Manila Shipping Pte. Ltd.	
	NewYangzi International Trading Pte. Ltd.	
	Pegasus Shipping Pte. Ltd.	
	Perseus Shipping Pte. Ltd.	
	Petguroo Holding Pte. Ltd.	
	Petguroo Singapore Pte. Ltd.	
	Pisces Shipping Pte. Ltd.	
	Procyon and Rigel Shipping Pte. Ltd.	
	Saint Shipping Pte. Ltd.	
	Seavi Advent Asia Investments (III) Pte. Ltd.	
	Shaka Shipping Pte. Ltd.	
	Taurus Shipping Pte. Ltd.	
	Virgo Shipping Pte. Ltd.	
	Warroo Australia Pty Ltd	
	Warroo Game Meats Pty Ltd	
	Yangze Aquila Shipping Pte. Ltd.	
	Yangze Bulk Shipping Pte. Ltd.	
	Yangze Crius Shipping Pte. Ltd	
	Yangze Hydra Shipping Pte. Ltd.	
	Yangze Lionet Shipping Pte. Ltd.	
	Yangze Mars Shipping Pte. Ltd.	
	Yangze Mercury Shipping Pte. Ltd.	
	Yangze Tiger 01 Shipping Pte. Ltd.	
	Yangze Tiger 02 Shipping Pte. Ltd.	
	Yangze Tiger 03 Shipping Pte. Ltd.	
	Yangze Tiger 04 Shipping Pte. Ltd.	
	Yangze Unicorn Shipping Pte. Ltd.	
	Yangze Venus Shipping Pte. Ltd.	
	Yangzijiag Express Shipping Pte. Ltd.	
	Yangzijiag International Trading Pte. Ltd.	
	Yangzijiag Shipping Pte. Ltd.	
	Yangzijiag Taihua Shipping Pte. Ltd.	
	Yangzijiag Terminals China Holding Pte. Ltd.	
	Yitian Investments Pte. Ltd.	
	YZJ Offshore Engineering Pte. Ltd.	

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Name	Present Directorships	Past Directorships
Mr. Peng	<p><b>Group Companies</b></p> <p>Jiangsu Yangchuan</p> <p><b>Other Companies</b></p> <p>Hanrui Venture Capital Co., Ltd.            Jiangyin, Jiangsu-Jingjiang Industrial            Park Yuanrun Trading Co., Ltd.            Jiangsu Ruihong Enterprise Consulting            Co., Ltd.            Jiangyin Yarun Metal Materials Co., Ltd.            Shandong Laigang Taida Garage            Co., Ltd.</p>	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>Jiangsu Qinli Thermoelectricity            Power Co., Ltd.            Jiangyin Xinyang Enterprise            Management Investment            Co., Ltd.            Jiangsu Xinyang Ship Investment            Co., Ltd.            Taixing City Liyuan Investment            Co., Ltd.</p>
Mr. Lee	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>–</p>	<p><b>Group Companies</b></p> <p>–</p> <p><b>Other Companies</b></p> <p>–</p>

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**Note:**

(1) The company has been struck off.

### **Family Relationships, Arrangements or Understandings**

There is no family relationship between any of our Directors and/or Executive Officers, or between any of our Directors, Executive Officers and Substantial Shareholders.

There is no arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or any other person, pursuant to which any of our Directors or Executive Officers was selected as our Director or Executive Officers.

None of our Executive Directors or Executive Officers will retain any executive roles in the YSL Group or ICHAM Pte. Ltd. Mr. Toe does not presently hold any executive role in ICHAM Pte. Ltd. and he is only a shareholder of ICHAM Pte. Ltd. Please refer to the section entitled “Interested Person Transactions – Potential Conflict of Interests” of this Document for further details.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### MANAGEMENT REPORTING STRUCTURE

Our management reporting structure is as follows:

**Ren Yuanlin**  
*Executive Chairman*

**Toe Teow Heng**  
*Executive Director,  
CEO and CIO – Singapore*

**Chew Sutat**  
*Lead Independent  
Non-Executive  
Director*

**Chua Kim Leng**  
*Independent  
Non-Executive Director*

**Yee Kee Shian, Leon**  
*Independent  
Non-Executive Director*

**Peng Xingkui**  
*Chief Investment  
Officer – PRC*

**Liu Hua**  
*CFO and COO*

**Su Qing**  
*Chief Compliance  
Officer – PRC*

**Lee Kam Wah  
Terence**  
*Chief Compliance  
Officer – Singapore*

### LEGAL REPRESENTATIVES

The legal representatives of each of our PRC-incorporated subsidiaries are as follows:

PRC-incorporated subsidiary	Name of legal representative	Position(s) held by the legal representative in the subsidiary
Jiangsu Yangchuan	Ren Yuanlin	Chairman and General Manager of Jiangsu Yangchuan
Jingjiang Runyuan	Lu Jianfei	Chairman and General Manager of Jingjiang Runyuan
Jiangsu New Yangzi Commerce	Gu Qiong	Chairman and General Manager of Jiangsu New Yangzi Commerce

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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The present directors of our subsidiaries are as follows:

Subsidiary	Directors
Jiangsu Yangchuan	Ren Yuanlin, Peng Xingkui, Qian Jiang
Jingjiang Runyuan	Lu Jianfei, Gu Qiong, Qian Jiang
Jiangsu New Yangzi Commerce	Gu Qiong, Qian Jiang, Zhao Liu

The external auditor of Jingjiang Runyuan and Jiangsu New Yangzi Commerce is Jiangsu Tiancheng Accounting Co., Ltd.

The external auditor of Jiangsu Yangchuan is Wuxi Hengyuan Accounting Firm.

Both Lu Jianfei and Gu Qiong are employees of our Group and have been appointed as legal representatives as they are in charge of microfinancing loans and Debt Investments respectively.

**Please refer to the section entitled “Corporate Governance – Legal Representatives” of this Document for further details in relation to the legal representatives of our PRC-incorporated subsidiaries.**

### EMPLOYEES

As at the Latest Practicable Date, we have a workforce of fifty-two (52) full-time employees.

All of our employees are based in Singapore and the PRC. We do not experience any significant seasonal fluctuations in our number of employees. We do not employ a significant number of temporary employees.

None of our employees are unionised. There has not been any incidence of work stoppages or labour disputes that affected our operations. Accordingly, we consider our relationship with our employees to be good.

The number of employees of our Group as at each of 31 December 2019, 31 December 2020 and 31 December 2021, segmented by function are as follows:

	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021
Key Management	3	3	3
Investment <sup>(1)</sup>	24	25	25
Risk Management & Compliance <sup>(2)</sup>	15	16	19
Administration & Operations <sup>(3)</sup>	2	2	2
Finance	5	5	5
<b>Total</b>	<b>49</b>	<b>51</b>	<b>54</b>

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#### Notes:

(1) Including the Group strategic investment department and investment management team.

(2) Including the risk management department, audit and risk control department and legal affairs department.

(3) Including the human resource department.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Based on our Group's present scale of finance functions in Singapore and the PRC, the Board is of the view that the finance team, comprising five (5) staff as at 31 December 2021, is adequately staffed to carry out its finance operations for the following reasons:

- (i) the complexity of our Group's structure and volume of transactions that the finance team is expected to deal with;
- (ii) the existing employees are all suitably qualified and experienced for their respective roles and function, thereby allowing the finance team to maintain their performance at an efficient level;
- (iii) our Company's management has not received any feedback from the members of the finance team that manpower is inadequate; and
- (iv) our Directors and management do not have and have not received any negative feedback on the performance of our Company's finance team.

### REMUNERATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

#### Directors and Executive Officers

The remuneration paid to our Directors and Executive Officers (which includes benefits-in-kind and bonuses) for services rendered to us on an aggregate basis and in remuneration bands of S\$250,000 during FY2020 and FY2021 (being the two (2) most recent completed financial years) and as estimated for FY2022 (excluding bonuses under any profit-sharing plan or any other profit-linked agreements or arrangements) are as follows:

	FY2020	FY2021	FY2022
<b>Directors</b>			
Ren Yuanlin	Band A	Band A	Band A
Toe Teow Heng	_(2)	_(2)	Band B
Chew Sutat	_(2)	_(2)	Band A
Chua Kim Leng	_(2)	_(2)	Band A
Yee Kee Shian, Leon	_(2)	_(2)	Band A
<b>Executive Officers</b>			
Su Qing	Band A	Band A	Band A
Lee Kam Wah Terence	_(2)	_(2)	Band A
Liu Hua	Band A	Band A	Band B
Peng Xingkui	Band A	Band A	Band A

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**Notes:**

- (1) Band A: Compensation from S\$1 to S\$250,000 per annum.
- (2) Not appointed during the relevant periods.
- (3) Band B: Compensation from S\$250,001 to S\$500,000 per annum.



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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### Related Employees

As at the Latest Practicable Date, none of our employees are immediate family members or are otherwise related to our Directors, Substantial Shareholders or Executive Officers.

The remuneration of employees who are related to our Directors, Substantial Shareholders or Executive Officers will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our 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 our Remuneration Committee. In addition, any new employment of related employees and the proposed terms of their employment will be subject to the review and approval of our Nominating Committee. In the event that a member of our Remuneration Committee or the Nominating Committee is related to the employee under review, he will abstain from the review.

In line with the Code of Corporate Governance 2018, we will disclose in our annual report details of the remuneration of employees who are Substantial Shareholders, or who are immediate family members of our Directors, Substantial Shareholders or Executive Officers, and whose remuneration exceeds S\$100,000 during the year, in bands of no wider than S\$100,000.

### SERVICE AGREEMENTS

On 31 March 2022, Our Company entered into separate service agreements (collectively, the “**Service Agreements**” and each a “**Service Agreement**”) with each of our Executive Chairman Mr. Ren, our Executive Director, CEO and CIO – Singapore Mr. Toe (collectively, the “**Executive Directors**” and each an “**Executive Director**”), and our Executive Officers.

#### Service Agreements with our Executive Directors

Each Service Agreement with our Executive Directors is for an initial period of two (2) years upon admission of our Company on the Mainboard of the SGX-ST (the “**Initial Term**”), and upon the expiry of such period, the employment of the Executive Directors will be renewed automatically for a further term of two (2) years, on the same terms upon expiry thereof unless our Company or our Executive Director provides a six (6) months’ notice in writing of its/his intention not to renew the employment. Any variation of the terms of the Executive Director’s employment as may be agreed between our Company and the Executive Director, are subject to the approval of the Board, the Remuneration Committee and/or the Shareholders (if necessary).

The Service Agreements with our Executive Directors may not be terminated by our Company or the Executive Directors by giving notice of termination during the Initial Term, but may be terminated after such term either as provided in the Service Agreements or by either party giving to the other not less than six (6) months’ written notice.

Our Company may terminate the Service Agreement with our Executive Director upon notice in writing to him if the Executive Director:

- (a) becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (b) commits any act of criminal breach of trust or dishonesty or is convicted of any criminal offence (save for an offence under any road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment);
- (c) misappropriates assets of our Group; or
- (d) reason of ill health, mental illness or injury caused by his own default, becomes unable to perform any of his duties under the Service Agreement for a period of 120 days or more.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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At any time during the employment of any of our Executive Directors, our Company, without prejudice to any remedy which it may have against him for the breach or non-compliance of any of the provisions of the Service Agreements with our Executive Directors, may terminate his employment with immediate effect if the Executive Director, in the reasonable opinion of the Board, shall:

- (a) be guilty of any wilful misconduct in the discharge of his duties hereunder;
- (b) be guilty of any act or thing which may bring serious discredit or disrepute on our Company or our Group;
- (c) be guilty of any gross default or grave misconduct in connection with or affecting the business of our Company or our Group;
- (d) be found to be disqualified from holding the office of, or acting as, a director or an executive officer of any company, pursuant to any applicable laws or rules of any stock exchange, for whatever reason, if applicable;
- (e) be found to have committed an act that is reported in general or trade press or otherwise achieves general notoriety which involves conduct that is likely to be regarded as illegal, immoral or scandalous and which, in the reasonable opinion of the Board is likely to discredit the Executive Director to a degree which materially reduces the value of his services to our Company or our Group or may discredit our Company or our Group through association with the Executive Director;
- (f) be found to be incompetent in the performance of his duties;
- (g) be found to have neglected or refused, without reasonable cause, to attend to the business of our Company or our Group;
- (h) be found to be absent (other than during periods of statutory holiday and annual leave) for an aggregate period of one hundred and twenty (120) days during the Initial Term; or
- (i) breach any material provision of the Service Agreement.

Upon termination of the Executive Director's employment under the Service Agreement, the Executive Director is not entitled to any benefits or severance payments.

Pursuant to the terms of the respective Service Agreements, each of our Executive Directors is entitled to a basic monthly salary. In addition, each of our Executive Directors is entitled to an annual incentive bonus of a sum calculated based on their personal performance as well as performance of our Group for that year, which shall be subject to annual review by the Board and the Remuneration Committee.

Under the Service Agreements with our Executive Directors, the remuneration of the Executive Directors is subject to annual review by the Board and the Remuneration Committee. The Executive Director shall abstain from voting in respect of any resolution or decision to be made by the Board in relation to the terms and renewal of his Service Agreement.

The Service Agreements with our Executive Directors contain non-solicitation provisions and restrictive covenants that apply for the duration of the agreement and for one (1) year following the termination of the respective service agreements, such as a prohibition of the solicitation of any person who at any time during the period of two (2) years before the termination of the respective service agreements was a customer, client or supplier of our Group.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Our Executive Directors had each also executed a deed of undertakings dated 1 April 2022, further details of which is set out in the section entitled “Interested Person Transactions – Potential Conflict of Interests” of this Document.

### Service Agreements with our Executive Officers

Each Service Agreement with our Executive Officers is for an initial period of two (2) years upon admission of our Company on the Mainboard of the SGX-ST (the “**Initial Period**”), and upon the expiry of such period, the employment of the Executive Officer will be renewed automatically on an annual basis, on the same terms upon expiry thereof unless our Company or the Executive Officer provides a six (6) months’ notice in writing of its/his/her intention not to renew the employment. Any variation of the terms of the Executive Officers’ employment as may be agreed between our Company and the Executive Officers, are subject to the approval of the Board, the Remuneration Committee, and/or the Shareholders (if necessary).

The Service Agreements with our Executive Directors may not be terminated by our Company or the Executive Officers by giving notice of termination during the Initial Period, but may be terminated after during term either as provided in the Service Agreements or by either party giving to the other not less than six (6) months’ written notice.

Our Company may terminate the Service Agreement with our Executive Officer upon notice in writing to him or her if the Executive Officer:

- (a) becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (b) commits any act of criminal breach of trust or dishonesty or is convicted of any criminal offence (save for an offence under any road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment);
- (c) misappropriates assets of our Group;
- (d) is or may be suffering from a mental disorder; or
- (e) reason of ill health, mental illness or injury caused by his own default, becomes unable to perform any of his duties under the Service Agreement for a period of 120 days or more.

At any time during the employment of any of our Executive Officers, our Company, without prejudice to any remedy which it may have against him or her for the breach or non-compliance of any of the provisions of the Service Agreements with our Executive Officers, may terminate his or her employment with immediate effect if he or she, in the reasonable opinion of the Board, shall:

- (a) be guilty of any wilful misconduct in the discharge of his duties hereunder;
- (b) be guilty of any act or thing which may bring serious discredit or disrepute on our Company or our Group;
- (c) be guilty of any gross default or grave misconduct in connection with or affecting the business of our Company or our Group;
- (d) be found to be disqualified from holding the office of, or acting as, a director or an executive officer of any company, pursuant to any applicable laws or rules of any stock exchange, for whatever reason, if applicable;

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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- (e) be found to have committed an act that is reported in general or trade press or otherwise achieves general notoriety which involves conduct that is likely to be regarded as illegal, immoral or scandalous and which, in the reasonable opinion of the Board is likely to discredit the Executive Officer to a degree which materially reduces the value of his services to our Company or our Group or may discredit our Company or our Group through association with the Executive Officer;
- (f) be found to be incompetent in the performance of his or her duties;
- (g) be found to have neglected or refused, without reasonable cause, to attend to the business of our Company or our Group;
- (h) be found to be absent (other than during periods of statutory holiday and annual leave) for an aggregate period of one hundred and twenty (120) days during the initial period of two (2) years; or
- (i) breach any material provision of the Service Agreement.

Upon termination of the Executive Officer's employment under the Service Agreement, the Executive Officer is not entitled to any benefits or severance payments.

Pursuant to the terms of the respective Service Agreements, each of our Executive Officers is entitled to a basic monthly salary. In addition, each of our Executive Officers is entitled to an annual incentive bonus of a sum calculated based on their personal performance as well as performance of our Group for that year, which shall be subject to annual review by the Board and the Remuneration Committee.

The Service Agreements with our Executive Officers contain non-solicitation provisions and restrictive covenants that apply for the duration of the agreement and for one (1) year following the termination of the respective service agreements, such as a prohibition of the solicitation of any person who at any time during the period of two (2) years before the termination of the respective service agreements was a customer, client or supplier of our Group.

Save as disclosed above, there are no bonus or profit sharing plans or any other profit-linked agreements or arrangements between our Company and any of our Directors or Executive Officers.

Save as disclosed above, there are no existing or proposed service contracts entered into or to be entered into by our Company or any of the subsidiaries of our Group with any of the Directors or Executive Officers which provide for compensation in the form of stock options, or pension, retirement or other similar benefits, or other benefits, upon the termination of employment with our Group.

Subject to the approvals of the Shareholders of our Company, the SGX-ST and other regulatory authorities, where necessary, the Executive Directors and Executive Officers shall be eligible to participate in any other employee scheme or plan implemented by our Company on such terms as may be determined by our Remuneration Committee at its sole and absolute discretion.

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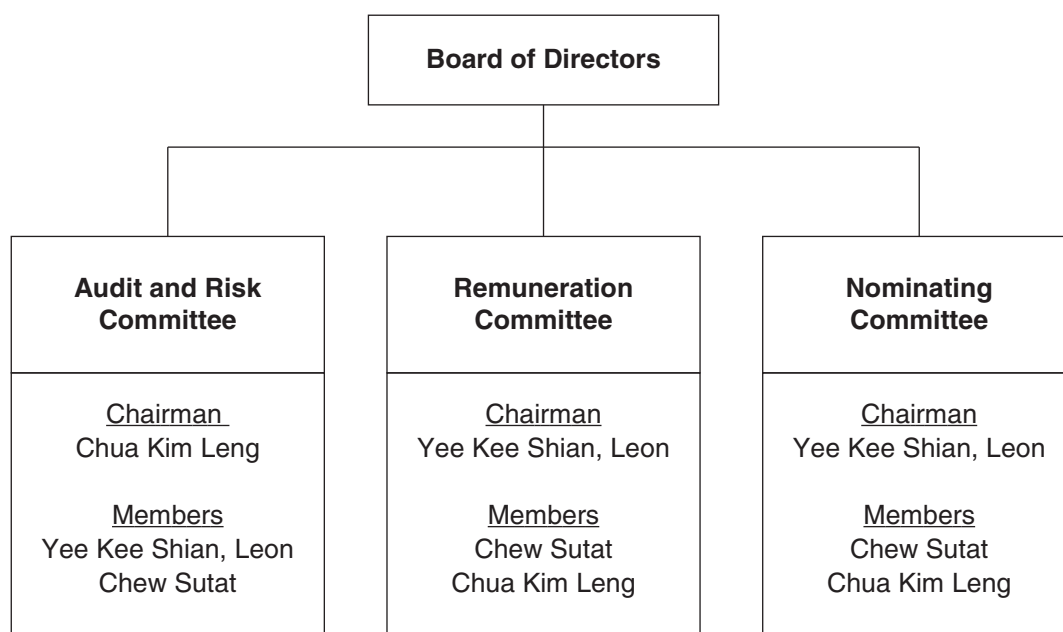
## CORPORATE GOVERNANCE

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### Corporate Governance

Corporate governance refers to the processes and structure by which the business and affairs of a company are directed and managed, in order to enhance long-term shareholder value through enhancing corporate performance and accountability. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance).

We recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will implement the good practices recommended in the Code of Corporate Governance 2018. Our Company has implemented the corporate governance model as set out below:



### Board of Directors

We have five (5) Directors on our Board, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. Our Independent Directors do not have any existing business or professional relationship with our Group, our other Directors, our Executive Officers and/or Substantial Shareholders. Our Independent Directors are also not related to our other Directors, Executive Officers and/or Substantial Shareholders.

None of our Independent Directors sit on the board of our principal subsidiaries that are based in jurisdictions other than Singapore.

Our Directors are of the view that given the current board composition and based on the above, there are sufficient safeguards and checks to ensure that the process of decision-making by our Board is independent and based on collective decision-making.

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## CORPORATE GOVERNANCE

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### Legal Representatives

As at the Latest Practicable Date, Lu Jianfei, Gu Qiong and Mr. Ren are the legal representatives of our PRC-incorporated subsidiaries, Jingjiang Runyuan, Jiangsu New Yangzi Commerce and Jiangsu Yangchuan respectively. In accordance with applicable PRC Laws, each of our legal representatives for the PRC-incorporated subsidiaries has the following powers:

- (a) to act as representative of the relevant PRC-incorporated subsidiary; and
- (b) to engage in civil activities on behalf of the PRC-incorporated subsidiary.

Under PRC Laws, the legal representative shall be appointed and removed in accordance with the articles of association of the company, and the legal representative shall be either the chairman of the board (or the executive director in case no board is formed in the company), or the general manager of the company. The change of legal representative shall be registered with the competent authorities. Further, the chairman of the board or the executive director shall be appointed by the shareholders and the general manager shall be appointed by the board or the executive director. Therefore, the legal representative can be appointed and removed by the shareholders or through the appointed board or executive director, with or without the legal representative's consent.

Based on the above and the articles of association of each of our PRC-incorporated subsidiaries, each of their respective shareholders shall be able to, either directly or indirectly, control the appointment and dismissal of their respective legal representatives.

Considering the impact in the event that a legal representative represents any of our PRC-incorporated subsidiaries without having obtained prior authorisation, our Group has implemented the following measures in respect of each of our PRC-incorporated subsidiaries:

- (a) the documents which are required to be registered with the relevant authorities to effect a change of legal representative have been executed and affixed with the company stamp (where necessary) and left undated and kept in escrow with our Company's secretary in Singapore;
- (b) the implementation of internal control systems to ensure that payments require proper approvals and there is prior authorisation as to delegation of authority;
- (c) the implementation of measures to protect the company's corporate seal, finance seal, legal representative seal and cheque books;
- (d) segregation of cash management duties, including receipts and payment procedures;
- (e) the maintenance of a register in relation to the legal representatives of each of our PRC-incorporated subsidiaries reflecting all other appointments and/or business interests (e.g. directorships, sole proprietorships, partnerships, or shareholdings above 5.0%) of the legal representative outside of our Group;
- (f) an undertaking from the legal representative to seek the approval of the executive officers of our Company prior to assuming any executive roles outside of our Group; and
- (g) our Company will ensure that controls are put in place so that physical access to the original copies of the business licences of each of our PRC-incorporated subsidiaries will be controlled by employees not related to the legal representative.

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## CORPORATE GOVERNANCE

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There are procedures set in place by our Group to appoint and remove the legal representatives of our Group's PRC subsidiaries, such as the chairman of the board automatically serving as the legal representative of our Group's PRC subsidiaries, and thus satisfying the requirements as being a director under PRC Laws, and the Articles of Association of our Group's PRC subsidiaries. The directors of our Group's PRC subsidiaries are elected by the shareholders of the PRC subsidiaries and their qualifications will be assessed by our Company before being elected by the shareholders. If the chairman of the board is changed for any reason, the legal representative will also be changed accordingly. From a legal perspective, the procedures in place to appoint and remove the legal representatives of our Group's PRC subsidiaries as stipulated in the Articles of Association of our Group's PRC subsidiaries are in compliance with the requirements of relevant PRC Laws, which is the view taken by the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons. Beyond the legal perspective and in terms of the adequacy of these measures and safeguards, our Directors are of the view that with these measures and safeguards, our Group would be able to effectively limit the risks in relation to the appointment of the legal representatives and sufficiently protect the interests of our Group.

We will monitor and periodically review the processes and procedures in relation to the appointment and removal of the legal representatives of each of our PRC-incorporated subsidiaries to ensure their effectiveness and robustness.

In safeguarding the corporate seal, finance seal, legal seal and cheque books of our Group's PRC subsidiaries, the following measures are taken:

- (1) the corporate seal, finance seal, legal seal and cheque books shall be used and kept by the administrative department;
- (2) the use of "corporate official seal" must be based on the content of the printed copy and signed by the authorised representatives of the company;
- (3) the official seal of the company is not allowed to be taken out of the company, unless for the purposes of work. The "official seal loan approval form" should be filled in in advance, and it can be taken out of the company after approval by the department head and the supervisor in charge of the administrative department;
- (4) The head of the administrative department may refuse to use the seal under the following circumstances (A) the content of the printed copy reported and issued is incorrect or the approval authority is inappropriate; (B) printed copies involving personal property, economic, legal disputes, etc.; (C) a printed copy has not been reviewed by department heads and issued and approved by authorised representatives of the company; (D) printed copies for non-employees of the company or unrelated to the company's work and business;
- (5) when the official seal custodian of the company affixes the seal, he shall review and understand the content of the seal;
- (6) the seal must be properly kept by a designated person. It shall not be lent to others or lost. There must be a record for the storage, indicating the name, number, pattern and other information of the seal;
- (7) if the seal is damaged or lost, the matter should be reported in time and the relevant departments should cooperate with the company to investigate the matter;

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## CORPORATE GOVERNANCE

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- (8) the company establishes a seal management registration form, which is monitored by a designated person once a year; and
- (9) the seal transfer must go through the formalities and fill in the “seal transfer registration form”. When the employee with the seal resigns, he must go through the procedures for returning the seal with the administrative department.

### ***Audit and Risk Committee***

Our Audit and Risk Committee, represented in the chart above, comprises Mr. Chua, Mr. Yee and Mr. Chew. The Chairman of our Audit and Risk Committee is Mr. Chua. The quorum shall be any three (3) members, including the chairman of our Audit and Risk Committee.

Our Audit and Risk Committee will assist our Board of Directors in discharging its responsibility to safeguard our assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit and Risk Committee will provide a channel of communication between our Board, our management and our external auditors on matters relating to audit.

Our Audit and Risk Committee will meet periodically to perform, among others, the following functions:

- (a) review with the internal and external auditors, the audit plans, scope of work, their evaluation of our system of internal controls, audit reports, their management letters and our management’s response, and the results of audits compiled by our internal and external auditors, and will review at regular intervals with the management the implementation by our Group of the internal control recommendations made by our internal and external auditors;
- (b) review the periodic consolidated financial statements and any formal announcements relating to our Group’s financial performance before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards, compliance with the Listing Manual and any other statutory and regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of our management, where necessary, before submission to our Board for approval;
- (c) review and report to the Board, at least annually, the adequacy and effectiveness of our Group’s internal control and procedures (including financial, operational, compliance and information technology controls) and risk management systems and have oversight of the internal control processes of our Group;
- (d) review and discuss with our internal auditors and our external auditors, any issues and concerns arising from the internal audits and our external auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on our Group’s financial performance or financial position and our management’s response;



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## CORPORATE GOVERNANCE

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- (e) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or of the findings are material, to be immediately announced via SGXNet;
- (f) review and approve all hedging policies implemented by our Group (if any) and conduct periodic review of foreign exchange transactions and hedging policies and procedures;
- (g) review the co-operation given by our management to our internal and external auditors, where applicable;
- (h) review periodically, the accuracy, effectiveness, scope of the internal and external audit, independence and objectivity of the internal and external auditors, as well as consider the appointment or re-appointment of the internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
- (i) review, on an annual basis, the processes and procedures in relation to the appointment and removal of the legal representative of our Group's PRC subsidiaries;
- (j) monitor and review the adequacy and implementation of measures to safeguard the corporate seal, finance seal, legal seal and cheque books of each of our Group's PRC subsidiaries;
- (k) receive and review at least quarterly reports from management on major risk exposures and the steps taken to monitor, control and mitigate such risks;
- (l) appoint, re-appoint or remove the accounting or auditing firm or corporation to which the internal audit function is outsourced (including the review of their fees and scope of work);
- (m) monitor the procedures in place to ensure compliance with the SFA, the Listing Manual and all applicable legislation, regulations and guidelines including notices issued by the MAS, including monitoring and overseeing the compliance of our Group's business operations with all the applicable PRC Laws relating to the conduct of the entrusted loan business and the "professional lending" requirements;
- (n) review and discuss with management the risk governance structure and their risk policies, risk mitigation and monitoring processes and procedures;
- (o) review and monitor the measures to rectify the non-compliances in relation to microfinancing loans under the Debt Investment Business on an on-going basis, including engaging PRC legal advisers to advise our Group on compliance with the applicable laws and regulations, and the impact of the non-compliances on our Group's operations and licences;
- (p) review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual and review procedures thereof;
- (q) monitor the deeds of undertaking given by our Controlling Shareholder and Executive Chairman, Mr. Ren, our Executive Director and CEO and CIO – Singapore, Mr. Toe, our CIO – PRC, Mr. Peng and our Chief Compliance Officer – PRC, Mr. Su, to ensure that the respective deeds of undertakings are complied with. For the avoidance of doubt, this would include regular monitoring and reviewing of the effectiveness of the deeds of undertakings provided by Mr. Ren, Mr. Toe, Mr. Peng and Mr. Su, including any changes to the representations, in mitigating potential conflicts of interests;

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## CORPORATE GOVERNANCE

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- (r) review and assess, from time to time, the prevailing processes put in place to manage any material conflicts of interests with the aforementioned Directors and Executive Officers and consider, where appropriate, the additional measures for the management and mitigation of such conflicts;
- (s) review potential conflicts of interest (if any) and set out a framework to resolve or mitigate any potential conflicts of interests as well as monitor compliance with such framework;
- (t) review, publicly disclose, and clearly communicate to our employees, the procedures by which employees of our Group may, in confidence, report to the chairman of our Audit and Risk Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (u) review transactions falling within the scope of Chapter 10 of the Listing Manual, if any;
- (v) review the assurance from our Chairman and Financial Controller on our financial records and financial statements;
- (w) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of our Company and any announcements relating to our financial performance;
- (x) review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time;
- (y) review the whistle-blowing policy and procedures;
- (z) undertake such other reviews and projects as may be requested by our Board, and report to our Board its findings from time to time on matter arising and requiring the attention of our Audit and Risk Committee;
- (aa) commission and review findings of internal investigations into matter where there is any suspected fraud or irregularity, failure of internal controls or infringement of any law, rules or regulations which has or is likely to have a material impact on our Group;
- (bb) make recommendations to the Board on establishing an adequate, effective and independent audit function (which can be in-house or outsourced to a reputable accounting/auditing firm or corporation) and ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience and that the internal auditors comply with the standards set by nationally or internationally recognised professional bodies;
- (cc) review the risk profile of our Group and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;
- (dd) review and establish procedures for receipt, retention and treatment of complaints received by our Group, among others, criminal offences involving our Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on our Group, and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up; and
- (ee) undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

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## CORPORATE GOVERNANCE

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### *Adequacy of Internal Controls*

In preparation for the Introduction, our Audit and Risk Committee was given an overview of our Group's current internal accounting controls policies and procedures and risk management policies and procedures, including an overview of the written policies and procedures in relation to the financial, operational, compliance and information technology controls of our Group, by the Executive Officers of our Group.

Our Board has noted that no material weaknesses in the design or operation of the accounting and internal control systems have been raised by the Reporting Auditor, PricewaterhouseCoopers LLP, in the ordinary course of their audit of the combined statements of our Group for FY2019, FY2020 and FY2021.

Based on a review of our Company's internal controls, several issues were identified with moderate risk rating, such as in the areas of revenue and loan management, investments, treasury and cash management, information technology, budget preparation, setting up of enterprise risk management framework and personal data protection. Our Group has implemented most of the measures recommended by the internal auditors to address such issues identified by the internal auditors. There are two (2) remaining measures that have only been partially implemented. These relate to (i) the setting up of standalone information technology systems which are separate from our Group, and (ii) the maintaining of an offsite back-up for data stored in our Group's systems in use. As at the Latest Practicable Date, our Group is still in the process of the implementation of these measures due to the difficulty in coordination with potential suppliers as a result of the movement restrictions imposed by the PRC authorities because of the COVID-19 pandemic. These measures will be fully implemented prior to the Listing Date.

Currently, based on the internal controls established and maintained by our Group, work performed by the internal and external auditors, and reviews by our management, our Directors, after making all reasonable enquiries and to the best of their knowledge and belief, with the concurrence of the Audit and Risk Committee, are of the opinion that the internal controls of our Group (including financial, operational, compliance and informational technology controls) and risk management systems are adequate and effective.

Our Board notes that the system of internal controls and risk management provides reasonable, but not absolute assurance that our Group will not be adversely affected by any event that could be reasonably foreseen as it works to achieve its business objectives. In this regard, our Board notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

### *Suitability of Ms. Liu as CFO*

The Audit and Risk Committee having (i) conducted an interview with Ms. Liu; (ii) considered the qualifications and past working experience of Ms. Liu (as described in the section entitled "Directors, Management and Employees – Executive Officers" of this Document); (iii) considered the feedback from external and internal auditors; and (iv) observed her abilities, familiarity and diligence in relation to the financial matters and information of our Group, is of the opinion that Ms. Liu is suitable for the position of CFO and has the necessary experience and experience to discharge her duties as the CFO. Further, after making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of the Audit and Risk Committee to cause them to believe that Ms. Liu does not have the competence, character and integrity expected of a CFO of a listed issuer.

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## CORPORATE GOVERNANCE

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### ***Remuneration Committee***

Our Remuneration Committee represented above comprises Mr. Yee, Mr. Chew and Mr. Chua. The Chairman of our Remuneration Committee is Mr. Yee. The quorum shall be any three (3) members, including the chairman of our Remuneration Committee.

Each member of our Remuneration Committee shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of our Remuneration Committee in respect of matters in which he is interested.

Our Remuneration Committee will, among others, recommend to our Board a framework of remuneration for our Directors, Chairman, Key Executive and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee will be submitted for endorsement by our entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be reviewed by our Remuneration Committee.

The remuneration of employees who are related to our Directors or Substantial Shareholders will also be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Our Remuneration Committee will also review and approve any bonuses, pay increments and/or promotions for these related employees. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him.

### ***Nominating Committee***

Our Nominating Committee represented above comprises Mr. Yee, Mr. Chew and Mr. Chua. The Chairman of our Nominating Committee is Mr. Yee. The quorum shall be any three (3) members, including the chairman of our Nominating Committee.

Our Nominating Committee will be responsible for the following, amongst others:

- (a) reviewing and recommending the appointment of new Directors and Executive Officers and re-nomination of our Directors having regard to each Director's contribution, performance and ability to commit sufficient time, resources and attention to the affairs of our Group, and each Director's respective commitments outside our Group including his principal occupation and board representations on other companies, if any. Our Nominating Committee will conduct such reviews at least once a year or more frequently as it deems fit;
- (b) determining annually, and as and when circumstances require, whether or not a Director is independent, in accordance with the Code of Corporate Governance 2018;
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- (d) developing a process for evaluating the performance of our Board as a whole and its committees, and for assessing the contribution of each Director to the effectiveness of our Board;

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## CORPORATE GOVERNANCE

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- (e) reviewing our composition of our Board of Directors to ensure the committee comprises an appropriate mix of skills, experience, core competencies and knowledge of our Group that our Board requires to function competently and efficiently;
- (f) reviewing succession plans for the Board;
- (g) reviewing the training and professional development programmes for the Board;
- (h) approving any proposed assumption of roles outside of our Group by a legal representative of our PRC-incorporated subsidiaries;
- (i) where a Director has multiple board representations, deciding whether the Director is able and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments; and
- (j) reviewing and approving the employment of persons related to our Directors or Substantial Shareholders and the proposed terms of their employment.

Each member of our Nominating Committee will not take part in determining his own re-nomination or independence and shall abstain from voting on any resolutions in respect of the assessment of his performance, independence or re-nomination as Director.

Our Nominating Committee will decide how our Board's performance is to be evaluated and will propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long term Shareholders' value.

### *Nominating Committee's view of our Independent Directors*

Our Nominating Committee, after having considered the following:

- (a) the number of listed company directorships held by each of our Independent Directors;
- (b) the principal occupation and commitments of our Independent Directors;
- (c) the confirmations by our Independent Directors that they are able to devote sufficient time and attention to the matters of our Group;
- (d) the confirmations by our Independent Directors that each of them is not accustomed or under an obligation whether formal or informal, to act in accordance with the directions, instructions or wishes of any Substantial Shareholder of our Company, has no material relationship with our Company, its related corporations or with any directors of these corporations, its Substantial Shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of his or her independent business judgement with a view to the best interests of our Company;
- (e) the professional experience and expertise of our Independent Directors in different areas of specialisation; and
- (f) the composition of our Board,

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## CORPORATE GOVERNANCE

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is of the opinion that (i) each of our Independent Directors is individually and collectively able to commit sufficient time and resources to discharge their respective duties, and are suitable and possess the relevant experience to be appointed as Independent Directors of our Company; and (ii) our Independent Directors, as a whole, represent a strong and independent element on the Board which is able to exercise objective judgement on corporate affairs independently from the Controlling Shareholders of our Company.

Our Independent Directors have confirmed that (i) they are not employed, nor have they been employed by our Company or any of our subsidiaries from 1 January 2022 up to the Latest Practicable Date; and (ii) that none of them has an immediate family member who is employed or has been employed by our Company or any of our subsidiaries from 1 January 2022 up to the Latest Practicable Date, and whose remuneration is or was determined by the Remuneration Committee.

### **Board Practices**

Our Directors are appointed by our Shareholders at a general meeting, and an election of Directors takes place annually. Our Constitution provides that our Directors will consist of not less than two (2) Directors. Save for our Executive Chairman Mr. Ren and our Executive Director, CEO and CIO – Singapore Mr. Toe, with whom we have entered into the Service Agreements, our Directors do not have fixed terms of office. Each Director shall retire from office once every three (3) years and for this purpose, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Directors who retire are eligible to stand for re-election.

According to the Code of Corporate Governance, the chairman of the board and the chief executive officer or managing director of a company should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the board of directors of the company for independent decision making. Our Board, Audit and Risk Committee, Nominating Committee and Remuneration Committee are all chaired by Independent Directors.

Our Constitution has been summarised and set out in the section entitled “Appendix A – Summary of Our Constitution” to this Document.

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## INTERESTED PERSON TRANSACTIONS

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### OVERVIEW

In general, transactions between our Group and any of our Interested Persons (namely, our Directors, CEO, Controlling Shareholders or their respective Associates) would constitute Interested Person Transactions. Details of Interested Person Transactions of our Group for the Relevant Period are set out below.

Save as disclosed below and the part relating to the GEM Acquisition in the section entitled “Business – Business Overview” of this Document, none of our Directors, Controlling Shareholders or their respective Associates (each, an “**Interested Person**”) was or is interested in any material transaction undertaken by our Group during the Relevant Period.

In line with Chapter 9 of the Listing Manual, a transaction of value less than S\$100,000 is not considered material in the context of the Introduction and is not taken into account for the purposes of aggregation in this section.

### INTERESTED PERSONS

Interested Persons	Relationship
Newyard Worldwide	Newyard Worldwide Holdings Ltd is a company incorporated in the British Virgin Islands and as at the Latest Practicable Date, our Executive Chairman, Mr. Ren, owns the entire equity interests in Newyard Worldwide Holdings Ltd.  Accordingly, Newyard Worldwide Holdings Ltd is an Interested Person under Chapter 9 of the Listing Manual.
Mr. Toe	Mr. Toe is our Executive Director and CEO and CIO – Singapore, and accordingly, an Interested Person under Chapter 9 of the Listing Manual.

### PAST INTERESTED PERSON TRANSACTIONS

During the Period Under Review and up till the Latest Practicable Date, there has been no past Interested Person Transaction.

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## INTERESTED PERSON TRANSACTIONS

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### PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

#### GEM Acquisition

As set out in the section entitled “Business – Business Overview” of this Document, we intend to acquire GEM after the Introduction. In-principle approval from the MAS for the GEM Acquisition has been obtained on 17 March 2022. After the Introduction, our Company intends to enter into sale and purchase agreements to acquire 100.0% of the issued and paid-up capital of GEM from its three (3) shareholders, namely, Ascenta Investments Limited, Newyard Worldwide and Mr. Toe, which hold 40.0%, 30.0% and 30.0% of the share capital of GEM respectively. Two (2) of the shareholders of GEM, namely Newyard Worldwide and Mr. Toe, are Interested Persons. The source of funding for the GEM Acquisition is intended to be our Company’s internal sources of funds. The consideration that will be paid to Newyard Worldwide and Mr. Toe for their stake in GEM will be S\$840,000 each, which is based on a discount of approximately 33.33% from the equity value range of GEM as at 30 November 2021 on a controlling, non-marketable basis of GEM, as determined by FSC Valuers Pte. Ltd., an independent valuer jointly appointed by our Company and the shareholders of GEM prior to the GEM Acquisition (the “**Valuer**”). The valuation of GEM on a “controlling, non-marketable basis” as referred to in the valuation report (the “**Valuation Report**”) issued by the Valuer, is a description of the factual circumstances that our Company will acquire a controlling stake in GEM. GEM is a private company and the shares of GEM are considered to be non-liquid and are not freely tradeable, unlike shares of a public listed company, hence the description of the basis as a “non-marketable” one. Our Company believes that the valuation of GEM on a “controlling, non-marketable basis” is the most reflective of the factual circumstances of the GEM Acquisition for the following reasons:

- (a) our Company will acquire 100.0% of the issued and paid-up share capital of GEM from its existing shareholders. Through the GEM Acquisition, our Company will gain control over GEM; it is not a case where our Company is merely investing as a minority shareholder. The element of control that an acquirer will gain in an acquisition is a key consideration in determining the value of the sale shares to be acquired. Where the acquirer gains controlling stake, it will have control over the entity and have the power to make key decisions e.g. in terms of determining payment of dividends or other distributions, appointing directors and influencing the operational, financial and strategic decision-making processes, all of which minority shareholders would have limited influence, if any at all. As our Company will acquire 100.0% of GEM, our Company will have total control and power over the decision making processes of GEM on both the shareholder and board levels. In recognition of this, our Company believes that the valuation on a “controlling” basis is the most reflective of the factual circumstances surrounding the GEM Acquisition; and
- (b) GEM is a private unlisted company, and so the shares of GEM are not freely traded on any stock market. The sale of shares in a private company can often be more costly, uncertain and time-consuming and the avenues of sale are more restricted as there is no exchange or market for the sale of private company shares. In view of these factors, shares in private companies are often sold at a discount to their actual intrinsic value. In contrast, shareholders of a public listed company can liquidate their position comparatively quickly on the stock market. Thus, our Company believes that the valuation on a “non-marketable” basis” is the most reflective of the factual circumstances surrounding the GEM Acquisition.



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## INTERESTED PERSON TRANSACTIONS

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The GEM Acquisition is subject to the execution of the sale and purchase agreements and completion taking place pursuant thereto. The Company intends to proceed with the signing of the sale and purchase agreements for the GEM Acquisition and the completion of the GEM Acquisition after the Introduction. The GEM Acquisition will be conducted on an arm's length, willing-buyer willing-seller basis, will be on normal commercial terms and will not be prejudicial to the interests of our Group and our minority shareholders, as: (i) the provisions of the draft sale and purchase agreements will not unduly favour any party to the GEM Acquisition, as the terms of the sale and purchase agreements are terms which a party would obtain if the transaction were on an arm's length basis and on terms no less favourable to our Company than terms available from independent third parties, and the terms will be consistent with the usual business practice for a similar sale and purchase of shares in a private company, and (ii) the purchase consideration will be based on a discount from the valuation of GEM as determined by the Valuer, which is independent of the vendors (including Mr. Ren and Mr. Toe) and the purchaser (our Company).

After the Introduction, our Company will make announcement(s) via SGXNet to apprise Shareholders of any material developments on the GEM Acquisition.

For completeness, in the unlikely event that the GEM Acquisition is not completed after six (6) months of the Introduction for any reason, our Company would re-negotiate with the shareholders of GEM on the proposed acquisition in good faith, including proposing an extension of the long-stop date in the sale and purchase agreements and commissioning an update of the valuation report prepared by FSC Valuers. It is also the intention of Mr. Ren and Mr. Toe to re-negotiate with our Company and they will not immediately commence the process to sell their stakes in GEM to an independent third party in the unlikely event the GEM Acquisition does not complete after six (6) months from the Introduction. If parties to the GEM Acquisition do not come to an agreement on the fresh terms for the acquisition following the re-negotiation, Mr. Ren and Mr. Toe will then sell their stake in GEM to an independent third party, on terms no less favourable than the terms offered to our Company.

### ***Salient terms of the draft sale and purchase agreements for the GEM Acquisition***

The terms of the draft sale and purchase agreements, which are subject to finalisation, are as follows.

#### *Sale and Purchase of the Sale Shares*

The Vendors (i.e. Mr. Toe, Newyard Worldwide and Ascenta Investments Limited) shall sell and transfer the proportion of the sale shares held by him or it free from all encumbrances and together with all rights, benefits and entitlements now or hereinafter attaching to the sale shares including without limitation all rights, dividends and/or other distributions which may be declared.

Each Vendor shall also covenant with the Purchaser (i.e. our Company) that it has now and at all times up to and at completion shall have full power and the right to sell and transfer the legal and beneficial title in the shares that is registered under his or its name with ACRA.

#### *Consideration*

The consideration payable to each of Mr. Toe and Newyard Worldwide for the GEM Acquisition is S\$840,000. The consideration payable to Ascenta Investments Limited (which is wholly-owned by Mr. Xu Fan, who is an independent third party), is S\$1,620,000.

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## INTERESTED PERSON TRANSACTIONS

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The purchase consideration proposed to be paid to Ascenta Investment Limited per share is higher than the purchase consideration proposed to be paid to Newyard Worldwide and Mr. Toe. This is because Ascenta Investments Limited is the single largest shareholder of GEM, hence in selling GEM, it is essentially giving up his control over GEM and the higher consideration serves to take into account the control premium. While Mr. Xu Fan will stay on as CEO of GEM after the Introduction, he will only be an employee of GEM and not its controller as he will no longer have any shareholding interest in GEM. The higher consideration payable to Ascenta Investments Limited was reached after arm's length negotiations between Mr. Xu Fan and our Company. While the purchase consideration paid to Ascenta Investments Limited will be higher, our Company is of the view that this does not prejudice the interests of our Company and its minority shareholders due to the foregoing reasons.

### *Conditions Precedent for the GEM Acquisition*

The conditions precedent for the GEM Acquisition are as follows:

- (a) the receipt of all consents and approvals required under any and all applicable laws or from any governmental agency, regulatory or third party required for the sale and transfer of the sale shares, including consents and approvals to be obtained by the Vendors from the MAS (to the extent required under the CMS licence and applicable laws);
- (b) the total amount of cash in the bank accounts of GEM, net of liabilities as at completion date, should not be less than S\$2,100,000;
- (c) the representations and warranties of the Vendors under the sale and purchase agreements being true and accurate in all material aspects and not misleading in any respect at completion; and
- (d) the representations and warranties of the Purchaser (i.e. our Company) under the sale and purchase agreements being true and accurate in all material aspects and not misleading in any respect at completion.

### *Covenants and Undertakings*

This clause sets out certain undertakings to be provided by GEM to the Purchaser, including that GEM shall not:

- (i) issue or agree to issue any shares or other securities or grant or agree to grant any option or other right or reduce or otherwise vary its capital;
- (ii) make any change in the nature of its business carried on as at the date of the sale and purchase agreements or in any other way depart from its ordinary course of business;
- (iii) enter into any new tenancy agreements or licences or vary any of the existing tenancy agreements or licences outside the ordinary course of business or on unusual or onerous terms without prior consultation with the Purchaser;
- (iv) amend any insurance contract, fail to notify any insurance claim in accordance with the provisions of the relevant policy or settle any such claim below the amount claimed;
- (v) commit or omit to do any act or thing the commission or (as the case may be) the omission of which:–

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## INTERESTED PERSON TRANSACTIONS

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- (a) is in contravention of any applicable law;
- (b) may result in any of its outstanding agreements of a material nature being adversely modified or terminated; and
- (c) would or is likely to have a material adverse effect on its business or financial condition or prospects.

### ***Determination of Valuation of GEM***

The valuation was conducted by the Valuer, in accordance with the International Valuation Standards (“**IVS**”). They have adopted the “Equity Value” as the basis of valuation. “Equity Value” is defined under the IVS as “the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties”. To the best of the Valuer’s understanding, the valuation approaches and methodologies adopted by them in valuing GEM are consistent with that for other similar transactions.

The Board has:

- i. considered the Valuer’s track record, including the fact that the Executive Director of the Valuer, Mr Foo Sheue Chuan, who signed off on the Valuation Report, has been conferred the Chartered Valuer and Appraiser (“**CVA**”) designation. The CVA programme is a national certification for the practice of business valuation in Singapore. In addition, he possesses the relevant experience in performing valuations in respect of the assets under consideration (i.e. shares of a private company);
- ii. assessed that the valuation of GEM is based on IVS, which is a set of internationally-recognised valuation standards;
- iii. examined key assumptions and estimates used for the valuation, including forward-looking earnings or cash flow projections, and peer or reference companies; and
- iv. given that the valuation of GEM is on “as-is” basis, i.e. the valuation does not consider any fundamentally different business or new markets that are still at planning stage as at the valuation date of 30 November 2021, the Board believes that there are no material uncertainties underlying the projections.

In consideration of the above, the Board is of the view that the valuation conclusion and limitation(s) as disclosed in the Valuation Report are reasonable and acceptable.

Upon the approval of YSL’s shareholders for the Proposed Spin-Off, investors are deemed to have specifically approved these transactions with our Interested Persons and as such, these transactions are not subject to Rules 905 and 906 of the Listing Manual to the extent that there are no subsequent changes to the terms of the agreements in relation to each of these transactions.

Following the Introduction, in the event that there are present and ongoing transactions between our Company and Interested Persons, such transactions will be conducted in accordance with the review procedures for interested person transactions as set forth in the section entitled “Interested Person Transactions – Guidelines and Review Procedures for On-going and Future Interested Person Transactions” of this Document, as well as in accordance with the provisions of the Listing

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## **INTERESTED PERSON TRANSACTIONS**

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Manual as may be applicable, including the provisions in Chapter 9 of the Listing Manual in relation to Interested Person Transactions.

### **GUIDELINES AND REVIEW PROCEDURES FOR ON-GOING AND FUTURE INTERESTED PERSON TRANSACTIONS**

To ensure that future transactions with Interested Persons are undertaken on an arms' length basis, on normal commercial terms, not prejudicial to the interests of our Group and our minority Shareholders, and are consistent with our Group's usual business practices and policies, which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by our Group.

In relation to any purchase of products or engaging any services from Interested Persons, quotes from at least two (2) unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparison wherever possible. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two (2) comparative prices from the two (2) unrelated third parties. The Audit and Risk Committee will take into account, including but not limited to, the suitability, quality, cost of the products or services, specifications, delivery time and the track record of the suppliers.

In relation to any sale of products or provision of any services to Interested Persons, the price and terms of at least two (2) other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. The Interested Persons shall not be charged at rates lower than that charged to the unrelated third parties.

When renting properties from or to Interested Persons, the Audit and Risk Committee shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (including independent valuation report(s) by property valuer(s), where considered appropriate). The rent payable shall be based on the most competitive market rental rate of similar properties in terms of size, suitability for purpose and location, and based on the results of the relevant enquiries.

For the purposes above, where it is not possible to compare against the terms of other transactions with unrelated third parties and/or given that the products or services may be purchased only from the Interested Person, the Audit and Risk Committee will determine whether the price and/or the other terms offered by the Interested Person are fair and reasonable, before approving such Interest Person Transaction. In so determining, the Audit and Risk Committee will consider whether, including but not limited to, the price and/or other terms are in accordance with usual business practices and pricing policies to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken at an arm's length basis and on commercial terms.

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## INTERESTED PERSON TRANSACTIONS

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In addition, our Group shall monitor all Interested Person Transactions entered into by categorising the transactions as follows:

- (a) a “Category One” Interested Person Transaction (either individually or as part of a series or if aggregated with other transactions involving the same Interested Person during the same financial year) is one where the value or aggregate value thereof, as the case may be, is equal to or more than 3.0% of the latest audited NTA of our Group; and
- (b) a “Category Two” Interested Person Transaction (either individually or as part of a series or if aggregated with other transactions involving the same Interested Person during the same financial year) is one where the value or aggregate value thereof, as the case may be, is below 3.0% of the latest audited NTA of our Group.

In line with Chapter 9 of the Listing Manual, a transaction of value less than S\$100,000 is not taken into account for the purposes of the above aggregation.

All “Category One” Interested Person Transactions must be approved by our Audit and Risk Committee prior to entry whereas “Category Two” Interested Person Transactions need not be approved by our Audit and Risk Committee prior to entry but must be reviewed on a half yearly basis by our Audit and Risk Committee.

Before any agreement or arrangement with an Interested Person that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit and Risk Committee. In the event that a member of the Audit and Risk Committee is interested in any Interested Person Transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit and Risk Committee free from any interests in such agreement or arrangement.

All Interested Person Transactions shall be subject to review by our Audit and Risk Committee on a half yearly basis. Our Audit and Risk Committee will include the review of Interested Person Transactions as part of its procedures while examining the adequacy of our internal controls.

The annual internal audit plan shall incorporate a review of all Interested Person Transactions entered into. Such transactions will also be subject to the approval of our Shareholders if required by the Listing Manual. We will also endeavour to comply with the recommendations set out in the Code of Corporate Governance 2018. The internal audit reports will be reviewed by our Audit and Risk Committee at least on an annual basis to ascertain whether the guidelines and procedures established to monitor Interested Person Transactions have been complied with. If during these periodic reviews, the Audit and Risk Committee is of the opinion that the guidelines and procedures as stated above are not sufficient to ensure that Interested Person Transactions will be on normal commercial terms, on an arm's length basis and not prejudicial to our Group's interests and the interests of our minority Shareholders, the Audit and Risk Committee will adopt such new guidelines and review procedures for future Interested Person Transactions as may be appropriate. The Audit and Risk Committee may request for an independent financial adviser's opinion at our Group's expense as it deems fit.

Our Group will also comply with the provisions in Chapter 9 of the Listing Manual in respect of all future Interested Person Transactions, and if required under the Listing Manual, the Companies Act or the SFA, we will make immediate announcements and/or seek independent Shareholders' approval for such transactions. In particular, Interested Persons shall abstain from voting on resolutions approving Interested Person Transactions involving themselves and our Group. In addition, such Interested Persons shall not act as proxies in relation to such resolutions unless specific instructions as to voting have been given by the Shareholders.

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## INTERESTED PERSON TRANSACTIONS

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Our Audit and Risk Committee and our Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing laws, rules and regulations, the Listing Manual and accounting standards are complied with. Pursuant to the Listing Manual, we will make the required disclosures in relation to our Interested Person Transactions in our annual report during the relevant financial year under review.

### POTENTIAL CONFLICT OF INTERESTS

In general, a conflict of interest arises when any of our Directors, Controlling Shareholders or their respective Associates carries on or has any interest in any other corporation carrying on the same business or dealing in similar products or services as our Group.

Save as disclosed in the section entitled “Interested Person Transactions” of this Document, none of our Directors, Controlling Shareholders or any of their respective Associates has any interest, whether direct or indirect, in:

- (a) any transactions to which our Company or any of our subsidiaries was or is a party;
- (b) any company or entity carrying on the same business or dealing in similar products or services as our Group;
- (c) any company or entity that is our customer or supplier of goods and services; and
- (d) any existing contract or arrangement which was or is significant in relation to the business of our Group.

### Mr. Ren’s interest in entity(ies) whose business may compete with that of our Group’s

Our Controlling Shareholder and Executive Chairman, Mr. Ren, is involved in the following entities that are engaged in investment and/or fund management activities that may compete with our Group’s business, as detailed below:

- (a) he owns approximately 14.0% of the equity interest in a fund set up by certain individuals, including employees of YSL’s PRC subsidiaries. The fund is known as Jiangyin Xinyang Shipbuilding Enterprise Management Center (Limited Partnership) (江阴新扬船企业管理中心(有限合伙)) (the “YZJ Fund”) and it is a limited partnership established in the PRC engaged in the principal business activities of investing, enterprise management and providing information consulting services. The YZJ Fund is managed by two (2) independent third parties. The YZJ Fund has not been included as part of our Group as it is a separate investment vehicle which is held by Mr. Ren together with certain employees of YSL in their personal capacities. While both our Group and YZJ Fund engage in investment activities, we are involved in different types of investments. Our Group tends to engage in lower risk investments whereas the YZJ Fund typically engages in higher risk investments. The “lower risk” investments that our Group engages in tend to be investments where there is a lower percentage chance of loss of capital or under-performance. These include investments in government and corporate bonds, established funds and REITs etc. For investments in companies, the markets that the companies operate in tend to be more established. For these investments, the potential returns also tend to be lower. By contrast, the “higher risk” investments that the YZJ Fund engages in tend to be investments where the potential returns are comparatively higher, but there is also a concomitant higher likelihood of a loss of capital or under-performance. These investments include investments in private companies and new start-up businesses, options and in foreign emerging markets, high-yield bonds etc., which are typically more volatile as there is a higher degree of fluctuation in value. The YZJ Fund does not have any existing investments that compete with our Group. As at the Latest Practicable Date, our Group has had no past transactions with the YZJ Fund;

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## INTERESTED PERSON TRANSACTIONS

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- (b) shareholder of Jingjiang Xinyuan Investment Co., Ltd. (靖江新元投资有限公司), which is engaged in the business of, amongst others, investment and asset management and the provision of investment consultancy services – directly holding RMB500,000 equity interest representing 25% of the total equity interest;
- (c) limited partner and equity interest holder of Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership) (上海元林新生投资中心(有限合伙)), which is engaged in the business of, amongst others, industrial investment, investment management, asset management, the provision of business information consulting and investment management consulting services – directly holding RMB49,450,500 equity interest representing 99% of the total equity interest. The general partner of Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership), which is the party responsible for making the investment decisions, is Shanghai Xinsheng Equity Investment Fund Management Co., Ltd. (上海新生股权投资基金管理有限公司). Shanghai Xinsheng Equity Investment Fund Management Co., Ltd. is independent of Mr. Ren and his Associates;
- (d) shareholder of Taixing City Liyuan Investment Co., Ltd. (泰兴市力元投资有限公司), which is engaged in the business of, amongst others, the use of its own funds to engage in foreign investment – directly holding RMB700,000 equity interest representing 70% of the total equity interest;
- (e) equity interest holder of Tianjin Atelasi Resources Investment Centre (Limited Partnership) (天津阿特拉斯资源投资中心(有限合伙)), which is engaged in the business of, amongst others, investment, investment management and providing investment consulting services in the new energy industry – directly holding RMB63,999,960 equity interest representing 53.33% of the total equity interest. The decision-making powers reside with the general partner, Shanghai Jiankun Investment Management Centre (Ordinary Partnership) (上海建昆投资管理中心(普通合伙)). Shanghai Jiankun Investment Management Centre (Ordinary Partnership) is independent of Mr. Ren and his Associates;
- (f) shareholder of Huzhou Leyuan Investment Co., Ltd. (湖州乐元投资有限公司), which is engaged in the business of investment, provision of management and providing investment consulting services – directly holding RMB90,000,000 equity interest representing 50% of the total equity interest;
- (g) shareholder and director of Newyard Worldwide, which is engaged in the business of secondary market bond investment – directly holding 50,000 shares representing 100% of the total equity interest;
- (h) shareholder and non-executive director of GEM, which is engaged in the business of investment management – indirectly holding 750,000 shares through Newyard Worldwide representing 30% of the total equity interest of GEM; and
- (i) he has a deemed interest in 852,845,825 shares of YSL, representing approximately 21.6% of the share capital of YSL, and therefore he has an indirect interest in the investments that are held by YSL that will not be moved to our Group, due to the reasons set out in the section entitled “Restructuring Exercise” above. There will not be any conflict of interest between YSL and our Group because going forward, YSL will not take on any new investments and the existing investments held under YSL will mature and/or be wound down eventually.

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## INTERESTED PERSON TRANSACTIONS

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(Collectively, the “**RYL Subject Entities**”).

The RYL Subject Entities will not be moved to be part of our Group as these entities are Mr. Ren’s existing personal investment vehicles (save for GEM, the YZJ Fund and YSL). The YZJ Fund will not be moved to be part of our Group as it engages in different types of investment as compared to our Group – the YZJ Fund tends to engage in higher risk investments. In respect of the RYL Subject Entities, Mr. Ren Letian, the son of Mr. Ren, has a 1% equity interest in the YZJ Fund and a 50% equity interest in Huzhou Leyuan Investment Co., Ltd. Mr. Ren Letian is also the executive director and legal representative of Huzhou Leyuan Investment Co., Ltd. Save as disclosed, none of any other Associates of Mr. Ren hold any interests, direct or indirect, in these entities and/or hold directorship appointments, in respect of the RYL Subject Entities. In respect of the RYL Subject Entities, there is also no veto power or right given to Mr. Ren under any agreement.

### **Mr. Toe’s interest in entity(ies) whose business may compete with that of our Group’s**

Our Executive Director and CEO, Mr. Toe, is involved in the following entities that are engaged in investment and/or fund management activities that may compete with our Group’s business, as detailed below:

- (a) shareholder of Hexaton Capital Pte. Ltd., which is an investment holding company – directly holds 11,400 shares representing 19% of the total equity interest;
- (b) director and shareholder of ICH Partners Ltd, which is an investment holding company – directly holds 50,000 shares representing 100% of the total equity interest;
- (c) indirect shareholder of ICH Singapore Holdings Pte. Ltd., which is an investment holding company – ICH Singapore Holdings Pte. Ltd. is a wholly-owned subsidiary of ICH Group Ltd. As such, Mr. Toe has an indirect interest in ICH Singapore Holdings Pte. Ltd. through his 29.99% shareholding interest in ICH Group Ltd;
- (d) shareholder of ICH Group Ltd, which is an investment holding company – directly holds 6,334,060 shares representing 29.99% of the total equity interest;
- (e) director and shareholder of Zymmetry Investments Ltd, which is an investment holding company – directly holds one (1) share representing 100% of the total equity interest;
- (f) director and shareholder of ICH Investment Pte. Ltd., which is an investment holding company – directly holds one (1) share representing 100% of the total equity interest;
- (g) shareholder of ICHAM Pte. Ltd., which is a licensed fund management company engaged in traditional/long-only asset/portfolio management – directly holds 513,000 shares representing 19% of the total equity interest; and
- (h) shareholder of GEM without any management role. GEM is engaged in the business of investment management – directly holds 750,000 shares representing 30% of the total equity interest of GEM,

(collectively, the “**TTH Subject Entities**”).



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## INTERESTED PERSON TRANSACTIONS

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The TTH Subject Entities are not intended to be transferred to our Group as they are Mr. Toe's existing personal investment vehicles and/or his existing business interests that he co-owns together with third parties (save for GEM). In respect of the TTH Subject Entities, Mr. Toe Teow Teck, the brother of Mr. Toe, is the majority shareholder (presently holding 68.33% of the shares) and director of ICH Group Ltd. Save as disclosed, none of any other Associates of Mr. Toe hold any interests, direct or indirect, in these entities and/or hold directorship appointments in respect of the TTH Subject Entities. Although Mr. Toe Teow Teck has a management role in ICH Group Ltd, Mr. Toe will be giving an undertaking that he himself will not be able to vote through any resolutions of the entity, and that he confirmed that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of ICH Group Ltd. from the date of the deed of undertaking.

In respect of the TTH Subject Entities, there is also no veto power or right given to Mr. Toe under any agreement.

### **Undertakings given by our Controlling Shareholder and Executive Chairman, Mr. Ren, and our Executive Director and CEO and CIO – Singapore, Mr. Toe**

Pursuant to deeds of undertaking dated 1 April 2022, our Controlling Shareholder and Executive Chairman, Mr. Ren, and our Executive Director and CEO and CIO – Singapore, Mr. Toe, have respectively undertaken to our Group that for the duration of the period for which (i) he and/or his associates remains as a director, CEO and/or key executive of our Group, or he and/or his associates are or are deemed to be, on an aggregate basis, Controlling Shareholder(s) of our Group; and (ii) the Shares continue to be listed on the SGX-ST, and subject to the Carve-out (as defined hereunder) that, *inter alia*:

- (a) he shall not, and shall procure that his Associates (whether present or future), shall not conduct, carry on, be engaged in or be interested in any capacity (either solely or jointly with or on behalf of any person, firm or corporation) any business or activity that is directly or indirectly in competition with the Restricted Business in any country;
- (b) he shall not, and shall procure that his Associates (whether present or future), shall not have any interest, directly or indirectly, in and/or provide any assistance, financial, technical or otherwise, to any person, entity or corporation to carry on any business or activity that is directly or indirectly in competition with the Restricted Business in any country;
- (c) he shall ensure that no company or business in which he is and/or any of his Associates (whether present or future) is in the position to control, dominate or influence decision-making shall engage in any business or activity that is directly or indirectly in competition with the Restricted Business in any country;
- (d) he shall not be involved in or be appointed as a director or as an executive of any corporation listed or quoted on any stock exchange whose business may compete directly with the Restricted Business;
- (e) he shall not, and shall procure that his Associates (whether present or future) shall not solicit, market to or entice away, or attempt to solicit, market to or entice away, whether directly or indirectly, from our Group, any customer, client or supplier of our Group which will cause, or is likely to cause, such customer, client or supplier to cease or reduce the amount of business conducted with our Group;

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## INTERESTED PERSON TRANSACTIONS

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- (f) he shall not, and shall procure that his Associates (whether present or future) shall not solicit, induce, recruit or encourage any of the employees of our Group to discontinue or terminate his employment with our Group;
- (g) he shall not divulge or communicate, or attempt to divulge or communicate, any of our Group's information which may be confidential or competitive, to any party outside of our Group except on a "need-to-know" basis in the course of its business in compliance with its confidentiality obligations and/or the relevant laws, rules and regulations;
- (h) he shall not, and shall procure that his Associates (whether present or future) shall not utilise the resources or assets of our Group for the benefit of, or otherwise assist, any person, entity or corporation whose business is directly or indirectly in competition with the Restricted Business in any country; and
- (i) if aware or made aware of any actual or potential conflicts of interest that may involve me, he shall use reasonable endeavours to disclose to the Audit and Risk Committee of our Company the extent of such actual or potential conflicts of interest. Following such disclosure, he and/or any of his Associates shall abstain from participating in making decisions or voting in respect of any such contract, arrangement, proposal, transaction or matter in which the conflict of interest arises, unless and until the Audit and Risk Committee has determined that no such conflict of interest exists.

In relation to the RYL Subject Entities, our Executive Chairman, Mr. Ren, has undertaken to our Group that he will relinquish control over the RYL Subject Entities and will only hold on to his existing investment stake in the capacity of a passive investor having no control over the operations of the RYL Subject Entities (save for Newyard Worldwide where he has granted our Group a right of first refusal over investment opportunities available to Newyard Worldwide as further elaborated below). As such, Mr. Ren would not be in a position to influence the RYL Subject Entities (with the exception of Newyard Worldwide) in terms of their operations and the investments that they engage in and accordingly, Mr. Ren would not be in a position of conflict. In particular, Mr. Ren has undertaken to our Group as follows:

- (a) in relation to the YZJ Fund, he has reduced his equity interest in the YZJ Fund from 40% to 14% or less, via divestment to a third party independent of him, and has stepped down from his management position as an executive partner of the YZJ Fund. Mr. Ren has only reduced his stake in the YZJ Fund to 14% as the purchasers, who are independent third parties, for their own commercial reasons, did not express interest in purchasing a greater stake. Accordingly, given that (i) he has stepped down from any management role and would therefore not be able to participate in any decision making process of the entity, and (ii) has reduced his stake such that he, singly, will not be able to vote through any resolutions of the entity, he has confirmed that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of the YZJ Fund. In other words, he will not be able to singly cause any resolutions of the entity to be passed. Further, it is envisaged that going forward, the YZJ Fund will not take on any more new projects or investments, so there is no longer any real risk of any conflict of interest between the YZJ Fund and our Group as it will not be actively engaged in business that may compete with our Group's business;

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- (b) in relation to Jingjiang Xinyuan Investment Co., Ltd. (靖江新元投资有限公司), he has resigned as a director and will not be involved in the management of this company. Accordingly, given that he has stepped down from any management role and would therefore not be able to participate in any decision making process of the entity, he has confirmed that he, singly, will not be able to vote through any resolutions of the entity, and that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of Jingjiang Xinyuan Investment Co., Ltd. from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. Further, it is envisaged that going forward, Jingjiang Xinyuan Investment Co., Ltd. will not take on any more new projects or investments, so there is no longer any real risk of any conflict of interest between Jingjiang Xinyuan Investment Co., Ltd. and our Group as it will not be actively engaged in business that may compete with our Group's business;
- (c) in relation to Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership) (上海元林新生投资中心(有限合伙)), he has not and will not be involved in the management of the partnership. Accordingly, given that he does not have any management role and would therefore not be able to participate in any decision making process of the entity in his capacity as a limited partner, he has confirmed that he, singly, will not be able to vote through any resolutions of the entity, and that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership) from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. Further, it is envisaged that going forward, Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership) will not take on any more new projects or investments, so there is no longer any real risk of any conflict of interest between Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership) and our Group as it will not be actively engaged in business that may compete with our Group's business. Also, Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership) is a PRC limited partnership and not a company, so the concept of "shareholder" is not applicable. According to the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, under PRC Law, the affairs of a limited partnership enterprise shall be executed by the general partner(s), and the limited partner may not execute the partnership affairs, nor may the limited partner(s) represent the limited partnership enterprise before third parties. Therefore, in relation to Shanghai Yuanlin Xinsheng Investment Centre (Limited Partnership), the power to make decisions on investments reside with the general partner;
- (d) in relation to Taixing City Liyuan Investment Co., Ltd. (泰兴市力元投资有限公司), he has reduced his stake in the company from 70% to 20% via divestment to a third party independent of him. Mr. Ren has only reduced his stake in the Taixing City Liyuan Investment Co., Ltd to 20% as the purchasers, who are independent third parties, for their own commercial reasons, did not express interest in purchasing a greater stake. Accordingly, given that (i) he has stepped down from any management role and would therefore not be able to participate in any decision making process of the entity, and (ii) has reduced his stake such that he, singly, will not be able to vote through any resolutions of the entity, he has confirmed that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of Taixing City Liyuan Investment Co., Ltd. from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. Further, it is envisaged that going forward, Taixing City Liyuan Investment Co., Ltd. will not take on any more new projects or investments, so there is no longer any real risk of any conflict of interest between Taixing City Liyuan Investment Co., Ltd. and our Group as it will not be actively engaged in business that may compete with our Group's business;

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## INTERESTED PERSON TRANSACTIONS

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- (e) in relation to Tianjin Atelasi Resources Investment Centre (Limited Partnership) (天津阿特拉斯资源投资中心(有限合伙)), he has confirmed that he singly, will not be able to vote through any resolutions of the entity, and that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of Tianjin Atelasi Resources Investment Centre (Limited Partnership) from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. Although he will retain his 53.33% stake in Tianjin Atelasi Resources Investment Centre (Limited Partnership), he will be in a position to give the undertaking that he does not and will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies as from the date of the deed of undertaking, as he is only the limited partner with no decision-making powers. Further, Tianjin Atelasi Resources Investment Centre (Limited Partnership) has only invested in one (1) project currently and going forward, it is envisaged that Tianjin Atelasi Resources Investment Centre (Limited Partnership) will not take on any more new projects or investments;
- (f) in relation to Huzhou Leyuan Investment Co., Ltd. (湖州乐元投资有限公司), he has confirmed that he, singly, will not be able to vote through any resolutions of the entity, and that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of Huzhou Leyuan Investment Co., Ltd. from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. Although he will retain his 50% stake in Huzhou Leyuan Investment Co., Ltd., and although Mr. Ren's son, Mr. Ren Letian has a 50% stake in Huzhou Leyuan Investment Co., Ltd. and is an executive director and legal representative of the entity, Ren will be in a position to give the undertaking that he does not and will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies as from the date of the deed of undertaking, as he is not a director. Mr. Ren will also undertake to our Company that in relation to Huzhou Leyuan Investment Co., Ltd., that he shall not influence his son, Mr. Ren Letian in the conduct of the financial and/or operational affairs of Huzhou Leyuan as he shall not communicate with Mr. Ren Letian on any matter regarding the financial and/or operational policies of Huzhou Leyuan Investment Co., Ltd. As defined in the deed of undertaking, "communicate" means the imparting of a message by any method of transmission, including but not limited to, verbal or written messages, whether in person or through an electronic device, any written or printed note, or electronic transmission, including electronic transmissions generated or communicated via a computer.

Factually and based on past practice, Mr. Ren has not influenced his son, Mr. Ren Letian, in the management of Huzhou Leyuan and Mr. Ren has not had any say in the financial and/or operational affairs of Huzhou Leyuan. It is also highlighted that:

- Mr. Ren and Mr. Ren Letian are not financially dependent on each other because each of them have their own income streams and assets;
- their investment decisions are made independently and they do not work for each other; and
- each of them are accomplished individuals in their own right with their own successes. Mr. Ren Letian is the present Chairman and CEO of YSL, and has been the CEO of YSL since 2015, and he is more than capable of making his own investment decisions without consulting Mr. Ren.

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## INTERESTED PERSON TRANSACTIONS

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As such, despite their familial relationship, Mr. Ren and Mr. Ren Letian are independent and separate of each other, and neither of them have any control over the other's investment or financial decisions.

Moreover, Huzhou Leyuan Investment Co., Ltd. has only invested in one (1) project currently and that going forward, it is envisaged that Huzhou Leyuan Investment Co., Ltd. will not take on any more new projects or investments. As the entity will not take on any more new investments, there is no practical risk of conflict that Mr. Ren will face for instance, in terms of deciding whether certain investment opportunities should be given to our Group or to Huzhou Leyuan Investment Co., Ltd.;

- (g) in relation to YSL, he has confirmed that he is not involved in the management of YSL. Accordingly, he has confirmed that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of YSL from the date of the deed of undertaking; and
- (h) in relation to GEM, he has undertaken to our Company that in the event that the GEM Acquisition does not complete within six (6) months after the Listing Date (the "**Period for Completion**"), he will sell his entire stake in GEM to an independent third party in accordance to terms and conditions which would be no less favourable as compared to that of the offer made to our Company and shall exercise all commercial endeavours to procure the completion of such sale as soon as practicable after the Period for Completion, if re-negotiation with the Company fails. Further details on the re-negotiation process is set out in the section entitled "Interested Person Transactions – Present and On-going Interested Person Transactions – GEM Acquisition" of this Document; and
- (i) in relation to Newyard Worldwide, he has undertaken to our Company that for so long as he and/or his Associates are or are deemed to be, on an aggregate basis, Controlling Shareholder(s) of our Group or remain as a director, chief executive officer and/or key executive of our Group, in respect of any Potential Investment (as defined hereunder) available to Newyard Worldwide:
  - (i) he shall immediately notify our Group and/or the Board in writing of any potential investments or projects relating to the Restricted Business in any country (a "**Potential Investment**") which he may become aware of, and provide sufficient details of such Potential Investment to our Group and/or the Board. Our Group shall have up to 20 Business Days from the date of notification of such Potential Investment or such longer period of time as may be required by our Group (upon prior written notice by our Group to the transferor) (the "**Block-out Period**") to assess and elect in writing whether to undertake the opportunity to participate in the Potential Investment, and shall be deemed to have elected not to participate in the Potential Investment upon the expiry of the Block-out Period; and
  - (ii) he shall not, and shall procure that his Associates (whether present or future) shall not, undertake any Potential Investment should our Group elect to undertake the opportunity to participate in the Potential Investment during the Block-out Period. For the avoidance of doubt, if our Group elects or is deemed to have elected not to participate in the Potential Investment, he and/or his Associates will then be able to participate in such Potential Investment.

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## INTERESTED PERSON TRANSACTIONS

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Due to the significant size of the portfolio of assets and investments held by Newyard Worldwide, a buyer for the stake is not readily available. As such, even if Mr. Ren wishes to divest his interests in Newyard, such divestment is not practicable due to the foregoing reason. Newyard Worldwide is Mr. Ren's personal passive investment vehicle. As such, while Mr. Ren is a director of Newyard Worldwide, it should be noted that the day-to-day management of the investments and assets are handled by appointed bankers. Nonetheless, in consideration of the potential conflict of interests with respect to Mr. Ren's interest in Newyard Worldwide, a right of first refusal has been granted by Mr. Ren to our Group over all new potential investments that may be available to Newyard Worldwide. For completeness, given that Newyard Worldwide's existing investment portfolio comprises mainly listed bonds and marketable securities, which are inherently subject to market volatility, a right of first refusal (implementation of which will involve periods of time), in favour of these investments would therefore not be practical.

In respect of the RYL Subject Entities whereby Mr. Ren will reduce his stake and/or transfer management control, the persons to whom his stake and/or management control will be transferred will be parties independent of Mr. Ren. Our Company has sighted the resignation letters from Mr. Ren indicating that he has resigned from the relevant RYL Subject Entities effective prior to the date of the deed of undertaking.

Further, in relation to the TTH Subject Entities, our Executive Director and CEO and CIO – Singapore, Mr. Toe, has undertaken to our Group that save as otherwise specified in the Deed (as disclosed below), he will relinquish control over the TTH Subject Entities and will only hold on to his existing investment stake, in the capacity of a passive investor who has no control over the operations of the TTH Subject Entities or that going forward, such TTH Subject Entities will be dormant. As such, Mr. Toe would not be in a position to influence the TTH Subject Entities in terms of their operations and the investments that they engage in and accordingly, Mr. Toe would not be in a position of conflict. In particular, Mr. Toe, has undertaken to our Group as follows:

- (a) in relation to Hexaton Capital Pte. Ltd., he has reduced his stake to 19% and resigned as a director as at the date of the deed of undertaking, and will not be involved in the management of Hexaton Capital Pte. Ltd. Mr. Toe has only reduced his stake in Hexaton Capital Pte Ltd to 19% as the purchasers, who are independent third parties, for their own commercial reasons, did not express interest in purchasing a greater stake. Accordingly, given that (i) he has stepped down from any management role and would therefore not be able to participate in any decision making process of the entity, and (ii) has reduced his stake such that he singly, will not be able to vote through any resolutions of the entity, he has confirmed that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of Hexaton Capital Pte. Ltd. from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. In respect of Hexaton Capital Pte. Ltd., the investment decisions are made at the board level, which Mr. Toe is not a part of;
- (b) in relation to ICH Partners Ltd, it will not take on any investment activities as from the date of the deed of undertaking and will be a dormant entity post winding down of its existing investment activities. Mr. Toe will continue to retain his stake and directorship in ICH Partners Ltd because ICH Partners Ltd will only be retaining its existing investments (i.e. maintaining the current legacy position). Mr. Toe has given an undertaking that ICH Partners Ltd will not take on any investment activities as from the date of the undertaking and will be a dormant entity post winding down of its existing investment activities. Given that ICH Partners Ltd will not be taking on any more new investment opportunities and projects, there is no longer any real risk of any conflict of interest between ICH Partners Ltd and our Group as ICH Partners

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## INTERESTED PERSON TRANSACTIONS

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Ltd will not be actively engaged in business that may compete with our Group's business. In relation to ICH Partners Ltd, it is impractical for Mr. Toe to step down as he is the sole shareholder and ICH Partners Ltd is a pure investment vehicle which holds highly illiquid assets and therefore it is very difficult to find an independent party to take over his stake and/or management role. ICH Partners Ltd has had no fresh investments since 2019;

- (c) in relation to ICH Singapore Holdings Pte. Ltd., he has resigned as a director and will not be involved in the management of ICH Singapore Holdings Pte. Ltd. as from the date of the deed of undertaking. Accordingly, given that he has stepped down from any management role and would therefore not be able to participate in any decision making process of the entity, and that he, singly, will not be able to vote through any resolutions of the entity, he has confirmed that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of ICH Singapore Holdings Pte. Ltd. from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. Mr. Toe will retain his existing indirect stake of 29.99% in ICH Singapore Holdings Pte. Ltd. as he will resign as a director and will not be involved in the management of ICH Singapore Holdings Pte. Ltd. as from the date of the deed of undertaking. Given that Mr. Toe will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of ICH Singapore Holdings Pte. Ltd., there is no longer any practical risk of any conflict of interest between ICH Singapore Holdings Pte. Ltd. and our Group, as no investment decisions can be made by him. In respect of ICH Singapore Holdings Pte., Ltd., the investment decisions are made at the board level, which Mr. Toe will not be a part of, with effect from the date of the deed of undertaking, which will be executed prior to the Introduction;
- (d) in relation to ICH Group Ltd, his stake has been diluted to 29.99% and has resigned as a director and will not be involved in the management of ICH Group Ltd as from the date of the deed of undertaking. Accordingly, given that (i) he has stepped down from any management role and would therefore not be able to participate in any decision making process of the entity, and (ii) his stake has been diluted such that he, singly, will not be able to vote through any resolutions of the entity, he has confirmed that he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of ICH Group Ltd. from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. In respect of ICH Group Ltd., the investment decisions are made at the board level, which Mr. Toe will not be a part of, with effect from the date of the deed of undertaking. Further, Mr. Toe has undertaken to our Group that in relation to ICH Group Ltd, he shall not influence his brother, Toe Teow Teck, in the conduct of the financial and/or operational affairs of ICH Group Ltd as he shall not communicate with Toe Teow Teck on any matter regarding the financial and/or operational affairs of ICH Group Ltd. As defined in the deed of undertaking, "communicate" means the imparting of a message by any method of transmission, including but not limited to, verbal or written messages, whether in person or through an electronic device, any written or printed note, or electronic transmission, including electronic transmissions generated or communicated via a computer.

Factually, based on past practice, Mr. Toe has not and does not exercise any influence on Mr. Toe Teow Teck in terms of Mr. Toe Teow Teck's management decisions. It is highlighted that:

- Mr. Toe and Mr. Toe Teow Teck are not financially dependent on each other because each of them have their own income streams and assets;

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## INTERESTED PERSON TRANSACTIONS

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- their investment decisions are made independently and they do not work for each other; and
- they are each accomplished individuals in their own right with their own successes. Mr. Toe Teow Teck has more than 20 years of experience in fund management, direct investments and private equity, having invested and advising many landmark companies. With his wealth of experience and investment and business acumen, and he is more than capable of making his own investment decisions without consulting Mr. Toe.

As such, despite their familial relationship, Mr. Toe and Mr. Toe Teow Teck are independent and separate of each other, and neither of them have any control over the other's investment or financial decisions.

- (e) in relation to Zymmetry Investments Ltd., it will not take on any investment activities as from the date of the deed of undertaking and will be a dormant entity post winding down of its existing investment activities. Mr. Toe will continue to retain his stake in Zymmetry Investments Ltd. because Zymmetry Investments Ltd. will only be retaining its existing investments (i.e. maintaining the current legacy position). Mr. Toe has given an undertaking that Zymmetry Investments Ltd. will not take on any investment activities as from the date of the undertaking and will be a dormant entity post winding down of its existing investment activities. Given that Zymmetry Investments Ltd. will not be taking on any more new investment opportunities and projects, there is no longer any real risk of any conflict of interest between Zymmetry Investments Ltd. and our Group as Zymmetry Investments Ltd. will not be actively engaged in business that may compete with our Group's business;
- (f) in relation to ICH Investment Pte. Ltd., it will not take on any investment activities as from the date of the deed of undertaking and will be a dormant entity post winding down of its existing investment activities. Mr. Toe will continue to retain his stake in ICH Investment Pte. Ltd. because ICH Investment Pte. Ltd. will only be retaining its existing investments (i.e. maintaining the current legacy position). Mr. Toe has given an undertaking that ICH Investment Pte. Ltd. will not take on any investment activities as from the date of the undertaking and will be a dormant entity post winding down of its existing investment activities. Given that ICH Investment Pte. Ltd. will not be taking on any more new investment opportunities and projects, there is no longer any real risk of any conflict of interest between ICH Investment Pte. Ltd. and our Group as ICH Investment Pte. Ltd. will not be actively engaged in business that may compete with our Group's business;
- (g) in relation to ICHAM Pte. Ltd., he has ceased to be a representative of ICHAM Pte. Ltd. as registered under the Register of Representatives maintained by MAS and will not be involved in the management of ICHAM Pte. Ltd. from the date of the deed of undertaking. Accordingly, given that he has stepped down from any management role and would therefore not be able to participate in any decision making process of the entity, and that he, singly, will not be able to vote through any resolutions of the entity, he confirms that he does not and he will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of ICHAM Pte. Ltd. as from the date of the deed of undertaking. In other words, he will not be able to singly cause any resolutions of the entity to be passed. In respect of ICHAM Pte. Ltd., the investment decisions are made at the board level, which Mr. Toe will not be a part of, with effect from the date of the deed of undertaking, which will be executed prior to the Introduction; and



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## INTERESTED PERSON TRANSACTIONS

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- (h) in relation to GEM, he has undertaken to our Company that in the event that the GEM Acquisition does not complete within six (6) months after the Listing Date (the “**Period for Completion**”), he will sell his entire stake in GEM to an independent third party in accordance to terms and conditions which would be no less favourable as compared to that of the offer made to our Company and shall exercise all commercial endeavours to procure the completion of such sale as soon as practicable after the Period for Completion, if re-negotiation with the Company fails. Further details on the re-negotiation process is set out in the section entitled “Interested Person Transactions – Present and On-going Interested Person Transactions – GEM Acquisition” of this Document.

The reduction of Mr. Toe’s stakes in Hexaton Capital Pte. Ltd. and ICH Group Ltd did not involve the sale of Mr. Toe’s equity interests to his Associates. Mr. Toe’s brother is currently the majority shareholder of ICH Group Ltd. However, Mr. Toe’s stake in ICH Group Ltd will be reduced to below 30% via a dilution of his existing stake (i.e. ICH Group Ltd will issue new shares in ICH Group Ltd to the other shareholder, Mr. Toe Teow Teck, thereby diluting Mr. Toe’s interest). The reduction of his stake in ICH Group Ltd will not take place by a sale of his stake to his brother. While collectively, Mr. Toe and his brother will hold 100% of the shares in ICH Group Ltd, our Company would like to emphasise that Mr. Toe, no matter his shareholding, will be stepping down as a director and from his management role and will only be a passive investor.

In relation to ICH Partners Ltd, Zymmetry Investments Ltd., and ICH Investment Pte. Ltd., it is impractical for Mr. Toe to step down as he is the sole shareholder of these entities, which are pure investment vehicles holding highly illiquid assets and therefore it is very difficult to find an independent party to take over his stake and/or management role in these entities. There have been no fresh investments through ICH Partners Ltd, Zymmetry Investments Ltd., and ICH Investment Pte. Ltd. since 2019.

Our Company has sighted the resignation letters from Mr. Toe indicating that he has resigned from the relevant TTH Subject Entities effective prior to the date of the deed of undertaking.

Further, in relation to the RYL Subject Entities and the TTH Subject Entities, each of Mr. Ren and Mr. Toe has respectively undertaken to our Company that he shall not directly or indirectly sell, assign, transfer or dispose in any way or otherwise grant any interest or right with respect to all or any part of his interest in a RYL Subject Entity or TTH Subject Entity (as the case may be) (the “**Transfer**”) unless he shall have given our Company written notice of his intention to make the Transfer of the subject shares or interest (the “**Offered Shares**”) (the “**Transfer Notice**”). Our Company shall have an option for a period of ten (10) Business Days following receipt of the Transfer Notice or such longer period of time as may be required by our Group (upon prior written notice by our Group to the transferor) (the “**Company Option Period**”) to elect to purchase all or a portion of the Offered Shares, and shall specify the price and terms (if any) which it intends to purchase the Offered Shares, in a written notice to Mr. Ren and Mr. Toe (as the case may be) (the “**Company’s Offer**”). For the avoidance of doubt, should the price or terms of our Company’s Offer not be favourable or otherwise acceptable to Mr. Ren and Mr. Toe (as the case may be), he shall have the discretion to decline our Company’s Offer. If our Company does not timely elect to purchase all or a portion of the Offered Shares within the Company Option Period, then Mr. Ren or Mr. Toe (as the case may be) shall be entitled to dispose of the Offered Shares as he deems fit. Notwithstanding the foregoing, each of Mr. Ren and Mr. Toe would not be able to sell, assign, transfer or dispose his interest in the RYL Subject Entities or the TTH Subject Entities (as the case may be) by accepting an offer that is less favourable as compared to our Company’s Offer, in a situation where he receives more than one (1) offer (including our Company’s Offer). However, in the event that Mr. Ren or Mr. Toe (as the case may be) decide to accept an offer from a third party (instead of our Company’s Offer) but the acquisition by the third party does not take place within

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## INTERESTED PERSON TRANSACTIONS

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the period specified and/or completion of the transfer of the shares or equity interest does not occur within three (3) months from the deadline (if any) specified in the transaction documents between Mr. Ren or Mr. Toe (as the case may be) and the third party, the transferor has to send another transfer notice to our Company, and the process detailed in this paragraph shall apply similarly.

Mr. Ren and Mr. Toe have also undertaken to our Group that in the event of any changes to the representations provided by Mr. Ren or Mr. Toe (as the case may be) in relation to the RYL Subject Entities or the TTH Subject Entities respectively, they shall be obliged to provide written notice of the same to the Audit and Risk Committee in a timely manner, and in any case, no later than five (5) Business Days from the change.

In relation to GEM, Mr. Ren is currently the non-executive director and shareholder of GEM. Mr. Toe is a shareholder of GEM and does not currently have an executive or management role in GEM. On a day-to-day basis, the business and affairs of GEM are managed by Mr. Xu Fan, the executive director and CEO of GEM. In addition, it is envisaged that after the Introduction, Mr. Toe will be appointed as the non-executive director of GEM. Our Company is of the view that the potential conflicts of interests in respect of GEM will be effectively mitigated in compliance with Part VII of Chapter 2 of the Listing Manual will be mitigated due to the following reasons:

- (a) After the Introduction, in the unlikely event that the GEM Acquisition is not completed within a period of six (6) months after the Introduction (the “**Transition Period**”) due to unforeseen circumstances, each of Mr. Ren and Mr. Toe will sell their entire stake in GEM to an independent third party as soon as practicable thereafter, if re-negotiation with the Company fails. Further details of the re-negotiation process is set out in the section entitled “Interested Person Transactions – Present and On-going Interested Person Transactions – GEM Acquisition” of this Document; and
- (b) each of Mr. Ren and Mr. Toe has undertaken to our Company that for so long as he and/or his Associates are or are deemed to be, on an aggregate basis, Controlling Shareholder(s) of our Group or remain as a director, chief executive officer and/or key executive of our Group, in respect of any Potential Investment (as defined hereunder) available to GEM:
  - (i) he shall immediately notify our Group and/or the Board in writing of any potential investments or projects relating to the Restricted Business in any country (a “**Potential Investment**”) which he may become aware of, and provide sufficient details of such Potential Investment to our Group and/or the Board. Our Group shall have up to 20 Business Days from the date of notification of such Potential Investment or such longer period of time as may be required by our Group (upon prior written notice by our Group to the transferor) (the “**Block-out Period**”) to assess and elect in writing whether to undertake the opportunity to participate in the Potential Investment, and shall be deemed to have elected not to participate in the Potential Investment upon the expiry of the Block-out Period; and
  - (ii) he shall not, and shall procure that his Associates (whether present or future) shall not, undertake any Potential Investment should our Group elect to undertake the opportunity to participate in the Potential Investment during the Block-out Period. For the avoidance of doubt, if our Group elects or is deemed to have elected not to participate in the Potential Investment, he and/or his Associates will then be able to participate in such Potential Investment.

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## INTERESTED PERSON TRANSACTIONS

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Subject to the above, (A) both Mr. Ren and Mr. Toe and/or their respective associates are permitted to hold, directly or indirectly, for financial investment purposes, interests in any securities of any corporation listed or quoted on any stock exchange engaging in a business which may compete directly with the Restricted Business, as long as each of his and/or his associates' aggregate interests in the securities of such corporation does not exceed 5.0%, and that he will not be involved in the management or operations of the corporation, and in particular will not accept an appointment to an executive position or to the role of director; and (B) Mr. Ren shall be entitled to hold equity interests in the RYL Subject Entities and Mr. Toe shall be entitled to retain his directorships and/or equity interests in the TTH Subject Entities (the matters set out in sub-paragraphs (A) and (B) shall be collectively termed as the **"Carve-out"**).

### **Our CIO – PRC, Mr. Peng's interest in Jiangsu Xinyang Ship Investment Co., Ltd. (江苏新扬船投资有限公司)**

Mr. Peng, our CIO – PRC, is a non-executive director of Jiangsu Xinyang Ship Investment Co., Ltd. (江苏新扬船投资有限公司), which is a wholly-owned subsidiary of the YZJ Fund. Pursuant to a deed of undertaking dated 1 April 2022, he confirmed that he has stepped down as a non-executive director of Jiangsu Xinyang Ship Investment Co., Ltd., and does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of Jiangsu Xinyang Ship Investment Co., Ltd. (江苏新扬船投资有限公司) from the date of the deed of undertaking.

### **Our Chief Compliance Officer – PRC, Mr. Su's interest in the YZJ Fund**

Mr. Su, our Chief Compliance Officer – PRC, is a limited partner of the YZJ Fund, having invested RMB1 million into the YZJ Fund. Pursuant to a deed of undertaking dated 1 April 2022, he has undertaken to our Group that in relation to the YZJ Fund, he does not or will not control, dominate or influence, directly or indirectly, any decision-making process in relation to the financial and operating policies of the YZJ Fund from the date of the deed of undertaking. In addition, Mr. Su has also undertaken to our Company that he shall not directly or indirectly sell, assign, transfer or dispose in any way or otherwise grant any interest or right with respect to all or any part of his interest in the YZJ Fund (the **"Transfer"**) unless he shall have given our Company written notice of his intention to make the Transfer of the subject shares or interest (the **"Offered Shares"**) (the **"Transfer Notice"**). Our Company shall have an option for a period of ten (10) Business Days following receipt of the Transfer Notice or such longer period of time as may be required by our Group (upon prior written notice by our Group to the transferor) (the **"Company Option Period"**) to elect to purchase all or a portion of the Offered Shares, and shall specify the price and terms (if any) which it intends to purchase the Offered Shares, in a written notice to Mr. Su (the **"Company's Offer"**). For the avoidance of doubt, should the price or terms of our Company's Offer not be favourable or otherwise acceptable to Mr. Su, he shall have the discretion to decline our Company's Offer. If our Company does not timely elect to purchase all or a portion of the Offered Shares within the Company Option Period, then he shall be entitled to dispose of the Offered Shares as he deems fit. Notwithstanding the foregoing, Mr. Su would not be able to sell, assign, transfer or dispose his interest in the YZJ Fund by accepting an offer that is less favourable as compared to our Company's Offer, in a situation where he receives more than one (1) offer (including our Company's Offer). However, in the event that the Mr. Su decides to accept an offer from a third party (instead of our Company's Offer) but the acquisition by the third party does not take place within the period specified and/or completion of the transfer of the shares or equity interest does not occur within three (3) months from the deadline (if any) specified in the transaction documents between Mr. Su and the third party, the transferor has to send another transfer notice to our Company, and the process detailed in this paragraph shall apply similarly.

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## **INTERESTED PERSON TRANSACTIONS**

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Our Audit and Risk Committee will monitor that the deeds of undertaking given by our Controlling Shareholder and Executive Chairman, Mr. Ren, our Executive Director and CEO and CIO – Singapore, Mr. Toe, our CIO – PRC, Mr. Peng and our Chief Compliance Officer – PRC, Mr. Su, to ensure that the respective deeds of undertakings are complied with. Our Audit and Risk Committee will also review and assess from time to time the prevailing processes put in place to manage and mitigate any material conflicts of interests with the aforementioned Directors and Executive Officers and consider, where appropriate, the additional measures for the management and mitigation of such conflicts.

Save as disclosed above and under the section entitled “Interested Person Transactions” section of this Document:

- (a) none of our Directors, Controlling Shareholders or their respective Associates have any interest, direct or indirect, in any material transactions to which our Company or any of our subsidiaries was or is a party;
- (b) none of our Directors, Controlling Shareholders or their respective Associates have any interest, direct or indirect, in any entity carrying on the same business or dealing in similar products/services as our Group; and
- (c) none of our Directors, Controlling Shareholders or their respective Associates have any interest, direct or indirect, in any enterprise or company that is our Group’s customer or supplier of goods or services.

### **INTERESTS OF EXPERTS**

None of the experts named in this Document:

- (a) is employed on a contingent basis by our Company or our subsidiaries;
- (b) has a material interest, whether direct or indirect, in the Shares or in the shares of our subsidiaries; and/or
- (c) has a material economic interest, whether direct or indirect, in our Company, including having an interest in the success of the Introduction.

### **INTERESTS OF ISSUE MANAGER**

In the reasonable opinion of our Directors, the Issuer Manager does not have any material relationship with our Company, save that CLSA is the Issue Manager in relation to the Introduction.

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## CLEARANCE AND SETTLEMENT

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A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Shares on the Mainboard of the SGX-ST. For the purposes of trading on the SGX-ST, a board lot for the Shares will comprise 100 Shares. Upon listing and quotation on SGX-ST, the Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended, modified or supplemented from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account holders and facilitates the clearance and settlement of securities transactions between account holders through electronic book-entry changes in the Securities Accounts maintained by such account holders with CDP.

The Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by the CDP, rather than CDP itself, will be treated, under our Constitution and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding the Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Constitution. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the Share Registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where the Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments or transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A deposit fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP.

The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in the Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in the Shares on the SGX-ST is payable at the rate of 0.0325% of the transaction value. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST at the prevailing rate of 7.0% (or such other rate prevailing from time to time).

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## **CLEARANCE AND SETTLEMENT**

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Dealing in the Shares will be carried out in Singapore dollars and will be effected for settlement through CDP on a scripless basis. Settlement of trades on a normal “ready” basis on the SGX-ST generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

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## EXCHANGE CONTROLS

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The following is a description of the exchange controls that exist in the jurisdictions our Group operates in.

### **Singapore**

No exchange controls are applicable in Singapore.

### **PRC**

The PRC exercises controls on foreign exchange. The principal regulation governing foreign currency exchange in the PRC is the Regulations on the Control of Foreign Exchange of the PRC (中华人民共和国外汇管理条例) which was issued by the State Council on 29 January 1996, came into effect on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Under these rules, RMB is freely convertible for payments of current account items, including trade and service-related foreign exchange transactions and dividend payments, but not for capital account expenses, including direct investment, loan or investment in securities outside of the PRC. RMB may only be converted for capital account expenses once prior approval from the SAFE has been obtained. Under the Regulations on the Control of Foreign Exchange of the PRC, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions to commercial banks which are allowed to engage in foreign exchange business. As at the Latest Practicable Date, only Jiangsu Yangchuan is a foreign-invested enterprise and has complied with all the applicable foreign exchange laws and regulations of the PRC, including obtaining the relevant regulatory approvals and no foreign currency has been injected into Jiangsu Yangchuan.

While the payment of dividends by our Company to Shareholders is not restricted by the Regulations on the Control of Foreign Exchange of the PRC and does not require prior approval from the SAFE under the PRC foreign exchange control system, the relevant document(s) in respect of such payment of dividends must be presented at designated foreign exchange banks within the PRC, which are licensed to carry out foreign exchange business. Such repatriation of dividends is subject to the procedural process of presentation of the relevant document(s) and payment of the applicable withholding tax, the failure of which would prohibit our Company from such repatriation of dividends until such procedural processes are completed.

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## LEGAL MATTERS

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Certain legal matters in connection with the Introduction will be passed upon for us by Shook Lin & Bok LLP with respect to matters of Singapore law and Jingtian & Gongcheng with respect to matters of PRC Law. Certain legal matters in connection with this Introduction will be passed upon for the Issue Manager by Rajah & Tann Singapore LLP with respect to matters of Singapore law and King & Wood Mallesons with respect to matters of PRC Law.

Each of Shook Lin & Bok LLP and Rajah & Tann Singapore LLP does not make, or purport to make, any statement in this Document and is not aware of any statement in this Document which purports to be based on a statement made by it and each of them makes no representation, express or implied, regarding, and to the extent permitted by law takes no responsibility for, any statement in or omission from this Document.

Save for certain statements in the sections entitled “Risk Factors”, “Restructuring Exercise”, “Business”, “Corporate Governance”, “Interested Person Transactions”, “General Information”, “Appendix E – Government Regulations” and “Appendix F – Legal Opinion from Jingtian & Gongcheng” to this Document, each of the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, does not make, or purport to make, any statement in this Document and is not aware of any statement in this Document which purports to be based on a statement made by it and makes no representation, express or implied, regarding and to the extent permitted by law takes no responsibility for any statement in or omission from this Document.



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## REPORTING AUDITOR

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The audited combined financial statements FY2019, FY2020 and FY2021 included in this Document have been audited by PricewaterhouseCoopers LLP, the Reporting Auditor, as stated in their report appearing in this Document.

PricewaterhouseCoopers LLP, the Reporting Auditor for the purpose of complying with the SFA only, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of:

- (a) its name and all references thereto; and
- (b) its report titled “Reporting Auditor’s Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021” as set out in Appendix D to this Document,

in the form and context in which they are included in this Document and to act in such capacity in relation to this Document. The above-mentioned report set out in Appendix D to this Document was prepared for the purpose of incorporation in this Document.

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## GENERAL INFORMATION

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### INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS AND CONTROLLING SHAREHOLDERS

1. Save as disclosed below, none of our Directors, Executive Officers and Controlling Shareholders:
  - (a) has, at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or her or against a partnership of which he or she was a partner at the time when he or she was a partner or at any within two (2) years after the date he or she ceased to be a partner;
  - (b) has, at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he or she was a director or an equivalent person or key executive, at the time when he or she was a director or an equivalent person or a key executive of that entity, or at any time within two (2) years after the date he or she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
  - (c) has any unsatisfied judgement against him or her;
  - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such purpose;
  - (e) has ever been convicted of any offence, 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 has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such breach;
  - (f) at any time during the last 10 years, had judgement entered against him or her 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 or her part, or been the subject of any civil proceedings (including any pending civil proceedings of which he or she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his or her part;
  - (g) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
  - (h) has been disqualified from acting as a director or 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;
  - (i) has been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him or her from engaging in any type of business practice or activity;

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## GENERAL INFORMATION

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- (j) has ever, to his or her 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;
  - (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;
  - (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
  - (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 the period when he was so concerned with the corporation or partnership entity or business trust; or
  
- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

***Disclosures Relating to Our Executive Chairman, Mr. Ren and Executive Director, CEO and CIO – Singapore, Mr. Toe and our Independent Non-Executive Director, Mr. Yee***

*MAS Supervisory Warning Letter in relation to GEM*

In October 2015, both of our Executive Chairman Mr. Ren, and Executive Director, CEO and CIO – Singapore Mr. Toe, were directors of ICH Gemini Pte. Ltd. (now known as GEM) when the company was issued with a supervisory warning letter by the MAS due to an administrative oversight for failing to meet the base capital requirements of S\$250,000 at the time of the receipt of approval for its CMS licence to operate as a registered Fund management company. Upon receiving the letter in October 2015, ICH Gemini Pte. Ltd. had taken swift action to increase its paid-up capital to comply with the base capital requirements within a short span of one and a half months. Upon increasing its paid-up capital to meet the base capital requirements, ICH Gemini (now known as GEM) has not received any further notices or warning letters from the MAS in relation to the requirements for its CMS licence.

*Disclosure Obligations in relation to Tianjin Guoheng Railway Holding*

Taixing City Liyuan Investment Co., Ltd. (“**Liyuan**”) a company which was wholly owned by our Executive Chairman, Mr. Ren, and Mr. Ren himself, received a letter of concern from the Shenzhen Stock Exchange on 27 May 2014. The letter related to the non-disclosure of Liyuan’s acquisition of shares in Tianjin Guoheng Railway Holding via block trade on the Shenzhen Stock Exchange. On 9 June 2014 and 12 June 2014, Liyuan was thereafter issued a warning letter and regulatory letter by the Tianjin Securities Regulatory Bureau and Shenzhen Securities, respectively, in this regard. Mr. Ren has confirmed that no penalties or fines were imposed on him or Liyuan as a result of the warnings issued by the Shenzhen Stock Exchange. In an announcement issued by YSL on 1 June 2014, Mr. Ren had also clarified that the allegations in relation to the abovementioned matters and its publicity were “mischievous” and calculated to

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## GENERAL INFORMATION

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damage him and Liyuan's corporate objectives in relation to Tianjin Guoheng Railway Holding. Further, based on independent searches conducted on the website of CSRC (<http://www.csrc.gov.cn>), the website of Shenzhen Stock Exchange (<http://www.szse.cn>) as well as the website of Tianjin Securities Regulatory Bureau (<http://www.csrc.gov.cn/tianjin/>) and publicly available information, it appears that there were no pending proceedings against Mr. Ren in connection with such allegations. Based on the above, the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, have further confirmed that as the Latest Practicable Date, based on the searches conducted on Enterprise Credit Information Publicity System (企业信用信息公示系统) (<http://www.gsxt.gov.cn>), they are not aware of any information suggesting that Mr. Ren has been deemed disqualified from being a director of Jiangsu Yangchuan or Jingjiang Runyuan as a result of the above issue.

### IRAS Investigations on ICH Capital Pte Ltd

In 2011, ICH Capital Pte Ltd, a company which our Executive Director, CEO and CIO – Singapore, Mr. Toe, is an ultimate beneficial owner of, was the subject of an investigation carried out by the IRAS on ICH Capital Pte Ltd to determine whether marketing fees were paid at arms' length to its related company. The investigations have since been concluded with IRAS ultimately determining that the marketing fees were paid on an arms' length basis and there were no fines, reprimands or warning letters issued by IRAS to ICH Capital Pte Ltd.

### Creditors Voluntary Liquidation of Laura Ashley Holdings Plc

Our Independent Non-Executive Director, Mr. Yee, was previously an independent director of Laura Ashley Holdings Plc ("LAH"). Mr. Yee had stepped down as a director of LAH on 16 March 2020 and thereafter, LAH had appointed PricewaterhouseCoopers LLP as its administrators on 23 March 2020. LAH had filed for administration due to the COVID-19 outbreak, which had an immediate and significant impact on trading of LAH and its subsidiaries (the "LAH Group"). Based on the LAH Group's cashflow forecasts and increased uncertainty, the LAH Group expected that it would not be in a position to draw down additional funding in a timely manner sufficient to support its working capital requirements and therefore appointed administrators. LAH subsequently moved into creditors' voluntary liquidation with the appointment of a voluntary liquidator on 31 March 2021. Based on independent public research, it is noted that this was an exceptional instance due to the COVID-19 outbreak, which had an immediate and significant sustained impact on the trading of the frontline retail industry in the United Kingdom, which included the LAH Group. Mr. Yee had not undertaken any executive roles and responsibilities in LAH. Apart from LAH, Mr. Yee is not a director of any entities which has been wound up or dissolved at present or at any time within two (2) years from the date that he ceased to be a director.

## CHANGES IN SHARE CAPITAL

2. As at the Latest Practicable Date, there is only one (1) class of shares in the capital of our Company. There are no founder, management, deferred shares or unissued shares reserved for issuance for any purpose. The rights and privileges attached to the Shares are stated in our Constitution.
3. No option to subscribe for or purchase any securities or securities-based derivatives contracts of our Company has been granted to, or was exercised by, any Director or Executive Officers within the last two (2) years preceding the date of this Document.

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## GENERAL INFORMATION

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4. As at the Latest Practicable Date, no person has been or is entitled to be, given an option to subscribe for or purchase any securities or securities-based derivatives contracts of our Company
5. Save as disclosed in the section entitled “Shareholding and Ownership Structure” of this Document, to the best of the knowledge of our Directors, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any other person or government.

### CONSTITUTION

6. The nature of our Company’s business has been stated earlier in this Document. Our objects can be found in our Constitution.
7. An extract of our Constitution relating to, amongst others, Directors’ powers to vote on contracts in which they are interested, Directors’ powers to vote on their remuneration, Directors’ borrowing powers, Directors’ retirement, Directors’ share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in “Appendix A – Summary of our Constitution” to this Document. Our Constitution is available for inspection at our registered office in the section entitled “General Information – Documents for Inspection” of this Document.

### MATERIAL CONTRACTS

8. The Restructuring Documents, not being contracts entered into in the ordinary course of business, have been entered into by our Company or our subsidiaries within the two (2) years preceding the date of issue of this Document and are or may be material.

### MATERIAL LITIGATION

9. As at the Latest Practicable Date, neither our Company nor any member of our Group is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had during the last twelve (12) months before the date of issue of this Document, a material effect on our Group’s financial position or profitability.

### MISCELLANEOUS

10. In the reasonable opinion of our Directors, CLSA, the Issue Manager, does not have a material relationship with our Group, save that CLSA is the Issue Manager in relation to the Introduction.
11. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two (2) years preceding the date of this Document.
12. There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between the date of incorporation of our Company and the Latest Practicable Date.

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## GENERAL INFORMATION

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13. No Director or expert has an interest, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the Latest Practicable Date, been acquired or disposed of by or leased to our Company or our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or our subsidiaries.
14. No commission, discount or brokerage has been paid or other special terms granted within the two (2) years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or our subsidiaries.
15. Save as disclosed in the sections entitled “Business – Trend Information”, and “Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Document, the results of operations and financial condition of our Group are not likely to be affected by any of the following:
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;
  - (c) unusual or infrequent events or transactions or any significant economic changes that may materially affect the amount of reported income from our operations; and
  - (d) known uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on our revenues or operating income.
16. Details, including the name, address and professional qualifications including membership in a professional body of the auditors of our Company for the Period Under Review are as follows:

<b>Name, Professional Qualification and Address</b>	<b>Professional body</b>	<b>Partner-in-charge/ Professional Qualification</b>
PricewaterhouseCoopers LLP 7 Straits View Level 12, Marina One East Tower Singapore 018936	Public Accountants and Chartered Accountants of Singapore	Partner-in-charge: Mr. Alex Toh Wee Keong (a member of the Institute of Singapore Chartered Accountants)

We currently have no intention of changing our auditor after the Introduction.

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## GENERAL INFORMATION

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### CONSENTS

17. PricewaterhouseCoopers LLP, the Reporting Auditor, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of “Appendix D – Reporting Auditor’s Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021” to this Document in the form and context in which they are respectively included and references to its name in the form and context in which they appear in this Document and to act in such capacity in relation to this Document.
18. PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch, the Consultant to the Restructuring Exercise, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of its name and references thereto in the form and context in which they are included in this Document and to act in such capacity in relation to this Document.
19. CLSA Singapore Pte Ltd, the Issue Manager, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of its name and references thereto in the form and context in which they are included in this Document and to act in such capacity in relation to this Document.
20. Jingtian & Gongcheng, the Legal Adviser to our Company as to PRC Law, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of their name and references thereto and certain statements attributable to it in the sections entitled “Risk Factors”, “Restructuring Exercise”, “Business”, “Corporate Governance”, “Interested Person Transactions”, “General Information”, “Appendix E – Government Regulations” and “Appendix F – Legal Opinion from Jingtian & Gongcheng”, in the form and context in which they respectively appear in this Document and to act in such capacity in relation to this Document.
21. King & Wood Mallesons, the Legal Adviser to the Issue Manager as to PRC Law, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of their name and references thereto and certain statements attributable to it in the sections entitled “Risk Factors”, “Restructuring Exercise”, “Business”, “Corporate Governance”, “Interested Person Transactions”, “General Information” of this Document and “Appendix E – Government Regulations” to this Document, in the form and context in which they respectively appear in this Document and to act in such capacity in relation to this Document.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS

22. This Document has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Document and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Document constitutes full and true disclosure of all material facts about the Introduction, our Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Document misleading. Where information in this Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Document in its proper form and context.

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## GENERAL INFORMATION

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### DOCUMENTS FOR INSPECTION

23. The following documents or copies thereof may be inspected at our registered office at 80 Robinson Road, #02-00, Singapore 068898, during normal business hours for a period of six (6) months from the date of issue of this Document:
- (i) the Constitution of our Company;
  - (ii) the Restructuring Documents;
  - (iii) the “Reporting Auditor’s Report on the Audited Combined Financial Statements of Yangzijiang Financial Holding Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2019, 2020 and 2021” as set out in Appendix D to this Document;
  - (iv) the Legal Opinion from Jingtian & Gongcheng set out in Appendix F of this Document;
  - (v) the audited financial statements of Jingjiang Runyuan for the financial year ended 31 December 2021;
  - (vi) the audited financial statements of New Yangzi Commerce for the financial year ended 31 December 2021;
  - (vii) the Service Agreements referred to in the section entitled “Directors, Management and Employees – Service Agreements” of this Document; and
  - (viii) the letters of consent referred to in “General Information – Consents” above.



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## APPENDIX A – SUMMARY OF OUR CONSTITUTION

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The discussion below provides information about certain provisions of our Constitution and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Constitution.

The instrument that constitutes and defines our Company is the Constitution of our Company. The following summarises certain articles of our Constitution relating to:

### 1. Directors

#### (a) Ability of interested directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

#### (b) Remuneration

Fees payable to non-executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of our Company) as shall from time to time be determined by our Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who performs services outside the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise, as the Directors may determine.

The remuneration of a Managing Director shall be fixed by the Directors and may be by way of salary or commission or participation in profits or by any or all of these modes but shall not be by a commission on or a percentage of turnover. The Directors shall have power to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums.

#### (c) Borrowing

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to secure any debt, liability or obligation of our Company.

#### (d) Retirement Age Limit

There is no retirement age limit for Directors under the Constitution.

#### (e) Shareholding Qualification

There is no shareholding qualification for Directors in the Constitution of our Company.

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## APPENDIX A – SUMMARY OF OUR CONSTITUTION

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### 2. Share rights and restrictions

We currently have one (1) class of shares, namely, ordinary shares. Only persons who are registered on our register of shareholders are recognised as our shareholders. In cases where the person so registered is the CDP, the persons named as the depositors in the Depository Register maintained by the CDP for the ordinary shares are recognised as our shareholders.

#### (a) Dividends and distributions

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Directors. We must pay all dividends out of profits available for distribution. We may capitalise any sum standing to the credit of any of our Company's reserve accounts and apply it to pay dividends, if such dividends are satisfied by the issue of shares to our shareholders. All dividends are paid *pro-rata* amongst our shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of our Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to our Company but the Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

The Directors may retain any dividends or other monies payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

#### (b) Voting rights

A holder of our ordinary shares is entitled to attend and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the Depository Register maintained by CDP at least 72 hours before the general meeting. Except as otherwise provided in the Constitution, two (2) or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under the Constitution, on a poll, every shareholder present in person or by proxy shall have one (1) vote for each ordinary share which he holds or represents. All resolutions at any general meeting shall be voted by poll if required by the Listing Manual or the listing rules of any stock exchange upon which the shares of our Company may be listed, unless such requirement is waived by the Exchange or such other stock exchange. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 5.0% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two (2) shareholders present in person or by proxy and entitled to vote.

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## APPENDIX A – SUMMARY OF OUR CONSTITUTION

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### 3. Change in capital

Changes in the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital) require shareholders to pass an ordinary resolution. General meetings at which ordinary resolutions are proposed to be passed shall be called by at least 14 days' notice in writing. The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. The reduction of our share capital is subject to the conditions prescribed by law.

### 4. Variation of rights of existing shares or classes of shares

Subject to the Companies Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the total voting rights of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of the Constitution relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two (2) persons holding or representing by proxy at least one-third of the total voting rights of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one (1) vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total voting rights of the issued shares of the class concerned within two (2) months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

The relevant Regulation in the Constitution does not impose more significant conditions than the Companies Act in this regard.

### 5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by the Constitution on the rights of our shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

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## APPENDIX B – DESCRIPTION OF OUR SHARES

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### Legal Framework

The following statements are brief summaries of the laws of Singapore relating to the legal framework in Singapore and our Board, which are qualified in their entirety by reference to the laws of Singapore.

Singapore has a common law system based on a combination of case law and statutes. The Companies Act is the principal legislation governing companies incorporated under the laws of Singapore and provides for three (3) main forms of corporate vehicles, being the company limited by shares, the company limited by guarantee and the unlimited company.

Companies are incorporate by filing with ACRA certain electronic forms, including the constitutional documents which comprise its constitution.

The constitution of a Singapore incorporated company may set out the specific objects and powers of the company, or may give the company full power to carry on or undertake any business activity. The constitution generally contains provisions relating to share capital and variation of rights, transfers and transmissions of shares, meetings of shareholders, directors and directors' meetings, powers and duties of directors, accounts, dividends and reserves, capitalisation of profits, secretary, common seal, winding-up and indemnity of the officers of a company.

### Shares

The Shares, which have identical rights in all respects, rank equally with one another. Our Constitution provides that we may issue shares of a different class with preferential, deferred, qualified or special rights, privileges or conditions as our Board may think fit and may issue preference shares which are, or at our option are, redeemable, subject to certain limitations.

All of the Shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

### New Shares

We may only issue new Shares with the prior approval of our Shareholders in a general meeting.

### Shareholders

We only recognise the persons who are registered in our register of members and, in cases in which the person so registered is CDP or its nominees, as the case may, we recognise the persons named as the depositors in the Depository Register (as defined in the SFA) maintained by CDP for the Shares as holders of the Shares.

We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any of the Shares, or any interest in any fractional part of a Share, or other rights in respect of any Share, other than the absolute right thereto of the person whose name is entered in register of members as the registered holder thereof, or of the person whose name is entered in the Depository Register maintained by CDP for that Share.

We may close our register of members at any time or times if we provide the SGX-ST with at least five (5) clear Market Days' notice, or such other periods as may be prescribed by the SGX-ST. However, our register of members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our register of members to determine Shareholders' entitlement to receive dividends and other distributions.

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## APPENDIX B – DESCRIPTION OF OUR SHARES

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### Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the listing rules of, or byelaws and rules, governing any securities exchange upon which the Shares are listed or as provided in our Constitution. Our Directors may, in their discretion, decline to register any transfer of Shares on which we have a lien and in the case of Shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve. A Shareholder may transfer any Shares registered in its own name by means of a duly signed instrument of transfer in a form approved by any securities exchange upon which the Shares are listed or in any other form acceptable to our Directors. Our Board may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. A Shareholder may transfer any Shares held through the SGX-ST book-entry settlement system by way of a book-entry transfer without the need for any instrument of transfer.

We will replace lost or destroyed certificates for Shares if the applicant pays a fee which will not exceed S\$2.00 and furnishes such evidence and a letter of indemnity as our Directors may require.

### General Meetings of Shareholders

We are required to hold a general meeting of Shareholders every year and not more than 15 months after the holding of the last preceding annual general meeting. All general meetings of our Company shall be held in Singapore. Under the Companies Act, we will be required to hold a general meeting of Shareholders within four (4) months from the end of our financial year. Our Board may convene an extraordinary general meeting whenever they think fit and it must do so upon the written request of Shareholders holding not less than 10.0% of the total number of paid-up Shares as carries the right to vote at general meetings (disregarding paid-up Shares held as treasury shares). In addition, two (2) or more Shareholders holding not less than 10.0% of our total number of issued Shares may call a meeting of our Shareholders.

Unless otherwise required by law or by our Constitution, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including

- voluntary winding up;
- amendments to our Constitution;
- a change of our corporate name; and
- a reduction in our share capital.

We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. For so long as the Shares are listed on the SGX-ST, at least 14 days' notice of any general meeting shall be given in writing to the SGX-ST and by advertisement in the daily press.

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## APPENDIX B – DESCRIPTION OF OUR SHARES

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The notice must be given to every Shareholder who has supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

### Voting Rights

A Shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy need not be a Shareholder. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 72 hours before the general meeting.

Except as otherwise provided in our Constitution, two (2) or more Shareholders must be present in person or by proxy or attorney to constitute a quorum at any general meeting. Under our Constitution:

- (i) on a show of hands, every Shareholder present in person or by proxy shall have one (1) vote, provided that:
  - (a) in the case of Shareholder who is not a relevant intermediary (as defined below) and who is represented by two (2) proxies, only one (1) of the two (2) proxies as determined by that Shareholder or, failing such determination, by the chairman of the meeting (or by a person authorised by the chairman of the meeting) in his sole discretion shall be entitled to vote on a show of hands); and
  - (b) in the case of a Shareholder who is a relevant intermediary and who is represented by two (2) or more proxies, each proxy shall be entitled to vote on a show of hands; and
- (ii) on a poll, every Shareholder present in person or by proxy shall have one (1) vote for each Share which he holds or represents.

The following types of members (“**relevant intermediaries**” and each a “**relevant intermediary**”) are allowed to appoint more than two (2) proxies: (i) a licenced bank or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity; (ii) a CMS licence holder which provides custodial services for securities and holds shares in that capacity; and (iii) the CPF Board, in respect of shares purchased on behalf of CPF members.

The Listing Manual require all resolutions at general meeting to be voted by poll. A poll may be demanded in certain circumstances, including:

- (a) by the chairman of the meeting;
- (b) by not less than two (2) Shareholders present in person or by proxy and entitled to vote at the meeting;
- (c) by any Shareholder present in person or by proxy and representing not less than five (5) per cent. (5.0%) of the total voting rights of all Shareholders having the right to vote at the meeting; and

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## APPENDIX B – DESCRIPTION OF OUR SHARES

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- (d) by any Shareholder present in person or by proxy and holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid-up equal to not less than five (5) per cent. (5.0%) of the total sum paid up on all the shares conferring that right.

Subject to the Act and the Listing Manual, in the case of equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a casting vote.

### Limitations on Rights to Hold Shares

Singapore law and our Constitution do not impose any limitations on the right of non-resident or foreign Shareholders to hold or exercise voting rights attached to the Shares.

### Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. Our Board may also declare an interim dividend without the approval of our Shareholders.

We must pay all dividends out of our profit(s) available for distribution.

All dividends we pay are *pro-rata* in amount to our Shareholders in proportion to the amount paid up or credited as paid on each Shareholder's Shares, unless the rights attaching to an issue of any share or class of shares provide otherwise.

Unless otherwise directed, dividends may be paid by a cheque or warrant sent through the post to each Shareholder at his registered address appearing in our register of members or (as the case may be) the Depository Register. However, our payment to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

### Bonus and Rights Issue

Our Board may, with the approval from our Shareholders at a general meeting, capitalise any sums standing to the credit of any of our Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit or loss account and distribute the same as bonus Shares credited as paid-up to the Shareholders in proportion to their shareholdings.

Our Board may also issue bonus Shares to participants of any share incentive or option scheme or plan implemented by our Company and approved by our Shareholders in such manner and on such terms as our Board shall think fit.

Our Board may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any securities exchange upon which the Shares are listed.



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## APPENDIX B – DESCRIPTION OF OUR SHARES

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### Take-overs and Substantial Shareholdings

Under the Singapore Take-over Code issued by the MAS pursuant to Section 321 of the SFA, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting shares must extend a take-over offer for the remaining voting shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory take-over offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any six (6)-month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
  - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
  - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer's equity share capital;

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## APPENDIX B – DESCRIPTION OF OUR SHARES

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- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
  - (i) an individual;
  - (ii) the close relatives of (i);
  - (iii) the related trusts of (i);
  - (iv) any person who is accustomed to act in accordance with the instructions of (i);
  - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
  - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six (6) months.

### **Liquidation or Other Return of Capital**

If we are liquidated or in the event of any other return of capital, holders of the Shares will be entitled to participate in the distribution of any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares in our Company.

### **Indemnity**

As permitted by Singapore law, our Constitution provides that our Company may, subject to the provisions of and so far as may be permitted by the Companies Act, indemnify our Board and officers against any liability incurred or to be incurred by him in the execution of their duties.

Subject to certain exceptions, our Company may not indemnify our Board and officers against any liability attaching to them in connection with any negligence, default, breach of duty or breach of trust in relation to our Company. Such exceptions are (i) the purchase and maintenance for our Directors and officers of insurance against any such liability; and (ii) circumstances where the provision for indemnity is against liability incurred by our Directors and officers to a person other than our Company, except when the indemnity is against (a) any liability of our Director or officer to pay a fine in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising); or (b) any liability incurred by our Director or officer (1) in defending criminal proceedings in which he is convicted; (2) in defending civil proceedings brought by our Company or a related company in which judgement is given against him; or (3) in connection with an application for relief under Section 76A(13) or Section 391 of the Companies Act in which the court refuses to grant him relief.

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## APPENDIX B – DESCRIPTION OF OUR SHARES

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### Substantial Shareholdings

Under the SFA, a person has a substantial shareholding in our Company if he has an interest (or interests) in one (1) or more voting shares (excluding treasury shares) in our Company and the total votes attached to that share or those shares, is not less than 5.0% of the aggregate of the total votes attached to all voting shares (excluding treasury shares) in our Company.

The SFA requires our Substantial Shareholders, or if they cease to be our Substantial Shareholders, to give notice to us using the forms prescribed by the Authority (which are available at <http://www.mas.gov.sg>) of particulars of the voting shares in our Company in which they have or had an interest (or interests) and the nature and extent of that interest or those interests, and of any change in the percentage level of their interest.

In addition, the deadline for a Substantial Shareholder to make disclosure to our Company under the SFA is two (2) Singapore business days after he becomes aware:

- (a) that he is or (if he had ceased to be one) had been a Substantial Shareholder;
- (b) of any change in the percentage level in his interest; or
- (c) that he had ceased to be a Substantial Shareholder,

there being a conclusive presumption of a person being “aware” of a fact or occurrence at the time at which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware.

Following the above, we will in turn announce or otherwise disseminate the information stated in the notice to the SGX-ST as soon as practicable and in any case, no later than the end of the Singapore business day following the day on which we received the notice.

“**Percentage level**”, in relation to a Substantial Shareholder in our Company, means the percentage figure ascertained by expressing the total votes attached to all the voting shares in our Company in which the Substantial Shareholder has an interest (or interests) immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to all the voting shares (excluding treasury shares) in our Company, and, if it is not a whole number, rounding that figure down to the next whole number.

### Minority Rights

Section 216 of the Companies Act protects the rights of minority shareholders of Singapore-incorporated companies by giving the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations:

- (a) if our affairs are being conducted or the powers of our Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one (1) or more of our Shareholders; or
- (b) if we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one (1) or more of our Shareholders, including the applicant.

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## APPENDIX B – DESCRIPTION OF OUR SHARES

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Singapore courts have a wide discretion as to the relief they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, the Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- (d) direct us or some of our Shareholders to purchase a minority Shareholder's Shares and, in the case of our purchase of Shares, a corresponding reduction of our share capital;
- (e) direct that our Constitution be amended; or
- (f) direct that we be wound up.

In addition, Section 216A of the Companies Act allows a complainant (including a minority shareholder) to apply to court for leave to bring an action in a court proceeding or to commence an arbitration proceeding in the name and on behalf of a company.

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## APPENDIX C – TAXATION

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*The following is a discussion of certain tax matters arising under the current tax laws in Singapore and the PRC and is not intended to be and does not constitute legal or tax advice. These laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore and the PRC could later disagree with the explanations or conclusions set out below.*

*The discussion is limited to a general description of certain tax consequences in Singapore and the PRC with respect to ownership of the Shares by Singapore investors, and does not purport to be a comprehensive or exhaustive description of all tax considerations that may be relevant to a Shareholder's decision with regard to the ownership of the Shares.*

*Prospective investors of our Shares should consult their own tax advisers concerning the tax consequences of subscribing for, purchasing, owning and disposing of our Shares. Neither our Company, our Directors nor any other persons involved in this Introduction accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, ownership or disposal of our Shares.*

### **TAXATION IN SINGAPORE**

#### **Individual income tax**

An individual is a tax-resident in Singapore in a year of assessment if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the individual.

Currently, Singapore tax resident individuals are subject to tax at progressive rates, ranging from 0.0 per cent. (0.0%) to 22.0 per cent. (22.0%). Non-resident individuals are subject to Singapore income tax on their employment income accruing in or derived from Singapore at a flat rate of 15.0 per cent. (15.0%) or the resident rate, whichever is higher. Other non-employment income accruing in or derived from Singapore by non-resident individuals are taxed at 22.0 per cent. (22.0%).

#### **Corporate income tax**

A corporate taxpayer is regarded as resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore. "Control and management" is the making of decisions on strategic matters, such as those on company policy and strategy.

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## APPENDIX C – TAXATION

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Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore. Foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Singapore tax resident companies on or after 1 June 2003 are exempt from Singapore income tax if the following conditions are met:

- (i) the income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which the income is received;
- (ii) at the time the income is received in Singapore by the person resident in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called), levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15.0 per cent. (15.0%); and
- (iii) the Comptroller of Income Tax in Singapore is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

Certain concessions and clarifications have also been announced by the IRAS with respect to such conditions.

A non-resident corporate taxpayer is subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign-sourced income received or deemed to be received in Singapore, subject to certain exceptions.

The prevailing corporate income tax rate in Singapore for both resident and non-resident companies is currently 17.0 per cent. (17.0%) Under the Partial Tax Exemption (“**PTE**”) scheme, up to the year of assessment (“**YA**”) 2019, three-quarters of up to the first S\$10,000 and one-half of up to the next S\$290,000, of a company’s chargeable income otherwise subject to normal taxation is exempt from corporate income tax. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate income tax rate. With effect from YA 2020 onwards, the PTE scheme will be adjusted to allow for tax exemption on three-quarters of up to the first S\$10,000, and one-half of up to the next S\$190,000, of a company’s chargeable income otherwise subject to normal taxation is exempt from corporate income tax. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate income tax rate. All other conditions of the PTE scheme remain unchanged.

Singapore has a tax exemption scheme for new start-up companies to support entrepreneurship and help the growth of local enterprises. Where any of the first three (3) years of assessment falls in or after Year of Assessment 2020, there will be 75.0% exemption on the first S\$100,000 of normal chargeable income, and a further 50.0% exemption on the next S\$100,000 of normal chargeable income.

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## APPENDIX C – TAXATION

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### **Dividend Distributions**

All Singapore-resident companies are currently under the one-tier corporate tax system (the “**one-tier system**”).

There is no need to withhold tax on dividend payments, even if there are withholding tax rates ascribed to dividends in some of the avoidance of double taxation agreements. Singapore currently does not impose withholding tax on dividends.

Under the one-tier system, the tax on corporate profits is final and dividends paid by a Singapore-resident company are tax-exempt in the hands of a shareholder, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Shareholders/investors are advised to consult their own tax advisers in respect of the tax laws of their respective countries of residence which are applicable on such dividends received by them and the applicability of any double taxation agreement that their country of residence may have with other jurisdictions.

### **Gains on Disposal of Shares**

Singapore does not impose a tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature.

Gains arising from the disposal of the Shares may be construed to be of an income nature and subject to Singapore income tax, especially if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore.

Shareholders who apply, or who are required to apply, SFRS(I) 1-39 or SFRS(I) 9 (as the case may be) may for the purposes of Singapore income tax be required to recognise gains or losses (not being gains or losses in the nature of capital) in accordance with the provisions of SFRS(I)1-39 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of the Shares is made.

Shareholders are advised to consult their own accounting and tax advisers regarding the Singapore income tax consequences of their subscription for, purchase, ownership and disposal of our Shares.

### **Stamp Duty**

There is no stamp duty payable on the subscription for, allotment or ownership of the Shares.

Where the Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the agreement or instrument of transfer of our Shares at the rate of 0.2 per cent. (0.2%) of the consideration for, or market value of, our Shares, whichever is higher.

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## APPENDIX C – TAXATION

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Stamp duty is borne by the purchaser unless there is an agreement to the contrary. Where an agreement or instrument of transfer is executed outside Singapore or no agreement or instrument of transfer is executed, no stamp duty is payable on the acquisition of the Shares. However, stamp duty may be payable if the agreement or instrument of transfer is executed outside Singapore and is received in Singapore.

Stamp duty is not applicable to electronic transfers of the Shares through the scripless trading system operated by CDP.

### **Estate duty**

With effect from 15 February 2008, Singapore estate duty has been abolished.

### **Goods and Services Tax**

The sale of the Shares by a GST-registered investor belonging in Singapore for GST purposes or to another person belonging in Singapore is an exempt supply not subject to GST. Any input GST incurred by the GST-registered investor in making an exempt supply is generally not recoverable from the Singapore Comptroller of GST.

Where the Shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by such investor contractually to and for the direct benefit of a person belonging outside Singapore, the sale should generally, subject to satisfaction of certain conditions, be considered a taxable supply subject to GST at zero per cent. (0.0%). Any input GST incurred by the GST-registered investor in making such a supply in the course of or furtherance of a business may be fully recoverable from the Singapore Comptroller of GST.

Services consisting of arranging, broking, underwriting or advising on the allotment, issue or transfer of ownership of the Shares rendered by a GST-registered person to an investor belonging in Singapore for GST purposes in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the prevailing rate of 7.0 per cent. (7.0%). Similar services rendered by a GST-registered person contractually to and for the direct benefit of an investor belonging outside Singapore should generally, subject to the satisfaction of certain conditions, be subject to GST at zero per cent. (0.0%).

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of the Shares.

### **TAXATION IN THE PRC**

The following is intended only as a general summary and does not purport to be a complete statement of all tax consequences that may be relevant to the Shareholders in our Company. The PRC taxation implications of investing in our Company may vary depending on the individual circumstances of the Shareholders.



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## APPENDIX C – TAXATION

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### Income Tax

According to the Enterprise Income Tax Law (the “**EIT Law**”), which was promulgated on 16 March 2007, last amended on 29 December 2018 and took effect on the same date, and the Implementation Regulations on the EIT Law (中华人民共和国企业所得税法实施条例), which was promulgated on 6 December 2007 and amended on 23 April 2019 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income derived from both inside and outside the PRC at the rate of enterprise income tax of 25.0%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income derived from inside the PRC and obtained by such establishment or place of business, and on its income which derives from outside the PRC but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25.0%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but its income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside the PRC at the reduced rate of enterprise income tax of 10.0%.

### Income Tax in Relation to Dividend Distribution

The PRC and the government of Singapore entered into the Arrangement between the PRC and Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (中华人民共和国和新加坡共和国政府关于对所得税避免双重征税和防止偷漏税的安排) (the “**Arrangement**”) on 23 July 2007. According to the Arrangement, the withholding tax rate 5.0% applies to dividends paid by a PRC company to a Singapore resident, provided that such Singapore resident directly holds at least 25.0% of the equity interests in the PRC company. The 10.0% withholding tax rate applies to dividends paid by a PRC company to a Singapore resident if such Singapore resident holds less than 25.0% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation (“**SAT**”) on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (国家税务总局关于执行税收协定股息条款有关问题的通知), which was promulgated by the SAT and took effect on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner’s equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident should reach specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, should reach a percentage specified in the tax agreement.

### Value-added Tax

According to the Temporary Regulations on Value-added Tax of the PRC (中华人民共和国增值税暂行条例), which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax of the PRC (中华人民共和国增值税暂行条例实施细则), which was promulgated by the Ministry of Finance (the “**MOF**”) on 25 December 1993 and amended on 15 December 2008 and 28 October 2011, all taxpayers selling goods, providing processing, repairing or replacement services, engaging in sale of services, intangible assets, immovable assets or importing goods within the PRC shall pay value-added tax. The tax rate of

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## APPENDIX C – TAXATION

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17.0% shall be levied on general taxpayers selling or importing various goods or providing processing, repairing or replacement service. The applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (营业税改征增值税试点方案), which was promulgated by the MOF and the SAT, taxation reforms were launched in a gradual manner with effect from 1 January 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (关于全面推开营业税改征增值税试点的通知), which was promulgated on 23 March 2016, took effect from 1 May 2016 and was partly abolished, upon approval of the State Council, the pilot programme of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as at 1 May 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax.

The Notice of the Ministry of Finance and the SAT on the Adjustment to Value-add Tax Rates (财政部、国家税务总局关于调整增值税税率的通知), which was promulgated by the MOF and the SAT on 4 April 2018 and became effective on 1 May 2018, reduced the applicable value-added tax rates for general value-added taxpayers to 16.0% and 10.0% respectively. The Announcement on Policies for Deepening the Value-added Tax Reform (关于深化增值税改革有关政策的公告), which was promulgated by the MOF, the SAT and the General Administration of Customs on 20 March 2019 and took effect on 1 April 2019, further reduced the applicable value-added tax rates of 16.0%, 10.0% for general value-added taxpayers with respect to value-added taxable sales or imported goods to 13.0% and 9.0%, respectively.

### **Withholding Tax**

The EIT Law and its implementation rules provide that an income tax rate of 10.0% will normally be applicable to dividends declared to non-PRC resident investors who do not have an establishment or place of business in the PRC, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdictions in which our non-PRC Shareholders reside. Pursuant to the Arrangement and other applicable PRC Laws, if a Singapore resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Arrangement and other applicable laws, the 10% withholding tax on the dividends the Singapore resident enterprise receives from a PRC resident enterprise may be reduced to 5.0%. However, based on the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax treaties (关于税收协定中“受益所有人”有关问题的公告) promulgated by the State Administration of Taxation on 3 February 2018 and effective from 1 April 2018, a comprehensive analysis shall be conducted to determine the “beneficial owner” under the Double Tax Avoidance Arrangement, taking into account actual conditions of the specific cases, and if:

- (a) the applicant is obligated to pay 50.0% or more of the income to a resident of a third country (region) within 12 months from receiving the income;

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## APPENDIX C – TAXATION

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- (b) the business activities undertaken by the applicant do not constitute substantive business activities;
- (c) the treaty counterparty country (region) does not levy tax on the relevant income or exempts tax on the relevant income, or levies tax but the actual tax rate is very low;
- (d) in addition to the loan contract for which interests are derived and paid, there is/are other loan or deposit contract(s) between the creditor and the third party where the amount, interest rate and date of execution etc. are similar; and
- (e) in addition to the transfer contract of rights such as copyright, patent or technology for which the royalties are derived and paid, there is/are other transfer contract(s) of rights or ownership, such as in relation to copyright, patent and technology between the applicant and a third party,

such factors will be unfavourable for applicants to be recognised as the “beneficial owner” to enjoy the abovementioned reduced income tax rate of 5.0% under the Arrangement.

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**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
COMBINED FINANCIAL STATEMENTS OF YANGZIJIANG FINANCIAL  
HOLDING LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL YEARS  
ENDED 31 DECEMBER 2019, 2020 AND 2021**

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**COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2019, 2020 and 2021**

**YANGZIJIANG FINANCIAL HOLDING LTD.**

*(Incorporated in Singapore. Registration number 202143180K)*

**AND ITS SUBSIDIARIES**

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**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
COMBINED FINANCIAL STATEMENTS OF YANGZIJIANG FINANCIAL  
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**REPORTING AUDITOR’S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021**

1 April 2022

The Board of Directors  
Yangzijiang Financial Holding Ltd.  
80 Robinson Road, #02-00  
Singapore 068898

**Report on Audit of the Combined Financial Statements**

**Opinion**

We have audited the accompanying combined financial statements of Yangzijiang Financial Holding Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages D-5 to D-70, which comprises the combined balance sheet as at 31 December 2019, 2020 and 2021, and the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for each of the financial years ended 31 December 2019, 2020 and 2021, and the notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the combined financial position of the Group as at 31 December 2019, 2020 and 2021 and of the combined financial performance, combined changes in equity and combined cash flows of the Group for each of the financial years ended 31 December 2019, 2020 and 2021.

**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 Combined Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) *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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Directors for the Combined Financial Statements**

Management is responsible for the preparation of combined financial statements that give a true and fair view in accordance with 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 combined 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.

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**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
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**REPORTING AUDITOR’S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021** (continued)

**Auditor’s Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined 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 combined financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
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**REPORTING AUDITOR’S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021** (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Restriction on distribution and use**

This report is made solely for the inclusion in the introductory document of the Company to be issued in relation to the proposed listing on the Mainboard of the Singapore Exchange Securities Trading Limited.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore

Partner-in-charge: Alex Toh Wee Keong  
1 April 2022



**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

*For the financial year ended 31 December 2019, 2020 and 2021*

	Note	Years ended 31 December		
		2019 \$'000	2020 \$'000	2021 \$'000
<b>Interest income</b>	4	426,114	415,479	368,667
Dividend income		27,398	14,068	78,361
Fair value changes on financial assets, at fair value through profit or loss	12	3,715	65,122	(62,801)
Other income		–	509	617
<b>Non-interest income</b>		<b>31,113</b>	<b>79,699</b>	<b>16,177</b>
<b>Total income</b>		<b>457,227</b>	<b>495,178</b>	<b>384,844</b>
Employee compensation	5	(910)	(1,429)	(1,455)
Other expenses	6	(23,182)	(23,902)	(20,665)
<b>Total expenses</b>		<b>(24,092)</b>	<b>(25,331)</b>	<b>(22,120)</b>
<b>Profit before allowances</b>		<b>433,135</b>	<b>469,847</b>	<b>362,724</b>
(Allowances for)/reversal of allowances for credit and other losses	7	(29,379)	(110,129)	9,168
<b>Profit after allowances</b>		<b>403,756</b>	<b>359,718</b>	<b>371,892</b>
Share of results of associated companies, net of tax	8	22,271	30,964	55,285
<b>Profit before income tax and total comprehensive income</b>		<b>426,027</b>	<b>390,682</b>	<b>427,177</b>
Income tax expense	9	(81,399)	(69,607)	(99,939)
<b>Net profit attributable to owners of the Investment Business</b>		<b>344,628</b>	<b>321,075</b>	<b>327,238</b>
<b>Earnings per share attributable to equity holders of the Company (expressed in \$ cents per share)</b>				
– Basic and diluted	10	8.72	8.13	8.28
<b>Net profit for the year</b>		<b>344,628</b>	<b>321,075</b>	<b>327,238</b>
<b>Other comprehensive income:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>				
– Currency translation (loss)/gain		(114,475)	217,651	169,193
<b>Other comprehensive (loss)/income, net of tax</b>		<b>(114,475)</b>	<b>217,651</b>	<b>169,193</b>
<b>Total comprehensive income attributable to owners of the Investment Business</b>		<b>230,153</b>	<b>538,726</b>	<b>496,431</b>

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

**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
COMBINED FINANCIAL STATEMENTS OF YANGZIJIANG FINANCIAL  
HOLDING LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL YEARS  
ENDED 31 DECEMBER 2019, 2020 AND 2021**

**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**COMBINED BALANCE SHEETS**

*As at 31 December 2019, 2020 and 2021*

	Note	As at 31 December		
		2019 \$'000	2020 \$'000	2021 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	11	155,168	25,863	18,374
Financial assets, at fair value through profit or loss	12	52,292	80,594	77,881
Debt investments at amortised cost	13	2,034,763	2,748,777	3,359,868
Trade and other receivables	14	125,398	440,244	25,037
		2,367,621	3,295,478	3,481,160
<b>Non-current assets</b>				
Financial assets, at fair value through profit or loss	12	189,122	454,556	427,545
Debt investments at amortised cost	13	753,923	689,940	154,727
Trade and other receivables	14	3,528	64,249	10,182
Investments in associated companies	8	261,853	234,322	227,050
Investment properties	15	–	24,281	24,535
Property, plant and equipment	16	1,366	2,098	2,078
Deferred income tax assets	17	43,205	76,654	72,629
		1,252,997	1,546,100	918,746
<b>Total assets</b>		3,620,618	4,841,578	4,399,906
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Other payables	18	11,650	45,265	2,760
Current income tax liabilities		59,699	72,586	65,529
		71,349	117,851	68,289
<b>Non-current liabilities</b>				
Deferred income tax liabilities	17	21,352	51,835	82,817
		21,352	51,835	82,817
<b>Total liabilities</b>		92,701	169,686	151,106
<b>NET ASSETS</b>		<b>3,527,917</b>	<b>4,671,892</b>	<b>4,248,800</b>
<b>EQUITY</b>				
Owner’s net investment	20	3,020,128	1,657,377	984,363
Combined capital	19	199,752	2,167,752	2,084,771
Other reserves	19	12,510	13,373	15,042
Retained earnings	19	410,002	730,214	892,255
Foreign currency translation reserve		(114,475)	103,176	272,369
<b>Total equity</b>		<b>3,527,917</b>	<b>4,671,892</b>	<b>4,248,800</b>

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

**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
COMBINED FINANCIAL STATEMENTS OF YANGZIJIANG FINANCIAL  
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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

*For the financial year ended 31 December 2019, 2020 and 2021*

	Owner’s net investment \$’000	Combined capital \$’000	Other reserves \$’000	Foreign currency translation reserve \$’000	Retained earnings \$’000	Total \$’000
<b>Balance at 1 January 2019</b>	3,462,669	199,752	12,131	–	65,753	3,740,305
Profit for the year	–	–	–	–	344,628	344,628
Other comprehensive loss for the year	–	–	–	(114,475)	–	(114,475)
Total comprehensive (loss)/ income for the year	–	–	–	<b>(114,475)</b>	<b>344,628</b>	<b>230,153</b>
Transfer	–	–	379	–	(379)	–
Movement in funding	(442,541)	–	–	–	–	(442,541)
<b>Balance at 31 December 2019</b>	<b>3,020,128</b>	<b>199,752</b>	<b>12,510</b>	<b>(114,475)</b>	<b>410,002</b>	<b>3,527,917</b>
<b>Balance at 1 January 2020</b>	3,020,128	199,752	12,510	(114,475)	410,002	3,527,917
Profit for the year	–	–	–	–	321,075	321,075
Other comprehensive income for the year	–	–	–	217,651	–	217,651
Total comprehensive income for the year	–	–	–	<b>217,651</b>	<b>321,075</b>	<b>538,726</b>
Transfer	–	–	863	–	(863)	–
Movement in combined capital	–	1,968,000	–	–	–	1,968,000
Movement in funding	(1,362,751)	–	–	–	–	(1,362,751)
<b>Balance at 31 December 2020</b>	<b>1,657,377</b>	<b>2,167,752</b>	<b>13,373</b>	<b>103,176</b>	<b>730,214</b>	<b>4,671,892</b>
<b>Balance at 1 January 2021</b>	1,657,377	2,167,752	13,373	103,176	730,214	4,671,892
Profit for the year	–	–	–	–	327,238	327,238
Other comprehensive income for the year	–	–	–	169,193	–	169,193
Total comprehensive income for the year	–	–	–	<b>169,193</b>	<b>327,238</b>	<b>496,431</b>
Distributions to owner*	–	–	–	–	(163,528)	(163,528)
Movement in combined capital	–	(82,981)	–	–	–	(82,981)
Transfer	–	–	1,669	–	(1,669)	–
Movement in funding	(673,014)	–	–	–	–	(673,014)
<b>Balance at 31 December 2021</b>	<b>984,363</b>	<b>2,084,771</b>	<b>15,042</b>	<b>272,369</b>	<b>892,255</b>	<b>4,248,800</b>

\* Relates to the distribution of dividend by JJR and JNCT to their respective holding companies that are wholly owned subsidiaries of the YZJ Group.

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

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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**COMBINED STATEMENTS OF CASH FLOWS**

*For the financial year ended 31 December 2019, 2020 and 2021*

	Note	Year ended 31 December		
		2019 \$'000	2020 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>				
Profit after income tax		344,628	321,075	327,238
Adjustments for:				
– Income tax expenses		81,399	69,607	99,939
– Depreciation of property, plant and equipment		71	93	113
– Depreciation of investment properties		–	407	831
– Fair value (gain)/loss on financial assets, at fair value through profit or loss		(3,715)	(65,122)	62,801
– Dividend income		(27,398)	(14,068)	(78,361)
– Share of results of associated companies, net of tax		(22,271)	(30,964)	(55,285)
		372,714	281,028	357,276
Changes in working capital:				
– Trade and other receivables		116,302	(372,758)	483,782
– Other payables		(482)	32,534	(43,798)
– Debt investments at amortised cost		75,493	(490,820)	78,386
Cash generated from operations		564,027	(550,016)	875,646
Income tax paid		(45,785)	(61,671)	(74,589)
<b>Net cash provided by/(used in) operating activities</b>		518,242	(611,687)	801,057
<b>Cash flows from investing activities</b>				
Proceeds from sale of financial assets, at fair value through profit and loss		20,021	42,596	87,235
Proceeds from disposal of associated company		–	39,933	14,378
Dividend received		27,398	14,068	78,361
Purchase of property, plant and equipment		–	(748)	–
Additions to investment properties		–	(665)	–
Acquisition of financial assets, at fair value through profit and loss		(15,889)	(255,003)	(97,008)
Additions to investments in associated companies		(1,976)	(3,993)	–
Return of capital by associated companies		24,565	34,811	58,482
<b>Net cash provided by/(used in) investing activities</b>		54,119	(129,001)	141,448

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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

	Note	Year ended 31 December		
		2019 \$'000	2020 \$'000	2021 \$'000
<b>Cash flows from financing activities</b>				
Proceeds from capital injection		–	1,968,000	–
Capital reduction		–	–	(82,981)
Movement in funding from YZJ Group		(437,834)	(1,362,172)	(702,064)
Distributions to owner		–	–	(163,528)
<b>Net cash (used in)/provided by financing activities</b>		<b>(437,834)</b>	<b>605,828</b>	<b>(948,573)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
		134,527	(134,860)	(6,068)
<b>Cash and cash equivalents</b>				
Beginning of financial year		24,394	155,168	25,863
Effects of currency translation on cash and cash equivalents		(3,753)	5,555	(1,421)
<b>End of financial year</b>		<b>155,168</b>	<b>25,863</b>	<b>18,374</b>

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

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**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*For the financial years ended 31 December 2019, 2020 and 2021*

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**1. General information, the reorganisation exercise, basis of presentation**

**1.1 General information**

On 29 November 2021, Yangzijiang Shipbuilding (Holdings) Ltd. (“YZJ”) announced its plan to sharpen its strategic focus by spinning off the investment business (“Investment Business”) of YZJ and its subsidiaries (collectively the “YZJ Group”) via the transfer of existing investments to a newly incorporated company. To achieve this transformation, YZJ embarked on a Reorganisation Exercise (the “Reorganisation” as described in Note 1.2) to separate its existing investment business into a separate legal structure. For this purpose, Yangzijiang Financial Holding Ltd. (the “Company”) was incorporated in Singapore on 14 December 2021 as a private company limited by shares under the name of “Yangzijiang Financial Holding Pte. Ltd.”. On 25 March 2022, the Company was converted into a public company limited by shares and the name was changed to “Yangzijiang Financial Holding Ltd.”. The address of the Company’s registered office is 80 Robinson Road #02-00 Singapore 068898.

The principal activities of the Company are investment holding, family office activities and fund management activities. The Company together with its subsidiaries now comprising the Group (collectively, the “YZJ Financial Group”) are principally engaged in investment related activities, including debt investments at amortised cost, venture capital investments, micro-financing and other investments.

YZJ Financial Group, comprising the former Investment Business of the YZJ Group, historically did not exist as a separate legal entity and reporting group and no separate (statutory) financial statements were therefore prepared. Accordingly, for purpose of the evaluation of the historical financial results and the preparation of capital markets access (as described in Note 1.2), combined financial statements of YZJ Financial Group for the financial years ended 31 December 2019, 2020 and 2021 have been prepared.

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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*For the financial years ended 31 December 2019, 2020 and 2021*

**1. General information, the reorganisation exercise, basis of presentation (continued)**

**1.1 General information (continued)**

As at the date of this report, the Company has direct and indirect interest in the following subsidiaries:

Name of subsidiaries	Country of business incorporation	Principal activities	Effective interest held by the Group			Notes
			As at 31 December			
			2019	2020	2021	
			%	%	%	
<b>Directly held</b>						
Jiangsu Yangchuan Investment Development Co., Ltd.	The PRC	Investment holding	–	–	–	(i)
<b>Indirectly held</b>						
Jingjiang Runyuan Rural Microfinance Co., Ltd. (“JJR”)	The PRC	Provide microcredit to enterprises and individuals	100.00	100.00	100.00	(ii)
Jiangsu New Yangzi Commerce & Trading Co., Ltd. (“JNCT”)	The PRC	Investments	–	100.00	100.00	(ii)

(i) Incorporated on 8 February 2022 for the purpose of the Re-organisation

(ii) Audited by PricewaterhouseCoopers LLP, Singapore for the purpose of reporting the combined financial statements of the Group for the financial years ended 31 December 2019, 2020 and 2021.

**1.2 Reorganisation exercise**

Prior to the incorporation of the Company and the completion of the Reorganisation, YZJ Group are principally engaged in shipbuilding, trading and other related activities (collectively, the “Excluded Business”) and the Investment Business.

The Investment Business of the YZJ Group were carried out by various subsidiaries of YZJ during the financial years ended 31 December 2019, 2020 and 2021 (collectively referred to as the “Track Record Period”). The Investment Business during the Track Record Period relates to activities involving micro-financing, debt investments at amortised cost and other investments. The Investment Business was primarily conducted through approximately 2 legal entities that also comprise other YZJ Group activities. In addition, 2 legal entities are dedicated Investment Business legal entities.

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**1. General information, the reorganisation exercise, basis of presentation** (continued)

**1.2 Reorganisation exercise** (continued)

In preparation for the listing of the Company’s shares on the Mainboard of the Singapore Exchange Securities Trading Limited, the YZJ Financial Group underwent the Reorganisation as described below, which resulted in the Company becoming the holding company of the YZJ Financial Group:

- (i) on 5 January 2022, a dividend of RMB18.6 billion was declared by Jiangsu New Yangzi Shipbuilding Co., Ltd. (“JNYS”) to its 51.1% shareholder, Jiangsu Yangzijiang Shipbuilding Co., Ltd. (“JYS”). No dividends were declared in favour of the other two (2) shareholders, Yitian Investments Pte. Ltd. and Seavi Advent Asia Investments (III) Ltd, which collectively hold 48.9% of the shares in JNYS, and which are wholly-owned subsidiaries of YZJ Group). The RMB18.6 billion dividend was recorded in the books of JYS as a dividend receivable (the “JNYS Dividend Receivable”);
- (ii) on 31 January 2022, JYS declared dividends amounting to RMB19.99 billion to YZJ, and such amount was recorded in the accounts of YZJ as a dividend receivable (the “JYS Dividend Receivable”) and in the accounts of JYS as a dividend payable (“JYS Dividend Payable”);
- (iii) on 8 February 2022, JYS assigned the RMB18.6 billion JNYS Dividend Receivable, RMB1.4 billion cash, RMB19.99 billion JYS Dividend Payable and RMB0.01 billion share capital to Jiangsu Yangchuan Investment Development Co., Ltd (“JYC”), a separate PRC company established, following the company split of JYS under PRC laws (the “Assignment”). As a consequence of the Assignment, YZJ had a RMB19.99 billion receivable from JYC (the “JYA Receivable”); YZJ is the beneficial owner of both JYS and JYC. On 8 February 2022, JYC also entered into binding agreements for the acquisition of equity interests in JNCT and JJR for the purchase considerations of RMB1.00 and RMB689,810,000, respectively. The purchase considerations were based on the net book values of the entities. JYC’s acquisition of the equity interests in JNCT and JJR were completed on 28 February 2022 and 26 March 2022 respectively;
- (iv) on 15 February 2022, YZJ injected capital of RMB0.01 billion (or the SGD equivalent of the same amount) into the Company, and the shares in JYC were transferred by YZJ to the Company at a consideration of RMB0.01 billion (the “Transfer”). As a consequence of the Transfer, YZJ recorded a RMB0.01 billion investment in the Company. YZJ also re-assigned the JYA Receivable of RMB19.99 billion to the Company and recorded a corresponding RMB19.99 billion of receivables from the Company (the “YZJ Receivables”);
- (v) on 25 March 2022, YZJ capitalised the YZJ Receivables owing from the Company to YZJ into shares in the Company. On 8 February 2022, JYC completed the purchase of certain Investment Business related investments (i.e. including the Debt Investments at amortised costs, financial assets at fair value through profit and loss, and investment in associated companies). These assets were acquired by JYC from JNYS and JYS.



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**1. General information, the reorganisation exercise, basis of presentation** (continued)

**1.2 Reorganisation exercise** (continued)

Immediately after the completion of the Reorganisation on 26 March 2022, the Company became the holding company of the YZJ Financial Group and the Investment Business.

The ultimate controlling shareholder of the YZJ Financial Group before and after completion of the Reorganisation is Yangzijiang Shipbuilding (Holdings) Ltd. (“YZJ”).

As used herein, the term “YZJ Financial Group” or “the Group” is used for YZJ Financial Group, as the context requires.

**1.3 Basis of presentation**

Pursuant to the Reorganisation, the Investment Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business.

The Reorganisation is a capital reorganisation of the Investment Business under common control of YZJ. Accordingly, these combined financial statements of YZJ Financial Group have been prepared and presented as a continuation of the activities of the Investment Business of the YZJ Group, with the assets and liabilities of the YZJ Financial Group recognised and measured at the carrying amounts of the Investment Business for all periods presented from the Investment Business perspective.

The combined financial statements of the Investment Business for the Track Record Period were included in the following manner:

- Transactions and balances specifically identified as relating to the Investment Business were combined in the combined financial statements\*; and
- Intercompany transactions, balances, unrealised profits or losses on transactions between companies now comprising the YZJ Financial Group are eliminated on consolidation.

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**1. General information, the reorganisation exercise, basis of presentation** (continued)

**1.3 Basis of presentation** (continued)

\*With regard to approximately 15.1% of the debt investments at amortised cost and 16.8% of the financial assets at fair value through profit and loss (“FVTPL”) that were recorded by YZJ Group as at 31 December 2021, these assets (“Excluded Investments”) will not be acquired by the Group due to various reasons, including the fact that some of these debt investments are involved in ongoing litigation to recover overdue payment, and that if these debt investments were to be transferred from YZJ Group to the Group, it could jeopardise the legal position of YZJ Group. Some other debt investments were also not transferred because the contracting counterparties are unwilling to consent to the novation of the agreement from YZJ Group to the Group or because such assets matured before the Reorganisation was completed. Certain FVTPL will not be transferred as the relevant contracts restrict a change in the owner and/or there are practical difficulties in effecting the transfer of ownership in respect of companies that are in the midst of restructuring. Management has continued to include the results of such Excluded Investments in these combined financial statements of YZJ Financial Group on the basis that such investments were managed as part of the Investment Business as a whole and henceforth formed part of the economic activities of the Investment Business during the Track Record Period.

The Combined Financial Statements include activity-based allocation from YZJ for centrally managed costs and expenses, such as certain corporate general and administrative expenses. For further details, refer to carve-out basis in Note 2.2.

Management believes the allocation methods applied in the Combined Financial Statements to be a reasonable reflection of the utilisation of services provided by YZJ Group. However, different allocation methods could have resulted in different outcomes. The allocation methods are therefore not necessarily representative of the financial positions, financial performances or cash flows that would have been reported if YZJ Financial Group operated on its own or as an entity independent from YZJ Group during the periods presented. Actual future cost levels may thus deviate from historical presentation.

The Combined Financial Statements reflect the substance of the activities, assets, and liabilities attributable to the Investment Business. The legal structure was not considered the key factor in determining the parameter of the Combined Financial Statements, but rather the basis of economic activities.

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**2. Significant accounting policies**

**2.1 Basis of preparation**

These combined financial statements have been prepared on a “carve-out basis” from the YZJ Group Consolidated Financial Statements for the purpose of presenting the financial positions, financial performances and cash flows of the Investment Business on a stand-alone basis for the Track Record Period. The Combined Financial Statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of combined financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the YZJ Financial Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 3.

The Group has adopted all applicable new and revised SFRS(I)s and interpretations of SFRS(I)s including SFRS(I) 9 Financial Instruments (“SFRS 9”), SFRS(I) 15 Revenue from Contracts with Customers (“SFRS 15”) and SFRS(I) 16 Leases (“SFRS 16”) with which the relevant accounting policies have been consistently applied to the Group’s combined financial statements throughout the Track Record Period, except for any new standards or interpretation that are not yet effective for the reporting period ended 31 December 2021.

**2.2 Carve-out basis**

*Combined Balance Sheets*

The YZJ Financial Group Combined Balance Sheets include the assets and liabilities previously reported as part of the Investment Business as well as the Investment Business-related assets and liabilities, which have been determined in the following manner:

- Debt investments at amortised cost and financial assets, at fair value through profit or loss have been fully assigned to the Investment Business.
- Investments in associated companies have been allocated to the Investment Business or Excluded Business based on the principal activities of the associated companies.
- Property, plant and equipment (“PPE”) and investment properties (“IP”) have been allocated to the Investment Business based on specific identification.

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**2. Significant accounting policies** (continued)

**2.2 Carve-out basis** (continued)

- Trade and other receivables and other payables have been allocated to the Investment Business based on specific identification.
- Income tax related balances have been allocated as if the components comprising the Investment Business were separate taxable entities.

*Combined Statements of Comprehensive Income*

The YZJ Financial Group Combined Statements of Comprehensive Income include the financial performances previously reported as part of the Investment Business as well as the Investment Business-related costs, which have been determined in the following manner:

- Employee benefit expenses have been allocated to the Investment Business based on specific identification.
- Overheads include finance functions, treasury, strategy, audit fees and general management including the YZJ Group’s key management. The costs of YZJ Group’s overheads have been allocated based on estimated activity levels and the relation of these functions to the Investment Business and Excluded Business.
- Depreciation was allocated to the Investment Business based on the PPE and IP allocated to the Investment Business.
- No interest expense had been recorded in the Combined Statements of Comprehensive Income as there is no interest on funding provided as part of the owner’s net investment.
- Income tax expenses have been allocated as if the components comprising the Investment Business were separate taxable entities.

*Combined statements of Cash Flows*

The combined statements of cash flows have been prepared using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Amounts for cash, cash equivalents and debt are reflected in the combined financial statements only for those activities of the Investment Business that operated or existed in separate dedicated Investment Business legal entities, during the Track Record Period. For all other activities, changes in cash and debt balances form part of additional funding from (payment to) YZJ Group.

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**2. Significant accounting policies** (continued)

**2.2 Carve-out basis** (continued)

*Owner’s net investment and funding structure*

The YZJ Group utilises a central approach for cash management and the funding of its operations. As a contractual obligation to deliver cash or other financial assets in relation to the funding from other YZJ Group entities did not exist during the historical periods presented and the balances will not be settled with YZJ Financial Group’s own equity instruments, all balances with YZJ Group are presented as owner’s net investment in the combined financial statements, except for intercompany current accounts with YZJ Group that are settled periodically based on instructions from YZJ Group treasury department.

Cash deposits of the YZJ Group are monitored and managed by the treasury department. Amounts for cash, cash equivalents and debt are reflected in the combined financial statements only for those activities of YZJ Financial Group that operated or existed in separate dedicated Investment Business legal entities, during the Track Record Period. For all other activities, cash and debt balances with YZJ Group have been presented as part of owner’s net investment. The funding structure is therefore not necessarily representative of the financing that would have been reported if YZJ Financial Group operated on its own or as an entity independent from YZJ Group during the periods presented, nor is it indicative of the financing that may arise in the future.

**2.3 Changes in accounting policies**

The following mandatory standards, amendments and interpretations to existing SFRS(I) that have been published and are relevant for the YZJ Financial Group’s accounting periods beginning on 1 January 2021 and which the YZJ Financial Group has not early adopted.

<b>Description</b>	<b>Effective for annual period beginning on or after</b>
Amendments to SFRS(I) 16 Leases (Covid-19-Related Rent Concessions beyond 30 June 2021)	1 April 2021
Amendments to SFRS(I) 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Annual improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023

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**2. Significant accounting policies** (continued)

**2.3 Changes in accounting policies** (continued)

<b>Description</b>	<b>Effective for annual period beginning on or after</b>
Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2 (Disclosure of Accounting Policies)	1 January 2023
Amendments to SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023

**2.4 Group accounting**

*(a) Subsidiaries*

*(i) Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary’s net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

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**2. Significant accounting policies** (continued)

**2.4 Group accounting** (continued)

*(a) Subsidiaries* (continued)

*(ii) Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

Before recognising a gain on a bargain purchase, management shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The objective is to ensure that measurements appropriately reflect consideration of all available information as at the acquisition date.

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**2. Significant accounting policies** (continued)

**2.4 Group accounting** (continued)

*(a) Subsidiaries* (continued)

*(iii) Disposals*

When a change in the Group’s ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

*(b) Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

*(i) Acquisitions*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated companies over the Group’s share of the fair value of the identifiable net assets of the associated companies or joint ventures and is included in the carrying amount of the investments.



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**2. Significant accounting policies** (continued)

**2.4 Group accounting** (continued)

*(b) Associated companies* (continued)

*(ii) Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group’s share of its associated companies’ post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee’s other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group’s share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group’s interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

*(iii) Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

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**2. Significant accounting policies** (continued)

**2.5 Income recognition**

*(a) Interest income*

Interest income is recognised using the effective interest rate method.

*(b) Dividend income*

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

**2.6 Financial assets**

*(a) Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL).

The classification depends on the Group’s business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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**2. Significant accounting policies** (continued)

**2.6 Financial assets** (continued)

*(a) Classification and measurement* (continued)

At subsequent measurement

*(i) Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and debt investments at amortised cost.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

*(ii) Equity investments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in “Fair value changes on financial assets, at fair value through profit or loss”.

*(b) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 22 details how the Group determines whether there has been a significant increase in credit risk.

For cash and cash equivalents, debt investments at amortised cost and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

Debt financial assets carried at amortised cost are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where debt financial assets carried at amortised cost are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

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**2. Significant accounting policies** (continued)

**2.6 Financial assets** (continued)

*(c) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss.

**2.7 Employee compensation**

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

*Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore and the social security plans in People’s Republic of China (the “PRC”) on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

In accordance with the relevant regulations in the PRC, the premiums and welfare benefit contributions borne by the Group are calculated based on certain percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities.

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**2. Significant accounting policies** (continued)

**2.8 Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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**2. Significant accounting policies** (continued)

**2.9 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

**2.10 Property, plant and equipment**

*(a) Measurement*

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

*(b) Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

*(c) Depreciation*

Depreciation is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives, as follows:

	<b>Useful lives</b>
Buildings	20 years or shorter of lease term
Furniture, fittings and equipment	5 – 12 years

The residual values estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

*(d) Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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**2. Significant accounting policies** (continued)

**2.10 Property, plant and equipment** (continued)

*(e) Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

**2.11 Investment properties**

Investment properties comprise of leasehold buildings that are held for rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life, which is the lease term of the leasehold building.

The residual value, useful life and depreciation method of investment properties are reviewed, and adjusted as appropriate at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

**2.12 Impairment of non-financial assets**

*Property, plant and equipment  
Investment properties*

Property, plant and equipment and investment properties are tested for impairment whenever there is any indication or objective evidence that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

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**2. Significant accounting policies** (continued)

**2.12 Impairment of non-financial assets** (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

**2.13 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.14 Other payables**

Other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

**2.15 Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.



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**2. Significant accounting policies** (continued)

**2.16 Combined capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the combined capital account.

**2.17 Currency translation**

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The functional currency of the Company is Renminbi (“RMB”) but the financial statements are presented in Singapore Dollar (“SGD”) (“presentation currency”). SGD is used as the presentation currency instead of RMB as management expects SGD transactions to become increasingly frequent subsequent to the completion of the Reorganisation (as described in Note 2.1).

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair value are determined.

(c) Translation of Group entities’ financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

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**2. Significant accounting policies** (continued)

**2.17 Currency translation** (continued)

(c) Translation of Group entities’ financial statements (continued)

- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

**2.18 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the management team who are responsible for allocating resources and assessing performance of the operating segments.

**2.19 Dividends to Company’s shareholders**

Dividends to the Company’s shareholders are recognised when the dividends are approved for payment.

**3. Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Impairment of debt investments at amortised cost*

When measuring expected credit loss (“ECL”), the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default (“LGD”) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into accounts expected cash flows from of collateral and integral credit enhancements.

Probability of default (“PD”) constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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**3. Critical accounting estimates, assumptions and judgements (continued)**

*Impairment of debt investments at amortised cost (continued)*

Management has determined the expected loss rates by grouping the borrowers according to internal risk management grading. A reversal of loss allowance of \$10,132,000 (2020: loss allowance of \$107,728,000, 2019: loss allowance of \$25,320,000) for debt investments at amortised cost was recognised during financial year. The Group’s credit risk exposure for debt investments at amortised cost (including the ECL rates applied) is set out in Note 22(b)(iv).

As stated in Note 22(b)(iv), the forward looking macroeconomic data for LGD and PD incorporates adjustments for weighted average economic scenario outcomes, being 23% upside, 17% downside and 60% base (2020 and 2019: 5% upside, 15% downside and 80% base) case scenarios. The impact on profit before tax arising from a change in the weighted average economic scenario outcomes as at 31 December is as follows:

	<b>Higher/(lower)</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
15% upside, 15% downside and 70% base	(6,652)	9,799	6,712
20% upside, 20% downside and 60% base	(17,225)	(24,905)	(19,450)

**4. Interest income**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Interest income from:			
– debt investments at amortised cost	405,295	406,213	352,641
– microfinance	20,200	8,702	14,918
	425,495	414,915	367,559
– cash and cash equivalents	619	564	1,108
	426,114	415,479	368,667

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**5. Employee compensation**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Salaries, wages and employer’s contributions to defined contribution plans	910	1,429	1,455

**6. Other expenses**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Business tax on interest income from debt instruments at amortised cost and loans to non-related parties – microfinance	18,981	18,786	18,975
Transportation expenses	56	49	77
Depreciation of investment properties (Note 15)	–	407	831
Depreciation of property, plant and equipment (Note 16)	71	93	113
Legal fees	665	1,988	2,029
Business hospitality expenses	209	33	43
Professional fees	616	550	1,394
Bad debt recovery	–	(1,110)	(6,010)
Tax surcharge	2,271	2,247	2,289
Others	313	859	924
	<b>23,182</b>	<b>23,902</b>	<b>20,665</b>

**7. Allowances for/(reversal of allowances for) credit and other losses**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Allowances for/(reversal of allowances for) credit and other losses</b>			
– Debt investments at amortised cost (Note 13)	25,320	107,728	(10,132)
– Loans to non-related parties – microfinance (Note 22(b)(ii))	4,059	2,401	964
	<b>29,379</b>	<b>110,129</b>	<b>(9,168)</b>

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**8. Investments in associated companies**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
As at 1 January	284,040	261,853	234,322
Additions	1,976	3,993	–
Return of capital [Note (a)]	(24,565)	(34,811)	(58,482)
Disposals [Note (b)]	(12,954)	(39,933)	(14,378)
Share of profits	22,271	30,964	55,285
Currency translation difference	(8,915)	12,256	10,303
As at 31 December	<u>261,853</u>	<u>234,322</u>	<u>227,050</u>

(a) In 2021, 11 (2020: 13, 2019: 10) associated companies of the Group distributed their capital to all the shareholders based on the respective shareholding. This did not result in a change of significant influence over these associated companies.

(b) In 2021, the Group disposed of 2 associated companies (2020: 1, 2019: 1) for a consideration of \$14,378,000 (2020: \$39,933,000, 2019: \$12,954,000).

The associated companies of the Group engages in venture capital investments and provision of seed funding activities. The associated companies of the Group include the following:

<b>Name of associated companies<sup>(1)</sup></b>	<b>Principal activities</b>	<b>Place of business/ country of incorporation</b>	<b>Effective equity holding</b>		
			<b>2019</b>	<b>2020</b>	<b>2021</b>
			%	%	%
Everbright Venture Capital Jiangyin Co., Ltd.	Engaging in venture capital investment and providing seed capital	PRC	21.36	21.36	21.36
Jiangsu New Material Industrial Venture Capital Enterprise (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	38	38	38
Shanghai Chengding Yangzi Investment Partnership Enterprise (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	29.15	29.15	29.15

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**8. Investments in associated companies (continued)**

Name of associated companies <sup>(1)</sup>	Principal activities	Place of business/ country of incorporation	Effective equity holding		
			2019 %	2020 %	2021 %
Shanghai Chengding New Yangzi Investment Partnership Enterprise (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	29.85	29.85	29.85
Zhuhai Interconnect Leading High-Tech Industrial Investment Center (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	30	30	–
Wuxi Jinrui Zhonghe Investment Enterprise (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	33.33	–	–
Jiangsu Sushang Joint Industry Investment Partnership (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	23.74	20.32	20.32
Jiangsu Nantong Yanhai Emerging Industrial Investment Fund (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	30	30	30
Jiangsu Jiequan Emerging Industry Development Fund (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	–	20	20
Shanghai Chengding New Yangzi Investment Management Partnership Enterprise (Limited Partnership)	Engaging in venture capital investment and providing seed capital	PRC	12.5	12.5	12.5

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**8. Investments in associated companies (continued)**

Name of associated companies <sup>(1)</sup>	Principal activities	Place of business/ country of incorporation	Effective equity holding		
			2019 %	2020 %	2021 %
Shanghai Chengding Yangzi Equity Investment Fund Management Partnership Enterprise (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	24.38	24.38	24.38
Zhuhai Leading Power Asset Management Center (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	30	30	–
Shenzhen Doug No. 8 Sports Investment Partnership (“Limited Partnership”)	Engaging in venture capital investment and providing seed capital	PRC	34.6	34.6	34.6

(1) These associated companies are audited by other accounting firms for local statutory purpose.

There are no contingent liabilities relating to the Group’s interest in the associated companies. The directors are of the opinion that there is only 1 associated company, which contributes significantly to the results or financial position of the Group.

Jiangsu Nantong Yanhai Emerging Industrial Investment Fund (“Limited Partnership”) (“Jiangsu Nantong”) is a venture capital fund investing in various industries in PRC.

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**8. Investments in associated companies (continued)**

*Summarised financial information for associates*

*Summarised balance sheet*

	<b>Jiangsu Nantong Yanhai Emerging Industrial Investment Fund ("Limited Partnership")</b>		
	<b>31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current assets	23,644	4,994	965
Current liabilities	(414)	(888)	(2,666)
Non-current asset	57,025	134,116	218,914

*Summarised statement of comprehensive income*

	<b>Jiangsu Nantong Yanhai Emerging Industrial Investment Fund ("Limited Partnership")</b>		
	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	10,822	53,188	91,754
Profit from continuing operations and total comprehensive income	10,459	53,188	90,537
Dividend received from associate	–	–	7,744

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associate.



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**8. Investments in associated companies (continued)**

*Summarised statement of comprehensive income (continued)*

The following table summarises, in aggregate, the Group’s share of profit and other comprehensive income of the Group’s individually immaterial associates accounted for using the equity method:

	<b>As at 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
<b>Profit for the year and other comprehensive income</b>	<b>19,134</b>	<b>15,008</b>	<b>28,124</b>

*Reconciliation of summarised financial information*

Reconciliation of the summarised financial information presented, to the carrying amount of the Group’s interest in associates, is as follows:

	<b>Jiangsu Nantong Yanhai Emerging Industrial Investment Fund ("Limited Partnership")</b>		
	<b>31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Net assets	80,255	138,222	217,213
Group’s equity interest	30%	30%	30%
Group’s share of net assets	24,077	41,467	65,164
Add: Carrying value of individually immaterial associates, in aggregate	237,776	192,855	161,886
Carrying value of group’s interest in associates	261,853	234,322	227,050

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**9. Income taxes**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Income tax expense/(credit) attributable to profit is made up of:			
– Current income tax	61,042	71,470	64,420
– Deferred income tax (Note 17)	20,357	(1,863)	35,519
– Under provision in prior financial years	–	–	–
	<u>81,399</u>	<u>69,607</u>	<u>99,939</u>

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the PRC standard rate of income tax as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax	426,027	390,682	427,177
Share of results of associated companies, net of tax	(22,271)	(30,964)	(55,285)
Profit before income tax and share of results of associated companies	<u>403,756</u>	<u>359,718</u>	<u>371,892</u>
Tax calculated at the applicable tax rate of 25% (2020: 25%, 2019: 25%)	100,939	89,930	92,973
Effect of:			
– Tax exemption and different tax rates	(39,192)	(37,930)	(11,767)
– Deferred tax on undistributed profits	18,138	16,899	17,546
– Expenses not deductible for tax purposes	1,514	708	1,187
Tax charge	<u>81,399</u>	<u>69,607</u>	<u>99,939</u>

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**10. Earnings per share**

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the end of the financial year.

	<b>2019</b>	<b>2020</b>	<b>2021</b>
Net profit attributable to owners of the Investment Business (\$'000)	344,628	321,075	327,238
Weighted average number of ordinary shares ('000) [Note (a)]	3,950,589	3,950,589	3,950,589
Basic earnings per share (\$ cents)	8.72	8.13	8.28

(a) The weighted average number of ordinary shares is derived from the number of ordinary shares in issue by the Company, adjusted retrospectively for the effects of reorganisation as described in Note 1.2.

Diluted earnings per share is equivalent to the basic earnings, as the Company does not have any dilutive potential ordinary shares.

**11. Cash and cash equivalents**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	155,168	25,863	18,374

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**12. Financial assets, at fair value through profit or loss**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of financial year	249,921	241,414	535,150
Additions	15,889	255,003	97,008
Fair value gain/(losses) through profit and loss	3,715	65,122	(62,801)
Disposals	(20,021)	(42,596)	(87,235)
Currency translation difference	(8,090)	16,207	23,304
End of financial year	<u>241,414</u>	<u>535,150</u>	<u>505,426</u>

Financial assets, at fair value through profit or loss are analysed as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>Current</u>			
Listed			
– Equity securities – PRC	31,031	27,913	75,761
Unlisted			
– Equity securities – PRC	21,261	52,681	2,120
	<u>52,292</u>	<u>80,594</u>	<u>77,881</u>
<u>Non-Current</u>			
Unlisted			
– Equity securities – PRC	189,122	454,556	427,545
	<u>241,414</u>	<u>535,150</u>	<u>505,426</u>

The instruments are all mandatorily measured at fair value through profit or loss.

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**13. Debt investments at amortised cost**

The Group invests in fixed interest debt instruments through intermediary financial institutions for specific borrowings arranged by these intermediaries.

Movements during the year are as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of financial year	2,958,407	2,788,686	3,438,717
Addition	2,697,055	4,766,414	4,570,026
Redemptions	(2,747,228)	(4,182,304)	(4,658,545)
Impairment losses recognised in profit or loss	(25,320)	(107,728)	10,132
Currency translation difference	(94,228)	173,649	154,264
End of financial year	<u>2,788,686</u>	<u>3,438,717</u>	<u>3,514,595</u>

Presented as:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
Debt investments	2,276,618	3,092,011	3,736,103
Less: Allowance for impairment loss	(247,298)	(337,953)	(369,873)
Currency translation difference	5,443	(5,281)	(6,362)
	<u>2,034,763</u>	<u>2,748,777</u>	<u>3,359,868</u>
<b>Non-current</b>			
Debt investments	795,466	753,451	184,055
Less: Allowance for impairment loss	(42,478)	(62,534)	(28,832)
Currency translation difference	935	(977)	(496)
	<u>753,923</u>	<u>689,940</u>	<u>154,727</u>
<b>Total</b>			
Debt investments	3,072,084	3,845,462	3,920,158
Less: Allowance for impairment loss (Note 22(b)(iv))	(289,776)	(400,487)	(398,705)
Currency translation difference	6,378	(6,258)	(6,858)
	<u>2,788,686</u>	<u>3,438,717</u>	<u>3,514,595</u>

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**13. Debt investments at amortised cost (continued)**

The table below analyses the maturity profile of the Group’s gross investments in debt investments at amortised cost into relevant maturity groupings based on the remaining maturity period from the balance sheet date.

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Within one year	2,276,618	3,092,011	3,736,103
Between one year to two years	658,799	723,723	166,653
Over two years	136,667	29,728	17,402
	<u>3,072,084</u>	<u>3,845,462</u>	<u>3,920,158</u>

At the balance sheet date, the carrying amounts of debt investments at amortised cost (current and non-current) approximated their fair values.

**14. Trade and other receivables**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
<i>Current</i>			
Trade receivables			
– Loans to non-related parties			
– microfinance [Note (a)]	55,212	38,455	27,047
Less: Allowance for impairment of loans to non-related parties – microfinance	(357)	(3,461)	(4,576)
Currency translation difference	8	(53)	(79)
	54,863	34,941	22,392
Other receivables			
– Related parties [Note (b)]	63,395	199,588	–
– Non-related parties	7,140	2,933	2,645
Other assets			
– Deposit	–	202,782	–
Trade and other receivables – current	<u>125,398</u>	<u>440,244</u>	<u>25,037</u>

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**14. Trade and other receivables (continued)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current</i>			
Trade receivables			
Loans to non-related parties			
– microfinance [Note (a)]	4,205	14,162	10,182
Less: Allowance for impairment of loans to non-related parties – microfinance	(692)	–	–
Currency translation difference	15	–	–
	<b>3,528</b>	<b>14,162</b>	<b>10,182</b>
Other receivables			
– Loan to a related party [Note (c)]	–	50,087	–
	<b>3,528</b>	<b>64,249</b>	<b>10,182</b>

(a) Loans to non-related parties related to microfinance activities are lending to small and medium sized entities by a Group’s subsidiary.

(b) Other receivables from related parties are unsecured, interest-bearing and repayable on demand.

(c) The loan to a related party is unsecured, interest-bearing and was repaid in 2021.

At the balance sheet date, the carrying amounts of trade receivables (current and non-current) approximated their fair values.

**15. Investment properties**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>			
Beginning of financial year	–	–	24,695
Additions [Note (a)]	–	24,315	–
Currency translation difference	–	380	1,117
End of financial year	<b>–</b>	<b>24,695</b>	<b>25,812</b>

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**15. Investment properties (continued)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>			
<b>Accumulated depreciation</b>			
Beginning of financial year	–	–	(414)
Depreciation charge (Note 6)	–	(407)	(831)
Currency translation difference	–	(7)	(32)
End of financial year	–	(414)	(1,277)
<b>Net book value</b>	–	24,281	24,535

(a) Included in additions are acquisition of investment properties of \$ Nil (2020: \$23,650,000, 2019: \$Nil) and capitalised expenditure of \$ Nil (2020: \$665,000, 2019: \$Nil).

The investment properties were obtained by the Group in 2020 through a PRC court process in 2020, as a form of settlement for default in repayment of certain debt investments at amortised cost amounting to \$14,437,000 and loans to non-related parties – microfinance amounting to \$9,212,000.

The following amounts are recognised in profit and loss:

	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income	202	413

The direct operating expenses arising from the investment property that generate rental income are immaterial for the financial years ended 31 December 2020 and 2021.



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**15. Investment properties (continued)**

At the reporting date, the details of the Group’s investment properties are as follows:

Location	Description	Tenure	Carrying amount as at 31 December	
			2020 \$'000	2021 \$'000
Jiangyin City Real Estate Property No. 0002049, Ganglong Commercial Plaza No. 209-212	Retail building	32-year lease from June 2020	22,185	22,453
Room 801, No. 95 Dongjin West Road, Hailing District	Commercial building	23-year lease from May 2020	2,096	2,082
			24,281	24,535

The fair value of investment properties at 31 December 2021 is approximately \$27,618,538 (2020: \$43,340,025).

The fair value was determined by external, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair value of the Group’s investment properties is classified within Level 3 of the fair value hierarchy and has been derived using the market approach and income method. The most significant input in each valuation approach is the comparable sales price and capitalisation rate respectively.

As at 31 December 2021, the Group has determined that the recoverable amount based on fair value is higher than the carrying value of the investment properties and no impairment loss was recognised.

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**16. Property, plant and equipment**

	<b>Buildings \$'000</b>	<b>Furniture, fittings &amp; equipment \$'000</b>	<b>Total \$'000</b>
<b>2019</b>			
<i>Cost</i>			
Beginning of financial year	1,490	6	1,496
Additions	–	–	–
Disposal	(7)	–	(7)
Currency translation difference	(48)	–	(48)
End of financial year	1,435	6	1,441
<i>Accumulated depreciation</i>			
Beginning of financial year	–	(5)	(5)
Depreciation charge	(71)	–	(71)
Currency translation difference	1	–	1
End of financial year	(70)	(5)	(75)
<b>Net book value</b>			
<b>End of financial year</b>	<b>1,365</b>	<b>1</b>	<b>1,366</b>
<b>2020</b>			
<i>Cost</i>			
Beginning of financial year	1,435	6	1,441
Additions	748	–	748
Disposal	–	–	–
Currency translation difference	82	–	82
End of financial year	2,265	6	2,271

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**16. Property, plant and equipment** (continued)

	<b>Buildings \$'000</b>	<b>Furniture, fittings &amp; equipment \$'000</b>	<b>Total \$'000</b>
<i>Accumulated depreciation</i>			
Beginning of financial year	(70)	(5)	(75)
Depreciation charge	(93)	–	(93)
Currency translation difference	(4)	(1)	(5)
End of financial year	(167)	(6)	(173)
<b>Net book value</b>			
<b>End of financial year</b>	<b>2,098</b>	<b>–</b>	<b>2,098</b>
<b>2021</b>			
<i>Cost</i>			
Beginning of financial year	2,265	6	2,271
Additions	–	–	–
Disposal	–	–	–
Currency translation difference	103	–	103
End of financial year	2,368	6	2,374
<i>Accumulated depreciation</i>			
Beginning of financial year	(167)	(6)	(173)
Depreciation charge	(113)	–	(113)
Currency translation difference	(10)	–	(10)
End of financial year	(290)	(6)	(296)
<b>Net book value</b>			
<b>End of financial year</b>	<b>2,078</b>	<b>–</b>	<b>2,078</b>

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**17. Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred income tax assets	43,205	76,654	72,629
Deferred income tax liabilities	(21,352)	(51,835)	(82,817)
Net deferred tax assets	<u>21,853</u>	<u>24,819</u>	<u>(10,188)</u>

Movements in net deferred income tax accounts are as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
As at 1 January	43,160	21,853	24,819
Tax (charge)/credit to profit or loss (Note 9)	(20,357)	1,863	(35,519)
Currency translation difference	(950)	1,103	512
As at 31 December	<u>21,853</u>	<u>24,819</u>	<u>(10,188)</u>

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at balance sheet date, there is no unrecognised tax losses which can be carried forward and used to offset against future taxable income.

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**17. Deferred income taxes (continued)**

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

*Deferred income tax assets*

	<b>Impairment losses \$'000</b>
<b>2019</b>	
As at 1 January	46,894
Charged to profit or loss	(2,219)
Currency translation difference	(1,470)
As at 31 December	43,205
<b>2020</b>	
As at 1 January	43,205
Credited to profit or loss	30,844
Currency translation difference	2,605
As at 31 December	76,654
<b>2021</b>	
As at 1 January	76,654
Charged to profit or loss	(7,367)
Currency translation difference	3,342
As at 31 December	72,629

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**17. Deferred income taxes (continued)**

*Deferred income tax liabilities*

	<b>Undistributed profits of subsidiaries \$'000</b>	<b>Fair value gain – net \$'000</b>	<b>Total \$'000</b>
<b>2019</b>			
As at 1 January	–	(3,734)	(3,734)
Charged to profit or loss	(18,138)	–	(18,138)
Currency translation difference	399	121	520
As at 31 December	(17,739)	(3,613)	(21,352)
<b>2020</b>			
As at 1 January	(17,739)	(3,613)	(21,352)
Charged to profit or loss	(16,899)	(12,082)	(28,981)
Currency translation difference	(1,136)	(366)	(1,502)
As at 31 December	(35,774)	(16,061)	(51,835)
<b>2021</b>			
As at 1 January	(35,774)	(16,061)	(51,835)
Charged to profit or loss	(17,546)	(10,606)	(28,152)
Currency translation difference	(1,920)	(910)	(2,830)
As at 31 December	(55,240)	(27,577)	(82,817)

**18. Other payables**

	<b>2019 \$'000</b>	<b>2020 \$'000</b>	<b>2021 \$'000</b>
Other payables			
– Related parties	10,482	10,997	609
– Non-related parties	1,168	34,268	2,151
	11,650	45,265	2,760

Amount due to related parties is unsecured, interest-free, and repayable on demand.

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**19. Combined capital, retained earnings and other reserves**

(a) Combined capital and retained earnings

As disclosed in Note 1.3 above, the combined financial statements have been prepared as if the Group structure after the Reorganisation had been in existence throughout the financial years ended 31 December 2019, 2020 and 2021.

Combined capital and retained earnings as at 31 December 2019, 2020 and 2021 represent the share capital and retained earnings of the dedicated Investment Business legal entities, now comprising part of the Group.

The increase in combined capital of \$1,968,000 in 2020 relates to the incorporation of JNCT, a dedicated Investment Business legal entity in 2020.

The decrease in combined capital of \$82,981 in 2021 relates to a capital reduction of \$82,981 in Jingjiang Runyuan Rural Microfinance Co., Ltd. in 2021.

(b) Other reserves (Statutory reserves)

In accordance with the relevant rules and regulations, the Group’s subsidiaries in the PRC are required to appropriate certain percentage of their profits to various reserve funds.

All subsidiaries which are considered as Wholly Owned Foreign Enterprise may discontinue the contribution to the reserve fund when the aggregate sum of the reserve fund is more than 50% of the registered capital in accordance with the “Law of the PRC on Enterprise Operated Exclusively with Foreign Capital”.

Other reserves relate to the reserve funds of the dedicated Investment Business legal entities, now comprising part of the Group.

**20. Owner’s net investment**

YZJ Financial Group operated and was managed as part of the YZJ Group during the Track Record Period. The owner’s net investment reflects the net funding position between YZJ Financial Group and YZJ Group. The net funding position relates to all balances with YZJ Group, except for intercompany current accounts with YZJ Group that are settled periodically based on instructions from YZJ Group treasury department.

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**21. Leases**

Nature of the Group’s leasing activities – The Group as a lessor

The Group has leased out their owned investment property to third parties for monthly lease payments. Where considered necessary to reduce credit risk, the Group may obtain rental deposits from tenants. These leases are classified as operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from this investment property is disclosed in Note 15.

Maturity analysis of operating lease payments – Group as a lessor

The table below discloses the undiscounted lease payments to be received by the Group for its operating lease after the reporting date as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Less than one year	–	366	467
– One to two years	–	447	486
– Two to three years	–	465	464
– Three to four years	–	444	384
– Four to five years	–	368	297
– More than five years	–	2,207	2,010
Total undiscounted lease payments	–	4,297	4,108

**22. Financial risk management**

*Financial risk factors*

The Group’s activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group’s financial performance.



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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

The management is responsible for setting the objectives and underlying principles of financial risk management for the Group, including establishing operating guidelines governing the activities of the Group, such as risk identification and measurement, risk management, oversight responsibilities, authority levels and exposure limits.

(a) Market risk

(i) *Currency risk*

The Group’s business operations are not exposed to significant foreign currency risks as there are no significant transactions denominated in foreign currencies.

(iii) *Cash flow and fair value Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group’s interest rate risks arise primarily from its cash and cash equivalents, restricted cash, debt investments at amortised cost and loans to non-related parties – microfinance. The Group’s policy is to minimise exposure to variable interest rates of interest-bearing assets.

As at balance sheet date, the Group’s investments in debt investments at amortised cost and loans to non-related parties – microfinance were not exposed to cash flow interest rate risk as they were all fixed rated instruments.

(ii) *Price risk*

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified as financial assets, at FVPL. To manage its price risk arising from these investments, the Group ensures that the investments are within authorised mandate based on its approved financial risk management and operating guidelines.

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(a) Market risk (continued)

(ii) *Price risk* (continued)

If prices for equity security in PRC had increased/decreased by 10% (2020: 10%, 2019: 10%) with all other variables including tax rate being held constant, the net of tax effects on profit after tax (“PAT”) would have been:

	<b>Increase/(decrease)</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>PAT</b>	<b>PAT</b>	<b>PAT</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Increased by	18,106	40,136	37,907
Decreased by	(18,106)	(40,136)	(37,907)

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group.

Except as disclosed below, the maximum exposure to credit risk for those financial assets which the Group and the Company do not hold collaterals is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group’s and the Company’s credit risk exposure in relation to financial assets at amortised cost and contract assets under SFRS(I) 9 as at 31 December 2021 are set out in the as follows:

(i) *Cash and cash equivalents*

Cash and cash equivalents are considered to have low credit risk as the Group and the Company adopt the policy of dealing only with major banks of high credit standing throughout the world.

To mitigate credit risk, the Company adopts the policy of dealing only with financial institutions and other counterparties with high credit ratings.

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(b) Credit risk (continued)

(ii) *Loans to non-related parties – microfinance*

Loans to non-related parties – microfinance are related to the micro-credit provided to enterprises and individuals.

All the loans to non-related parties – microfinance are secured by either single or a group of collaterals or by guarantees. The Group monitors the market value of these collaterals on a periodic basis and has contractual safeguards in place to minimise credit risk as they have the right to call for additional collateral if the value of the initial collateral is inadequate. The Group uses internal credit risk rating to determine the credit risk and determine the credit loss allowance.

The Group applies a general 3 stage approach to measure expected credit loss. In measuring expected credit loss, the Group considers the probability of default upon the initial recognition of the loan and assess whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

A significant increase in credit risk is presumed if there is a decline in internal credit risk grading. A default on a loan is when the counterparty fails to make contractual payments for a prolonged period when they fall due.

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(b) Credit risk (continued)

(ii) *Loans to non-related parties – microfinance* (continued)

The fair value of the collaterals is considered when providing for loss allowance. The carrying amounts of loans to non-related parties – microfinance before loss allowance presented by the type of collaterals held are as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Collateralised by:			
– Listed shares in PRC	813	763	99
– Unlisted shares in PRC	4,808	6,866	2,152
– Properties and land use rights	23,294	24,014	21,121
– Guaranteed by non-related individuals	8,439	2,044	12,531
– Guaranteed by non-related corporations	22,063	18,930	1,326
	<u>59,417</u>	<u>52,617</u>	<u>37,229</u>

As at 31 December 2021, the Group measures loss allowance based on the following basis:

<b>Basis of recognition of expected credit loss</b>	<b>12-month expected credit losses</b>	<b>Lifetime expected credit losses</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross carrying amount as at:			
31 December 2019	52,498	6,919	59,417
31 December 2020	52,617	–	52,617
31 December 2021	37,229	–	37,229

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(b) Credit risk (continued)

(ii) *Loans to non-related parties – microfinance* (continued)

The movement in the allowance for impairment loss are as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
As at 1 January	2,214	1,026	3,514
Loss allowance recognised in profit or loss during the year on:			
– Assets acquired/originated	7,603	2,749	964
– Reversal of unutilised amounts	(3,544)	(348)	–
	4,059	2,401	964
Receivables written off as uncollectible	(5,201)	–	–
Currency translation difference	(46)	87	177
As at 31 December	<u>1,026</u>	<u>3,514</u>	<u>4,655</u>

(iii) *Other receivables and other financial assets*

Other receivables and other financial assets are due substantially from counterparties with a good collection track record with the Group and subject to immaterial credit losses.

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**22. Financial risk management (continued)**

*Financial risk factors (continued)*

(b) Credit risk (continued)

(iv) *Debt investments at amortised cost*

For each debt investment, the Group’s credit risk management strategy is to obtain a principal collateral of higher liquidity, and additional collaterals on top of the principal collateral, where necessary.

The Group applies general 3 stage approach to measure expected credit loss. In measuring expected credit loss, the Group considers the probability of default upon initial recognition of investment and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group uses internal credit risk grading for its debt investments and these internal credit risk grading is established by reference to industry practice.

The summary of impairment assessment is presented as follows:

<b>Category</b>	<b>Performing (Stage 1)</b>	<b>Under-performing (Stage 2)</b>	<b>Non-performing (Stage 3)</b>	<b>Write-off</b>
Definition of category	Borrowers have a low risk of default or a strong capacity to meet contractual cash flows	Borrowers for which there is a significant increase in credit risk; significant increase in credit risk is presumed if there is a decline in internal credit risk grading (which could result from interest payments past due)	Principal payments past due; Borrowers facing litigations; or extension of principal repayment date due to financial difficulties	No reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off

Over the term of the investment, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward looking macroeconomic data. The forward looking macroeconomic data incorporates adjustments for weighted average economic scenario outcomes, being 23% upside, 17% downside and 60% base (2020 and 2019: 5% upside, 15% downside and 80% base) case scenarios, and are derived using publicly available data and internal forecast.

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**22. Financial risk management (continued)**

*Financial risk factors (continued)*

(b) Credit risk (continued)

(iv) *Debt investments at amortised cost* (continued)

The Group provides for credit losses against debt investments as follows:

Category	Performing \$'000	Under- performing \$'000	Non- performing \$'000	Total \$'000
<b>2019</b>				
Expected credit loss rates	5.6%	–	–*	
Gross carrying amount	2,615,192	–	456,892	3,072,084
Credit loss allowance	(149,847)	–	(139,929)	(289,776)
Currency translation difference	3,298	–	3,080	6,378
Net carrying amount	2,468,643	–	320,043	2,788,686
<b>2020</b>				
Expected credit loss rates	5.9%	6.4%	–*	
Gross carrying amount	3,078,690	105,100	661,672	3,845,462
Credit loss allowance	(179,237)	(6,573)	(214,677)	(400,487)
Currency translation difference	(2,801)	(103)	(3,354)	(6,258)
Net carrying amount	2,896,652	98,424	443,641	3,438,717
<b>2021</b>				
Expected credit loss rates	4.0%	4.7%	–*	
Gross carrying amount	3,158,504	123,430	638,224	3,920,158
Credit loss allowance	(125,182)	(5,749)	(267,774)	(398,705)
Currency translation difference	(2,154)	(98)	(4,606)	(6,858)
Net carrying amount	3,031,168	117,583	365,844	3,514,595

\* The ECL for non-performing investment is determined on an individual basis using a discounted cash flow methodology. The expected future cash flows are based on the management estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at the original effective interest rate.

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**22. Financial risk management (continued)**

*Financial risk factors (continued)*

(b) Credit risk (continued)

(iv) *Debt investments at amortised cost* (continued)

The loss allowance for debt investments as at 31 December 2021 reconciles to the opening loss allowance for that provision as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2019</b>				
Balance at 1 January 2019	199,126	337	109,390	308,853
Transfer to Stage 3	(13,326)	–	13,326	–
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/originated*	83,248	–	17,786	101,034
– Reversal of unutilised amount	(83,028)	(333)	(47,497)	(130,858)
– Changes in risk parameters**	(33,754)	–	88,898	55,144
	(33,534)	(333)	59,187	25,320
Utilisation	–	–	(41,111)	(41,111)
Currency translation difference	(2,419)	(4)	(863)	(3,286)
Balance at 31 December 2019	149,847	–	139,929	289,776
<b>2020</b>				
Balance at 1 January 2020	149,847	–	139,929	289,776
Transfer to Stage 3	(9,522)	–	9,522	–
Transfer to Stage 2	(1,526)	1,526	–	–
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/originated*	128,131	5,663	75,010	208,804
– Reversal of unutilised amount	(71,479)	–	(37,428)	(108,907)
– Changes in risk parameters**	(17,927)	(592)	26,350	7,831
	38,725	5,071	63,932	107,728
Utilisation	–	–	–	–
Currency translation difference	1,713	(24)	1,294	2,983
Balance at 31 December 2020	179,237	6,573	214,677	400,487



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**22. Financial risk management (continued)**

*Financial risk factors (continued)*

(b) Credit risk (continued)

(iv) *Debt investments at amortised cost* (continued)

The loss allowance for debt investments as at 31 December 2021 reconciles to the opening loss allowance for that provision as follows (continued):

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2021</b>				
Balance at 1 January 2021	179,237	6,573	214,677	400,487
Transfer to Stage 3	(6,035)	–	6,035	–
Transfer to Stage 2	(883)	883	–	–
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/ originated*	104,222	–	16,670	120,892
– Reversal of unutilised amount	(139,124)	(108)	(32,214)	(171,446)
– Changes in risk parameters**	(20,173)	(1,871)	62,466	40,422
	(55,075)	(1,979)	46,922	(10,132)
Utilisation	–	–	(9,125)	(9,125)
Currency translation difference	7,938	272	9,265	17,475
Balance at 31 December 2021	125,182	5,749	267,774	398,705

\* This relates to the loss allowance recorded in profit or loss on debt investments acquired/originated in the same year and for which the debt investment remains outstanding as at balance sheet date. These debt investments dropped to Stage 2 or 3 after origination and during the financial year.

\*\* For the performing and under-performing debt investments, the change in the loss allowance is due to change in the probability of default used or estimated loss given default to calculate the expected credit losses.

For the non-performing debt investments, the change in the loss allowance is due to change in the estimated loss given default to calculate the lifetime expected credit loss.

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(b) Credit risk (continued)

(iv) *Debt investments at amortised cost* (continued)

The fair value of the collaterals is considered when providing for loss allowance. The carrying amounts of debt investments before loss allowance, presented by the type of collaterals held, are as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Collateralised by:			
– Listed shares in PRC*	629,158	850,300	581,762
– Unlisted shares in PRC	198,110	1,120,163	732,582
– Properties and land use rights	1,042,322	1,044,591	1,450,906
– Guaranteed by government corporations and non-related corporations	1,202,494	830,408	1,154,908
	<u>3,072,084</u>	<u>3,845,462</u>	<u>3,920,158</u>

\* Included in the listed shares in PRC is an amount of \$90,788,698 (2020: \$86,858,093, 2019: \$121,571,735) of shares which will only be available for trading after the expiry of their restriction period.

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(c) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and marketable securities to enable them to meet their normal operating commitments.

The table below analyses the maturity profile of the Group’s non-derivative financial liabilities into relevant maturity groupings on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 1 year \$’000</b>	<b>Between 1 and 2 years \$’000</b>	<b>Between 2 and 5 years \$’000</b>	<b>Over 5 years \$’000</b>
<b>As at 31 December 2019</b>				
Undrawn capital commitments	193,867	–	–	–
Other payables	11,650	–	–	–
<b>As at 31 December 2020</b>				
Undrawn capital commitments	299,759	–	–	–
Other payables	45,265	–	–	–
<b>As at 31 December 2021</b>				
Undrawn capital commitments	276,307	–	–	–
Other payables	2,760	–	–	–

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(d) Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group monitors capital on the basis of the total liabilities to total assets ratio.

The Group’s strategy is to maintain a stable total liabilities to total assets ratio. The ratios at balance sheet date were as follows:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Total liabilities	92,701	169,686	151,106
Total assets	3,620,618	4,841,578	4,399,906
Liability-to-asset ratio	2.6%	3.5%	3.4%

As YZJ Financial Group did not have a separate capital structure prior to legal separation, the Group do not have any external imposed capital requirements for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021.

(e) Fair value measurements

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(e) Fair value measurements (continued)

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
31 December 2019				
<b>Assets</b>				
Financial assets, at fair value through profit or loss	31,031	–	210,383	241,414
31 December 2020				
<b>Assets</b>				
Financial assets, at fair value through profit or loss	27,913	–	507,237	535,150
31 December 2021				
<b>Assets</b>				
Financial assets, at fair value through profit or loss	75,761	–	429,665	505,426

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1 of the fair value hierarchy.

The fair values of unlisted equity securities, classified as financial assets at fair value through profit or loss have been determined by reference to the Company’s share in attributable net assets in the investee companies. The investee companies have measured their own investments at fair value. The fair values are within level 3 of the fair value hierarchy.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

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**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(e) Fair value measurements (continued)

The following table presents the changes in Level 3 instruments:

	<b>Unlisted equity securities \$'000</b>
<b>2019</b>	
Beginning of the financial year	216,434
Purchases	15,889
Disposal	(18,867)
Total gains for the period included in:	
– Profit and loss [Note (a)]	3,962
Currency translation difference	(7,035)
End of financial year	210,383
Fair value gains for the period included in profit or loss for financial assets held at the end of the financial year [Note (a)]	3,962
<b>2020</b>	
Beginning of the financial year	210,383
Purchases	254,365
Disposal	(39,799)
Total gains for the period included in:	
– Profit and loss [Note (a)]	67,536
Currency translation difference	14,752
End of financial year	507,237
Fair value gains for the period included in profit or loss for financial assets held at the end of the financial year [Note (a)]	67,536

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**22. Financial risk management (continued)**

*Financial risk factors (continued)*

(e) Fair value measurements (continued)

	<b>Unlisted equity securities \$'000</b>
<b>2021</b>	
Beginning of the financial year	507,237
Purchases	65,883
Disposal	(82,988)
Transferred from Level 1 to Level 3 instruments [Note (b)]	7,854
Total loss for the period included in:	
– Profit and loss [Note (a)]	(89,575)
Currency translation difference	21,254
End of financial year	429,665
Fair value losses for the period included in profit or loss for financial assets held at the end of the financial year [Note (a)]	(89,575)

(a) The gains are presented in “fair value changes on financial assets, at fair value through profit or loss” in the consolidated statement of comprehensive income.

(b) Relates to equity securities which were previously listed and were delisted in 2021.

*Inputs used in Level 3 fair value measurements and sensitivity analysis*

The Group have the following financial instruments classified under Level 3 Fair Value Hierarchy, as follows:

	<b>Unobservable inputs</b>	<b>Range of unobservable inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
Unlisted equity securities	Share of attributable net assets in the investee companies per 100 shares invested	\$18 to \$569* (2020: \$22 to \$187*; 2019: \$18 to \$151*)	There is a positive relationship between unobservable inputs and estimated fair value.

\* There is 1 (2020: 1; 2019: 1) unlisted equity security for which the investee company is in net liabilities position and therefore not included in the range of unobservable inputs above.

**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
COMBINED FINANCIAL STATEMENTS OF YANGZIJIANG FINANCIAL  
HOLDING LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL YEARS  
ENDED 31 DECEMBER 2019, 2020 AND 2021**

**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*For the financial years ended 31 December 2019, 2020 and 2021*

**22. Financial risk management** (continued)

*Financial risk factors* (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Financial assets, at amortised cost	3,072,780	3,969,073	3,568,188
Financial liabilities, at amortised cost	(11,650)	(45,265)	(2,760)

**23. Related party transactions**

In addition to the information disclosed elsewhere in the combined financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

*Related party transactions*

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest income from related parties	10,682	7,010	4,572
Advances/loans to related parties	(64,822)	(245,834)	–
Advances/loan repayments received from related parties	–	65,489	256,560
Capital injection from YZJ Group	–	1,968,000	–
Capital return to YZJ Group	–	–	(82,981)
Debt investment at amortised costs – loan to a related party	–	–	(14,837)
Distributions to owner	–	–	(163,528)
Movement in funding to YZJ Group	(442,541)	(1,362,751)	(673,014)

Related parties comprise mainly companies which are controlled or jointly controlled by the YZJ Group and companies which are controlled or jointly controlled by a member of the Group’s key management personnel or a close member of that person’s family.



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**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
COMBINED FINANCIAL STATEMENTS OF YANGZIJIANG FINANCIAL  
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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*For the financial years ended 31 December 2019, 2020 and 2021*

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**23. Related party transactions (continued)**

As at 31 December 2021, \$37,517,000 of the debt investments at amortised cost are with related parties (2020: nil, 2019: nil), out of which \$14,837,000 was transacted in 2021 and the remaining \$22,680,000 was transacted with another party in 2020, before it became a related party of the Group in 2021.

Other outstanding balances with related parties at balance sheet date are disclosed in Notes 14 and 18 respectively.

**24. Segment information**

Management has determined the operating segment based on the report reviewed by the Executive Chairman and head of respective business departments (collectively known as “Management Team”) that are used to make strategic decisions.

The Management Team considers the business mainly from a business segment perspective. Geographically, management manages and monitors the business only from the PRC.

The principal activities of the Group consist of micro-financing, debt investments at amortised cost and other investments and therefore management considers that the Group operates in one single business segment at one geographical location.

No information about major customers is presented as there is no single customer which individually contributed more than 10% of the total revenue for the years ended 31 December 2019, 2020 and 2021.

**25. Contingent liabilities**

As at date of these financial statements, the Group had no material contingent liabilities.

**26. Events occurring after the reporting period**

- a. Subsequent to balance sheet date, JJR had declared and paid dividend of approximately \$15,232,000 (equivalent of RMB71,862,468) to its 100% shareholder, JNYS. These financial statements do not reflect this dividend, which will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2022.
- b. As at the date of these financial statements, the Reorganisation as described in Note 1.2 has been completed.

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**APPENDIX D – REPORTING AUDITOR’S REPORT ON THE AUDITED  
COMBINED FINANCIAL STATEMENTS OF YANGZIJIANG FINANCIAL  
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**YANGZIJIANG FINANCIAL HOLDING LTD. AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*For the financial years ended 31 December 2019, 2020 and 2021*

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**27. Impact of COVID-19**

In 2020, the COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group’s significant operations are in the PRC, which has not been spared by the spread of COVID-19.

The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets and provisions for onerous contracts as at 31 December 2021. Significant estimates and judgement applied on estimation of impairment of assets are disclosed in Note 3.

**28. Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yangzijiang Financial Holding Ltd. passed on 1 April 2022.

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

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## APPENDIX E – GOVERNMENT REGULATIONS

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The laws and regulations of the various jurisdictions which are material to the business of our Group are set out below. As at the Latest Practicable Date, we have obtained all requisite approvals, and are in compliance with laws and regulations, that would materially affect our business operations.

### PRC

#### *Company Law*

The Company Law of the PRC (中华人民共和国公司法) (the “**Company Law**”), which came into effect on 1 July 1994 and was revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively, governs two (2) types of companies, namely, companies incorporated in the PRC with limited liability and companies incorporated in the PRC as joint stock limited companies. Both types of companies have the status of an enterprise legal person. The liability of shareholders of a limited liability company is limited to the extent of the amount of capital subscribed by them and the company is liable to its creditors to the full amount of the assets owned by it. The liability of shareholders of joint stock limited companies is limited to the extent of the amount of shares subscribed by them and the company is liable to its creditors to the full amount of the assets owned by it. The Company Law applies to FIEs which are incorporated as limited liability companies or joint stock limited liability companies. However, for FIEs established pursuant to the Law of the People’s Republic of China on Sino-foreign Equity Joint Ventures, the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises and the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures, subject to the Foreign Investment Law, FIEs may keep their original organisational forms and other matters for five (5) years after the effectiveness of Foreign Investment Law.

Pursuant to the Company Law, the after-tax profit of an FIE for a given year shall be allocated in accordance with the following sequence:

- If the statutory common reserve fund is insufficient to make up its losses of the previous years, such losses shall first be made up from the profit for the current year firstly.
- It shall allocate 10.0% of the after-tax profit to its statutory common reserve fund before making profit distribution to its shareholders. Such allocation may discontinue when the aggregate amount of such reserve exceeds 50.0% of its registered capital.
- An FIE may make further allocation to its common reserve fund using its after-tax profit in accordance with a resolution of the shareholders’ meeting.

#### **Regulations of Microfinance Industry**

##### *National Regulatory Authorities*

As at the Latest Practicable Date, there is no regulatory authority for the microfinance industry on the national level in the PRC. Pursuant to the Guiding Opinions, the provincial governments may launch the pilot operation of microfinance companies within county territory in their respective province (autonomous region, municipality) only after they could determine a competent department (financial affairs office or similar department) to be responsible for the supervision and administration on microfinance companies and are willing to assume the responsibility of risk disposal by microfinance companies.

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## APPENDIX E – GOVERNMENT REGULATIONS

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### ***Local Regulatory Authorities***

Competent regulatory authorities administering the microfinance industry must be appointed by all provinces, autonomous regions and municipalities directly under the central government of the PRC (the “**Central Government**”). Nowadays, the microfinance industry in China is generally governed by the office of finance of the people’s governments of the relevant provinces, autonomous regions and municipalities directly under the Central Government.

### ***National Guiding Policies***

The Guiding Opinions, which was promulgated by the CBRC and the PBOC and took effect on 4 May 2008, contains the fundamental opinions and policies to guide the microfinance industry. It regulates the fields of microfinance companies, including but not limited to the incorporation, capital source, utilisation of capital, supervision and administration and termination of microfinance companies. Pursuant to the Guiding Opinions:

- Any applicant must apply to the supervising authority of the provincial government and, upon approval, comply with registration formalities to obtain all necessary business licences, approvals and certificates for the establishment of a microfinance company;
- If a microfinance company is a limited liability company, its registered capital must be at least RMB5 million, and if it is a company limited by shares, its registered capital must be at least RMB10 million;
- No single natural person, enterprises or other social organisation, together with their respective affiliates, may hold in excess of 10.0% of the total registered capital of the microfinance company;
- The funds of a microfinance company mainly consist of the capital contributed and funds donated by shareholders as well as funds raised from, at most, two banking financial institutions. A microfinance company must accept public supervision and shall not engage in any form of illegal fund-raising. Subject to relevant laws and regulations, the funds obtained by a microfinance company from banking financial institutions may not exceed 50.0% of its net capital;
- A microfinance company must conduct its operations according to market-oriented principles. The loan interest rate charged by a microfinance company cannot exceed the maximum loan interest rate set by judicial departments, which was four (4) times of the prevailing PBOC Benchmark Interest Rate before 1 September 2015, pursuant to the Interim Measures and with reference to Certain Opinions on the Court’s Trial for Lending Cases (关于人民法院法官案件的意见) issued by the Supreme People’s Court on 13 August 1991. Such requirement of maximum loan interest rate was modified by the Provisions of the Supreme People’s Court on several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院关于审理民间借贷案件适用法律若干问题的规定) issued by the Supreme People’s Court of PRC on 6 August 2015 and came into effect on 1 September 2015, which provides that (i) the interest on the loans with interest rates up to 24.0% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24.0% and 36.0%, if the interest on the loans has already been paid to the lender, the courts will turn down the borrower’s request to demand the return of the interest payment; and (iii) if the annual interest rate of a private loan is higher than 36.0%, the agreed interest on the exercise part shall be null and void. Pursuant to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private

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## APPENDIX E – GOVERNMENT REGULATIONS

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Lending Cases (最高人民法院关于审理民间借贷案件适用法律若干问题的规定) issued by the Supreme People's Court on 29 December 2020 and which took effect on 1 January 2021, the loan interest rate charged by a microfinance company up to four (4) times of the one (1)-year loan prime rate which was announced by the National Inter-bank Lending centre of PBOC is valid and enforceable.

- The specific floating rate shall be determined by the microfinance company based on market-oriented principles:
  - (a) The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 10.0% of its net capital and the outstanding amount of loan made to the same borrower and its related parties by a microfinance company cannot exceed 15.0% of its net capital;
  - (b) No founder being natural persons, enterprises and other social organisations of the microfinance companies and no natural person as a director, supervisor, or senior management of microfinance companies has any criminal or bad credit record;
  - (c) The microfinance company shall, according to relevant provisions, set up prudent and normative asset classification and provision systems, accurately classify the assets, make full provision for allowances for doubtful accounts, and guarantee that its adequacy ratio of provision for asset losses always remain above 100.0% in order to fully cover all risks;
  - (d) The microfinance company shall establish a sound corporate governance structure and loan management system, and strengthen internal control; and
  - (e) The PBOC will trace and monitor the interest rates and capital flows of microfinance companies, and will include them in the credit system. The microfinance company shall regularly provide the credit system with information about the borrower, loan amount, guarantee and repayment, and other business information.

Pursuant to the Legislative Law of the People's Republic of China (中华人民共和国立法法) (the "**Legislative Law**") which was promulgated by the Standing Committee of the National People's Congress on 15 March 2000, took effect on 1 July 2000 and amended on 15 March 2015, all the ministries and commissions of the State Council, the PBOC, the General Administration for Auditing, and organisations with administrative functions directly under the State Council may, in accordance with laws, administrative regulations, decisions and orders of the State Council, enact administrative rules within the scope of its authority, and an administrative rule shall be promulgated through an order signed by the head of the relevant department. Furthermore, according to the Legislative Law, the people's government of provinces, autonomous regions, municipalities directly under the Central Government, cities with districts or autonomous prefectures may enact local rules according to laws and administrative regulations as well as local regulations of their respective provinces, autonomous regions or municipalities directly under the Central Government, and a local rule shall be promulgated by way of an order signed by the provincial governor, the chairman of the autonomous region, the mayor of the city or the governor of the autonomous prefecture. As advised by the Legal Advisers to our Company as to PRC Law, (1) the Guiding Opinions shall not be regarded as administrative rules (部门规) in accordance with the Legislative Law, the documents issued by regulatory departments of Jiangsu provincial government shall not be regarded as local rules (地方政府规) in accordance with the Legislative Law, and in the event of selective application of rules in conflict, the Guiding Opinions are not superior to other normative documents issued by regulatory departments of Jiangsu provincial

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## APPENDIX E – GOVERNMENT REGULATIONS

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government in terms of legal hierarchy; and (2) regulatory departments of Jiangsu provincial government are entitled to decide whether to apply to Guiding Opinions and approve establishment of microfinance company within Jiangsu Province in accordance with the documents issued by regulatory departments of the Jiangsu provincial government.

### ***Local Regulatory Policies in Jiangsu Province***

At present, pilot operations of microfinance companies are supervised and managed by authorised authorities at provincial level. Provincial governments with a designated supervising authority for microfinance companies have promulgated various administration measures to establish that the provincial government authorities (such as provincial-level finance bureaus) are responsible for the supervision and management of microfinance companies. These provincial governments and competent authorities also issued various regulatory policies and measures for the purpose of supervising and managing microfinance companies in their respective supervising region.

Given that our business is confined within the region of Jiangsu Province, the review of laws and regulations at local level is to be focused on regulations issued by applicable Jiangsu authorities. A rural microfinance company shall be subject to regulations and policies stated as below:

### ***Establishment***

- Pursuant to the Circular on Further Regulating the Approval and Administration of Rural Microfinance Companies (关于进一步规范农村小额贷款公司审批管理工作的通知) (the “**26 January 2011 Circular**”) issued on 26 January 2011 by the Jiangsu Finance Office (江苏省金融办), the number of shareholders, being natural persons and/or enterprises, of a rural microfinance company shall be below 50 as in the case of a limited liability company, or between 2 to 200 as in the case of a joint stock limited liability company, more than half of whom shall have domiciles within the territory of the PRC. Pursuant to the Circular on Further Enhancing the Regulation of Rural Microfinance Company (关于进一步加强农村小额贷款公司监管工作的通知) (the “**23 September 2011 Circular**”) issued on 23 September 2011 by the Jiangsu Finance Office, shareholders of a rural microfinance company shall include at least three non-affiliated legal persons and/or natural persons;
- Pursuant to the Pilot Opinions of Rural Microfinance Organizations (省政府办公厅关于开展农村小额贷款组织试点工作的意见(试行) (the “**24 November 2007 Opinions**”) issued by the General Office of Jiangsu Province People’s Government (江苏省人民政府办公厅) on 24 November 2007, the registered capital of a rural microfinance company must be at least RMB50 million in southern region of Jiangsu Province, RMB30 million in central region of Jiangsu Province, RMB20 million in northern region of Jiangsu Province, respectively, and shall only be contributed in the form of cash;
- Pursuant to the 24 November 2007 Opinions, the location where a rural microfinance company conducts its business shall be fixed and at below the town level (town is inclusive);
- Pursuant to the 24 November 2007 Opinions and the 26 January 2011 Circular, the number of core employees of a rural microfinance company shall be at least five (5) with no records of poor credit or violation of laws or regulations; the principal person in charge, who shall be under the age of 65, shall obtain degrees from technical secondary schools or above and have more than four (4) years financial working experiences or more than eight (8) years economic working experiences (more than two (2) years financial working experiences is needed); the person in charge of credit shall have more than three (3) years financial working

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## APPENDIX E – GOVERNMENT REGULATIONS

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experiences or more than five (5) years rural economic working experiences; the financial personnel shall obtain accounting certificates and have more than three (3) years financial and accounting working experiences; the other persons shall have more than three (3) years relevant economic working experiences; the main business personnel shall attend pre-service trainings organised by the Jiangsu Finance Office;

- A rural microfinance company shall enact its articles of association in accordance with the Company Law and the 24 November 2007 Opinions and engage in the business according to its articles of association.
- The establishment of a rural microfinance company in Jiangsu Province shall follow the procedure below:
  - (a) **Formulation of pilot operation plan:** The relevant local government at city level shall first formulate and submit its pilot operation plan to the Jiangsu Province Rural Microfinance Pilot Work Organization Leading Group (江苏省农村小额贷款组织试点工作领导小组) and, upon approval, shall then sign the risk control commitment letter with the People's Government of Jiangsu Province;
  - (b) **Public tendering:** The local leading group (当地领导小组) may conduct public tendering on shareholder of a rural microfinance company while considering the financial condition, capital contribution, location of operation and qualification of employees of such shareholders;
  - (c) **Promotion (筹建) application:** The shareholders determined shall organise a promotion unit and propose the application of promotion to the local leading group which, after preliminary review, will then propose such application to the Jiangsu Provincial Leading Group for approval;
  - (d) **Preliminary preparation:** Upon approval by Jiangsu Provincial Leading Group, the promotion unit shall start the preliminary preparation which shall last six (6) months;
  - (e) **Establishment application:** Upon completion of the preliminary preparation, the promotion unit shall apply for the establishment of a rural microfinance company with the local leading group which, after preliminary review, will then submit such application to the Jiangsu Provincial Leading Group for approval, upon such approval, the promotion unit shall apply for business licence with the local administration of industry and commerce;
- Pursuant to the 24 November 2007 Opinions, approvals on the promotion (筹建) and commencement of business shall be obtained from Jiangsu Province Rural Microfinance Pilot Work Organisation Leading Group (江苏省农村小额贷款组织试点工作领导小组) for establishment of a rural microfinance company in Jiangsu Province. We obtained the approval on promotion issued by the Administration for Industry and Commerce of Taizhou on 13 June 2010 and approval on commencement of business issued by the Administration for Industry and Commerce of Taizhou on 13 June 2010, respectively. There is no expiry date for the approval for promotion nor the approval on commencement of business.

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## APPENDIX E – GOVERNMENT REGULATIONS

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- Notwithstanding the above, pursuant to the Implementation Rules Regarding Regulatory Punishments on Rural Microfinance Companies in Jiangsu Province (Provisional) (江苏省农村小额贷款公司监管处罚细则(暂行)) (the “**28 August 2012 Implementation Rules**”) issued by the Jiangsu Finance Office on 28 August 2012, if a microfinance company violated the relevant provisions, such as receiving deposits from the public without approval and refusing to implement the regulatory punishment, it may be ordered to terminate its business operations. The 28 August 2012 Implementation Rules however do not provide that the approval on the promotion and commencement of business will be revoked if a microfinance company violated the relevant provisions.

### ***Requirements for a Rural Microfinance Company to conduct Business***

- **The interest policy:** Pursuant to the Circular Concerning Further Support of the Sustainable and Sound Development of Microfinance Companies (《关于进一步支持小额贷款公司持续健康发展的通知》) (the “**16 February 2015 Circular**”) issued on 16 February 2015 by the Jiangsu Finance Office (江苏省金融办), from 1 January 2015, for loans in the amount of RMB500,000 or below, the annual interest rate charged for a single loan shall not exceed four (4) times of the benchmark interest rate; for loans in the amount exceeding RMB500,000, the annual average interest rate (calculated in weighted average method) charged for all such loans shall not exceed 18.0% while the highest annual interest rate charged for a single loan shall not exceed four (4) times of the benchmark interest rate;
- **The three “70.0%” policy:** Pursuant to the Circular Concerning Promoting the Sound and Fast Development of Rural Microfinance Companies (省政府办公厅关于推进农村小额贷款公司又好又快发展的意见) issued on 28 November 2009 by the General Office of Jiangsu Province People’s Government (江苏省人民政府办公厅) and relevant regulations, the proportion of the sum of the balance of micro loans in the sum of the total balance of loans shall not be below 70.0%; the proportion of the sum of the “three rural” loans (based on the statistics standard of the PBOC) in the sum of the total balance of loans shall not be below 70.0%; the proportion of the sum of the balance of business loans that last more than three (3) months in the sum of the total balance of loans shall not be below 70.0%. Loans granted to the same borrower within seven (7) days shall be considered as a single loan. As at 31 December 2021, the proportion of the sum of the balance of micro loans in the sum of the total balance of loans of our Debt Investment Business was below 70.0% and the proportion of the sum of the AFR loans (based on the statistics standard of the PBOC) of our Debt Investment Business in the sum of the total balance of loans was below 70.0%, which may constitute violations or breaches against the aforesaid regulations;
- **The standard of micro loan:** Pursuant to the Circular Concerning Adjusting and Clarifying Regulatory Policies on Rural Microfinance Companies (关于调整明确小额贷款公司部分监管政策的通知) (the “**22 September 2013 Circular**”) issued on 22 September 2013 by the Jiangsu Finance Office, a small loan shall be any loan in the amount of RMB3,000,000 or below. As at 31 December 2021, the loan amounts granted by our Debt Investment Business have exceeded the aforesaid upper limit of RMB3,000,000, which may constitute violations or breaches against the aforesaid regulations;



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## APPENDIX E – GOVERNMENT REGULATIONS

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- **The standard of the balance of loans granted to the same borrower:** Pursuant to the 22 September 2013 Circular, the balance of loans granted by a rural microfinance company to a single borrower shall not exceed 3.0% of its net capital, or upon approval in advance from financial affairs office of the people’s government at the municipal level, may exceed 3.0% but in any event shall not exceed 5.0% of its net capital. Pursuant to the Circular Concerning Adjusting and Improving Regulatory Policies on Rural Microfinance Companies (关于调整完善农村小额贷款公司部分监管监策的通知) (the “**25 December 2013 Circular**”) issued by the Jiangsu Finance Office on 25 December 2013, the sum of balance of loans and guarantees granted by a rural microfinance company to a single borrower and its connected parties shall not exceed 10.0% of its net capital. According to the Notice on Strengthening Supervision and Administration of Microfinance Loan Companies (中国银保监会办公厅关于加强小额贷款公司监督管理的通知) [2020] No. 86) issued by the General Office of the China Banking and Insurance Regulatory Commission dated 7 September 2020 (the “**7 September 2020 Circular**”), a microfinance company should conduct business in the county-level administrative area where the company’s domicile belongs. For microfinance companies with good management, strong risk control ability and good supervision and evaluation, with the approval of the local financial supervision department, the restrictions on business areas may be relaxed, but they shall not exceed the provincial administrative areas where the company’s domicile belongs. Pursuant to the 7 September 2020 Circular, unless otherwise provided for in the network microfinance business, the balance of loans granted by a microfinance company to the same borrower shall not exceed 10.0% of the company’s net assets; and the balance of loans granted to the same borrower and its related parties shall not exceed 15.0% of the company’s net assets. A microfinance company shall monitor the use of loan. The use of loan shall conform to laws and regulations, national macro-control and industrial policies. Loans granted by a microfinance company shall not be used for: investments in stocks and financial derivatives; non-compliant financing in the real estate market; and other purposes prohibited by laws and regulations, the China Banking and Insurance Regulatory Commission and the local financial regulatory authority. Generally speaking, the act of real estate developers using funds obtained from financing to pay land premiums is considered as non-compliant financing and such real estate developers in this case do not satisfy the requirements for financing of construction funds. The nature of the regulation is the Departmental Regulatory Documents (部门规范性文件). As at 31 December 2021, the balance of loans granted by our Debt Investment Business to the same borrower may have exceeded 10.0% of its net assets and the loans granted by our Debt Investment Business are used for the financing in the real estate market, which may constitute violations or breaches against the aforesaid regulations;
- **The connected transaction:** Pursuant to the Circular on the Enhancing the Market Access and Daily Regulation of Microfinance Companies (关于加强小额贷款公司市场准入和日常监管工作的通知) issued on 4 September 2012 by the Jiangsu Finance Office, where a microfinance company grants loans to its shareholders or connected persons, it shall comply with relevant regulations stated in the 23 September 2011 Circular. Where a microfinance company grants loans exceeding 50.0% of the limit set for small loans by the municipality in which it operates to its connected persons, it must file a record with the local finance office at the city level. Pursuant to the 25 December 2013 Circular, no guarantees of any kinds shall be provided by a rural microfinance company to its shareholders and connected persons;

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## APPENDIX E – GOVERNMENT REGULATIONS

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- **The client restriction:** Pursuant to the 23 September 2011 Circular and the 28 August 2012 Implementation Rules, guarantee companies, pawnshops, investment and wealth management companies and other entities involved in monetary trading business shall not be the clients of a rural microfinance company; where a rural microfinance company conducts external financing, it shall comply with the provisions relating to investment orientation of the bank financing agreements, and the proportion of the sum of balance of the loans granted to clients in industries or fields limited by the State, over which it shall exercise strict control, in the sum of its net capital shall not exceed 30.0%;
- **District for operation:** Pursuant to the 16 February 2015 Circular, from 1 January 2015, the district for operation of rural loan companies could be expanded to provincial cities. Pursuant to the 7 September 2020 Circular, a microfinance company shall conduct business within the county-level administrative area where the company is domiciled. For a microfinance company with good business management, strong risk control capabilities, and good regulatory evaluations, restrictions on its district for operation may be relaxed with the consent of the local financial regulatory authority, but its district for operation shall not fall outside the provincial administrative area of the company's domicile;
- **The capital contribution restriction:** Pursuant to the 23 September 2011 Circular and the 25 December 2013 Circular, the capital contributed by a legal person shareholder to a rural microfinance company shall not exceed 35.0% of its owners' equity for the preceding fiscal year while the capital contributed by a nature person shareholder shall not exceed RMB30 million. Pursuant to the 16 February 2015 Circular, for new rural loan companies whose major promoters are companies with significant capital contribution capacity, such as listed companies and state owner companies, the shareholding percentage of a single shareholder shall not exceed 60.0%; for rural loan companies with a regulatory rating above grade A which will undergo adjustments in ownership structure, the same is applicable; and for companies which have meet the above criteria, the maximum shareholding percentage of a single shareholder is 80.0%;
- **The equity transfer restrictions:** Pursuant to the 23 September 2011 Circular, the shareholders of a rural microfinance company are not allowed to transfer any of their equity interest held in the rural microfinance company within one (1) year dating from its establishment. Where a microfinance company has been established more than one (1) year, the equity interest held by shareholders can be transferred in accordance with law and regulations and articles of association of such company, while subject to the prior approval of the local financial affairs office and the record filed with the Jiangsu Finance Office. The increase of capital or share transfer by the largest shareholder or actual controller of a microfinance company and transfer of 50.0% or above equity interest of a microfinance company are subject to the prior approval of the Jiangsu Finance Office;
- **The Microfinance Companies Regulatory Grading Scheme:** Pursuant to the Jiangsu Province Microfinance Companies Regulatory Grading Regulations (Provisional) (江苏省小额贷款公司监管评级办法(暂行)) issued by the Jiangsu Finance Office on 7 August 2012, the Microfinance Companies Regulatory Grading Scheme shall be established by the Jiangsu Finance Office in Jiangsu Province for the assessment and grading of all the microfinance companies that have been established for more than one (1) year. There are nine (9) grades, i.e. AAA, AA, A, BBB, BB, B, CCC, CC and C with AAA being the highest grade and C being the lowest grade.

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## APPENDIX E – GOVERNMENT REGULATIONS

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Pursuant to the Notice on Issuing Jiangsu Rural Microfinance Companies Regulatory Grading Index Scheme (Provisional) (关于印发《江苏省农村小额贷款公司监管评级指标体系(暂行)》的通知) and its attachment Jiangsu Rural Microfinance Companies Regulatory Grading Index Scheme (Provisional) (江苏省农村小额贷款公司监管评级指标体系(暂行)) issued by the Jiangsu Finance Office on 7 August 2012, the grading index for rural microfinance companies principally covers three (3) aspects: (i) basic items, (ii) deduction items and (iii) veto items. A consolidated grading method is used. A rural microfinance company will receive merit points if achieving relevant index requirements for basic items, subject to deduction of points for several deduction items. If there occurs any of the veto items, this will result in a “C” grading being accredited to the relevant rural microfinance company. The grading index and the highest score/highest deduction corresponding to the index are as follows:

**(a) Basic items and related points:**

- (i) Connected transactions (the highest score of the index is 40 points), which specifically include connected loans and shareholder loans, etc., the lesser the number of connected transactions, the higher the score;
- (ii) Regulatory compliance (the highest score of the index is 57 points), which includes aspects such as proportion of AFR-related loans, small loans and medium- and long-term loans, investment directions of the loans, number of effective customers and cross-regional operations. The better the microfinance company behaves in the aspects of compliance, the higher the score;
- (iii) Level of interest rate (the highest score of the index is 19 points), which includes the highest interest rate and the average interest rate, the lesser the interest rate charged to customers compared with the PBOC standard interest rate, the higher the score;
- (iv) Capital management (the highest score of the index is 15 points), which includes establishment and implementation of cash management system, the more complete the system and the better the implementation, the higher the score;
- (v) Liabilities (the highest score of the index is 23 points), which includes the overall financing status of the microfinance company, whether there are special borrowing from shareholder(s) and the amount of the paid-up registered capital, the more compliant the financial status of the company, the higher the score; full points will be granted in the corresponding standard item if no special borrowing from shareholder or such borrowing is approved by the finance office of the municipal level; and full points will be granted in the corresponding standard item if further financing can be obtained after all the registered capitals are paid up;
- (vi) Shareholding structure (the highest score of the index is six (6) points), under which the lesser the shareholding proportion of the largest shareholder and related party in a microfinance company, the higher the score;
- (vii) Use of Jinnong small loan central processing platform (the highest score of the index is 20 points), the more timely and accurate the data uploaded to and stored in the system, the higher the score;
- (viii) Unauthorised matters (the highest score of the index is 20 points), the lesser unauthorised matters, the higher the score.

The maximum points for the basic items are 200 points in total.

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(b) **Deduction items and related points deductions:**

- (i) Corporate governance (the highest deduction is 25 points), which includes governance structure, quality of practitioner and financial management; the less sound the governance structure, the lower the quality of practitioner and the less complete the financial management, the higher the deduction;
- (ii) Internal control and risk control (the highest deduction is 35 points), which includes internal control condition and business risk control, the worse the internal control condition and the business risk control status, the higher the deduction;
- (iii) Operating ability (the highest deduction is 20 points), which includes rate of Return on Equity and Non-Performing Asset Ratio, the lower the rate of Return on Equity and the higher the Non-Performing Asset Ratio, the higher the deduction;

The maximum point deduction under the above deduction items are 80 points in total.

- (c) **Veto items include the following:** non-compliance deposit taking, usury, extension of loans with identity fraud, false entries in accounts, off-ledger operations, loan recovery by violent act, financial grant fetching, not using the unified business system for microfinance company in Jiangsu province and other illegal and non-compliance matters identified by competent authorities as material violation of laws, rules and regulations. A rural microfinance company would be directly accredited a “C” grading, which is the lowest grading, if any one of the above was found in its operating activity.

Pursuant to the accreditation from the Jiangsu Provincial Local Financial Administration and Jiangsu Provincial People’s Government Financial Work Office, we were granted an “A” grade as a local financial organisation.

Pursuant to the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)) issued by the Jiangsu Finance Office on 25 December 2013, rural microfinance companies with different grades are subject to various and classified requirements when engaging in entrusted loan business, a microfinance company with a “AAA” / “AA” / “A” / “BBB” grading is eligible for a maximum entrusted loan business of 200% / 150% / 100% / 50% of its net capital respectively. A microfinance company with a grading under “BB” is not allowed to conduct entrusted loan business.

The LFRB, which as advised by the Legal Adviser to our Company as to PRC Law, Jingtian & Gongcheng and the Legal Adviser to the Issue Manager as to PRC Law, King & Wood Mallesons, based on public research and the Measures on Supervision and Administration of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监督管理办法), is the competent authority which has oversight of Jingjiang Runyuan’s daily operations as a microfinance company and the areas of non-compliances by Jingjiang Runyuan, including in respect of the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), “Notice on Strengthening Supervision and Administration of Microfinance Companies (中国银保监会办公厅关于加强小额贷款公司监督管理的通知) [2020] No. 86), “Circular Concerning Promoting the Sound and Fast Development of Rural Microfinance Companies” (江苏省政府办公厅关于推进农村小额贷款公司又好又快发展的意见), the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)) and “Circular Concerning Adjusting and Clarifying Regulatory Policies on Rural Microfinance Companies” (关于调整明确小

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额贷款公司部分监管政策的通知), has issued a confirmation letter on 21 January 2022 to confirm that (i) since its establishment, Jingjiang Runyuan has been perfecting its company governance structure and internal control system; (ii) Jingjiang Runyuan has complied with various regulations applicable to conduct the business of the microfinance company generally; (iii) no penalties have been imposed on Jingjiang Runyuan by the relevant regulatory authorities; and (iv) Jingjiang Runyuan is allowed to conduct its business in the future.

According to the Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional) (江苏省农村小额贷款公司扶优限劣工作意见(暂行)), Jingjiang Runyuan is subject to irregular inspection/audit by the local Financial Bureau (地方金融监管机构) or the local Government (地方人民政府). Apart from this, for supervision purposes, the relevant PRC authorities, such as the Market Supervision Administration (市场监督管理局) and the Taxation Bureau (税务局) may also conduct irregular inspection to our Group's PRC entities. There has been no material adverse findings/observations arising from abovementioned inspections/audits of our Group's PRC entities.

Please refer to the section entitled “Business – Debt Investment Business – Non-Compliances” of this Document for further details.

Jingjiang Runyuan has further confirmed that it is carrying out rectification measures in the following areas: (a) Jingjiang Runyuan has not been and will not be extending the duration/tenure of the loans which are not technically in compliance with the applicable regulations, and Jingjiang Runyuan has not been and will not grant any new loans which are not in compliance with the applicable regulations; (b) Jingjiang Runyuan intends to increase its share capital after obtaining approvals from its board of directors and shareholders on or before 31 March 2022; and (c) by adopting the measures in (a) and (b) above, Jingjiang Runyuan will thereafter conduct business in compliance with all the applicable laws and regulations, particularly legal and regulatory compliance with the material aspects of its business operations. The current Board (comprising the Executive Directors) is of the view that such measures are adequate.

***Circular of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《国家外汇管理局关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知》) (the “No. 37 Circular”)***

Under the No. 37 Circular, issued by the State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局) (“SAFE”) and effective on 4 July 2014, PRC residents are required to register with the local SAFE branch prior to the establishment or control of an offshore special purpose vehicle (the “SPV”), which is defined as an offshore enterprise directly established or indirectly controlled by PRC residents for investment and financing purposes, with the enterprise assets or interests that PRC residents hold in China or overseas. The term “control” means to obtain the operation rights, right to proceeds or decision-making power of an SPV through acquisition, trust, holding shares on behalf of others, voting rights, repurchase, convertible bonds or other means. An amendment to registration or subsequent filing with the local SAFE branch by such PRC resident is also required if there is any change in basic information of the offshore company or any material change with respect to the capital of the offshore company. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投资外汇管理所涉业务操作指引》) regarding the procedures for SAFE registration under No. 37 Circular, which became effective on 4 July 2014 as an attachment of No. 37 Circular.

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## APPENDIX E – GOVERNMENT REGULATIONS

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Under the relevant rules, failure to comply with the registration procedures set forth in the No. 37 Circular may result in bans on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliates, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

***Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知》) (the “No. 7 Circular”)***

Pursuant to the No. 7 Circular, which was issued by the SAFE on 15 February 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with the SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

***Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《关于进一步简化和改进直接投资外汇管理政策的通知》) (the “No. 13 Circular”)***

The No. 13 Circular, effective from 1 June 2015, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to the No. 13 Circular, investors shall register with banks for direct domestic investment and direct overseas investment.

***Management Rules for Overseas Investment by Enterprises (《企业境外投资管理办法》) (the “Order No. 11”)***

On 26 December 2017, the National Development and Reform Commission of the PRC (中华人民共和国国家发展和改革委员会) (“NDRC”) issued Order No. 11. On 11 February 2018, the Catalogue on Overseas Investment in Sensitive Industries (2018 Edition) (《境外投资敏感行业目录(2018年版)》), or the Sensitive Industries List was promulgated. Overseas investment governed by Order No. 11 refers to the investment activities conducted by an enterprise located in the territory of China either directly or via an overseas enterprise under its control through making investment with assets and equities or providing financing or guarantees in order to obtain overseas ownership, control, management rights and other related interests, and overseas investment by a PRC individual through overseas enterprises under his/her control is also subject to Order No. 11. According to Order No. 11, before being conducted, any overseas investment in a sensitive industry or any direct investment by a Chinese enterprise in a non-sensitive industry but with an investment amount over US\$300 million requires approval from, or filing with, the NDRC, and for those non-sensitive investments indirectly by Chinese investors (including PRC individuals) with investment amounts over US\$300 million need to be reported.

***The Interim Measures for the Supervision and Management of Private Investment Funds (私募投资基金监督管理暂行办法) (the “Private Interim Measures”)***

**Industry Access** Pursuant to Private Interim Measures, the establishment of private fund management organisation is not subject to administrative approval. The private fund managers shall proceed with registration procedures in accordance with the requirements of the Asset Management Association of China (“AMAC”). The private fund managers approved to be registered are required to proceed with registration procedures with the AMAC upon completion of fund raising of private funds.

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## APPENDIX E – GOVERNMENT REGULATIONS

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**Registration and Filing** In accordance with the Private Interim Measures, private fund managers shall submit the following basic information as required by and to the AMAC for registration and proceed with registration procedures: (1) copies of original and duplicate of business registration and business license; (2) the Articles of Association or partnership agreement; (3) a list of substantial shareholders or partners; (4) basic information on senior management; and (5) other information as required by the AMAC.

Pursuant to the Private Interim Measures, upon completion of fund raising of the private funds which are approved for registration, the private fund managers shall submit the following basic information as required by and to the AMAC for registration and proceed with registration procedures: (1) the main investment orientation and category of funds as marked based on the investment orientation; (2) fund contract, Articles of Association or partnership agreement. In case a document is provided to investors in the process of raising funds, the document shall also be submitted. For the private funds established in the form of company, partnership, etc., it is also required to submit the copies of original and duplicate of business registration and business license; (3) if entrusted management is adopted, it is required to submit the entrusted management agreement. In case a custodian institution is entrusted for management of fund properties, the custody agreement shall also be submitted; and (4) other information as required by the AMAC.

According to the Private Interim Measures, private fund managers who fail to register with the AMAC in accordance with requirements will be ordered to make corrections and be imposed a warning and a penalty of less than RMB30,000; the direct superior and other persons in charge directly will be imposed a warning and a penalty of less than RMB30,000; in case of serious circumstances, the CSRC may take measures to prevent relevant persons in charge from access to the market according to laws.

**Material Changes** Pursuant to the Private Interim Measures, private fund managers who fail to report significant matters to the AMAC in accordance with requirements will be ordered to make corrections and be imposed a warning and a penalty of less than RMB30,000; the direct superior and other persons in charge directly will be imposed a warning and a penalty of less than RMB30,000; in case of serious circumstances, the CSRC may take measures to prevent relevant persons in charge from access to the market according to laws.

**Information Disclosure** The Private Interim Measures states that private fund managers and private fund custodians shall, in accordance with the private fund contract, truthfully disclose fund investments, assets and liabilities, investment income distribution, expenses borne by the fund and performance-based remuneration, potential conflict of interest and other important information that may affect the legitimate rights and interests of investors to investors without any concealment or false information.

**Fundraising** According to the Private Interim Measures, in the process of fundraising, private fund managers shall not raise funds from units or individuals other than qualified investors, or conduct publicity and promotion towards others other than specific targets through newspapers and periodicals, radio, television, Internet and other public communication media or lectures, seminars, analysis meeting as well as bulletins, flyers, SMS, WeChat, blog and email. Private fund managers shall not promise investors no loss of investment principal or minimum income. Private fund managers shall assess the risk identification capacity and risk affordability of investors by way of questionnaire survey, etc. and investors shall give a written commitment on satisfaction of conditions of qualified investors; a risk disclosure statement shall be prepared and be signed by investors for confirmation. Private fund managers shall independently or entrust a third party institution to conduct risk rating for private funds and referrals on private funds towards the investors with the required risk identification capacity and risk affordability.

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## APPENDIX E – GOVERNMENT REGULATIONS

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### ***Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Entrusted Loans of Commercial Banks (中国银监会关于印发商业银行委托贷款管理办法的通知)***

Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Entrusted Loans of Commercial Banks (No. 2 [2018] of the China Banking Regulatory Commission), which came into effect on 1 May 2018, governs all local offices of the China Banking Regulatory Commission, commercial banks and other financial institutions formed with the approval of the CBRC according to the law and qualified for engaging in the loan business in the territory of PRC regarding the conduct of Debt Investment Business through entrusted loan structure arrangement. According to the notice, “**entrusted loan**” means a loan granted on behalf of a client by a commercial bank assisting in overseeing the use of and recovering the loan. Also, a commercial bank shall enter into a contract with the parties to an entrusted loan and following the basic principles of equality freewill.

**Preconditions of conducting the Debt Investment Business through entrusted loan structure arrangement** Pursuant to Article 9, the client and the borrower shall reach an agreement on the conditions for the entrusted loan. Where the client or the borrower is not a natural person, a resolution or document on its governing body’s consent to the entrusted loan or a certificate with an equal legal force has been issued. Financial assets management companies or institutions engaging in the loan business shall not be the clients under these measures.

**Obligations of clients** Pursuant to Articles 10 and 11, the client shall provide a relevant document proving the compliance of its source of funds with laws and regulations or a relevant certificate with an equal legal force and conduct necessary examination of the client’s financial statements and credit records. The loans granted by a commercial bank on behalf of a client shall have specific purposes, and the purposes of funds shall comply with laws, regulations, and the state’s macro-control and industry policies.

**Obligations of commercial banks** Pursuant to Articles 13, 17 and 18, a commercial bank shall enter into an entrusted loan contract after reaching an agreement with a client and a borrower. A commercial bank shall assist in recovering the principal of the entrusted loan and the interest thereon, and transfer the funds into the client’s account in a timely manner according to the agreement. The client shall be notified in a timely manner if the principal and interest cannot be transferred into the account. Also, if the entrusted loan is not repaid upon maturity, the commercial bank shall assist the client in rights protection according to the law.

**Risk management** Pursuant to Articles 19, 20, 22 and 25, a commercial bank shall strictly segregate risks between its Debt Investment Business through entrusted loan structure arrangement and operations for its own account. In addition, hierarchical authorisation shall be implemented on the management of Debt Investment Business through entrusted loan structure arrangement. A commercial bank shall also establish the statistical rules for the Debt Investment Business through entrusted loan structure arrangement, and effectively conduct the categorised statistics, summary and analysis, and data submission of the Debt Investment Business through entrusted loan structure arrangement according to the regulatory requirements of the CBRC.



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## APPENDIX F – LEGAL OPINION FROM JINGTIAN & GONGCHENG

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电话: (86-21)5404-9930 传真: (86-21)5404-9931

To:

**YANGZIJIANG FINANCIAL HOLDING LTD.**

80 Robinson Road

#02-00

Singapore 068898

1 April 2022

**RE: PROPOSED LISTING OF YANGZIJIANG FINANCIAL HOLDING LTD. ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

Dear Sir/Madam:

Jingtian & Gongcheng (“**We**” or “**Our Firm**”) is a law firm legally registered in the People’s Republic of China (“**China**” or “**PRC**”) which, for the purposes of this Legal Opinion (to be defined below), excludes Hong Kong and Macau Special Administrative Regions of the PRC, and Taiwan. Our Firm is duly qualified to practice law within the PRC and is authorised by the PRC Ministry of Justice to practice and to issue legal opinions in relation to the PRC laws and regulations (the “**PRC Laws**”), and such qualification and authorisation have not been revoked, suspended, restricted or limited in any manner whatsoever.

We have acted as your PRC legal counsel in connection with the proposed listing of Yangzijiang Financial Holding Ltd. (the “**Company**”) on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Proposed Listing**”).

Capitalised terms used herein and not otherwise defined shall have the same meanings ascribed to such terms in the Introductory Document of the Company (the “**Intro Doc**”) dated on 1 April 2022 in relation to the Proposed Listing.

This legal opinion is rendered on the basis of the PRC Laws effective as at the date hereof. We do not purport to be an expert on or to be generally familiar with or qualified to express legal opinions based on any laws other than the PRC Laws. Accordingly, we express or imply no opinion herein based on the laws of any jurisdiction other than the PRC. Furthermore, there is no guarantee that any such PRC Laws will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect. No independent search, investigation or other verification action has been conducted by us with any governmental authorities for the purpose of issuing our opinion. The interpretation and implementation of these laws and regulations are subject to the discretion of competent PRC legislative, administrative and judicial authorities.

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## APPENDIX F – LEGAL OPINION FROM JINGTIAN & GONGCHENG

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In connection with the Proposed Listing and saved as disclosed in the Intro Doc and legal due diligence reports on Jiangsu Yangchuan Investment Development Co., Ltd, Jingjiang Runyuan Rural Microfinance Co., Ltd. and Jiangsu New Yangzi Commerce & Trading Co., Ltd. (the “**Companies**”) prepared by us, we provide the following opinion:

1. The non-compliance relating to Jingjiang Runyuan

Please refer to the Intro Doc for a write-up of the PRC Laws that are applicable to the microfinancing business undertaken by Jingjiang Runyuan.

- (i) As at the latest practicable date, Jingjiang Runyuan has committed the following non-compliances as disclosed in the Risk Factors section of the Intro Doc:
  - a. the balance of some loans granted by Jingjiang Runyuan to the same borrower may have exceeded 10.0% of its net assets;
  - b. both (a) the aggregate value of micro loans outstanding and (b) the aggregate value of AFR micro loans (based on the definition of PBOC statistics) outstanding were below 70.0% of Jingjiang Runyuan total loans outstanding under the Debt Investment Business;
  - c. the amounts of some loans granted by Jingjiang Runyuan have exceeded the upper limit of RMB3,000,000;
  - d. the total loan and entrusted loan amounts granted by our Debt Investment Business have exceeded 100.0% of the net balance of share capital; and
  - e. no more than 30.0% of our loans granted by Jingjiang Runyuan are used for financing in the real estate market, some of which were deemed as non-compliant financing in the real estate market.
- (ii) LFRB has issued a confirmation letter indicating that Jingjiang Runyuan has not been imposed with any penalties by local financial supervision departments at the provincial and municipal levels, and it is allowed to conduct its business. Jingjiang Runyuan is located at the supervised area of LFRB and accordingly, would be within the jurisdiction of LFRB. Based on the public research and the Measures on Supervision and Administration of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监督管理办法), the LFRB is responsible for the daily supervision of micro finance companies in Jingjiang City. As such, we are of opinion that LFRB is the competent and appropriate authority to issue such confirmation letter and has oversight of Jingjiang Runyuan’s daily operations.
- (iii) Pursuant to the Measures on Supervision and Administration of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监督管理办法) and Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行)), if a company is found to be in breach of the relevant notices or circulars, the local governmental authorities may as a first step, proceed with a regulatory talk with the company and require the company to rectify within a required time. If the company fails to complete the rectification, the local governmental authorities can report the non-compliances to the higher level governmental authorities. Such company may be forced to suspend the creative business (which comprises ‘cash pool’, funds transfers, letter of guarantees, insurance agencies, unified loan assistance, etc.) and security business on financing, upon approval/sanction by the higher level governmental authorities.

## APPENDIX F – LEGAL OPINION FROM JINGTIAN & GONGCHENG

For details relating to the regulatory action or penalties relating to the non-compliances committed by Jingjiang Runyuan, please see as follows:

<b>Non-compliance</b>	<b>Regulatory Actions/ Penalties</b>	<b>Regulation Name</b>
The balance of some loans granted by Jingjiang Runyuan to the same borrower may have exceeded 10.0% of its net assets.	The following measures may be imposed individually or in combination, which as mentioned above, regulatory talk would occur as the first step: 1. regulatory talk; 2. suspend the creative business; 3. suspend the security business; 4. impose limitation on financing.	Interim Detailed Rules on Supervision and Penalties of Rural Microfinance Companies in Jiangsu Province (江苏省农村小额贷款公司监管处罚细则(暂行))
Both (a) the aggregate value of micro loans outstanding and (b) the aggregate value of AFR micro loans (based on the definition of PBOC statistics) outstanding were below 70.0% of Jingjiang Runyuan total loans outstanding under the Debt Investment Business.	The following measures may be imposed individually or in combination which as mentioned above, regulatory talk would occur as the first step: 1. regulatory talk; 2. suspend the creative business; 3. suspend the security business; 4. impose limitation on financing.	
The amounts of some loans granted by Jingjiang Runyuan have exceeded the upper limit of RMB3,000,000.	No specific penalties for this item.	
The total loan and entrusted loan amounts granted by our Debt Investment Business have exceeded 100.0% of the net balance of share capital.	No specific penalties for this item.	
No more than 30.0% of our loans granted by Jingjiang Runyuan are used for financing in the real estate market, some of which were deemed as non-compliant financing in the real estate market.	No specific penalties for this item.	

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## APPENDIX F – LEGAL OPINION FROM JINGTIAN & GONGCHENG

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- (iv) Based on the above, the local governmental authorities may impose the above penalties under different circumstances after proceeding with internal procedures and typically, the regulatory talk would occur as the first step. The confirmation letter issued by LFRB confirmed that no penalties have been imposed on Jingjiang Runyuan by each level of authority and Jingjiang Runyuan is allowed to continue to conduct the business in the future. Jingjiang Runyuan has also confirmed that it has not been required to attend any regulatory talk and has not received any formal notice from LFRB to require Jingjiang Runyuan to make any rectification with regard to the non-compliances.
- (v) Jingjiang Runyuan has further confirmed that it is carrying out rectification measures in the following areas: a) Jingjiang Runyuan has not been and will not be extending the duration/tenure of the loans which are not technically in compliance with the applicable regulations, and Jingjiang Runyuan has not been and will not grant any new loans which are not in compliance with the applicable regulations; b) Jingjiang Runyuan intends to increase its share capital after obtaining the approval by its board of directors and shareholders on or before 31 March 2022; c) by adopting the above a) and b) measures, Jingjiang Runyuan will thereafter conduct business in compliance with all the applicable PRC Laws in all material aspects.
- (vi) Considering the following: (i) according to the confirmation letter of LFRB, there are no penalties which have been imposed by each level of regulatory authority to Jingjiang Runyuan and Jingjiang Runyuan is allowed to continue to conduct the business in the future; (ii) Jingjiang Runyuan will adopt various measures to rectify the non-compliance incidents as described above, and (iii) as confirmed by Jingjiang Runyuan, it has not been required to attend any regulatory talk and has also not received any formal notice from LFRB to require Jingjiang Runyuan to make any rectification, we are of the opinion that the risk that Jingjiang Runyuan will be forced to suspend its business by the LFRB is low. As such, we do not reasonably expect that the aforesaid regulatory concerns would thereafter have a material adverse effect on Jingjiang Runyuan's business operations.

### 2. The entrusted loan business relating to Jiangsu New Yangzi Commerce

- (i) Pursuant to Opinions of the Higher People's Court of Jiangsu Province on Establishing a System for the Registration of Suspected Professional Lenders (for Trial Implementation) (江苏省高级人民法院关于建立疑似职业放贷人名录制度的意见(试行)), the determination of whether a person is a professional lender is made as follows: if the same lender and its actual controlled related parties act as plaintiffs in more than five (5) private lending claims in the People's Courts at all levels in Jiangsu province within one (1) year, such lender should be included in the Professional Lenders Directory as a suspected professional lender. Each level of the People's Court maintains a directory of suspected professional lenders based on their own determination, and the People's Court has the authority to determine whether an entity is to be included in the Professional Lender Directory.

The implication on Jiangsu New Yangzi Commerce once it is reflected in the Professional Lenders Directory is that the private lending contract(s) entered into by it may be regarded as invalid. In such event, Jiangsu New Yangzi Commerce will still be entitled to claim back the principal amount of the loans and reasonable amount of the cost of fund (which will be determined based on the standard interest rate declared by PBOC) during the lending period under the respective agreements according to PRC Laws. Jiangsu New Yangzi Commerce may fail to claim back the full amount of the interest of loans from the relevant borrowers.

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According to the consultation with the staff of the People's Court of Jingjiang City, Jiangsu Province, which is the competent authority responsible for the adjudication of loan business disputes in the Jingjiang area, it is noted that Jiangsu New Yangzi Commerce is not listed in the Professional Lender Directory and hence, is not regarded as a professional lender as of the date of consultation.

Pursuant to the Minutes of the National Court Civil and Commercial Trial Work Conference (全国法院民商事审判工作会议纪要), if a same lender repeatedly engages in remunerative private lending activities within a certain period of time, the lender may be regarded as a professional lender and the loan contracts entered into by such professional lender will be regarded as invalid. The LFRB, which is the relevant PRC government authority responsible for the supervision of Debt Investment Business through entrusted loan structure arrangement of microfinance companies of Jingjiang City, has confirmed during the consultation that entrusted loan contracts with Jiangsu New Yangzi Commerce entered by microfinance companies are considered financial loan contracts and are not private lending contracts. Besides, the Wuxi Branch of China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会无锡监管分局), which is the relevant PRC government authority responsible for the supervision of Debt Investment Business through entrusted loan structure arrangement of banks of Wuxi City, has also confirmed during the consultation that entrusted loan contracts with Jiangsu New Yangzi Commerce entered by banks are considered as financial loan contracts. Given the above considerations, we are of the view that the likelihood that the entrusted loan business conducted by Jiangsu New Yangzi Commerce via licensed third party service providers would cause it to be considered as a "professional lender" by the above authorities in the future is remote.

- (ii) We have conducted consultations with the Wuxi Branch of China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会无锡监管分局) and during the consultations, the relevant officer confirmed that: (a) enterprises can provide loans via banks; (b) the enterprises can continue to entrust loans via the banks in the future; (c) the entrusted loan arrangement is common in the PRC and is in compliance with PRC Laws; and the fact that (I) Jiangsu New Yangzi Commerce uses a large amount of its own funds to conduct the entrusted loan business as a substantial business not an occasional business, and (II) a major portion of revenue and profits of Jiangsu New Yangzi Commerce has been generated from the entrusted loan business, will not influence its opinion on the entrusted loan business and the entrusted loan business being in compliance with all the applicable PRC Laws.

Further, we have conducted a supplemental consultation with the LFRB, during which the LFRB further confirmed that (a) Jiangsu New Yangzi Commerce is not required to hold any licence to conduct the entrusted loan business; (b) the entrusted loan arrangement is common in the PRC and is in compliance with PRC Laws; and (c) Jiangsu New Yangzi Commerce can continue to conduct the entrusted loan business in the future.

During the above consultations with the LFRB and Wuxi Branch of China Banking and Insurance Regulatory Commission, both authorities confirmed that the entrusted loans entered into by Jiangsu New Yangzi Commerce are financial loans contracts, and the entrusted loan arrangement is in compliance with the PRC Laws. Based on the above, we are of the view that the likelihood for Jiangsu New Yangzi Commerce being regarded as professional lender in further is remote and therefore being imposed penalties by the above authorities is remote.

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- (iii) According to the stipulations of the Lending General Provisions (贷款通则), “entrusted loans” refer to loans for which funds are provided by an entrusting party such as a government department, unit of an enterprise or institution, or an individual, of which the use is supervised and the recovery assisted by the lender (being the entrusted party) in accordance with the loan beneficiary, purpose, amount, term and interest rate, etc. determined by the entrusting party. The lender (being the entrusted party) is entitled to receive service fees but does not bear the loan risk.

There are three (3) parties to the entrusted loan contracts entered into by Jiangsu New Yangzi Commerce. Specifically, (a) Jiangsu New Yangzi Commerce acts as the entrusting party; (b) the licensed third-party service providers such as banks, act as the entrusted party; and (c) the end-borrowers act as the borrowers. Given that the entrusted loan contract is legally binding on all the three (3) parties, Jiangsu New Yangzi Commerce, as a party to the entrusted loan contracts, is entitled to take action against or pursue payments from the end-borrower directly.

While tripartite contracts are entered into, and this signifies that Jiangsu New Yangzi Commerce and the end-borrowers are in a direct contractual arrangements, the entrusted loan contract will clearly state that the licensed third-party service provider, such as the bank (i.e. the entrusted party) is extending the loan to the end-borrower in accordance with the entrustment of Jiangsu New Yangzi Commerce. Therefore, Jiangsu New Yangzi Commerce would not be considered as extending loans directly to the end-borrowers under such circumstances.

We are of the view that the entrusted loan agreements (i.e. the tripartite contracts) entered into by Jiangsu New Yangzi Commerce are in line with the requirements under the General Rules for Loans, Measures for the Administration of Entrusted Loans of Commercial Banks and the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional). As such, the approaches described in paragraphs above are consistent with good market practices in the PRC in respect of entrusted loan arrangements.

- (iv) We confirm that, based on consultations with the LFRB and the Wuxi Branch of China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会无锡监管分局), which are the relevant PRC government authorities responsible for the supervision of entrusted loan business of microfinance companies and banks of Jingjiang City and Wuxi City respectively, Jiangsu New Yangzi Commerce’s conduct of business via licensed third-party service providers and the respective contractual agreements are in compliance with all the applicable PRC Laws related to the entrusted loan business including the General Rules for Loans, Measures for the Administration of Entrusted Loans of Commercial Banks and the Working Opinions on Supporting Jiangsu Rural Microfinance Companies with High Grades and Limiting the Jiangsu Rural Microfinance Companies with Low Grades (Provisional). We also confirmed that the nature of the principal business operations of Jiangsu New Yangzi Commerce which is primarily in the conduct of Debt Investment Business through entrusted loan structure arrangement, was clearly made known to the Wuxi Branch of China Banking and Insurance Regulatory Commission during the interviews.
- (v) The above-mentioned legal opinions relating to entrusted loan will not change whether Jiangsu New Yangzi Commerce is owned by Yangzijiang Shipbuilding (Holdings) Ltd. or a separate listco.

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### 3. The New Draft Rules

On 24 December 2021, the China Securities Regulatory Commission (the “**CSRC**”) issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (国务院关于境内企业境外发行证券和上市的管理规定(草案征求意见稿)) (the “**Draft Administration Provisions**”), as well as Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境内企业境外发行证券和上市备案管理办法(征求意见稿)) (the “**Draft Measures**”, together with the Draft Administration Provisions, the “**New Draft Rules**”) as supporting rules. The New Draft Rules were released for public comment only, and its provisions may be subject to change and the anticipated effective date remains uncertain. The deadline for submission of public comments was 23 January 2022.

Under the Draft Administration Provisions, a filing-based regulatory system will be introduced to cover both direct and indirect overseas offerings and listings. The Administration Provisions further define the legal liabilities of breaches such as failure in fulfilling filing obligations or fraudulent filing conduct.

The Draft Measures include, amongst others, the scope of activities subject to the filing requirement and relevant criteria for determining whether an activity falls within the scope, as well as requirements on filings of overseas securities firms who provide services for overseas securities offering and listing by domestic companies.

Based on our understanding of the New Draft Rules:

- (a) As at the date of this opinion, the New Draft Rules have not been formally adopted and it is uncertain when the New Draft Rules will take effect and as such, none of the Company’s PRC entities are required to obtain, and therefore have not obtained, the filing with the CSRC for the Proposed Listing based on existing PRC Laws.

Depending on when the CSRC New Rules may take effect, the different implications are as follows:

- (i) If the New Draft Rules come into effect, in its proposed form, between the Company’s submission of application for the Proposed Listing and the completion of the Proposed Listing, the New Draft Rules do not prescribe whether or not the relevant PRC entities will be required to make filing with the CSRC upon the date of effective of the New Draft Rules for the Proposed Listing.

The New Draft Rules, in its current form, do not explicitly prescribe that the filing for overseas listing by PRC entities as governmental approval.

If the New Draft Rules, in their final form, provide that filing is required for any proposed overseas listing by PRC entities which has not yet completed as of the effective date of such New Draft Rules, and if the Company completes the Proposed Listing after such effective date but without completing of the filing procedure (please refer to paragraph b below for a description of the filing procedures), the PRC entities may be subject to penalties from the CSRC and other competent authorities.

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- (ii) If the New Draft Rules come into effect, in its proposed form, after the completion of the Proposed Listing, based on the publicly available sources, such as the response of relevant officials of the CSRC to reporters' questions, the "Grandfathering principle" may be applicable, under which alternative measures may be taken in the case of such existing overseas-listed companies, e.g. a sufficient transition period will be granted for such companies who had completed their overseas listings prior to the date of implementation of the New Draft Rules. For the avoidance of doubt, the New Draft Rules do not prescribe that failure to complete filing by such companies already listed overseas will result in loss of listing status of such companies.
  - (iii) After the New Draft Rules come into effect, in its proposed form, any indirect- or direct-listed domestic companies offering new securities in overseas markets will be required to submit the Post-listing Filing Documents with the CSRC (as further described in paragraph (c) below) within 3 working days after the offering is completed. No notification is required prior thereto.
- (b) The details of filing procedure in the New Draft Rules for the overseas listings of indirect or direct domestic companies are as follows:
- (i) According to the CSRC New Draft Rules, a filing-based regulatory system will be introduced to cover both direct and indirect overseas offerings and listings. The filing based regulatory system requires that when a PRC company makes an application for both direct and indirect offering and listing in an overseas market, the PRC company shall submit to the CSRC filing documents, which include but are not limited to, a) a filing report and associated undertaking; b) regulatory opinions, filings or approval and related documents issued by competent industry authorities (where applicable); c) opinions issued by competent authorities on security assessment and review of the issuer (where applicable); d) legal opinion(s) issued by a domestic law firm; and e) a prospectus (collectively, the "**Pre-listing Filing Documents**"). According to the Draft Measures, the filing report and the legal opinion shall include such information on the issuer as its major subsidiaries, major domestic operating entities and control relationship. Information on the issuer's other subsidiaries and domestic operating entities may be compiled into a classified summary and provided in the Pre-listing Filing Documents. However, the Draft Measures do not clearly specify what should be included in the associated undertakings.
  - (ii) The main filing process is as follows:
    - Where an issuer makes an application for initial public offering and listing in an overseas market, the PRC entities shall submit to the CSRC the Pre-listing Filing Documents within three (3) working days after such application of listing is submitted;
    - If the Pre-listing Filing Documents are incomplete or does not conform to stipulated requirements, the CSRC can issue a single notice requesting supplementation and amendment thereto within five (5) working days after receiving the Pre-listing Filing Documents. The time taken to prepare the requested supplementation and amendment shall not be counted in the time limit for the filing; and



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- The CSRC will, within 20 working days after receiving the Pre-listing Filing Documents that are deemed complete and in compliance with stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC’s website.
- (c) The details of filing procedure in the New Draft Rules for a listed issuer offering new securities are as follows:
  - (i) According to the CSRC New Draft Rules, any new offering of securities by indirect- or direct-listed domestic companies in an overseas market shall submit to the CSRC filing documents, which include but are not limited to: a) a filing report and associated undertaking; b) legal opinion(s) issued by a domestic law firm (collectively, the **“Post-listing Filing Documents”**);
  - (ii) The main filing process is as follows:
    - The PRC entities shall submit the Post-listing Filing Documents to the CSRC within three (3) working days after the offering is completed;
    - If the Post-listing Filing Documents are incomplete or does not conform to stipulated requirements, the CSRC can issue a single notice requesting supplementation and amendment thereto within five (5) working days after receiving the Post-listing Filing Documents. The time taken to prepare the requested supplementation and amendment shall not be counted in the time limit for the filing; and
    - The CSRC will, within 20 working days after receiving the Post-listing Filing Documents that are deemed complete and in compliance with stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC’s website.
- (d) Our opinion stated herein is stipulated on the basis of the New Draft Rules. The provisions and anticipated effective date of the New Draft Rules may be subject to changes and its interpretation and implementation would therefore be uncertain as well, as the PRC governmental authorities may have discretion in the interpretation and enforcement of the New Draft Rules, and there can be no assurance that the PRC governmental authorities will take a view that is contrary to or otherwise different from our opinion stated above.
- (e) In terms of consulting with the CSRC, given that the New Draft Rules have not been formally adopted, there is no legal route for us to make engagements with CSRC. The Company has also not been able to arrange for any formal engagements with CSRC, even if it had wanted to.

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### 4. Cybersecurity Review Measures

Pursuant to the Cybersecurity Review Measures (which took effect on 15 February 2022), an online platform operator who have more than 1 million users' personal information must report to the Cybersecurity Review Office for cybersecurity review for its overseas offering and listing. As confirmed by the Company, it does not operate any online platform as of the Latest Practicable Date, therefore, we are of the view that the Cybersecurity Review Measures will not apply to the Proposed Listing.

This opinion is intended to be used in the context which is specifically referred to herein and each section should be viewed as a whole and no part should be extracted and referred to independently.

Save for disclosure in the Intro Doc, reliance by the Company for the Proposed Listing and disclosure to the SGX-ST in relation to the Proposed Listing, this opinion may not be used, circulated, quoted or otherwise referred to for any other purpose or by any other person without our prior written consent.

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Yours faithfully,

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Jingtian & Gongcheng

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