Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

20,000,000 European Style Cash Settled Short Certificates

relating to the ordinary shares of Yangzijiang Shipbuilding (Holdings) Ltd.

with a Daily Leverage of -5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$0.50 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by SG Issuer (the "**Issuer**") unconditionally and irrevocably guaranteed by Société Générale (the "**Guarantor**"), and is supplemental to and should be read in conjunction with a base listing document dated 16 June 2023 including such further base listing documents as may be issued from time to time (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see "Placing and Sale" contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 16 June 2023 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 18 July 2023.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

17 July 2023

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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RISK FACTORS

The following are risk factors relating to the Certificates:

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;

(c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;

(d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;

(e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;

(f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 31 to 36 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;

(i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(m) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(n) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);

(o) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(p) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens (including the pre-opening session) the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 52 to 53 of this document for more information;

(q) In the case of extreme market conditions or where the Air Bag Mechanisms are triggered simultaneously, trading in the Certificates may be suspended for an extended period, which may be up to an additional 15 minutes, to facilitate the intra-day adjustment under the Air Bag Mechanism;

(r) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The

Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 37 to 39 of this document for more information;

(s) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;

(t) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(u) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(v) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

(w) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

(x) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

– Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and

– The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

(y) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;

(z) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(aa) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(bb) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer or an investor's broker or custodian may be subject to FATCA and, as a result, may be required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer or the relevant broker or custodian could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(cc) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under "TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986." Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(dd) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force on 2 July 2014. The BRRD, as amended, has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

In April 2023, the EU Commission released a proposal to amend, in particular, the BRRD according to which senior preferred debt instruments would no longer rank pari passu with any non covered non preferred deposits of the Issuer; instead, senior preferred debt instruments would rank junior in right of payment to the claims of all depositors.

This proposal will be discussed and amended by the European Parliament and the European Council before being final and applicable. If the Commission proposal was adopted as is, there may be an increased risk of an investor in senior preferred debt instruments losing all or some of their investment in the context of the exercise of the Bail-in Power. The proposal may also lead to a rating downgrade for senior preferred debt instruments.

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism ("**SRM**") and a Single Resolution Framework (the "**SRM Regulation**") has established a centralised power of resolution entrusted to a Single Resolution Board (the "**SRB**") in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank ("**ECB**") has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism ("**SSM**"). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States' resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been, and continues to be, designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Regulation**") and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the "**Resolution Authority**") with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system (including taxpayers' exposure to losses).

In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the "**Bail-in Power**"). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The BRRD, the BRR Act 2015 and the SRM Regulation however also state that, under exceptional circumstances, if the bail-in instrument is applied, the SRB, in cooperation with the CSSF, may completely or partially exclude certain liabilities from the application of the impairment or conversion powers under certain conditions.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The regime has evolved as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called “EU Banking Package”, the following legislative texts were published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (“**BRRD II**”); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity (“**TLAC**”) of credit institutions and investment firms (the “**SRM II Regulation**” and, together with the BRRD II, the “**EU Banking Package Reforms**”).

The EU Banking Package Reforms introduced, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet (“**FSB TLAC Term Sheet**”), by adapting, among other things, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions’ ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC has been implemented in accordance with the FSB TLAC Term Sheet, which impose a level of “Minimum TLAC” that will be determined individually for each global systemically important bank (“**G-SIB**”), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets since January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator since January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”), as amended by Regulation (EU) 2019/876 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the “**CRR II**”), EU G-SIBs, such as Societe Generale, have to comply with TLAC requirements, on top of the MREL requirements, since the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale have to comply with both the TLAC and MREL requirements.

Consequently, the criteria for MREL-eligible liabilities have been closely aligned with the criteria for TLAC-eligible liabilities under CRR II, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance with only an additional return permitted to be linked to that derivative component and dependent on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL is set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance and may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining term of at least one year and, they recognise contractually the Resolution Authority's power to write down or convert the liabilities governed by non-EU law.

The scope of liabilities used to meet MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in BRRD, as amended by BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail- in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks, including Societe Generale).

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	20,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Yangzijiang Shipbuilding (Holdings) Ltd. (the **"Underlying Stock**")
ISIN:	LU2375060147
Company:	Yangzijiang Shipbuilding (Holdings) Ltd. (RIC: YAZG.SI)
Underlying Price[3] and Source:	S$1.49 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 0.50
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	6.90%, is a hedging cost against extreme market movements overnight.
Stock Borrowing Cost[6]:	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost[6]:	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.
Launch Date:	11 July 2023
Closing Date:	17 July 2023

[3] These figures are calculated as at, and based on information available to the Issuer on or about 17 July 2023. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 17 July 2023.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date:	18 July 2023
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 9 July 2025
Expiry Date:	16 July 2025 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	15 July 2025 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where:

"**t**" refers to "**Observation Date**" which means each Exchange Business Day (subject to Market Disruption Event) from (and including) the Exchange Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Exchange Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Exchange Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Exchange Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the "Specific Definitions relating to the Leverage Inverse Strategy" section on pages 19 to 25 below.

Initial Exchange Rate: 1

Final Exchange Rate: 1

Air Bag Mechanism:	The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents an approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses. Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero. Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 23 to 25 below and the "Description of Air Bag Mechanism" section on pages 49 to 51 of this document for further information of the Air Bag Mechanism.
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Singapore Dollar ("**SGD**")
Settlement Currency:	SGD
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (the "**SGX-ST**")
Relevant Stock Exchange for the Underlying Stock:	The SGX-ST
Business Day, Settlement Business Day and Exchange Business Day:	A "**Business Day**", a "**Settlement Business Day**" or an "**Exchange Business Day**" is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

Warrant Agent:	The Central Depository (Pte) Limited ("**CDP**")
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.
Further Information:	Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Inverse Strategy Formula

$\mathbf{LSL_t}$ means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$$\mathrm{LSL_1} = 1000$$

On each subsequent Observation Date(t):

$$\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{t-1}} \times \left(1 + \mathrm{LR_{t-1,t}} - \mathrm{FC_{t-1,t}} - \mathrm{SB_{t-1,t}} - \mathrm{RC_{t-1,t}}\right), 0\right]$$

$\mathbf{LR_{t-1,t}}$ means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$\mathrm{LR_{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right)$$

$\mathbf{FC_{t-1,t}}$ means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$\mathrm{FC_{t-1,t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{t-1}} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$

$\mathbf{SB_{t-1,t}}$ means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$\mathrm{SB_{t-1,t}} = -\mathrm{Leverage} \times \frac{\mathrm{CB} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$

CB means the Cost of Borrowing applicable that is equal to: 3.00%

$\mathbf{RC_{t-1,t}}$ means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows:

$$\mathrm{RC_{t-1,t}} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left|\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right|\right) \times \mathrm{TC}$$

TC means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to:

0.04%

“Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

Leverage	-5
$\mathbf{S_t}$	means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.
$\mathbf{Rate_t}$	means, in respect of each Observation Date(t), the daily Singapore Overnight Rate Average (SORA) provided by the Monetary Authority of Singapore as administrator of the benchmark (or a successor administrator), as published on BLOOMBERG/SIBCSORA Index or any successor page, being the rate as of day (t-2) at 09:00 Singapore time, provided that if such rate is not available, then such rate shall be determined by reference to the last available rate that was published on Refinitiv Screen (SORA=MAST) or any successor page.
$\mathbf{Rfactor_t}$	means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula : $$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$ where Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.
ACT(t-1,t)	ACT (t-1;t) means the number of calendar days between the Exchange Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).
DayCountBasisRate	365
Benchmark Fallback	upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
Reference Rate Event	means, in respect of the Reference Rate any of the following has occurred or will occur: (i) a Reference Rate Cessation; (ii) an Administrator/Benchmark Event; or (iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of

any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.

Reference Rate Cessation means, for a Reference Rate, the occurrence of one or more of the following events:

(i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate;

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or

(iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

Administrator/Benchmark Event means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

Reference Rate(s) means the rate(s) used in the Leverage Inverse Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")

Extraordinary Strategy Adjustment for Performance Reasons

If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date,** noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date ($\mathrm{LSL_{IRD}}$) should be computed as follows :

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}} \times \left(1 + \mathrm{ILR_{IR(n),IR(C)}} - \mathrm{IRC_{IR(n),IR(C)}}\right), 0\right]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}}, 0\right]$$

$\mathbf{ILSL_{IR(k)}}$ means, in respect of IR(k), the Intraday Leverage Inverse Strategy Level in accordance with the following provisions :

(1) for k = 1 :

$$\mathrm{ILSL_{IR(1)}} = \mathrm{Max}\left[\mathrm{LSL_{IRD\text{-}1}} \times \left(1 + \mathrm{ILR_{IR(0),IR(1)}} - \mathrm{FC_{IRD\text{-}1,IRD}} - \mathrm{SB_{IRD\text{-}1,IRD}} - \mathrm{IRC_{IR(0),IR(1)}}\right), 0\right]$$

(2) for k > 1 :

$$\mathrm{ILSL_{IR(k)}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(k-1)}} \times \left(1 + \mathrm{ILR_{IR(k-1),IR(k)}} - \mathrm{IRC_{IR(k-1),IR(k)}}\right), 0\right]$$

$\mathbf{ILR_{IR(k-1),IR(k)}}$ means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

$$\mathrm{ILR_{IR(k-1),IR(k)}} = \mathrm{Leverage} \times \left(\frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k-1)}}} - 1\right)$$

$\mathbf{IRC_{IR(k-1),IR(k)}}$ means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

$$\mathrm{IRC_{IR(k\text{-}1),IR(k)}} = \mathrm{Leverage} \times (\mathrm{Leverage}\text{-}1) \times \left(\left|\frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k\text{-}1)}}} - 1\right|\right) \times \mathrm{TC}$$

$\mathbf{IS_{IR(k)}}$ means the Underlying Stock Price in respect of IR(k) computed as follows :

(1) for k=0

$$\mathrm{IS_{IR(0)}} = \mathrm{S_{IRD-1}} \times \mathrm{Rfactor_{IRD}}$$

(2) for k=1 to n

means in respect of IR(k), the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to IR(C)

$$\mathrm{IS}_{\mathrm{IR(C)}} = \mathrm{S}_{\mathrm{IRD}}$$

In each case, subject to the adjustments and provisions of the Conditions.

IR(k) For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For k=1 to n, means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.

IR(C) means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

n means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

Intraday Restrike Event means in respect of an Observation Date(t):

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS}_{\mathbf{IR(0)}}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS}_{\mathbf{IR(k)}}$ as of such Calculation Time.

Calculation Time means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.

TimeReferenceOpening means the scheduled opening time (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

TimeReferenceClosing means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event Observation Period means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF

THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of: -

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 16 June 2023, made by SG Issuer (the "**Issuer**") and Société Générale (the "**Guarantor**"); and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the "**Certificate Holders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status and Guarantee*. The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a "**Guarantee Obligation**").

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the "**Code**").

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

(i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the "**Law**") on 11 December 2016;

(ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;

(iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and

(iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

(c) Transfer. The Certificates are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "**Certificate Holder**" shall be construed accordingly.

(e) *Bail-In*. By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer's liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

(C) the cancellation of the Certificates; and/or

(D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the regulator,

(the "**Statutory Bail-In**");

(ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**Code**"):

(A) ranking:

(1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the Code;

(2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the Code; and

(3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the Code; and

(B) which are not *titres non structurés* as defined under Article R.613-28 of the Code, and

(C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer's obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself and any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the "**Contractual Bail-in**").

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

"**Amounts Due**" means any amounts due by the Issuer under the Certificates.

"**Bail-In Power**" means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, varied or otherwise modified in any way and/or converted into shares or other securities or obligations of the obligor or any other person.

"**MREL**" means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

"**Relevant Resolution Authority**" means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

2. Certificate Rights and Exercise Expenses

(a) *Certificate Rights*. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case: -

(i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

"**Market Disruption Event**" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) *Exercise Expenses*. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. Exercise of Certificates

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Settlement Business Days (as defined in the relevant Supplemental Listing Document and subject to extension upon the occurrence of a Settlement Disruption Event (as defined below)) following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

If the Issuer determines, in its sole discretion, that on any Settlement Business Day during the period of five Settlement Business Days following the Expiry Date a Settlement Disruption Event has occurred, such Settlement Business Day shall be postponed to the next Settlement Business Day on which the Issuer determines that the Settlement Disruption Event is no longer subsisting and such period shall be extended accordingly, provided that the Issuer and/or the Guarantor shall make their best endeavours to implement remedies as soon as reasonably practicable to eliminate the impact of the Settlement Disruption Event on its/their payment obligations under the Certificates and/or the Guarantee.

"**Settlement Disruption Event**" means the occurrence or existence of any malicious action or attempt initiated to steal, expose, alter, disable or destroy information through unauthorised access to, or maintenance or use of, the Computer Systems of the Issuer, the Guarantor, the Calculation Agent, their respective affiliates (the "**SG Group**"), their IT service providers, by (and without limitation) the use of malware, ransomware, phishing, denial or disruption of service or cryptojacking or any unauthorized entry, removal, reproduction, transmission, deletion, disclosure or modification preventing the Issuer, the Guarantor and/or the Calculation Agent to perform their obligations under the Certificates, and notwithstanding the implementation of processes, required, as the case may be, by the laws and regulations applicable to the Issuer, the Guarantor, the Calculation Agent and their affiliates, or their IT service providers to improve their resilience to these actions and attempts.

"**Computer System**" means all the computer resources including, in particular: hardware, software packages, software, databases and peripherals, equipment, networks, electronic installations for storing computer data, including Data. The Computer System shall be understood to be that which (i) belongs to the SG Group and/or (ii) is rented, operated or legally held by the SG Group under a contract with the holder of the rights to the said system and/or (iii) is operated on behalf of the SG Group by a third party within the scope of a contractual relationship and/or (iv) is made available to the SG Group under a contract within the framework of a shared system (in particular cloud computing).

"**Data**" means any digital information, stored or used by the Computer System, including confidential data.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Subdivision or Consolidation of the Certificates*. The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction) and subject to the approval of the SGX-ST.

(f) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(g) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

(a) *Meetings of Certificate Holders*. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by

CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

(a) Delisting. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

(a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer, Société Générale and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"**Change in law**" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

(b) *Early Termination for Holding Limit Event*. The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

"**Holding Limit Event**" means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

(c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

(d) *Termination*. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Substitution of the Issuer

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the "**Substituted Obligor**"), it shall give at least 90 days' notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

15. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

17. Contracts (Rights of Third Parties) Act 2001 of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	SG Issuer
Company:	Yangzijiang Shipbuilding (Holdings) Ltd.
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	20,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 16 June 2023 (the "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 18 July 2023.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the "**Certificates**") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

(i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

Daily Fees	=	**Daily Management Fee Adjustment**
		1 – Management Fee x ACT (t-1;t) / 360
		x
		Daily Gap Premium Adjustment
		1 – Gap Premium (t-1) x ACT (t-1;t) / 360

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

		t[7]=0		t=1				t=2				t=i		
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance[8]	x	Daily Fees	x	Leverage Inverse Strategy daily performance	x	Daily Fees	x …	Leverage Inverse Strategy Daily performance	x	Daily Fees

		t=0		**Product of the daily Leverage Inverse Strategy Performance**				**Product of the Daily Fees (Hedging Fee Factor)**		
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance	x	Leverage Inverse Strategy daily performance	x	Daily Fees	x	Daily Fees

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

[7] "t" refers to "**Observation Date**" which means each Exchange Business Day (subject to Market Disruption Event) from (and including) the Exchange Business Day immediately preceding the Expected Listing Date to the Valuation Date.

[8] Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary shares of Yangzijiang Shipbuilding (Holdings) Ltd.
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**0.50 SGD**
Notional Amount per Certificate:	**0.50 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**6.90%**
Strike Level:	Zero

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Exchange Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Exchange Business Day):

$$\mathrm{HFF}\ (1) = \mathrm{HFF}\ (0) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right)$$

$$\mathrm{HFF}\ (1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.90\% \times \frac{1}{360}\right)$$

$$\mathrm{HFF}\ (1) = 100\% \ \mathrm{x}\ 99.9989\% \ \mathrm{x}\ 99.9808\% \approx 99.9797\%$$

Assuming 2nd Exchange Business Day falls 3 Calendar Days after 1st Exchange Business Day:

$$\mathrm{HFF}\ (2) = \mathrm{HFF}\ (1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right)$$

$$\text{HFF}(2) = 99.9797\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

$$\text{HFF}(2) = 99.9797\% \text{ x } 99.9967\% \text{ x } 99.9425\% \approx 99.9189\%$$

The same principle applies to the following Exchange Business Days:

$$\text{HFF}(n) = \text{HFF}(n-1) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1;t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6962% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9797%
5/7/2018	99.9594%
6/7/2018	99.9392%
9/7/2018	99.8784%
10/7/2018	99.8581%
11/7/2018	99.8379%
12/7/2018	99.8176%
13/7/2018	99.7974%
16/7/2018	99.7367%
17/7/2018	99.7165%
18/7/2018	99.6962%

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6962%

= 119.64%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.64% x 0.50 SGD

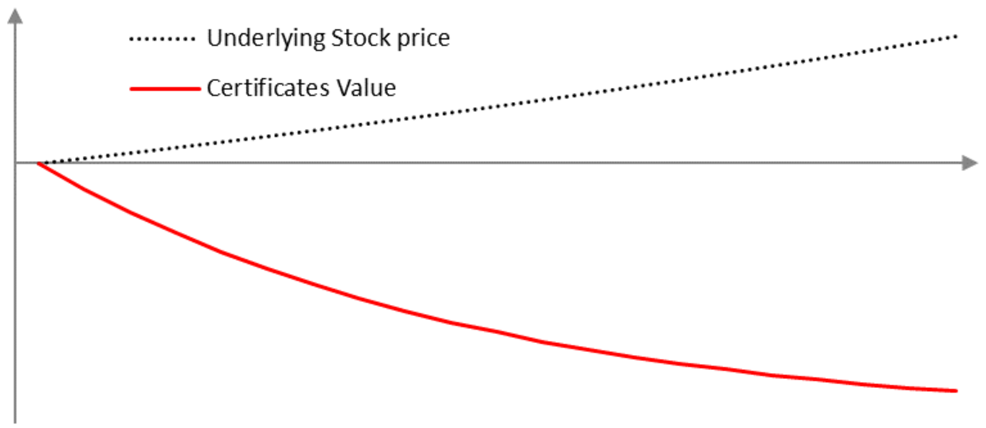
= 0.598 SGD

Illustration on how returns and losses can occur under different scenarios

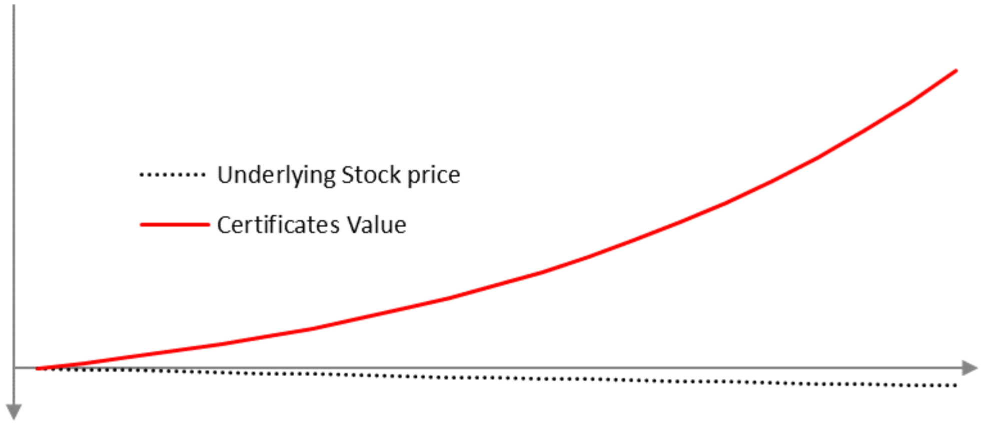
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. Illustrative examples

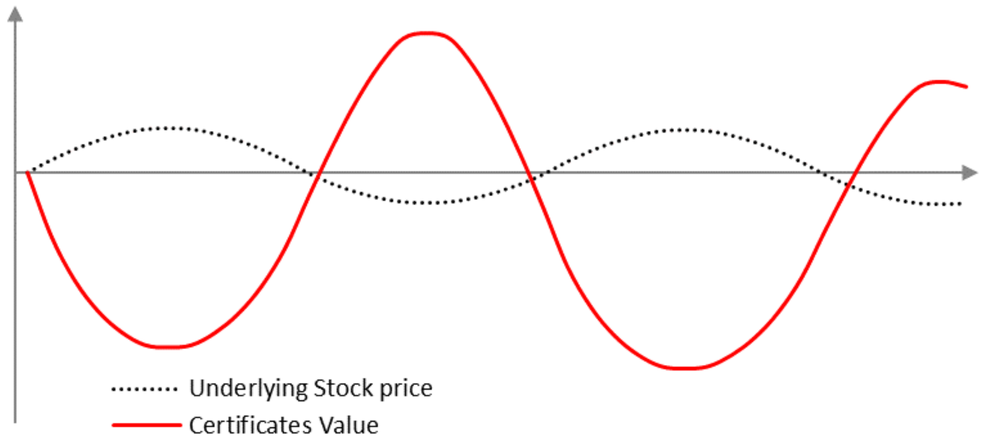
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.50	0.45	0.41	0.36	0.33	0.30
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	0.50	0.55	0.61	0.67	0.73	0.81
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	10.0%	-10.0%	10.0%	-10.0%
Price at end of day	0.50	0.45	0.50	0.45	0.49	0.44
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%

Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period: during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered and does not take into account the mid-day break. Investors cannot sell or purchase any Certificates during this period.

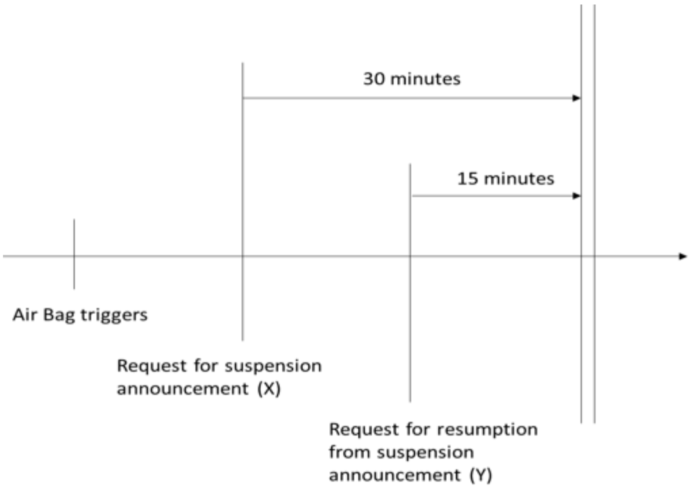
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="2">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>Less than 45 minutes before Market Close and more than 15 minutes before Market Close</td><td rowspan="2">Next trading day at Market Open</td></tr>
<tr><td>15 minutes or less than 15 minutes before Market Close</td><td>From Air Bag Trigger to Market Close</td></tr>
</table>

With **Market Close** defined as:

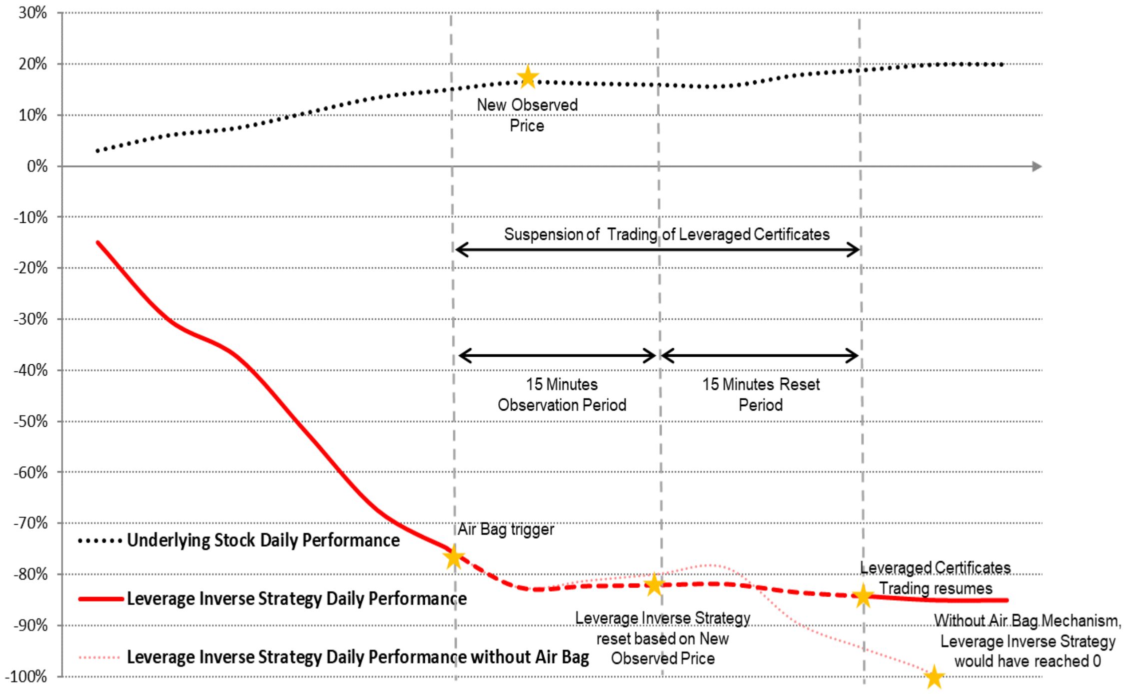
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



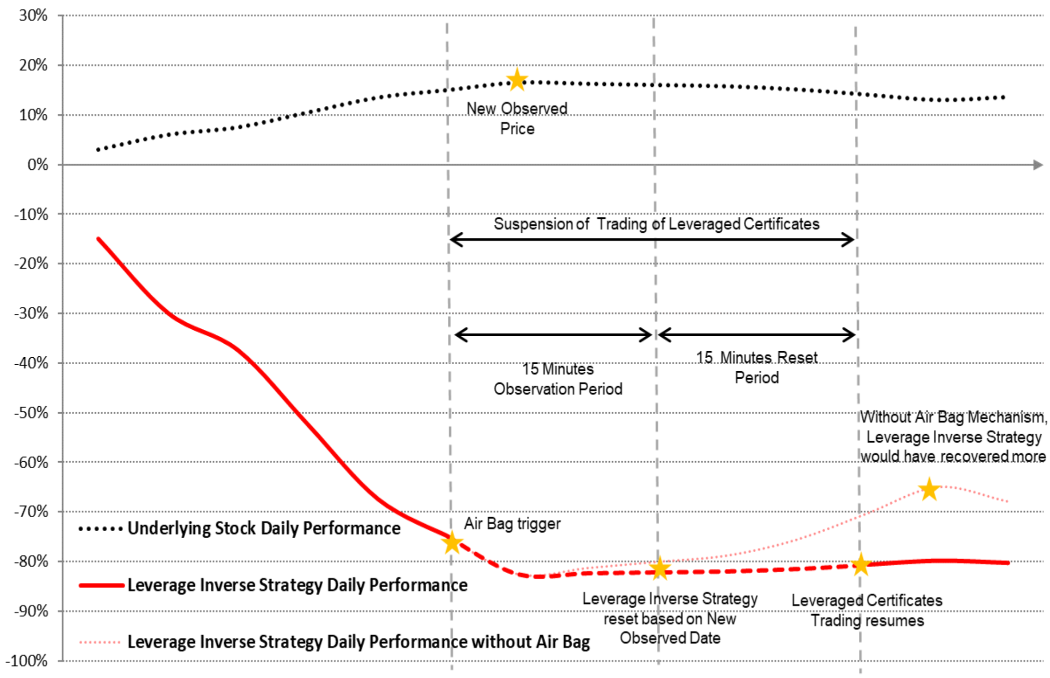
- The later between X+30 minutes or Y+15 minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day

Illustrative examples of the Air Bag Mechanism[9]

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



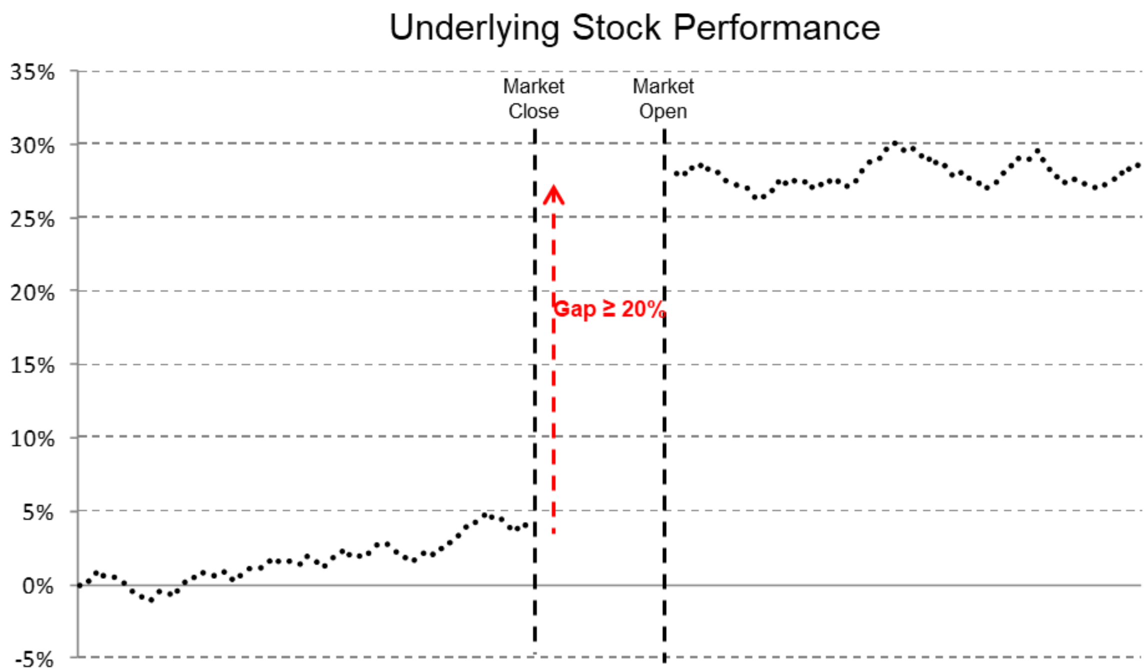
[9] The illustrative examples are not exhaustive.

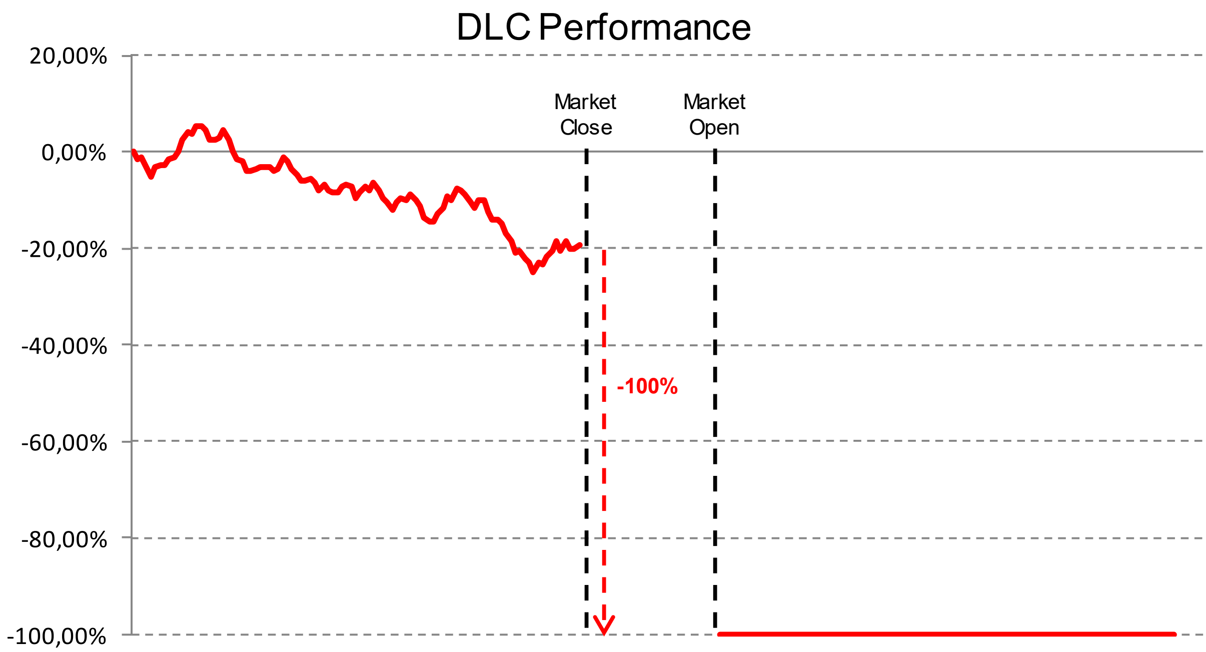
Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

Scenario 1 – Overnight rise of the Underlying Stock

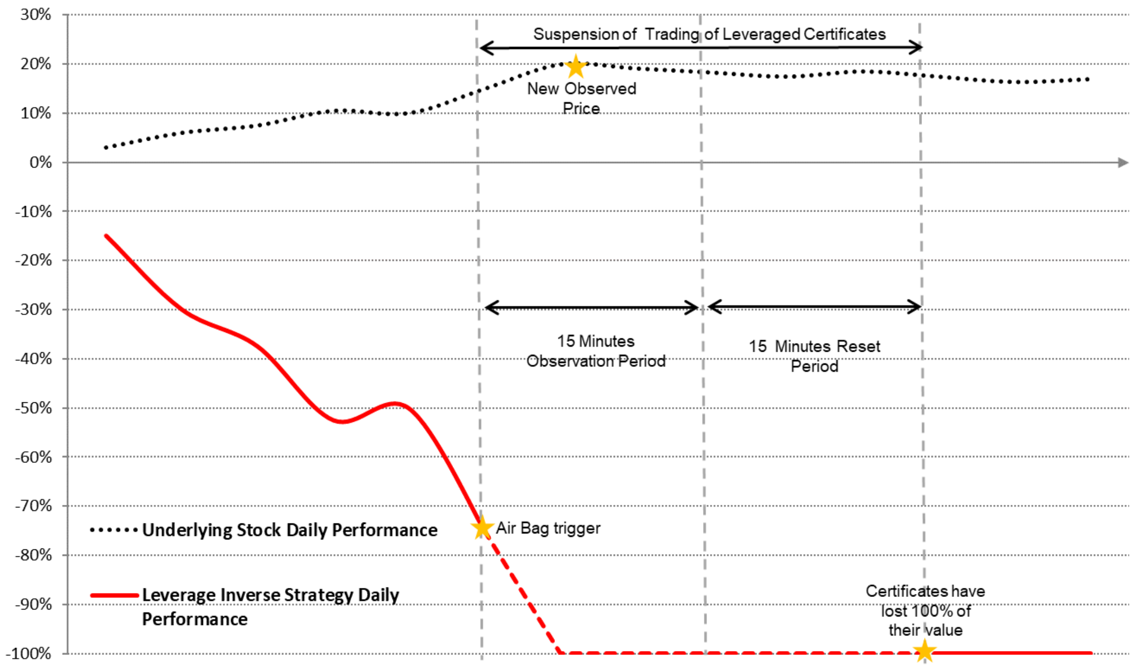
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens (including the pre-opening session) the following day, and the Certificates would lose their entire value in such event.





Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S_{t-1}}}\right] \times \frac{1}{1+M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. <u>Stock split</u>

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$\mathrm{S_{t-1}}$ = \$100

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0)}{100}\right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{51}{100 \times 50\%} - 1\right) = -10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.45	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $57.5, which is 15% above $50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

S_{t-1} = $100

S_t = $202

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0)}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{202}{100 \times 200\%} - 1\right) = -5\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.475	-5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $230, which is 15% above $200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of $40.

S_{t-1} = $100

S_t = $84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = $40 (i.e. subscription price of $40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.375	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

S_{t-1} = \$100

S_t = \$85

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = \$0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{\mathrm{S}_t}{\mathrm{S}_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = -10\%$$

S_{t-1}	$\mathrm{S}_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.45	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

S_{t-1} = \$100

S_t = \$84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$20$

R = \$0

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.375	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of the SGX-ST at http://www.sgx.com. The Issuer has not independently verified any of such information.

Yangzijiang Shipbuilding (Holdings) Ltd. ("**Yangzijiang**" or the "**Company**") was incorporated in Singapore on 21 December 2005 under the name Yangzijiang Shipbuilding (Holdings) Pte Ltd and adopted its present name on 15 March 2007.

The Yangzijiang Group produces a range of commercial vessels, including mini bulk carriers, bulk carriers, multipurpose cargo vessels, containerships, chemical tankers, offshore supply vessels, rescue and salvage vessels and lifting vessels.

The Yangzijiang Group operates two yards, through its subsidiaries, JYS (the "**Old Yard**") and JNYS (the "**New Yard**").

The Yangzijiang Group's Old Yard is located in Jiangyin city. The yard spans about 800 m of deep-water coastline and covers an area of about 200,000 sq m (excluding the coastal area).

The Yangzijiang Group's New Yard is located in Jingjiang city. The yard has 1,940 m of deep-water coastline, production area of 1,508,857 sq m, a drydock that can accommodate two 100,000 dwt vessels and two half 100,000 dwt vessels at one time.

The information set out in the Appendix to this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022 and has been extracted and reproduced from an announcement by the Company released on 5 April 2023 in relation to the same. Further information relating to the Company may be located on the web-site of the SGX-ST at http://www.sgx.com.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	(i) when the best bid price of the Certificate is S$10 and below: 10 ticks or S$0.20 whichever is greater; and (ii) when the best bid price of the Certificate is above S$10: 5% of the best bid price of the Certificate.
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Certificates
(c)	Last Trading Day for Market Making	:	The date falling 5 Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) where the Certificates are suspended from trading for any reason;

(iv) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(v) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(vi) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(vii) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(viii) if the stock market experiences exceptional price movement and volatility;

(ix) when it is a public holiday in Singapore and/or the SGX-ST is not open for dealings; and

(x) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 108 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.

2. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.

3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.

4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2022 or the Guarantor since 31 March 2023, in the context of the issuance of Certificates hereunder.

5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:

   (a) the Guarantee;

   (b) the Master Instrument; and

   (c) the Master Warrant Agent Agreement.

   None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The reports of the Auditors of the Issuer and the Guarantor were not prepared exclusively for incorporation into this document.

   The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

   (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;

   (b) the latest financial reports (including the notes thereto) of the Issuer;

   (c) the latest financial reports (including the notes thereto) of the Guarantor;

   (d) the Base Listing Document;

   (e) this document; and

   (f) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

(a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended (the "**Commodity Exchange Act**") and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it is not a U.S. Person, (ii) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (iii) it is not purchasing any Certificates, directly or indirectly, in the United States or for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term "**United States**" includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term "**U.S. person**" means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the "**CEA**") or any rules thereunder of the CFTC (the "**CFTC Rules**"), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not "Non-United States persons", shall be considered a U.S. person).

APPENDIX

REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD. AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022 and has been extracted and reproduced from an announcement by the Company released on 5 April 2023 in relation to the same.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Yangzijiang Shipbuilding (Holdings) Ltd. ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2022;
- the balance sheet of the Group as at 31 December 2022;
- the balance sheet of the Company as at 31 December 2022;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">1. Shipbuilding contracts</td></tr>
<tr><td>Refer to Notes 2.2(a), 3(a), 4, and 31 of the financial statements

Shipbuilding revenue amounted to RMB18.372 billion, representing 88.7% of the Group's total revenue for the financial year ended 31 December 2022. Shipbuilding revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The measure of progress is determined based on percentage of completion ("POC"), which is measured by reference to the proportion of costs incurred to the estimated total costs for the shipbuilding contract.

In addition, the Group's provision for onerous contracts amounted to Nil, on shipbuilding contracts as at 31 December 2022. A provision for onerous contract is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

We focused on the recognition of shipbuilding revenue, including the estimation of total shipbuilding cost, and provision for onerous contracts because of the use of significant judgement in estimating inputs to determining the extent of satisfaction of the performance obligation, including contingencies that could arise from variation to original contract terms and claims.</td><td>Our audit procedures included the following:

a. evaluating the key controls and testing the operating effectiveness of those relating to:

• the preparation of and revisions to the estimated total costs for shipbuilding contracts; and

• the recording of actual costs incurred for these contracts;

b. based on our understanding of the components that make up the estimated total shipbuilding cost for each type of vessel, reviewing, on a sample basis, the appropriateness of the significant cost components against supporting documents;

c. assessing the reliability of management's estimates by comparing the estimated costs with the actual costs for a sample of contracts completed during the year;

d. on a sample basis, agreeing material and subcontractor costs to the suppliers' invoices and approved payment vouchers, and also checking the allocation of overheads to each contract;

e. on a sample basis, recomputing the POC for vessels which is determined based on the proportion of the contracts cost incurred to date to the estimated total contract costs;

f. on a sample basis, reviewing the overall reasonableness of the progress towards completion for vessels under construction through physical verification and by comparing to the contract delivery schedule; and

g. recomputing the revenue recognised for the year as well as the amount of provision for onerous contracts (where relevant for each project).

Based on our procedures, we found the judgement exercised by management in estimating total contract costs, and determining the extent of satisfaction of the performance obligation for purposes of the recognition of shipbuilding revenue as well as the provision for onerous contracts to be reasonable.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Key audit matter	How our audit addressed the key audit matter
2. Land use rights ("LUR") premium	
Refer to Notes 3(d) and 26 of the financial statements Included in property, plant and equipment at 31 December 2022 is RMB377.8 million of LUR premium paid in relation to the acquisitions of a terminal and adjacent land for the planned conversion of the terminal and land to a liquefied natural gas ("LNG") terminal related facility. The carrying amount of the cash-generating-unit ("CGU") to which the LUR premium is attributed, is RMB498 million. The recoverable amount of the CGU to which the LUR premium is attributed, is determined based on fair value less costs to sell ("FVLCTS"), measured using discounted cash flows projections. We focused on this area because the conversion to LNG terminal related facility is dependent upon successfully securing the relevant government approval and the projections are based on the critical assumption that the Group will succeed in this planned LNG conversion. Significant judgements are required in estimating the revenue cashflows (including the estimated price and volume of the LNG terminal business), the conversion construction costs and the discount rate, applied in determining the recoverable amount of the CGU. The significant assumptions and judgements are disclosed in Note 3(d) to the financial statements.	Our audit procedures included: a. assessing the appropriateness of the valuation methodology used; b. sighting evidence of progress in securing relevant government approval; c. assessing the reasonableness of key assumptions based on our knowledge of the business and industry and with the involvement of our valuation specialists; d. performing sensitivity analysis to assess the impact on the recoverable amount by reasonable possible changes in the estimated revenue cashflows, conversion construction costs and discount rate; and e. tracing source data, on a sample basis to supporting evidence, such as available market information and assessing the reasonableness of the cash flow projections. Based on our procedures, we found the significant assumption and judgements exercised by management in its cash flow projections to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- 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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Khoo.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 31 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 RMB'000	The Group 2021 RMB'000
Continuing operations			
Revenue	4	**20,705,076**	15,137,154
Cost of sales	7	**(17,507,878)**	(13,052,827)
Gross profit		**3,197,198**	2,084,327
Other income			
– Interest	5	**350,248**	338,046
– Others	5	**104,378**	98,298
Other gains – net	6	**233,110**	958,719
Expenses			
– Administrative	7		
– Reversal of impairment loss/(impairment loss) on financial assets – net		**78,885**	(358,434)
– Others		**(567,606)**	(525,285)
		(488,721)	(883,719)
– Finance	9	**(106,776)**	(69,901)
Share of profits of associated companies and joint ventures	23,24	**13,057**	96,190
Profit before income tax		**3,302,494**	2,621,960
Income tax expense	10	**(677,508)**	(622,311)
Profit from continuing operations		**2,624,986**	1,999,649
Discontinued operations			
Profit from discontinued operations	11	**194,576**	1,727,440
Total profit		**2,819,562**	3,727,089
Profit attributable to:			
Equity holders of the Company		**2,807,480**	3,698,632
Non-controlling interests		**12,082**	28,457
		2,819,562	3,727,089
Profit attributable to equity holders of the Company relates to:			
Profit from continuing operations		**2,612,904**	1,971,192
Profit from discontinued operations		**194,576**	1,727,440
		2,807,480	3,698,632

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		The Group	
	Note	**2022**	**2021**
		RMB'000	**RMB'000**
Profit for the year		**2,819,562**	3,727,089
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
– Fair value losses	34	**(496,676)**	–
– Reclassification	34	**261,573**	–
Share of other comprehensive income/(loss) from the associated company and joint venture			
– Currency translation gains/(losses)	23,24	**11,909**	(4,885)
Currency translation gains/(losses) arising from consolidation		**101,495**	(22,207)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation gains/(losses) arising from consolidation		**5,912**	(1,407)
Other comprehensive loss, net of tax		**(115,787)**	(28,499)
Total comprehensive income		**2,703,775**	3,698,590
Total comprehensive income attributable to:			
Equity holders of the Company		**2,685,781**	3,671,540
Non-controlling interests		**17,994**	27,050
		2,703,775	3,698,590
Earnings per share attributable for profit from continuing and discontinued operations to equity holders of the Company (expressed in RMB cents per share)			
Basic and diluted			
From continuing operations	12	**66.31**	51.05
From discontinued operations	12	**4.94**	44.74

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

BALANCE SHEETS – **GROUP**

AS AT 31 DECEMBER 2022

		The Group		
		31 December		1 January
	Note	2022	2021	2021
		RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)
ASSETS				
Current assets				
Cash and cash equivalents	13	**10,778,393**	12,363,193	6,633,416
Restricted cash	14	**6,634**	17,307	15,624
Derivative financial instruments	15	**33,302**	209,345	89,589
Financial assets, at fair value through profit or loss	16	**119,154**	367,436	397,442
Debt investments at amortised cost	17	**1,575,780**	15,851,520	13,555,320
Trade and other receivables	18	**3,669,935**	4,121,025	3,633,463
Inventories	19	**1,231,116**	1,639,809	1,677,846
Contract assets	4	**5,595,675**	3,983,201	3,126,632
		23,009,989	38,552,836	29,129,332
Non-current assets				
Derivative financial instruments	15	**137,218**	477,109	10,500
Financial assets, at fair value through profit or loss	16	**27,300**	2,017,115	2,241,597
Debt investments at amortised cost	17	**–**	729,985	3,402,369
Trade and other receivables	20	**1,625,704**	1,081,311	1,294,310
Investments in joint ventures	23	**453,886**	522,679	362,332
Investments in associated companies	24	**47,424**	1,104,890	1,181,393
Investment properties	25	**–**	115,752	119,741
Property, plant and equipment	26	**7,277,768**	6,335,345	6,431,473
Intangible assets	28	**25,842**	28,371	28,151
Deferred income tax assets	32	**361,972**	646,871	709,463
		9,957,114	13,059,428	15,781,329
Total assets		**32,967,103**	51,612,264	44,910,661

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

BALANCE SHEETS – **GROUP**
AS AT 31 DECEMBER 2022

	Note	The Group 31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)	1 January 2021 RMB'000 (Restated)
LIABILITIES				
Current liabilities				
Trade and other payables	29	**3,172,408**	2,804,201	2,698,570
Contract liabilities	4	**5,597,040**	4,822,611	1,232,479
Derivative financial instruments	15	**71,385**	4,501	–
Borrowings	30	**2,269,198**	2,503,814	2,120,550
Provisions	31	**364,418**	648,398	938,254
Current income tax liabilities		**782,271**	1,015,096	972,982
		12,256,720	11,798,621	7,962,835
Non-current liabilities				
Borrowings	30	**2,298,342**	1,952,779	2,123,503
Derivative financial instruments	15	**71,752**	–	–
Deferred income tax liabilities	32	**635,529**	1,799,299	1,447,808
		3,005,623	3,752,078	3,571,311
Total liabilities		**15,262,343**	15,550,699	11,534,146
NET ASSETS		**17,704,760**	36,061,565	33,376,515
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	33	**7,361,990**	7,361,990	7,361,990
Treasury shares	33	**(127,753)**	(269,582)	(560,443)
Other reserves	34	**1,673,870**	2,015,702	1,494,732
Retained earnings		**8,665,024**	26,815,306	24,046,076
		17,573,131	35,923,416	32,342,355
Non-controlling interests		**131,629**	138,149	1,034,160
Total equity		**17,704,760**	36,061,565	33,376,515

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

BALANCE SHEETS – **COMPANY**

AS AT 31 DECEMBER 2022

	Note	The Company 31 December 2022 RMB'000	The Company 31 December 2021 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	13	**14,242**	177,622
Trade and other receivables	18	**6,708,150**	6,934,273
		6,722,392	7,111,895
Non-current assets			
Trade and other receivables	20	**3,548,131**	2,224,713
Investments in subsidiaries	22	**7,226,917**	6,042,814
Investments in joint ventures	23	**266,150**	319,581
Investments in associated companies	24	**134,062**	134,062
Property, plant and equipment	26	**1,045**	334
		11,176,305	8,721,504
Total assets		**17,898,697**	15,833,399
LIABILITIES			
Current liabilities			
Other payables	29	**2,641,536**	2,468,037
Derivative financial instruments	15	**–**	792
Borrowings	30	**798**	841,904
Current income tax liabilities		**46**	158
		2,642,380	3,310,891
Non-current liabilities			
Borrowings	30	**342**	–
		342	–
Total liabilities		**2,642,722**	3,310,891
NET ASSETS		**15,255,975**	12,522,508
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	**7,326,773**	7,326,773
Treasury shares	33	**(127,753)**	(269,582)
Other reserves	34	**180,637**	148,175
Retained earnings		**7,876,318**	5,317,142
Total equity		**15,255,975**	12,522,508

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Share capital RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Hedging reserve RMB'000	Currency translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company									
2022											
As at 31 December 2021		**7,361,990**	**(269,582)**	**4,637,147**	**-**	**(143,763)**	**(2,477,682)**	**26,815,306**	**35,923,416**	**138,149**	**36,061,565**
Profit for the year		-	-	-	-	-	-	2,807,480	2,807,480	12,082	2,819,562
Other comprehensive (loss)/ income for the year		-	-	-	(235,103)	113,404	-	-	(121,699)	5,912	(115,787)
Total comprehensive (loss)/income for the year		-	-	-	(235,103)	113,404	-	2,807,480	2,685,781	17,994	2,703,775
Purchase of treasury shares	33	-	(60,369)	-	-	-	-	-	(60,369)	-	(60,369)
Dividends	35	-	-	-	-	-	-	(969,988)	(969,988)	(4,983)	(974,971)
Dividend in specie	11	-	-	-	-	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Disposal of subsidiaries as part of spin-off	11	-	-	(78,380)	-	-	-	78,380	-	-	-
Acquisition of the non-controlling interest of a subsidiary	13	-	-	-	-	-	(240,369)	-	(240,369)	(19,531)	(259,900)
Transfer	34	-	-	66,154	-	-	-	(66,154)	-	-	-
Treasury shares re-issued	33(b)	-	202,198	-	-	-	32,462	-	234,660	-	234,660
Total transactions with owners, recognised directly in equity		-	141,829	(12,226)	-	-	(207,907)	(20,957,762)	(21,036,066)	(24,514)	(21,060,580)
As at 31 December 2022		**7,361,990**	**(127,753)**	**4,624,921**	**(235,103)**	**(30,359)**	**(2,685,589)**	**8,665,024**	**17,573,131**	**131,629**	**17,704,760**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Share capital RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Currency translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company								
2021										
As at 1 January 2021		7,361,990	(560,443)	4,544,601	(116,671)	(2,933,198)	24,046,076	32,342,355	1,034,160	33,376,515
Profit for the year		–	–	–	–	–	3,698,632	3,698,632	28,457	3,727,089
Other comprehensive loss for the year		–	–	–	(27,092)	–	–	(27,092)	(1,407)	(28,499)
Total comprehensive (loss)/income for the year		–	–	–	(27,092)	–	3,698,632	3,671,540	27,050	3,698,590
Purchase of treasury shares	33	–	(170,776)	–	–	–	–	(170,776)	–	(170,776)
Dividends	35	–	–	–	–	–	(836,856)	(836,856)	(5,908)	(842,764)
Transfer	34	–	–	92,546	–	–	(92,546)	–	–	–
Treasury shares re-issued for acquisition of additional interest in a subsidiary	22(c), 33,34	–	461,637	–	–	455,516	–	917,153	(917,153)	–
Total transactions with owners, recognised directly in equity		–	290,861	92,546	–	455,516	(929,402)	(90,479)	(923,061)	(1,013,540)
As at 31 December 2021		7,361,990	(269,582)	4,637,147	(143,763)	(2,477,682)	26,815,306	35,923,416	138,149	36,061,565

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Net profit		**2,819,562**	3,727,089
Adjustments for:			
– Income tax expense		**759,173**	1,154,639
– Depreciation of property, plant and equipment		**452,331**	492,983
– Depreciation of investment properties		**868**	3,989
– Amortisation of intangible assets		**3,834**	3,619
– Finance expenses		**106,776**	69,901
– Loss/(gain) on disposal of property, plant and equipment		**236**	(71,816)
– Fair value change on:			
• Derivative financial instruments		**70,246**	(624,517)
• Financial assets at fair value, through profit or loss		**196,523**	301,387
– Gain from dissolution of subsidiaries		**(41,819)**	–
– Interest income		**(350,544)**	(343,363)
– Dividend income		**(592)**	(376,061)
– Share of profits of associated companies and joint ventures		**(4,371)**	(361,508)
		4,012,223	3,976,342
Change in working capital:			
– Inventories		**178,246**	(38,508)
– Contract balances		**(530,312)**	2,733,563
– Trade and other receivables		**(330,969)**	(194,886)
– Trade and other payables		**540,384**	152,589
– Debt investments at amortised cost		**1,515,833**	376,184
– Provisions		**(283,980)**	(289,856)
– Restricted cash		**10,673**	(1,683)
Cash generated from operations		**5,112,098**	6,713,745
Interest paid		**(106,776)**	(108,664)
Interest received		**350,544**	235,952
Income tax paid		**(723,475)**	(698,442)
Net cash provided by operating activities		**4,632,391**	6,142,591

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 RMB'000	The Group 2021 RMB'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**46,349**	386,355
Proceeds from sale of financial assets, at fair value through profit and loss		**246,675**	418,648
Proceeds from disposal of associated company		**–**	69,000
Dividend received		**592**	376,061
Additions to property, plant and equipment		**(904,847)**	(669,066)
Acquisition of a subsidiary, net of cash acquired	13	**(108,930)**	–
Acquisition of financial assets, at fair value through profit and loss		**(37,092)**	(465,547)
Acquisition of intangible assets		**(1,305)**	(3,839)
Acquisition of investments in associated companies		**(209,000)**	(6,000)
Additions to investments in joint ventures		**–**	(151,255)
Return of capital by associated companies		**14,296**	280,657
Return of capital by joint ventures		**76,742**	80,377
Net cash (used in)/provided by investing activities		**(876,520)**	315,391
Cash flows from financing activities			
Proceeds from bank borrowings	30	**6,238,478**	4,211,035
Repayments of bank borrowings	30	**(6,210,061)**	(3,924,956)
Proceeds from issuance of convertible bond	33	**234,660**	–
Cash and cash equivalents of spin-off group at point of distribution	13	**(4,307,763)**	–
Acquisition of non-controlling interest	13	**(259,900)**	–
Principal payment of lease liabilities	30	**(745)**	(744)
Purchase of treasury shares		**(60,369)**	(170,776)
Dividends paid to equity holders	35	**(969,988)**	(836,856)
Dividends paid to non-controlling interests		**(4,983)**	(5,908)
Net cash used in financing activities		**(5,340,671)**	(728,205)
Net (decrease)/increase in cash and cash equivalents		**(1,584,800)**	5,729,777
Cash and cash equivalents at beginning of financial year		**12,363,193**	6,633,416
Cash and cash equivalents at end of financial year	13	**10,778,393**	12,363,193

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 80 Robinson Road, #02-00 Singapore 068898.

The principal activities of the Company are investment holding and agency service for shipbuilding and related activities. The principal activities of its subsidiaries are set out in Note 43.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2022

On 1 January 2022, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The following are the new or amended SFRS(I)s, and SFRS(I) Interpretations, that are relevant to the Group:

- Amendments to:
  - SFRS(I) 3 Business Combinations (Reference to the Conceptual Framework)
  - SFRS(I)1-16 Property, Plant and Equipment (Proceeds before Intended Use)
  - SFRS(I)1-37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contacts – Cost of Fulfilling a Contract)
- Annual improvements to SFRS(I)s 2018-2020

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

(a) Shipbuilding revenue

The Group enters into contracts with customers to construct vessels. At contract inception, the Group assesses whether the Group transfers control of the vessels over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

Management has considered that the vessels have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to date, arising from the contractual terms. Accordingly, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The measure of progress is determined based on percentage of completion, which is measured by reference to the proportion of costs incurred to date to the estimated total costs for the shipbuilding contract. Costs incurred that are not related to the contract or that do not contribute towards satisfying the performance obligation are excluded from the measure of progress and instead are expensed as incurred.

The Group receives deposit from customers and the period between the receipt and the transfer of control may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the Group from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

Income from forfeiture of payments received from shipbuilding contracts is recognised when the shipbuilding contracts are terminated by the Group and the payments received from the customer is non-refundable.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(b) Revenue from sale of completed vessels

The Group also enters into contracts to sell completed vessels. For such a contract, revenue is recognised when control of the vessel is transferred to its customer, being when the vessel is collected by the customer, the customer has full discretion over the usage of the vessel and there is no unfulfilled obligation that could affect the customer's acceptance of the vessel.

Collection occurs when the physical possession of the vessels has been transferred to the customers, and either the customers have accepted the vessels in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(c) Revenue from sale of goods – material and others

The Group enters into contracts with customers to supply goods (including metal products). Revenue is recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue is measured at the price specified in the contract. Prepayments received from customers are accounted for as contract liabilities (deferred revenue) prior to the delivery of goods. Contract liabilities will be recognised in profit or loss when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional.

The Group assesses its role as an agent or principal for each transaction and in a transaction where the Group acts as an agent, revenue would exclude amounts collected on behalf of the principal.

(d) Rendering of ship design services

The Group renders ship design services and revenue is recognised when such services are rendered.

(e) Charter income

Income from time charter, which is of operating leases in nature, is recognised on a straight-line basis over the period of the charter.

(f) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(g) 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.

2.3 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(ii) *Acquisitions* (Continued)

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. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on 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 of the acquisition date.

(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.

Please refer to the paragraph "Investments in subsidiaries, associated companies and joint ventures" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies and joint ventures*

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.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures 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 and joint ventures 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 and joint ventures represents the excess of the cost of acquisition of the associated companies or joint ventures 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.

(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' or joint ventures' 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 or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, 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 or joint venture. If the associated company or joint venture 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 or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(c) Associated companies and joint ventures (Continued)

(ii) Equity method of accounting (Continued)

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture 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 or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 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:

	Useful lives
Leasehold land	Over the lease term
Buildings	20 years or shorter of lease term
Machinery	5 – 25 years
Vehicles	5 – 12 years
Furniture, fittings and equipment	5 – 12 years
Vessels	25 years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(c) *Depreciation* (Continued)

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) *Construction-in-progress*

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. This includes cost of construction, plant and equipment and other directly attributable costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to respective asset classes within property, plant and equipment and depreciated in accordance with the policy stated above.

(e) *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.

(f) *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 within "other gains – net".

2.5 Intangible assets

(a) *Goodwill*

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of 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 (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

(b) Acquired computer software licenses

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

The amortisation period and amortisation method of computer software licenses are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Research costs are recognised as an expense when incurred. Costs directly attributable to the development of computer software are capitalized as intangible assets only when technical and commercial feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

(c) Customer contracts

Customer contracts are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the contract period.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to assets under construction. This includes those costs on borrowings acquired specifically for assets under construction, as well as those in relation to general borrowings used to finance assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to assets under construction that are financed by general borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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 values, 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.

2.8 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets (Continued)

(b) *Intangible assets*
Property, plant and equipment
Right-of-use assets
Investment properties
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment, right-of-use assets, investment properties and investments in subsidiaries, associated companies and joint ventures 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.

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.

For an asset other than goodwill, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(a) *Classification and measurement* (Continued)

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.

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 "other gains – net". Dividends from equity investments are recognised in profit or loss as "dividend income".

(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 36 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, loan to subsidiaries 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.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I)9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(b) *Impairment* (Continued)

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.

(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.

2.11 Derivative financial instruments

A derivative financial instrument is initially recognised at fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its hedge as cash flow hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis on whether the hedging relationship meets the hedge effectiveness requirements under SFRS(I) 9.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 15. The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

The following hedge in place qualified as cash flow hedges under SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Derivative financial instruments (Continued)

Cash flow hedge

– *Currency forwards*

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit and loss when the hedged transaction affects profit and loss.

The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2.12 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.

2.13 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the customers and subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other payables

Trade and 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.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Leases

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- *Right-of-use assets*

  The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets are presented within "Property, plant and equipment" and "Lease prepayments".

- *Lease liabilities*

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

(a) When the Group is the lessee: (Continued)

- *Lease liabilities* (Continued)

  Lease payments include the following:

  – Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

  – Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;

  – Amounts expected to be payable under residual value guarantees;

  – The exercise price of a purchase option if is reasonably certain to exercise the option; and

  – Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone prices of the lease and non-lease components. The Group has elected to not separate lease and non-lease components for property leases and account these as one single lease component.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  – There is a change in future lease payments arising from changes in an index or rate;

  – There is a change in the Group's assessment of whether it will exercise an extension option; or

  – There is a modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- *Short-term and low value leases*

  The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

(b) When the Group is the lessor:

The Group leases vessels under finance leases and operating leases to non-related parties.

- *Lessor – Finance leases*

  Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

  The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

  Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

  Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

- *Lessor – Operating leases*

  Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

  Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

  Contingent rents are recognised as income in profit or loss when earned.

2.17 Inventories

Inventories consist of raw materials and work-in-progress and are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Raw materials will be used in the construction contracts, therefore they are not written down to net realisable value when the market prices for those inventories fall below cost, if the overall construction contract is expected to be profitable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

2.19 Provisions

Provisions for warranty are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.20 Lease prepayment

Lease prepayment represents prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease period.

2.21 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.

2.22 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 financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Currency translation (Continued)

(b) Transactions and balances (Continued)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains – net".

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

(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.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.23 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.

2.24 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the other reserve.

2.26 Dividends to the Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.27 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately under "other gains – net".

Government grants relating to assets are recognised as deferred income in the balance sheet.

2.28 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

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.

(a) Estimation of total contract costs

The Group has significant ongoing contracts to construct vessels. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the vessels. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of shipbuilding revenue. When it is probable that the total contract costs will exceed the total shipbuilding revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management have used their accumulative knowledge of the industry, market conditions, and its customers, corroborated with the experience gained from the most recent deliveries.

As at 31 December 2022, RMB5,595,675,000 (2021: RMB3,983,201,000) of the Group's contract assets is subject to the estimation of progress towards completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher by 5% (2021: 5%) from management's estimates, the Group's revenue and contract assets would have been lower by RMB471,897,000 (2021: RMB581,574,000). If the total contract cost of on-going contracts to be incurred had been lower by 5% (2021: 5%) from management's estimates, the Group's revenue and contract assets would have been higher by RMB512,914,000 (2021: RMB371,992,000). If the total contract costs of on-going contracts to be incurred had been higher by 5% (2021: 5%) from management's estimates, additional provision for onerous contracts of RMB50,224,000 (2021: RMB852,637,000) would have been recognised.

(b) Impairment of trade receivables and contract assets

As at 31 December 2022, the Group's trade receivables and contract assets amounted to RMB1,144,706,000 (2021: RMB1,099,198,000) (Note 18 and Note 20) and RMB5,595,675,000 (2021: RMB3,983,201,000) [Note 4(b)] respectively, arising from the Group's different revenue segments – shipbuilding, shipping and others.

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. Accordingly, management has adopted different approaches in measuring expected credit loss across revenue segment.

A loss allowance of RMBNil (2021: RMB21,960,000) for trade receivables was recognised as at 31 December 2022.

The Group's and the Company's credit risk exposure for trade receivables and contract assets and significant estimation in measuring expected credit loss allowance by different revenue segment are set out in Note 36(b).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(c) 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.

Management has determined the expected loss rates by grouping the borrowers according to internal risk management grading. A reversal of loss allowance of RMB76,011,000 (2021: loss allowance of RMB48,623,000) for debt investments at amortised cost was recognised during financial year. The Group's credit risk exposure for debt investments at amortised cost is set out in Note 36(b)(vi).

(d) Recoverable amount of land use rights ("LUR") premium classified under property, plant and equipment ("PPE")

Included in PPE at 31 December 2022 is RMB377.8 million of LUR premium paid in relation to the acquisitions of a terminal and adjacent land for the planned conversion of the terminal and land to a liquefied natural gas ("LNG") terminal related facility.

The carrying amount of the cash-generating-unit ("CGU") to which the LUR premium is attributed, is RMB498 million. The recoverable amount of the CGU to which the LUR premium is attributed, is determined based on fair value less costs to sell ("FVLCTS") (Note 26), measured using discounted cash flows projections. The conversion to LNG terminal related facility is dependent upon successfully securing the relevant government approval and the projections are based on the critical assumption that the Group will succeed in this planned LNG conversion. Significant judgements are required in estimating the revenue cashflows (including the estimated price and volume of the LNG terminal business), the conversion construction costs and the discount rate applied in determining the recoverable amount of the CGU. In making these estimates, management has relied on its expectations of market and industry developments in PRC.

The impact arising from a change in the key estimates on the recoverable amount of the CGU as at 31 December is as follows:

	2022	
	Higher/(lower) %	**Recoverable amount RMB'000**
Estimated revenue cashflows	**(12%)**	**(304,314)**
Conversion construction costs	**60%**	**(352,793)**
Discount rate (post-tax)	**0.5%**	**(75,418)**

In the sensitivity analyses shown above, the recoverable amount of the CGU continues to be above its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. REVENUE

(a) Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines.

	At a point in time RMB'000	Over time RMB'000	Total RMB'000
The Group			
2022			
Shipbuilding segment			
– Shipbuilding revenue	**–**	**17,831,468**	**17,831,468**
– Sale of completed vessels	**540,635**	**–**	**540,635**
Shipping segment			
Charter hire income	**–**	**1,382,659**	**1,382,659**
Others segment			
Rendering of ship design services	**14,002**	**–**	**14,002**
Sale of goods – materials and others	**700,754**	**–**	**700,754**
Interest income from debt investments at amortised cost	**177,274**	**–**	**177,274**
Others	**58,284**	**–**	**58,284**
Total revenue	**1,490,949**	**19,214,127**	**20,705,076**
2021			
Shipbuilding segment			
– Shipbuilding revenue	–	11,806,856	11,806,856
– Sale of completed vessels	1,391,617	–	1,391,617
Shipping segment			
Charter hire income	–	959,638	959,638
Others segment			
Rendering of ship design services	6,527	–	6,527
Sales of goods – materials and others	801,750	–	801,750
Interest income from debt investments at amortised cost	111,247	–	111,247
Others	59,519	–	59,519
Total revenue	2,370,660	12,766,494	15,137,154

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. REVENUE (CONTINUED)

(b) Contract assets and liabilities

	31 December		1 January
	2022	**2021**	**2021**
	RMB'000	**RMB'000**	**RMB'000**
The Group			
Contract assets			
– Shipbuilding contracts	**5,595,675**	3,983,201	3,126,632
Contract liabilities			
– Shipbuilding contracts	**(5,597,040)**	(4,730,915)	(1,186,723)
– Sale of goods – material and others	**–**	(91,696)	(45,756)
	(5,597,040)	(4,822,611)	(1,232,479)

Contract assets relate to fixed price shipbuilding contracts. The changes in contract assets are due to differences between the agreed payment schedule and progress of the construction work.

Contract liabilities for shipbuilding contracts has increased due to more contracts in which the Group billed and received consideration ahead of the provision of construction work.

(i) Revenue recognised in relation to contract liabilities

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period.		
– Shipbuilding contracts	**1,555,551**	968,130
– Sale of goods – material and others	**91,696**	45,756

(ii) Unsatisfied performance obligations

As at 31 December 2022, the aggregate amount of the transaction price allocated to the remaining performance obligation is RMB51,910,720,000 (2021: RMB41,462,815,000) and the Group expects to recognise this revenue over the next 1 to 4 years (2021: 1 to 3 years).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. REVENUE (CONTINUED)

(c) Trade receivables from contracts with customers

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
The Group			
Current assets			
Trade receivables from customers (Note 18)	**1,144,706**	945,517	372,058

5. OTHER INCOME

	The Group 2022 RMB'000	The Group 2021 RMB'000
Interest income		
– Cash and cash equivalents and restricted cash	**215,792**	230,635
– Finance leases	**134,456**	107,411
Sale of bunker stock and scrap materials	**37,532**	24,112
Income from forfeiture of advances received	**36,487**	32,482
Dividend income	**592**	5,604
Others	**29,767**	36,100
	454,626	436,344

6. OTHER GAINS – NET

	The Group 2022 RMB'000	The Group 2021 RMB'000
Foreign exchange gains	**515,974**	5,196
Less: Cash flow hedges, reclassified from hedging reserve (Note 34(b))	**(307,733)**	–
Foreign exchange related gains, net	**208,241**	5,196
Fair value (loss)/gain:		
– Derivative financial instruments	**(70,246)**	624,517
– Financial assets, at fair value through profit or loss (Note 16)	**(59,069)**	108,682
(Loss)/gain on disposal of property, plant and equipment	**(236)**	71,816
Subsidy income	**121,811**	158,296
Gain on dissolution of subsidiaries	**41,819**	–
Others	**(9,210)**	(9,788)
	233,110	958,719

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

7. EXPENSES BY NATURE

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Raw materials and consumables used (Note 19)	**12,044,900**	8,796,775
Amortisation of intangible assets (Note 28)	**3,834**	3,619
Depreciation of property, plant and equipment (Note 26)	**452,067**	491,781
(Reversal of impairment loss)/impairment loss on:		
– Debt investments at amortised costs (Note 17)	**(59,896)**	450,891
– Advances to suppliers	**–**	(170)
Bad debt (recovery)	**(18,989)**	(92,457)
Employee compensation (Note 8)	**310,675**	274,433
Subcontracting costs	**3,043,371**	2,451,111
Other shipbuilding related fees and charges	**550,097**	442,897
Business tax on interest income from debt instruments at amortised cost	**10,667**	6,297
Inventories write-down – net of reversal (Note 19)	**184,636**	17,364
Provision for warranty/(write-back of provision) – net (Note 31)	**64,878**	(32,196)
Reversal of provision for onerous contracts – net (Note 31)	**(218,041)**	(256,081)
Utilities	**161,129**	120,570
Transportation expenses	**21,813**	74,637
Professional fees	**30,071**	22,862
Vessel operations expenses	**682,353**	447,684
Commission	**240,476**	269,838
Others	**492,558**	446,691
Total cost of sales and administrative expenses	**17,996,599**	13,936,546

8. EMPLOYEE COMPENSATION

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Salaries and wages	**228,185**	202,564
Employer's contributions to defined contribution plans	**70,350**	65,798
Other employee benefits	**12,140**	6,071
	310,675	274,433

Contributions to defined contribution plans

The employees of the Group who are employed in the PRC participate in a defined contribution plan administered by the relevant provincial government. For the financial year ended 31 December 2022, the Group is required to make monthly defined contribution to these plans at approximately 36% to 39% (2021: approximately 45% to 47%) of eligible employees' monthly salaries and wages as stipulated by local rules and regulations. These contributions are expensed as incurred.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed in this note.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. FINANCE EXPENSES

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Interest expenses:		
– Bank borrowings	**106,741**	108,636
– Lease liabilities (Note 27)	**35**	28
Net foreign currency translation gain on borrowings	**–**	(38,763)
	106,776	69,901

10. INCOME TAXES

The Group is subject to income tax on an individual entity basis on profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operates. Except for Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS") and Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("JXF"), the corporate income tax rate applicable for the Group's subsidiaries in PRC is 25%.

As at the date of these financial statements, JNYS and JXF qualifies for the "High and New Technology Enterprise" ("HNTE") incentive up to October 2025. On the basis that the qualifying conditions for HNTE is met, the applicable tax rate for JNYS and JXF is 15%.

(a) Income tax expense

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Income tax expense attributable to profit is made up of:		
Profit for the year:		
From continuing operations		
– Current income tax	**595,324**	470,166
– Deferred income tax (Note 32)	**183,794**	175,171
	779,118	645,337
From discontinued operations		
– Current income tax	**103,519**	293,416
– Deferred income tax (Note 32)	**(21,854)**	238,912
	81,665	532,328
Over provision in prior year		
From continuing operations		
– Current income tax	**(101,610)**	(23,026)
	759,173	1,154,639
Tax expense is attributable to:		
– continuing operations	**677,508**	622,311
– discontinued operations (Note 11(a))	**81,665**	532,328
	759,173	1,154,639

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

10. INCOME TAXES (CONTINUED)

(a) Income tax expense (continued)

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:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Profit before tax from		
– continuing operations	**3,302,494**	2,621,960
– discontinued operations (Note 11(a))	**276,241**	2,259,768
	3,578,735	4,881,728
Share of (profits) of associated companies and joint ventures, net of tax – continuing operations	**(13,057)**	(96,190)
Share of losses/(profits) of associated companies and joint ventures, net of tax – discontinued operations	**8,686**	(265,318)
Profit before tax and share of results of associated companies and joint ventures	**3,574,364**	4,520,220
Tax calculated at the applicable tax rate of 25% (2021: 25%)	**893,591**	1,130,055
Effect of tax exemption and different tax rates	**(300,740)**	(273,058)
Deferred tax on undistributed profits	**99,217**	162,070
Expenses not deductible for tax purposes	**168,237**	158,537
Deferred tax asset on tax losses not recognised	**478**	61
Over provision of prior year tax	**(101,610)**	(23,026)
Tax charge	**759,173**	1,154,639

(b) The tax credit/(charge) relating to each component of other comprehensive income is as follows:

	Before Tax	**Tax charge**	**After tax**
	RMB'000	**RMB'000**	**RMB'000**
Group			
2022			
Fair value gains/(losses) and reclassification adjustments on cash flow hedges	**276,591**	**(41,488)**	**235,103**

NOTES TO THE FINANCIAL STATEMENTS
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11. DISCONTINUED OPERATIONS

On 18 April 2022, the spin-off of the Group's investment segment via the transfer of existing investments to a newly incorporated company ("NewCo") and the proposed listing of the NewCo (the "spin-off") was approved by shareholders via an extraordinary general meeting. On 28 April 2022, the Company completed the spin-off and listing of the NewCo, Yangzijiang Financial Holding Ltd. ("YZJFH"). The Company distributed all the shares in YZJFH that are held by the Company, representing an aggregate amount of approximately RMB20 billion, by way of a dividend in specie.

As at the date of spin-off, YZJFH Group (the "spin-off group") comprised of YZJFH and its 100% interest in 3 subsidiaries of the Group (i.e. Jiangsu Yangchuan Investment Development Co., Ltd., Jingjiang Runyuan Rural Microfinance Co., Ltd. and Jiangsu New Yangzi Commerce & Trading Co., Ltd.). The cash and cash equivalents of the spin-off group at point of distribution amounted to approximately RMB4.3 billion (Note 13).

Accordingly, the results and balances relating to the investment segment, net of investments retained by the Group, are presented separately on the consolidated statement of comprehensive income as "Discontinued operations". The disposal group was previously presented under the "Investments" reportable segment of the Group (Note 38).

(a) The results of the discontinued operations are as follows:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Revenue	**440,922**	1,630,752
Cost of sales	**(27,548)**	(84,766)
Expenses		
– Reversal of impairment loss on financial assets – net	**16,115**	494,887
– Others	**(8,505)**	(15,091)
Other income	**779**	378,737
Other losses – net	**(136,836)**	(410,069)
Share of (losses)/profits of associated companies (Note 24)	**(8,686)**	265,318
Profit before tax from discontinued operations	**276,241**	2,259,768
Tax (Note 10 (a))	**(81,665)**	(532,328)
Profit after tax from discontinued operations	**194,576**	1,727,440

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11. DISCONTINUED OPERATIONS (CONTINUED)

(b) The impact of the discontinued operations on the cash flows of the Group was as follows:

	The Group	
	2022 RMB'000	**2021 RMB'000**
Operating cash inflows	**1,932,826**	4,040,551
Investing cash (outflows)/inflows	**(191,587)**	802,215
Financing cash flows	**–**	–
Total cash inflows	**1,741,239**	4,842,766

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	The Group					
	Continuing operations		Discontinued operations		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Net profit attributable to equity holders of the Company (RMB'000)	**2,612,904**	1,971,192	**194,576**	1,727,440	**2,807,480**	3,698,632
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**3,940,261**	3,861,050	**3,940,261**	3,861,050	**3,940,261**	3,861,050
Basic earnings per share (RMB cents)	**66.31**	51.05	**4.94**	44.74	**71.25**	95.79

Diluted earnings per share is equivalent to the basic earnings, as the Company does not have any dilutive potential ordinary shares.

13. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2022 RMB'000	**2021 RMB'000**	**2022 RMB'000**	**2021 RMB'000**
Cash at bank and on hand	**10,778,393**	12,363,193	**14,242**	177,622

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13. CASH AND CASH EQUIVALENTS (CONTINUED)

Acquisition of a subsidiary

In August 2022, the Group acquired 100% of Jiangsu Jiasheng Gas Co., Ltd., an entity which holds the remaining 45% non-controlling interest ("NCI") in Jiangsu Yangzi Jiasheng Terminal Co., Ltd ("Jiasheng Terminal") (an existing subsidiary of the Group) and the land site adjacent to the terminal site owned by Jiasheng Terminal. The effects of the acquisition on the cash flows of the Group were:

	The Group August 2022 RMB'000
Carrying amounts of assets and liabilities as at the date of acquisition:	
Cash and cash equivalents	61,255
Other receivables	10,077
Property, plant and equipment (Note 26)	163,968
Prepayments	3,080
Interest in Jiasheng Terminal (an existing subsidiary of the Group)	259,900
Total assets	498,280
Trade and other payables	(68,195)
Total liabilities	(68,195)
Net assets acquired	430,085
Less: Non-controlling interests [Note (a)]	(259,900)
Net assets recognised by the group	170,185
Cash outflows arising from acquisition:	
Purchase consideration	430,085
Less: Cash and cash equivalents acquired	(61,255)
Net cash outflow on acquisition	368,830
Net cash outflow on acquisition	368,830
Less: Acquisition of non-controlling interest	(259,900)
Acquisition of a subsidiary, net of cash acquired	108,930

(a) The carrying amount of the NCI in Jiasheng Terminal in the Group's financial statements at the date of acquisition was RMB19.53 million. The allocation of the purchase consideration paid to acquire the NCI in Jiasheng Terminal amounted to RMB259.9 million. The excess of the consideration paid of RMB240.37 million is recognised in parent's equity, under other reserve (Note 34).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. CASH AND CASH EQUIVALENTS (CONTINUED)

Spin-off

In April 2022, the Group spun off its investment segment by way of a dividend in specie, as disclosed in Note 11. The effects of the spin-off on the cash flows of the Group were:

	The Group April 2022 RMB'000
Carrying amounts of assets and liabilities as at the date of spin-off:	
Cash and cash equivalents	**4,307,763**
Financial assets, at fair value through profit or loss	**1,831,991**
Debt investments at amortised cost	**13,489,892**
Property, plant and equipment	**9,542**
Trade and other receivables	**237,377**
Investments in associated companies	**1,260,501**
Investment property	**116,906**
Deferred income tax assets	**165,849**
Total assets	**21,419,821**
Trade and other payables	**(148,066)**
Current income tax liabilities	**(106,583)**
Deferred income tax liabilities	**(1,165,172)**
Total liabilities	**(1,419,821)**
Spin-off value/dividend in specie (Note 11)	**20,000,000**
Cash outflows arising from spin-off:	
Net cash outflow on spin-off	**(4,307,763)**

Disposal of subsidiaries – dissolution of subsidiaries

In 2022, the Group dissolved three of its 100% owned subsidiaries, Jiangsu Runzhou Ship Accessories Co., Ltd., Jiangsu Tongzhou Marine Equipment Co., Ltd. and Goodluck Shipping Limited. The effects of the dissolution of the subsidiaries on the cashflows of the Group were immaterial.

In 2021, the Group dissolved its 100% owned subsidiary, Jiangsu Xinfu Machinery Co., Ltd.. The effects of the dissolution on the cash flows of the Group were immaterial as the net assets of the subsidiary at the point of disposal consist largely of cash and cash equivalents.
(refer to the removal of paragraph on investments in subsidiaries note)

Significant restrictions

Cash and restricted cash of RMB7,801,064,000 (2021: RMB1,907,156,000) are held in PRC and are subject to local exchange control regulations. The conversion of these RMB denominated balances into foreign currencies is subject to the foreign exchange rules and regulations promulgated by the PRC government.

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14. RESTRICTED CASH

The restricted cash was held in designated bank accounts as deposits for performance guarantees, letters of credits and borrowings.

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Restricted cash	**6,634**	17,307

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract	Fair value			
	notional	Assets		Liabilities	
	amount	Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
31 December 2022					
Derivatives held for cash flow hedges:					
– Currency forwards	**19,749,283**	**33,302**	**137,218**	**(65,740)**	**(71,752)**
Derivatives not held for hedging:					
– Currency forwards	**361,179**	**–**	**–**	**(5,645)**	**–**
Total		**33,302**	**137,218**	**(71,385)**	**(71,752)**
31 December 2021					
Derivatives not held for hedging:					
– Currency swaps	254,767	–	–	(792)	–
– Currency forwards	26,436,139	209,345	477,109	(3,709)	–
Total		209,345	477,109	(4,501)	–

	Contract	Fair value			
	notional	Assets		Liabilities	
	amount	Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
31 December 2021					
Derivatives not held for hedging:					
– Currency swaps	254,767	–	–	(792)	–

The contract notional amount included above is on a gross basis.

The derivative contracts are entered into mainly to manage foreign currency risk arising from shipbuilding contracts entered by the Group.

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedging instruments used in Group's hedging strategy in 2022

		Carrying Amount		Changes in fair value used for calculating hedge ineffectiveness				
	Contractual notional amount RMB'000	**Assets – net RMB'000**	**Financial statement line item**	**Hedging instrument RMB'000**	**Hedged item RMB'000**	**Hedge ineffectiveness recognised in P&L RMB'000**	**Weighted average hedged rate**	**Maturity date**
Group								
Cash flow hedge								
Foreign exchange risk								
– Forward contracts to hedge highly probable transactions	**19,749,283**	**33,028**	**Derivative financial instruments**	**33,028**	**(33,028)**	**–**	**USD1: RMB6.8212**	**January 2023 – March 2026**

16. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group 2022 RMB'000	The Group 2021 RMB'000
Beginning of financial year	**2,384,551**	2,639,039
Additions	**37,092**	465,547
Fair value (loss)/gain through profit and loss – Continuing operations (Note 6)	**(59,069)**	108,682
Fair value loss through profit and loss – Discontinued operations	**(137,454)**	(410,069)
Disposals	**(246,675)**	(418,648)
Spin-off	**(1,831,991)**	–
End of financial year	**146,454**	2,384,551

Financial assets, at fair value through profit or loss are analysed as follows:

	The Group 2022 RMB'000	The Group 2021 RMB'000
Current		
Listed		
– Equity securities – PRC	**100,860**	357,436
Unlisted		
– Equity securities – PRC	**18,294**	10,000
	119,154	367,436
Non-Current		
Unlisted		
– Equity securities – PRC	**27,300**	2,017,115
	146,454	2,384,551

The instruments are all mandatorily measured at fair value through profit or loss.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17. 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:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Beginning of financial year	**16,581,505**	16,957,689
Addition	**3,580,333**	21,931,820
Redemptions	**(5,172,177)**	(22,356,627)
Reversal of impairment loss/(impairment loss) recognised in profit or loss – Continuing operations (Note 7)	**59,896**	(450,891)
Impairment loss recognised in profit or loss – Discontinued operations	**16,115**	499,514
Spin-off	**(13,489,892)**	–
End of financial year	**1,575,780**	16,581,505

Presented as:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Current		
Debt investments	**2,730,821**	17,626,562
Less: Allowance for impairment loss	**(1,155,041)**	(1,775,042)
	1,575,780	15,851,520
Non-current		
Debt investments	**–**	868,353
Less: Allowance for impairment loss	**–**	(138,368)
	–	729,985
Total		
Debt investments	**2,730,821**	18,494,915
Less: Allowance for impairment loss [Note 36(b)(vi)]	**(1,155,041)**	(1,913,410)
	1,575,780	16,581,505

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.

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Within one year	**2,730,821**	17,626,562
Between one year to two years	**–**	786,250
Over two years	**–**	82,103
	2,730,821	18,494,915

At the balance sheet date, the carrying amounts of debt investments at amortised cost (current and non-current) approximated their fair values.

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18. TRADE AND OTHER RECEIVABLES – CURRENT

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Finance lease receivables (Note 21)	**157,587**	104,955	**–**	–
Trade receivables				
– Loans to non-related parties – microfinance [Note (a)]	**–**	127,604	**–**	–
– Customers	**1,144,706**	945,517	**–**	–
	1,144,706	1,073,121	**–**	–
Less: Allowance for impairment of loans to non-related parties – microfinance	**–**	(21,960)	**–**	–
Trade receivables – net	**1,144,706**	1,051,161	**–**	–
Other receivables				
– Subsidiaries	**–**	–	**6,707,253**	6,727,875
– Non-related parties	**96,245**	370,365	**54**	206,274
– Loan to an associated company	**20,000**	–	**–**	–
Other receivables – net	**116,245**	370,365	**6,707,307**	6,934,149
Other assets				
– Value added tax recoverable	**124,211**	395,611	**719**	–
– Deposits	**124**	–	**124**	124
Prepayments [Note (b)]	**2,127,062**	2,198,933	**–**	–
	3,669,935	4,121,025	**6,708,150**	6,934,273

(a) Loans to non-related parties related to microfinance activities are lending to small and medium sized entities by a Group's subsidiary, which had been disposed as part of the spin-off in April 2022 (Note 11).

(b) Prepayments mainly represent advances paid to suppliers for the purchase of raw materials, such as steel, imported equipment to be installed in the vessels, and other materials for the Group's shipbuilding activities.

The non-trade amounts due from subsidiaries are unsecured, interest-free and expected to be received within one year from the balance sheet date. The loan to an associated company is unsecured, interest-bearing and expected to be repaid within the next 12 months from the balance sheet date.

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19. INVENTORIES

	The Group	
	2022 RMB'000	2021 RMB'000
Raw materials	**967,296**	606,788
Work-in-progress	**263,820**	1,026,228
Trading goods	**–**	6,793
	1,231,116	1,639,809

Raw materials consist mainly of metal steel products and equipment which are used in the Group's shipbuilding activities. Work-in-progress consists of vessels under construction.

The cost of inventories recognised as expense and included in "cost of sales" amounts to RMB12,044,900,000 (2021: RMB8,796,775).

In 2022, a write-down of RMB184,636,000 (2021: RMB17,364,000) was made to reduce the carrying amounts of work-in-progress to their net realisable values.

20. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	The Group		The Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Finance lease receivables (Note 21)	**1,535,218**	1,023,143	**–**	–
Trade receivables				
– Loans to non-related parties – microfinance	**–**	48,037	**–**	–
Other receivables				
– Loans to subsidiaries [Note (a)]	**–**	–	**3,548,131**	2,224,713
Prepayments	**90,486**	10,131	**–**	–
	1,625,704	1,081,311	**3,548,131**	2,224,713

(a) Loans to subsidiaries are unsecured, interest-free with no fixed terms of repayment, and are not expected to be repaid within the next 12 months from the balance sheet date.

(b) The fair values of the Group's non-current finance lease receivables are computed based on cash flows discounted at market borrowing rates. The fair values and the market borrowing rates used are as follows:

	The Group		Borrowing rates	
	2022 RMB'000	2021 RMB'000	2022 %	2021 %
Finance lease receivables	**1,651,674**	1,073,826	**4.30**	4.65

The fair values are within Level 2 of the fair value hierarchy.

Other than the above, the fair values of the Group and Company's non-current trade and other receivables approximate their respective carrying amounts.

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21. FINANCE LEASE RECEIVABLES

The Group leases vessels to non-related parties under finance leases. The various agreements expire between 2024 and 2034 (2021: 2024 and 2027), and the non-related parties have the obligation to purchase the vessels upon their respective expiry dates.

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Gross receivables due		
– Less than one year	**284,858**	237,254
– One to two years	**320,379**	219,562
– Two to three years	**419,019**	248,878
– Three to four years	**180,704**	360,661
– Four to five years	**403,187**	155,532
– More than five years	**667,680**	241,494
	2,275,827	1,463,381
Less: Unearned finance income	**(583,022)**	(335,283)
Net investment in finance leases [Note (a)]	**1,692,805**	1,128,098

The net investment in finance leases is analysed as follows:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Current (Note 18)	**157,587**	104,955
Non-current (Note 20)	**1,535,218**	1,023,143
	1,692,805	1,128,098

(a) The net investment in finance leases increased by approximately RMB564,707,000 due to receipts of lease payments of approximately RMB343,755,000 offset by new finance lease arrangements of approximately RMB908,462,000 in 2022.

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22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2022	**2021**
	RMB'000	**RMB'000**
Equity investments at cost		
As at 1 January	**6,042,814**	5,954,915
Additions [Note (a)]	**1,194,103**	650,004
Disposal [Note (b)]	**(10,000)**	–
Dissolution [Note (c)]	**–**	(562,105)
As at 31 December	**7,226,917**	6,042,814

(a) Additions

In 2022, the Company has subscribed for:

(i) new equity shares in JNYS, issued as consideration to capitalise dividends of approximately RMB748 million;

(ii) new equity shares in JXF, issued as consideration to capitalise dividends of approximately RMB369 million; and

(iii) new equity shares in Jiangsu Tianhong Marine Import and Export Co., Ltd., issued for cash of approximately RMB77 million.

In 2021, the Company acquired 20% of the issued shares of Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. ("Xinfu") by way of transferring 100 million treasury shares as consideration shares of RMB650 million. Subsequent to this acquisition, Xinfu has become a wholly owned subsidiary of the Group. The effect of changes in the ownership interest of Xinfu on the equity attributable to owners of the Company in 2021 is summarised as follows:

	2021
	RMB'000
Carrying amount of non-controlling interest acquired	917,153
Consideration paid to non-controlling interest	(650,004)
Deficit of consideration paid recognised in parent's equity	267,149

The carrying amount of the non-controlling interests in Xinfu as at the date of acquisition was RMB917.15 million. The Group derecognised non-controlling interests of RMB917.15 million and recorded an increase in equity attributable to owners of the parent of RMB267.15 million.

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22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Disposal

In 2022, the Group completed its spin-off of its investment segment into a separate entity ("spin-off group") listed on the Singapore Exchange (SGX) (Note 11). As part of the restructuring exercise leading to the spin-off, a portion of the Company's share capital in Jiangsu Yangzijiang Shipbuilding Co. Ltd., amounting to RMB10 million, was re-assigned to Jiangsu Yangchuan Investment Development Co., Ltd., which formed part of the spin-off group.

(c) Dissolution of a subsidiary

In 2021, the Company dissolved a subsidiary, Jiangsu Xinfu Heavy Industry Machinery Co., Ltd., and had cash proceeds from dissolution of RMB570,443,000. The net assets of the subsidiary reflected in the Group's financial statements as at date of disposal amounted to RMB570,497,000, which consists largely of cash and cash equivalents. The aggregate cash flows arising from dissolution of this subsidiary is immaterial to the Group.

(d) Effects of transactions with non-controlling interests on the equity attributable to owner of the parent for the year ended 31 December 2021.

	Attributable to equity holders of the Company			
	Treasury shares RMB'000	**Other reserve RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
2021				
Acquisition of additional interest in a subsidiary	461,637	455,516	(917,153)	–

The gains arising from the deficit of consideration paid to non-controlling interest of RMB267,149,000 and gain arising from re-issuance of treasury shares of RMB188,367,000 (Note 33) are recognised in other reserve.

Details of significant subsidiaries are included in Note 43.

The directors are of the opinion that the non-controlling interests for each subsidiary are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for subsidiaries with non-controlling interests is disclosed.

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23. INVESTMENTS IN JOINT VENTURES

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investments at cost				
As at 1 January	**522,679**	362,332	**319,581**	221,300
Additions	**–**	151,255	**–**	151,254
Share of profits	**7,770**	91,382	**–**	–
Return of capital	**(76,742)**	(80,377)	**(53,431)**	(52,973)
Share of other comprehensive income/(loss) – currency translation reserve	**179**	(1,913)	**–**	–
As at 31 December	**453,886**	522,679	**266,150**	319,581

Set out below is the details of the joint ventures of the Group and of the Company as at 31 December 2022.

The directors are of the opinion that the investments in each joint venture are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for joint ventures is disclosed.

Name of company	Principal activity	Place of business/ country of incorporation	Effective equity holding 2022 %	Effective equity holding 2021 %
Jiangsu Yangzi - Mitsui Shipbuilding Co., Ltd.[1]	Shipbuilding	China	**51**	51
United Wave Shipping S.A.[2]	Ship-owning, chartering and sale and purchase of vessels	Panama	**50**	50

(1) The joint venture is audited by other accounting firms for local statutory purpose.
(2) Not required to be audited under the laws of the country of incorporation.

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24. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at cost				
As at 1 January and 31 December			**134,062**	134,062
As at 1 January	**1,104,890**	1,181,393		
Additions	**209,000**	6,000		
Return of capital [Note (a)]	**(14,296)**	(280,657)		
Spin-off [Note (b)]	**(1,260,501)**	–		
Disposals [Note (c)]	**–**	(69,000)		
Share of profits – Continuing operations	**5,287**	4,808		
Share of (losses)/profits – Discontinued operations (Note 11)	**(8,686)**	265,318		
Share of other comprehensive income/(loss) – currency translation reserve	**11,730**	(2,972)		
As at 31 December	**47,424**	1,104,890		

(a) In 2022, 4 (2021: 13) associated companies of the Group distributed their capital to all the shareholders based on their respective shareholding. This did not result in a change of significant influence over these associated companies.

(b) In 2022, as part of the spin-off (Note 11), the Group disposed of 13 associated companies related to the investment segment. The carrying amount of these associated companies at the date of spin-off amounted to RMB1,260,501,000.

(c) In 2021, the Group disposed of 2 associated companies for a consideration of RMB69,000,000.

There are no contingent liabilities relating to the Group's interest in the associated companies. The directors are of the opinion that the associated companies are immaterial to the Group individually and in aggregate. Accordingly, no summarised financial information for associated companies is disclosed.

25. INVESTMENT PROPERTIES

	The Group	
	2022	2021
	RMB'000	RMB'000
Cost		
Beginning of financial year	**121,779**	121,779
Additions	**2,022**	–
Spin-off [Note (a)]	**(123,801)**	–
End of financial year	**–**	121,779
Accumulated depreciation		
Beginning of financial year	**(6,027)**	(2,038)
Depreciation charge – discontinued operations	**(868)**	(3,989)
Spin-off [Note (a)]	**6,895**	–
End of financial year	**–**	(6,027)
Net book value	**–**	115,752

(a) In 2022, as part of the spin-off (Note 11), the Group disposed of its investment properties related to the investment segment. The carrying amount of these investment properties at the date of spin-off amounted to RMB116,906,000.

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25. INVESTMENT PROPERTIES (CONTINUED)

The following amounts have recognised in the results of discontinued operations in Note 11:

	The Group	
	2022 RMB'000	**2021 RMB'000**
Rental income	**483**	1,984

The direct operating expenses arising from the investment property that generate rental income are immaterial for the financial years ended 31 December 2021 and 2022.

At the reporting date, the details of the Group's investment properties are as follows:

			Carrying amount as at 31 December	
Location	**Description**	**Tenure**	**2022 RMB'000**	**2021 RMB'000**
Jiangyin City Real Estate Property No. 0002049, Ganglong Commercial Plaza No. 209-212	Retail building	32-year lease from June 2020	**–**	105,930
Room 801, No. 95 Dongjin West Road, Hailing District	Commercial building	23-year lease from May 2020	**–**	9,822
			–	115,752

The fair value of investment properties at 31 December 2021 was approximately RMB130,302,000.

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 are 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.

The Group's investment property had been fully disposed as part of the spin-off (Note 11) in 2022.

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26. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Vessels RMB'000	Leasehold prepayments – land use rights RMB'000	Construction in progress RMB'000	Total RMB'000
The Group								
2022								
Cost								
As at 1 January (Restated)	**4,565,076**	**2,409,868**	**155,300**	**158,647**	**3,454,831**	**1,434,562**	**52,608**	**12,230,892**
Acquisition of a subsidiary (Note 13)	**–**	**–**	**–**	**159**	**–**	**132,327**	**31,482**	**163,968**
Additions	**1,494**	**24,176**	**4,174**	**10,395**	**798,707**	**–**	**81,062**	**920,008**
Transfer from inventory	**–**	**–**	**–**	**–**	**230,447**	**–**	**–**	**230,447**
Transfers	**25,259**	**49,882**	**2,365**	**6,323**	**–**	**–**	**(83,829)**	**–**
Disposals	**(16,781)**	**(11,632)**	**(4,272)**	**(2,825)**	**(40,183)**	**–**	**–**	**(75,693)**
Currency translation difference	**–**	**–**	**–**	**–**	**226,609**	**–**	**–**	**226,609**
As at 31 December	**4,575,048**	**2,472,294**	**157,567**	**172,699**	**4,670,411**	**1,566,889**	**81,323**	**13,696,231**
Accumulated depreciation and impairment losses								
As at 1 January (Restated)	**(2,277,477)**	**(1,832,455)**	**(136,017)**	**(128,453)**	**(1,270,140)**	**(251,005)**	**–**	**(5,895,547)**
Depreciation charge – continuing operations (Note 7)	**(172,715)**	**(108,602)**	**(7,325)**	**(10,842)**	**(127,967)**	**(24,616)**	**–**	**(452,067)**
Depreciation charge – discontinued operations	**(264)**	**–**	**–**	**–**	**–**	**–**	**–**	**(264)**
Disposals	**7,096**	**6,354**	**3,684**	**2,432**	**–**	**–**	**–**	**19,566**
Currency translation difference	**–**	**–**	**–**	**–**	**(90,151)**	**–**	**–**	**(90,151)**
As at 31 December	**(2,443,360)**	**(1,934,703)**	**(139,658)**	**(136,863)**	**(1,488,258)**	**(275,621)**	**–**	**(6,418,463)**
Net book value								
As at 31 December 2022	**2,131,688**	**537,591**	**17,909**	**35,836**	**3,182,153**	**1,291,268**	**81,323**	**7,277,768**

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26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Vessels RMB'000	Leasehold prepayments – land use rights RMB'000	Construction in progress RMB'000	Total RMB'000
The Group								
2021								
Cost								
As at 1 January (As previously reported)	4,559,256	2,413,150	137,800	139,251	3,193,631	–	37,860	10,480,948
Restatement (Note 40)	–	–	–	–	–	252,982	–	252,982
Presentation change (Note 40)	–	–	–	–	–	1,181,580	–	1,181,580
As at 1 January (Restated)	4,559,256	2,413,150	137,800	139,251	3,193,631	1,434,562	37,860	11,915,510
Additions	73	22,259	18,920	13,770	537,476	–	76,568	669,066
Transfer from inventory	–	–	–	–	76,545	–	–	76,545
Transfers	5,788	9,231	2,564	8,481	–	–	(26,064)	–
Disposals	(41)	(34,772)	(3,984)	(2,855)	(296,525)	–	(35,756)	(373,933)
Currency translation difference	–	–	–	–	(56,296)	–	–	(56,296)
As at 31 December (Restated)	4,565,076	2,409,868	155,300	158,647	3,454,831	1,434,562	52,608	12,230,892
Accumulated depreciation and impairment losses								
As at 1 January (As previously reported)	(2,062,844)	(1,742,225)	(117,340)	(111,368)	(1,221,167)	–	–	(5,254,944)
Presentation change (Note 40)	–	–	–	–	–	(229,093)	–	(229,093)
As at 1 January (Restated)	(2,062,844)	(1,742,225)	(117,340)	(111,368)	(1,221,167)	(229,093)	–	(5,484,037)
Depreciation charge – continuing operations (Note 7)	(214,290)	(117,907)	(19,660)	(19,530)	(98,482)	(21,912)	–	(491,781)
Depreciation charge – discontinued operations	(1,202)	–	–	–	–	–	–	(1,202)
Disposals	859	27,677	983	2,445	27,430	–	–	59,394
Currency translation difference	–	–	–	–	22,079	–	–	22,079
As at 31 December (Restated)	(2,277,477)	(1,832,455)	(136,017)	(128,453)	(1,270,140)	(251,005)	–	(5,895,547)
Net book value								
As at 31 December 2021 (Restated)	2,287,599	577,413	19,283	30,194	2,184,691	1,183,557	52,608	6,335,345

(a) In 2022, the Group elected to present right-of-use assets ("ROU assets") acquired under leasing arrangements together with the owned assets of the same class. Details of such leased assets are disclosed in Note 27(a). This change in accounting policy is applied retrospectively together with a retrospective reclassification of RMB252,982,000 previously classified as "goodwill" into 'leasehold prepayments – land use rights". Further details are disclosed in Note 40.

(b) Bank borrowings are secured on certain land use rights of the Group with carrying amounts of RMB20,858,000 (2021: RMB21,555,000), buildings of the Group with carrying amounts of RMB35,109,000 (2021: RMB35,321,000) and vessels of the Group with carrying amounts of RMBNil (2021: RMB1,433,940,000).

(c) The Group's interest in land use rights in the PRC is held on leases with periods ranging from 35 years to 50 years (2021: 35 years to 50 years).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2022, included in PPE is RMB377.8 million of LUR premium paid in relation to the acquisitions of a terminal and adjacent land for the planned conversion of the terminal and land to a liquefied natural gas ("LNG") terminal facility in the upstream Yangtze River region. The relevant government approval for conversion is underway as at balance sheet date and significant judgements are required in determining the recoverable amount of the LUR premium (Note 3(d)).

As at 31 December 2022, no impairment was required as the recoverable amount was higher than the carrying value of the CGU to which the LUR premium is attributed.

The recoverable amount of the CGU to which the LUR premium is attributed, is determined based on fair value less costs to sell ("FVLCTS") model, measured using discounted cash flows projections. Cash flow projections used in the FVLCTS calculation were based on projected cash flows approved by management covering a thirty-one-year period and post-tax discount rate of 13% per annum (pre-tax discount rate of 16% per annum). The discount rate applied to the cash flow projections reflects management's estimate of the assumption that market participants would use when pricing the asset. This is a Level 3 fair value measurement.

	Buildings RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
Company			
2022			
Cost			
As at 1 January	**2,556**	**412**	**2,968**
Additions	**1,494**	**–**	**1,494**
Disposals	**(2,556)**	**(412)**	**(2,968)**
As at 31 December	**1,494**	**–**	**1,494**
Accumulated depreciation			
As at 1 January	**(2,222)**	**(412)**	**(2,634)**
Depreciation charge	**(783)**	**–**	**(783)**
Disposals	**2,556**	**412**	**2,968**
As at 31 December	**(449)**	**–**	**(449)**
Net book value			
As at 31 December 2022	**1,045**	**–**	**1,045**
2021			
Cost			
As at 1 January and 31 December	2,556	412	2,968
Accumulated depreciation			
As at 1 January	(1,504)	(412)	(1,916)
Depreciation charge	(718)	–	(718)
As at 31 December	(2,222)	(412)	(2,634)
Net book value			
As at 31 December 2021	334	–	334

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27. LEASES

Nature of the Group's leasing activities – The Group as a lessee

Buildings

The Group leases office space for the purpose of head office operations.

Leasehold land

The Group has made upfront payments to secure the right-of-use of leasehold land with lease terms ranging from 35 years to 50 years, which are used in the Group's operations in China. These leasehold lands are recognised within property, plant and equipment (Note 26).

There is no externally imposed covenant on these lease arrangements.

(a) Carrying amounts

ROU assets classified within property, plant and equipment

	2022 RMB'000	2021 RMB'000 (Restated)
The Group and the Company		
Land use rights	**1,291,268**	1,183,557
Buildings	**1,045**	334

(b) Depreciation charge during the year

	2022 RMB'000	2021 RMB'000
The Group		
Buildings	**783**	718
Leasehold land	**24,616**	21,912
	25,399	22,630

(c) Interest expense

	2022 RMB'000	2021 RMB'000
The Group		
Interest expense on lease liabilities (Note 9)	**35**	28

(d) Total cash outflow for all the leases in 2022 was RMB780,000 (2021: RMB772,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27. LEASES (CONTINUED)

Nature of the Group's leasing activities – The Group as a lessor

The Group leases vessels under finance leases and operating leases to non-related parties. Leases where the Group transferred substantially all risks and rewards incidental to ownership of the vessels to the lessees are classified as finance leases.

The maturity analysis of lease payments for the finance leases is disclosed in Note 21. The credit risk of the finance lease receivables is disclosed in Note 36(b)(v).

In 2021, 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 25.

The Group's investment properties have been fully disposed as part of the spin-off (Note 11) in 2022.

Maturity analysis of lease payments – Group as a lessor

The table below discloses the undiscounted lease payments to be received by the Group for its leases after the reporting date as follows:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Less than one year	**309,721**	289,643
One to two years	**160,756**	162,752
Two to three years	**27,982**	153,384
Three to four years	**–**	26,699
	498,459	632,478

28. INTANGIBLE ASSETS

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
		(Restated)
Composition:		
Computer software licenses [Note (a)]	**19,845**	22,374
Goodwill [Note (b)]	**5,997**	5,997
	25,842	28,371

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

28. INTANGIBLE ASSETS (CONTINUED)

(a) Computer software licenses

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Cost		
Beginning of financial year	**35,445**	31,606
Additions	**1,305**	3,839
End of financial year	**36,750**	35,445
Accumulated amortisation		
Beginning of financial year	**(13,071)**	(9,452)
Amortisation charge (Note 7)	**(3,834)**	(3,619)
End of financial year	**(16,905)**	(13,071)
Net book value as at 31 December	**19,845**	22,374
Net book value as at 1 January	**22,374**	22,154

The amortisation expenses are classified as administrative expenses in profit or loss.

(b) Goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to business segments. The carrying amount of goodwill had been allocated to the "Others" business segment.

The goodwill of RMB5,997,000 arose from the acquisition of Shanghai Econovo Marine Engineering Co., Ltd. ("Econovo") in 2019 with regards to its vessel design and offshore projects. There was no impairment loss recognised in profit or loss during the current financial year and the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current				
Trade payables				
– Third parties	**1,698,712**	1,487,483	**–**	–
Other payables				
– Subsidiaries [Note (a)]	**–**	–	**2,635,545**	2,457,777
– Non-related parties	**1,187,103**	1,016,718	**5,991**	10,260
Deferred compensation income [Note (b)]	**157,482**	157,482	**–**	–
Other operating accruals	**129,111**	142,518	**–**	–
	3,172,408	2,804,201	**2,641,536**	2,468,037

(a) The non-trade amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(b) Deferred compensation income relates to the government grant received for the relocation of shipbuilding premises at Jiangsu Yangzijiang Shipbuilding Co., Ltd. ("JYS"). A portion of the government grant is deferred as the performance conditions attached to this portion of the grant have yet been met.

30. BORROWINGS

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current				
Bank borrowings (secured) [Note (a)]	**18,400**	211,910	**–**	–
Bank borrowings (unsecured)	**2,250,000**	2,291,592	**–**	841,592
Lease liabilities	**798**	312	**798**	312
	2,269,198	2,503,814	**798**	841,904
Non-current				
Bank borrowings (secured) [Note (a)]	**48,000**	685,474	**–**	–
Bank borrowings (unsecured)	**2,250,000**	1,267,305	**–**	–
Lease liabilities	**342**	–	**342**	–
	2,298,342	1,952,779	**342**	–
	4,567,540	4,456,593	**1,140**	841,904

30. BORROWINGS (CONTINUED)

The exposure of the Group and the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Floating rate:				
– Within six months	**–**	869,277	**–**	841,592
– Between six months to 12 months	**18,400**	184,225	**–**	–
– One to two years	**48,000**	685,474	**–**	–
Fixed rate:				
– Within one year	**2,250,798**	1,450,312	**798**	312
– One to two years	**2,250,342**	1,267,305	**342**	–
	4,567,540	4,456,593	**1,140**	841,904

(a) These bank borrowings are secured by legal mortgages over certain land use rights, buildings and vessels of the Group (Note 26).

(b) Fair value of non-current borrowings at fixed rate

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Borrowings				
– RMB	**2,246,366**	1,210,994	**328**	–

The fair value is determined from the cash flow analysis discounted at market borrowing rate of an equivalent instrument which the directors expect to be available to the Group at the balance sheet date. The discount rates are as follows:

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
Borrowings				
– RMB	**4.30%**	4.65%	**4.30%**	–

The fair values are within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. BORROWINGS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

The Group	1 January 2022 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes Interest expense RMB'000	Foreign exchange movement RMB'000	Others RMB'000	31 December 2022 RMB'000
Bank borrowings	**4,456,281**	6,238,478	(6,316,802)	106,741	100,606	(18,904)	**4,566,400**
Lease liabilities	**312**	–	(780)	35	79	1,494	**1,140**

The Group	1 January 2021 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes Interest expense RMB'000	Foreign exchange movement RMB'000	Others RMB'000	31 December 2021 RMB'000
Bank borrowings	4,242,968	4,211,035	(4,033,592)	108,636	(72,766)	–	4,456,281
Lease liabilities	1,085	–	(772)	28	(29)	–	312

31. PROVISIONS

	The Group 2022 RMB'000	The Group 2021 RMB'000
Warranty	**364,418**	348,357
Onerous contracts	**–**	218,041
Customer claim	**–**	82,000
	364,418	648,398

The Group provides warranties on completed and delivered vessels and undertakes to repair or replace items that fail to perform satisfactorily. The provision for warranty is based on estimates from known and expected warranty work and legal and constructive obligation for further work to be performed after construction. The estimated warranty expense is 1% of the shipbuilding contract price.

The Group records provision for onerous contracts when the estimated costs of construction for vessels in respect of the construction contracts entered into with customers exceeded the proceeds from these contracts. The provision for onerous contracts is estimated based on difference between the total estimated construction costs and proceeds from these contracts. Significant assumptions in estimating the construction costs are disclosed in Note 3(a). The proceeds are determined based on the agreed contract sum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. PROVISIONS (CONTINUED)

Movement in provision is as follows:

	The Group Warranty		The Group Onerous contracts		The Group Customer claim	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
As at 1 January	**348,357**	382,132	**218,041**	474,122	**82,000**	82,000
Write back of provision	**(90,278)**	(147,973)	**(40,403)**	(235,704)	**–**	–
Provision made	**155,156**	115,777	**–**	115,607	**–**	–
Provision utilised	**(48,817)**	(1,579)	**(177,638)**	(135,984)	**(82,000)**	–
As at 31 December	**364,418**	348,357	**–**	218,041	**–**	82,000

32. DEFERRED INCOME TAX

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 and on an entity by entity basis.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets	**(361,972)**	(646,871)
Deferred income tax liabilities	**635,529**	1,799,299
Net deferred tax liabilities	**273,557**	1,152,428

Movements in net deferred income tax accounts are as follows:

	The Group	
	2022 RMB'000	2021 RMB'000
As at 1 January	**1,152,428**	738,345
Charged to profit or loss (Note 10(a))	**161,940**	414,083
Credited to other comprehensive income (Note 10(b))	**(41,488)**	–
Spin-off (Note 13)	**(999,323)**	–
As at 31 December	**273,557**	1,152,428

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of RMB8,470,000 (2021: RMB26,218,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

32. DEFERRED INCOME TAX (CONTINUED)

The expiry date of tax losses of the Group are summarised as follows:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Within one year	**3,651**	17,220
Between one year to two years	**1,885**	3,651
Between three years to five years	**2,911**	2,883
No expiry date	**23**	2,464
	8,470	26,218

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

The Group

Deferred income tax assets

	Impairment losses RMB'000	Warranty provision RMB'000	Onerous contracts provision RMB'000	Others RMB'000	Total RMB'000
2022					
As at 1 January	**(540,398)**	**(54,946)**	**(32,706)**	**(18,821)**	**(646,871)**
Charged/(credited) to:					
– profit or loss	**106,082**	**(2,024)**	**32,706**	**(17,714)**	**119,050**
Spin-off (Note 13)	**129,314**	**–**	**–**	**36,535**	**165,849**
As at 31 December	**(305,002)**	**(56,970)**	**–**	**–**	**(361,972)**
2021					
As at 1 January	(578,679)	(59,666)	(71,118)	–	(709,463)
Charged/(credited) to profit or loss	38,281	4,720	38,412	(18,821)	62,592
As at 31 December	(540,398)	(54,946)	(32,706)	(18,821)	(646,871)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

32. DEFERRED INCOME TAX (CONTINUED)

The Group (Continued)

Deferred income tax liabilities

	Undistributed profits of subsidiaries RMB'000	Fair value gain – net RMB'000	Forfeiture income RMB'000	Others RMB'000	Total RMB'000
2022					
As at 1 January	**1,530,676**	**100,702**	**135,884**	**32,037**	**1,799,299**
(Credited)/charged to:					
– profit or loss	**(40,005)**	**(55,107)**	**(22,216)**	**160,218**	**42,890**
– other comprehensive income	**–**	**(41,488)**	**–**	**–**	**(41,488)**
Spin-off	**(1,165,172)**	**–**	**–**	**–**	**(1,165,172)**
As at 31 December	**325,499**	**4,107**	**113,668**	**192,255**	**635,529**
2021					
As at 1 January	1,368,604	79,204	–	–	1,447,808
Charged to profit or loss	162,072	21,498	135,884	32,037	351,491
As at 31 December	1,530,676	100,702	135,884	32,037	1,799,299

33. SHARE CAPITAL

	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital RMB'000	Treasury shares RMB'000
The Group				
2022				
As at 1 January	**3,974,077**	**(50,663)**	**7,361,990**	**(269,582)**
Share buy back [Note(a)]	**–**	**(10,000)**	**–**	**(60,369)**
Treasury shares re-issued [Note(b)]	**–**	**37,175**	**–**	**202,198**
As at 31 December	**3,974,077**	**(23,488)**	**7,361,990**	**(127,753)**
2021				
As at 1 January	3,974,077	(121,561)	7,361,990	(560,443)
Share buy back [Note(a)]	–	(29,102)	–	(170,776)
Treasury shares re-issued [Note(c)]	–	100,000	–	461,637
As at 31 December	3,974,077	(50,663)	7,361,990	(269,582)
Company				
2022				
As at 1 January	**3,974,077**	**(50,663)**	**7,326,773**	**(269,582)**
Share buy back [Note(a)]	**–**	**(10,000)**	**–**	**(60,369)**
Treasury shares re-issued [Note(b)]	**–**	**37,175**	**–**	**202,198**
As at 31 December	**3,974,077**	**(23,488)**	**7,326,773**	**(127,753)**
2021				
As at 1 January	3,974,077	(121,561)	7,326,773	(560,443)
Share buy back [Note(a)]	–	(29,102)	–	(170,776)
Treasury shares re-issued [Note(c)]	–	100,000	–	461,637
As at 31 December	3,974,077	(50,663)	7,326,773	(269,582)

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33. SHARE CAPITAL (CONTINUED)

(a) The Company bought back 10,000,000 (2021: 29,102,000) shares of the Company by way of market acquisition, which are held as treasury shares.

(b) On 2 March 2022, the Company entered into separate subscription agreements (the "Convertible Bond Agreements") with 2 investors, pursuant to which each investor subscribed for a principal amount of SGD25 million of convertible bonds due 2023. On 19 April 2022, the Company re-issued 37,174,720 treasury shares to these investors pursuant to the terms of the Convertible Bond Agreements. The fair value of the treasury shares at the date of conversion was SGD50 million (RMB234.66 million), whilst the cost of such treasury shares reissued amounted to RMB202.2 million. Accordingly, a gain on re-issue of treasury shares of RMB32.46 million is recognised in the other reserve (Note 34).

(c) In 2021, the Company re-issued 100 million of treasury shares to acquire 20% of equity interest in Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("Xinfu"). The fair value of the treasury shares as at the date of acquisition was SGD130 million (RMB650 million), whilst the cost of such treasury shares re-issued amounted to RMB461.64 million. Accordingly, a gain on re-issue of treasury shares of RMB188.37 million is recognised in the other reserve (Note 34).

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

34. OTHER RESERVES

	Group		Company	
	2022 RMB'000	**2021 RMB'000**	**2022 RMB'000**	**2021 RMB'000**
Composition:				
Statutory reserves [Note (a)]	**4,624,921**	4,637,147	**–**	–
Hedging reserve [Note (b)]	**(235,103)**	–	**–**	–
Currency translation reserve [Note (c)]	**(30,359)**	(143,763)	**–**	–
Other reserve [Note (d)]	**(2,685,589)**	(2,477,682)	**180,637**	148,175
	1,673,870	2,015,702	**180,637**	148,175

(a) 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".

During the financial year ended 31 December 2022, the Group's subsidiaries have appropriated RMB66,154,000 (2021: RMB92,546,000) from their profits to statutory reserves.

NOTES TO THE FINANCIAL STATEMENTS
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34. OTHER RESERVES (CONTINUED)

(b) *Hedging reserve*

Movements in hedging reserve by risk category:

	The Group 2022 Foreign exchange risk RMB'000
Beginning of financial year	**–**
– Fair value losses	**584,324**
– Tax on fair value losses	**(87,648)**
	496,676
Reclassification to profit or loss, as hedged item has affected profit or loss	
– Other gains/(losses) – net (Note 6)	**(307,733)**
Tax on reclassification adjustments	**46,160**
	(261,573)
End of financial year	**235,103**

(c) *Currency translation reserve*

Currency translation reserve represents the currency translation differences resulting from the translation of the Group entities' financial statements that have a functional currency different from the Group's presentation currency.

(d) *Other reserve*

Other reserve represents capital investments and distributions relating to equity transactions with non-controlling shareholders and gain on re-issue of treasury shares. The movement in other reserve during the year relates to the gain on re-issue of treasury shares amounted to RMB32.46 million (Note 33) and the difference between the carrying amount of non-controlling interest and the consideration paid to the non-controlling shareholder to acquire the Group's remaining 45% equity interest in Jiangsu Yangzi Jiasheng Terminal Co., Ltd. amounted to RMB240.37 million (Note 13).

35. DIVIDENDS

	The Group	
	2022 RMB'000	**2021 RMB'000**
Ordinary dividends		
Final exempt dividend paid in respect of the previous financial year of SGD5.0 cents (2021: SGD4.5 cents) per share	**969,988**	836,856

In April 2022, the Company completed the spin-off and listing of YZJFH (Note 11). The Company distributed all the shares in YZJFH that are held by the Company, representing an aggregate share capital of approximately RMB20 billion, by way of a dividend specie.

A final exempt (one-tier) dividend of SGD5.0 cents per share amounting to approximately SGD197,529,000 (equivalent of RMB1,013,482,000) has been recommended for the shareholders' approval at the Annual General Meeting on 24 April 2023. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS
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36. 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. The Group uses financial instruments such as currency swaps and forwards and foreign currency borrowings to manage or hedge certain financial risk exposures.

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 is exposed to USD borrowings. The Group manages this risk by entering into currency swaps, as appropriate, in accordance with the Group's financial risk management policies.

The Group also has shipbuilding contracts with customers around the world and is exposed to currency risk mainly arising from USD. The Group manages this risk by entering into currency forwards for these highly probable forecast transactions denominated in USD.

On 1 January 2022, the Group applied hedge accounting on currency forwards which met all qualifying criteria for hedge accounting. The objective of the cash flow hedge accounting is to fairly present the management of volatility arising from the Group's foreign currency exposure from shipbuilding contracts denominated in USD. Hedge effectiveness is determined at the inception of the hedging relationship, and through periodic prospective effective assessments to ensure that an economic relationship exists between the hedged item and hedged instrument.

The Group does not hedge 100% of the contract value of individual shipbuilding contracts and therefore, the hedged item is identified as a proportion of individual shipbuilding contract. The Group enters into currency forwards as disclosed in Note 15 with the same critical terms as the hedged item, such as currency pair, timing and notional amount. When all critical terms matched during the year, the economic relationship was assessed as 100% effective.

As the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match with that of the hedging instrument, the Group assesses if an economic relationship continues to exist between the hedged item and instrument and computes hedge effectiveness, as appropriate. Hedge ineffectiveness may occur due to changes in critical terms such as difference in timing between the maturity period of the currency forward and the timing of USD receipts under the shipbuilding contracts.

NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
The Group					
At 31 December 2022					
Financial assets					
Cash and cash equivalents	**7,800,977**	**2,646,260**	**316,357**	**14,799**	**10,778,393**
Restricted cash	**87**	**6,547**	**–**	**–**	**6,634**
Financial assets at fair value through profit or loss	**146,454**	**–**	**–**	**–**	**146,454**
Debt investments at amortised cost	**1,575,780**	**–**	**–**	**–**	**1,575,780**
Trade and other receivables excluding prepayment and value added tax recoverable	**1,172,863**	**1,774,783**	**6,056**	**178**	**2,953,880**
	10,696,161	**4,427,590**	**322,413**	**14,977**	**15,461,141**
Financial liabilities					
Trade and other payables	**(2,787,337)**	**(227,589)**	**–**	**–**	**(3,014,926)**
Borrowings	**(4,566,400)**	**–**	**–**	**(1,140)**	**(4,567,540)**
	(7,353,737)	**(227,589)**	**–**	**(1,140)**	**(7,582,466)**
Net financial assets/ (liabilities)	**3,342,424**	**4,200,001**	**322,413**	**13,837**	**7,878,675**
Less: Net financial assets denominated in the respective entities' functional currency	**(3,342,424)**	**(1,312,230)**	**–**	**–**	
Less: Forward foreign exchange contracts and foreign currency swaps	**–**	**(20,110,462)**	**–**	**–**	
Add: Contract assets	**–**	**4,952,174**	**–**	**–**	
Add: Highly probable forecasted transactions in foreign currencies	**–**	**49,010,579**	**–**	**–**	
Currency exposure	**–**	**36,740,062**	**322,413**	**13,837**	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
The Group					
At 31 December 2021					
Financial assets					
Cash and cash equivalents	1,897,071	10,345,777	72,816	47,529	12,363,193
Restricted cash	10,087	7,220	–	–	17,307
Financial assets at fair value through profit or loss	2,384,551	–	–	–	2,384,551
Debt investments at amortised cost	16,581,505	–	–	–	16,581,505
Trade and other receivables excluding prepayment and value added tax recoverable	1,324,991	847,053	219,219	206,398	2,597,661
	22,198,205	11,200,050	292,035	253,927	33,944,217
Financial liabilities					
Trade and other payables	(2,512,516)	(134,198)	–	(5)	(2,646,719)
Borrowings	(2,784,799)	(1,671,482)	–	(312)	(4,456,593)
	(5,297,315)	(1,805,680)	–	(317)	(7,103,312)
Net financial assets/ (liabilities)	16,900,890	9,394,370	292,035	253,610	26,840,905
Less: Net financial assets denominated in the respective entities' functional currency	(16,900,890)	(1,288,341)	–	–	
Less: Forward foreign exchange contracts and foreign currency swaps	–	(26,181,372)	–	(254,767)	
Add: Contract assets	–	3,906,867	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	37,673,832	–	–	
Currency exposure	–	23,505,356	292,035	(1,157)	

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
The Company				
At 31 December 2022				
Financial assets				
Cash and cash equivalents	**3,616**	**6,196**	**4,430**	**14,242**
Trade and other receivables	**10,248,932**	**6,470**	**160**	**10,255,562**
	10,252,548	**12,666**	**4,590**	**10,269,804**
Financial liabilities				
Other payables	**(2,641,516)**	**(20)**	**–**	**(2,641,536)**
Borrowings	**–**	**–**	**(1,140)**	**(1,140)**
	(2,641,516)	**(20)**	**(1,140)**	**(2,642,676)**
Net financial assets/(liabilities)	**7,611,032**	**12,646**	**3,450**	**7,627,128**
Less: Net financial assets denominated in the company's functional currency	**(7,611,032)**	**–**	**–**	
Currency exposure	**–**	**12,646**	**3,450**	
At 31 December 2021				
Financial assets				
Cash and cash equivalents	–	145,671	31,951	177,622
Trade and other receivables	8,946,629	6,434	205,923	9,158,986
	8,946,629	152,105	237,874	9,336,608
Financial liabilities				
Other payables	(2,467,948)	(20)	(69)	(2,468,037)
Borrowings	–	(841,592)	(312)	(841,904)
	(2,467,948)	(841,612)	(381)	(3,309,941)
Net financial assets/(liabilities)	6,478,681	(689,507)	237,493	6,026,667
Less: Net financial assets denominated in the company's functional currency	(6,478,681)	–	–	
Less: Forward foreign exchange contracts and foreign currency swaps	–	254,767	(254,767)	
Currency exposure	–	(434,740)	(17,274)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the USD, EUR and SGD change against the RMB by 10% (2021: 10%) with all other variables including tax rate being held constant, the effects arising from the net financial assets/(liabilities) excluding equity instruments that are exposed to currency risk will be as follows:

	Increase/(decrease) Profit after tax	
	2022 RMB'000	**2021 RMB'000**
The Group		
USD against RMB:		
– strengthened	**2,920,282**	1,794,581
– weakened	**(2,920,282)**	(1,794,581)
EUR against RMB:		
– strengthened	**25,627**	22,296
– weakened	**(25,627)**	(22,296)
SGD against RMB:		
– strengthened	**1,100**	(88)
– weakened	**(1,100)**	88
The Company		
USD against RMB:		
– strengthened	**1,050**	(36,083)
– weakened	**(1,050)**	36,083
SGD against RMB:		
– strengthened	**286**	(1,434)
– weakened	**(286)**	1,434

(ii) 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, loans to non-related parties – microfinance and borrowings from financial institutions. The Group's policy is to minimise exposure to variable interest rates of interest-bearing assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

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. The Group's exposure to cash flow interest rate risk on borrowings at variable rates is immaterial.

(iii) 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.

If prices for equity securities in PRC had increased/decreased by 10% (2021: 10%) with all other variables including tax rate being held constant, the net of tax effects on profit after tax ("PAT") would have been:

	Increase/(decrease)	
	2022	**2021**
	PAT	**PAT**
	RMB'000	**RMB'000**
The Group		
Increased by	**10,984**	178,841
Decreased by	**(10,984)**	(178,841)

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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 2022 are set out in the as follows:

(i) Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash 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.

(ii) Trade receivables and contract assets related to shipbuilding activities

In 2022, credit risk exposure relating to shipbuilding activities is RMB6,618,897,000 (2021: RMB4,776,866,000), which comprises of RMB1,023,222,000 (2021: RMB793,665,000) included in trade and other receivables and contract assets of RMB5,595,675,000 (2021: RMB3,983,201,000).

The Group adopts the policy of dealing with a group of customers of appropriate credit history and obtaining guaranteed letters of credit and advances from registered banks of the customers' home countries. In addition, the Group has contractual safeguards in place to minimise credit risk. The Group has the right over collateral (vessels) in the event of default in scheduled payment by customers.

The Group measures the lifetime expected credit loss allowance for trade receivables and contract assets related to shipbuilding activities. These are assessed on a customer-by-customer basis.

Credit risk of each customer is evaluated periodically with due consideration on historical loss rate, past payment patterns, compliance with milestone payments during the contract period and any publicly available information on the customer.

Trade receivables and contract assets as at balance sheet date are assessed to be subject to immaterial credit losses due to the Group's progressive collection on the schedule payments over the construction period. The remaining credit risk exposure will be covered by the collateral in the event of default in scheduled payment by customer.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(iii) Trade receivables related to trading activities

In 2022, credit risk exposure relating to trading activities is RMB3,581,000 (2021: RMB27,387,000).

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties.

Within the trading activities segment, the trade receivables comprise 1 debtor (2021: 1 debtor) that represented 99% (2021: 86%) of trade receivables related to trading activities.

The Group measures the lifetime expected credit loss allowance for trade receivables related to trading activities. The remaining receivables balance are substantially still within the credit term and are subject to immaterial credit losses.

(iv) Loans to non-related parties – microfinance

Loans to non-related parties – microfinance are related to the micro-credit provided to enterprises and individuals by a Group's subsidiary that formed part of the spin-off completed in April 2022 (Note 11). There is no microfinancing loan to non-related parties as at 31 December 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(iv) 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 as at 31 December 2021 are as follows:

	The Group 2021 RMB'000
Collateralised by:	
– Listed shares in PRC	468
– Unlisted shares in PRC	10,155
– Properties and land use rights	99,648
– Guaranteed by non-related individuals	59,120
– Guaranteed by non-related corporations	6,250
	175,641

As at 31 December 2021, the Group measures loss allowance based on the following basis:

Basis of recognition of expected credit loss	**12-month expected credit losses RMB'000**	**Lifetime expected credit losses RMB'000**	**Total RMB'000**
31 December 2021	175,641	–	175,641

The movement in the allowance for impairment loss for the financial year ended 31 December 2021 are as follow:

	2021 RMB'000
The Group	
As at 1 January	17,333
Loss allowance recognised in profit or loss during the year on:	
– Assets acquired/originated	4,627
– Reversal of unutilised amounts	–
	4,627
As at 31 December	21,960

There is no material movement in the allowance for impairment loss up to the point of spin-off in 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(v) Finance lease receivables, other receivables and other financial assets

Finance lease receivables of RMB1,692,805,000 (2021: RMB1,128,098,000) are subject to immaterial credit loss as the Group entered into lease arrangements of vessels with customers of appropriate credit history. The Group also has contractual safeguards in place to minimise credit risk where the Group has the right over collateral (vessels) in the event of default in scheduled payment by customers.

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.

(vi) 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:

Category	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Write-off**
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 or specific reason	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

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

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 for Stage 1 and Stage 2 loans as at 31 December 2021, being 23% upside, 17% downside and 60% base case scenarios, and are derived using publicly available data and internal forecast. There are no Stage 1 and Stage 2 loans as at 31 December 2022. The Group provides for credit losses against debt investments as follows:

Category	Performing RMB'000	Under-performing RMB'000	Non-performing RMB'000	Total RMB'000
2022				
Expected credit loss rates	**–**	**–**	**NA***	
Gross carrying amount	**–**	**–**	**2,730,821**	**2,730,821**
Credit loss allowance	**–**	**–**	**(1,155,041)**	**(1,155,041)**
Net carrying amount	**–**	**–**	**1,575,780**	**1,575,780**
2021				
Expected credit loss rates	4.0%	4.7%	NA*	
Gross carrying amount	14,901,505	582,332	3,011,078	18,494,915
Credit loss allowance	(600,758)	(27,587)	(1,285,065)	(1,913,410)
Net carrying amount	14,300,747	554,745	1,726,013	16,581,505

* 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

The loss allowance for debt investments as at 31 December 2022 reconciles to the opening loss allowance for that provision as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
The Group				
2022				
Balance at 1 January 2022	**600,758**	**27,587**	**1,285,065**	**1,913,410**
Transfer to Stage 3	**(10,262)**	**–**	**10,262**	**–**
Loss allowance recognised in profit or loss during the year on:				
– Reversal of unutilised amount	**(54,718)**	**(390)**	**(262,600)**	**(317,708)**
– Changes in risk parameters**	**–**	**–**	**241,697**	**241,697**
	(54,718)	**(390)**	**(20,903)**	**(76,011)**
Utilisation	**–**	**–**	**(99,000)**	**(99,000)**
Spin-off	**(535,778)**	**(27,197)**	**(20,383)**	**(583,358)**
Balance at 31 December 2022	**–**	**–**	**1,155,041**	**1,155,041**
The Group				
2021				
Balance at 1 January 2021	897,702	32,922	1,075,198	2,005,822
Transfer to Stage 3	(28,474)	–	28,474	–
Transfer to Stage 2	(4,164)	4,164	–	–
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/originated*	500,170	–	80,000	580,170
– Reversal of unutilised amount	(667,662)	(518)	(154,595)	(822,775)
– Changes in risk parameters**	(96,814)	(8,981)	299,777	193,982
	(264,306)	(9,499)	225,182	(48,623)
Utilisation	–	–	(43,789)	(43,789)
Balance at 31 December 2021	600,758	27,587	1,285,065	1,913,410

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

* 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 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:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Collateralised by:		
– Listed shares in PRC	**506,318**	2,744,696
– Unlisted shares in PRC	**492,000**	3,456,250
– Properties and land use rights	**1,379,023**	6,845,228
– Guaranteed by government corporations and non-related corporations	**353,480**	5,448,741
	2,730,821	18,494,915

(vii) Loans to subsidiaries

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual obligation of RMB10,255,384,000 (2021: RMB8,952,588,000) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(viii) Financial guarantees

As at balance sheet date, the Company has issued corporate guarantees to banks for borrowings of its subsidiaries, refund guarantees issued by a bank to shipbuilding customers of a subsidiary and refund guarantees issued to customers of a subsidiary. These guarantees are subject to the impairment requirement of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capability to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees. The amount of these guarantees issued by the Company is as follows:

	The Company	
	2022 RMB'000	**2021 RMB'000**
For borrowings incurred by subsidiaries	**–**	923,182
For refund guarantees* issued by a bank to customers of a subsidiary	**–**	492,740
For refund guarantees* issued to customers of a subsidiary	**908,880**	832,029

* Such refund guarantees are issued in relation to shipbuilding advances received from customers.

Without taking into consideration of the collaterals held directly or indirectly by the Company, the maximum exposure to credit risk of the above financial guarantees is the notional amount of the borrowings or guarantees as above.

(ix) Loan to an associated company

The Group has assessed that its associated company has strong financial capacity to meet the contractual obligation of RMB20,000,000 as at 31 December 2022 and is considered to have low credit risk. The loan is measured on 12-month expected credit losses and subject to immaterial credit loss.

(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.

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below analyses the maturity profile of the Group's and Company'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.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
The Group				
As at 31 December 2022				
Trade and other payables	**(3,014,926)**	**–**	**–**	**–**
Lease liabilities	**(798)**	**(342)**	**–**	**–**
Bank borrowings	**(2,344,460)**	**(2,313,649)**	**–**	**–**
	(5,360,184)	**(2,313,991)**	**–**	**–**
As at 31 December 2021				
Trade and other payables	(2,646,719)	–	–	–
Lease liabilities	(314)	–	–	–
Bank borrowings	(2,561,269)	(1,351,778)	(662,332)	–
	(5,208,302)	(1,351,778)	(662,332)	–
Undrawn capital commitments	(1,303,590)	–	–	–
The Company				
As at 31 December 2022				
Trade and other payables	**(2,641,536)**	**–**	**–**	**–**
Lease liabilities	**(798)**	**(342)**	**–**	**–**
	(2,642,334)	**(342)**	**–**	**–**
Financial guarantees *	**(201,973)**	**(706,907)**	**–**	**–**
As at 31 December 2021				
Trade and other payables	(2,468,037)	–	–	–
Lease liabilities	(314)	–	–	–
Bank borrowings	(843,779)	–	–	–
	(3,312,130)	–	–	–
Financial guarantees *	(1,322,046)	(925,905)	–	–

* This represents the maximum exposure of the Company in relation to guarantees provided by the Company, without taking into consideration of the collaterals held. However, based on management's assessment, it is not probable that the counterparties to these financial guarantee contracts will claim under the contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below analyses the derivative financial instruments of the Group and the Company for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based 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.

	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**
The Group				
As at 31 December 2022				
Gross-settled currency forwards – cash flow hedges				
– Receipts	**7,887,256**	**10,417,708**	**1,444,320**	**–**
– Payments	**(7,919,694)**	**(10,361,404)**	**(1,435,158)**	**–**
Gross-settled currency forwards – non-hedging				
– Receipts	**361,179**	**–**	**–**	**–**
– Payments	**(366,824)**	**–**	**–**	**–**
As at 31 December 2021				
Net settled currency swap – non-hedging				
– Net cash outflows	(792)	–	–	–
Gross-settled currency forwards – non-hedging				
– Receipts	8,313,865	6,928,399	8,940,356	–
– Payments	(8,108,229)	(6,698,055)	(8,693,591)	–
The Company				
As at 31 December 2021				
Net settled currency swap – non-hedging				
– Net cash outflows	(792)	–	–	–

The Group and the Company did not have any derivative held for hedging as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (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:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Total liabilities	**15,262,343**	15,550,699
Total assets	**32,967,103**	51,612,264
Liability-to-asset ratio	**46.30%**	30.13%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2022 and 31 December 2021.

(e) Fair value measurements

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (Continued)

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
The Group				
31 December 2022				
Assets				
Financial assets, at fair value through profit or loss	**100,860**	**–**	**45,594**	**146,454**
Derivative financial instruments held for hedging	**–**	**170,520**	**–**	**170,520**
Liabilities				
Derivative financial instruments held for hedging	**–**	**(137,492)**	**–**	**(137,492)**
Non-hedging derivatives	**–**	**(5,645)**	**–**	**(5,645)**
31 December 2021				
Assets				
Financial assets, at fair value through profit or loss	357,436	–	2,027,115	2,384,551
Non-hedging derivatives	–	686,454	–	686,454
Liabilities				
Non-hedging derivatives	–	(4,501)	–	(4,501)
The Company				
31 December 2021				
Liabilities				
Non-hedging derivatives	–	(792)	–	(792)

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 forward foreign exchange currency contracts have been determined using quoted forward currency rates at the balance sheet date. These instruments are included in Level 2 of the fair value hierarchy.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (Continued)

The following table presents the changes in Level 3 instruments:

	Unlisted equity securities RMB'000
The Group	
2022	
Beginning of the financial year	**2,027,115**
Disposal	**(15,274)**
Total losses for the period included in:	
– Profit and loss	**(137,454)**
Spin-off	**(1,828,793)**
End of financial year	**45,594**
Change in unrealised gains for the period included in profit or loss for financial assets held at the end of the financial year	**(137,454)**
2021	
Beginning of the financial year	2,501,389
Purchases	316,177
Disposal	(398,266)
Transferred from Level 1 to Level 3 instruments	37,692
Total losses for the period included in:	
– Profit and loss	(429,877)
End of financial year	2,027,115
Change in unrealised gains for the period included in profit or loss for financial assets held at the end of the financial year	(429,877)

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT (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 and in Note 15 to the financial statements, except for the following:

	The Group RMB'000	The Company RMB'000
31 December 2022		
Financial assets, at amortised cost	**15,314,687**	**10,269,804**
Financial liabilities, at amortised cost	**(7,582,466)**	**(2,642,676)**
31 December 2021		
Financial assets, at amortised cost	31,559,666	9,336,608
Financial liabilities, at amortised cost	(7,103,312)	(3,309,941)

37. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, at terms agreed between the parties:

(a) Related party transactions

The Group had the following transactions with the following related parties.

	The Group	
	2022 RMB'000	2021 RMB'000
Sales of goods to a joint venture	**145,597**	232,252
Sales of goods to an associated company	**23,635**	111,364
Provision of ship design services to a joint venture	**29,042**	6,527
Loan to an associated company	**20,000**	–
Repayment of loan from a joint venture	**–**	(247,000)
Rental income from an associated company and a joint venture	**85,045**	46,414
Purchase of materials from an associated company	**220,185**	77,122
Purchase of materials from other related parties	**28,888**	66,670
Professional services received from a related party	**81**	–

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Other outstanding balances with related parties as at balance sheet date are disclosed in Notes 18, 20 and 29 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2022	**2021**
	RMB'000	**RMB'000**
Directors		
Basic salaries	**294**	325
Directors' fees	**1,505**	771
Contributions to defined contribution plans	**90**	114
Discretionary bonuses	**–**	194
Senior management		
Basic salaries	**662**	1,877
Contributions to defined contribution plans	**288**	246
Discretionary bonuses	**855**	923
	3,694	4,450

38. SEGMENT INFORMATION

Management has determined the operating segments based on the reports 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 shipbuilding segment are that of shipbuilding and offshore marine equipment construction. The principal activities of the shipping segment consist of charter hire income earned by vessel owning companies.

The results and balances relating to micro-financing, debt investments at amortised cost and other investments were previously presented under the "investments" reportable segment of Group. Following the spin-off of this segment in 2022 (Note 11), the results from this segment, net of investments retained by the Group, are presented as "Discontinued operations" in the consolidated statement of comprehensive income.

Other segments include trading, ship design services and investments retained by the Group subsequent to the spin-off. These are not identified as reportable operating segments, as they are not separately reported to the Management Team. The results of these operations are included in "Others".

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

38. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Management Team for the reportable segments for the years ended 31 December 2022 and 2021 are as follows:

	Shipbuilding RMB'000	Shipping RMB'000	Others RMB'000	Total for continuing operations RMB'000
The Group				
For the financial year ended 31 December 2022				
Segment revenue	**18,372,103**	**1,382,659**	**950,314**	**20,705,076**
Segment result	**1,872,610**	**667,194**	**214,708**	**2,754,512**
Included within segment result:				
Finance expenses	**(74,658)**	**(18,864)**	**(3,416)**	**(96,938)**
Fair value loss on				
• Derivatives financial instruments	**(70,246)**	**–**	**–**	**(70,246)**
• Financial assets, at fair value through profit or loss	**–**	**–**	**(59,069)**	**(59,069)**
Reversal of impairment loss on:				
• Debt investments at amortised cost	**–**	**–**	**59,896**	**59,896**
• Reversal of provision for onerous contracts – net	**218,041**	**–**	**–**	**218,041**
Depreciation of property, plant and equipment	**(317,672)**	**(127,969)**	**(6,426)**	**(452,067)**
Dividend income	**–**	**–**	**592**	**592**
Share of profits of associated companies	**5,287**	**–**	**–**	**5,287**
Share of profits of joint venture	**7,770**	**–**	**–**	**7,770**
Sales of bunker stock	**–**	**25,457**	**–**	**25,457**
Bad debt recovery/(written off)	**20,817**	**–**	**(1,828)**	**18,989**
(Loss)/gain on disposal of:				
• Property, plant and equipment	**(438)**	**202**	**–**	**(236)**
Business tax on interest income from debt investments at amortised cost	**–**	**–**	**(10,667)**	**(10,667)**
Interest income – finance lease	**–**	**134,456**	**–**	**134,456**
Income from forfeiture of advances received	**36,487**	**–**	**–**	**36,487**
Inventories write-down, net of reversal	**(184,636)**	**–**	**–**	**(184,636)**
Segment assets	**24,459,131**	**5,472,944**	**2,673,056**	**32,605,131**
Segment assets includes:				
Investment in associated companies	**41,509**	**–**	**5,915**	**47,424**
Investments in joint ventures	**453,886**	**–**	**–**	**453,886**
Additions to property, plant and equipment	**115,222**	**1,029,154**	**170,047**	**1,314,423**
Segment liabilities	**(13,568,900)**	**(164,478)**	**(111,165)**	**(13,844,543)**

NOTES TO THE FINANCIAL STATEMENTS
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38. SEGMENT INFORMATION (CONTINUED)

	Shipbuilding RMB'000	**Shipping RMB'000**	**Others RMB'000**	**Total for continuing operations RMB'000**
The Group				
For the financial year ended 31 December 2021				
Segment revenue	13,198,473	959,638	979,043	15,137,154
Segment result	1,952,074	481,350	(162,106)	2,271,318
Included within segment result:				
Finance expenses	(59,655)	(7,874)	(2,372)	(69,901)
Fair value gain on				
• Derivatives financial instruments	624,517	–	–	624,517
• Financial assets, at fair value through profit or loss	–	–	108,682	108,682
(Impairment loss)/reversal of impairment loss on:				
• Debt investments at amortised cost	–	–	(450,891)	(450,891)
• Reversal of provision for onerous contracts – net	256,081	–	–	256,081
Depreciation of property, plant and equipment	(383,973)	(98,484)	(9,324)	(491,781)
Dividend income	–	–	5,604	5,604
Share of profits/(loss) of associated companies	4,820	–	(12)	4,808
Share of profits of joint venture	91,382	–	–	91,382
Sales of bunker stock	–	24,112	–	24,112
Bad debt recovery	63,614	–	–	63,614
Gain/(loss) on disposal of:				
• Property, plant and equipment	752	71,079	(15)	71,816
Business tax on interest income from debt investments at amortised cost	–	–	(6,297)	(6,297)
Interest income – finance lease	–	107,411	–	107,411
Income from forfeiture of advances received	32,482	–	–	32,482
Inventories write-down, net of reversal	(17,364)	–	–	(17,364)
Segment assets	24,921,110	4,136,890	4,387,907	33,445,907
Segment assets includes:				
Investment in associated companies	33,692	–	–	33,692
Investments in joint ventures	522,679	–	–	522,679
Additions to property, plant and equipment	128,965	614,201	2,625	745,611
Segment liabilities	(10,945,233)	(582,619)	(1,195,430)	(12,723,282)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

38. SEGMENT INFORMATION (CONTINUED)

The Management Team assesses the performance of the operating segments based on a measure of segment results. Certain administrative expenses and foreign currency exchange differences are not allocated to segments, as these types of activities and differences are shared by all segments. Interest income on cash and cash equivalents, and foreign currency translation differences on borrowings (classified under finance expenses) are not allocated to segments, as these types of activities are driven by the treasury department of the Group, which manages the cash position of the Group.

(a) Reconciliation

(i) Segment profits

A reconciliation of segment results to profit before tax is as follows:

	2022 RMB'000	2021 RMB'000
Segment results for reportable segments	**2,539,804**	2,433,424
Segment results for other segments	**214,708**	(162,106)
Unallocated:		
Other income	**257,634**	275,015
Other gains – net	**362,661**	153,704
Administrative expenses	**(62,475)**	(78,077)
Finance expenses	**(9,838)**	–
Profit before tax and discontinued operations	**3,302,494**	2,621,960

(ii) Segment assets

The amounts provided to the Management Team with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than assets associated with discontinued operations and deferred income tax assets.

	2022 RMB'000	2021 RMB'000
Segment assets for reportable segments	**29,932,075**	29,058,000
Other segment assets	**2,673,056**	4,387,907
Unallocated:		
Assets associated with discontinued operations excluding income tax assets	**–**	17,519,486
Deferred income tax assets	**361,972**	646,871
Total assets	**32,967,103**	51,612,264

NOTES TO THE FINANCIAL STATEMENTS

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38. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliation (Continued)

(iii) Segment liabilities

The amounts provided to the Management Team with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments other than liabilities associated with discontinued operations, current income tax liabilities and deferred income tax liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	2022 RMB'000	**2021 RMB'000**
Segment liabilities for reportable segments	**(13,733,378)**	(11,527,852)
Other segment liabilities	**(111,165)**	(1,195,430)
Unallocated:		
Liabilities associated with discontinued operations excluding income tax liabilities	**–**	(13,022)
Current income tax liabilities	**(782,271)**	(1,015,096)
Deferred income tax liabilities	**(635,529)**	(1,799,299)
Total liabilities	**(15,262,343)**	(15,550,699)

(b) Revenue from major products

Revenue of shipbuilding segment is derived from the construction of container ships, multiple purpose cargo ships and other types of vessels. Revenue of shipping segment is derived from the charter income earned by vessel owning companies. Revenue from other segment is mainly derived from sales of metal products.

Breakdown of the revenue by major product types is as follows:

	2022 RMB'000	**2021 RMB'000**
Construction of container ships	**17,113,141**	7,660,087
Construction of multiple purpose cargo ships	**435,150**	2,938,065
Construction of chemical tanker	**109,883**	573,076
Construction of LNG vessels	**173,294**	635,628
Sales of other completed vessels	**540,635**	1,391,617
Interest income from debt investments at amortised cost	**177,274**	111,247
Charter hire income	**1,382,659**	959,638
Rendering of ship design services	**14,002**	6,527
Sales of metal products	**700,754**	801,750
Others	**58,284**	59,519
Revenue from continuing operations	**20,705,076**	15,137,154

38. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's revenue based on the customers' locations are as follows:

	2022 RMB'000	2021 RMB'000
Greater China	**10,582,235**	7,734,125
Canada	**6,769,705**	4,533,139
Japan	**1,779,286**	399,936
Bulgaria	**263,774**	553,218
Other European countries	**189,294**	1,227,031
Other Asian countries	**1,120,782**	689,705
Revenue from continuing operations	**20,705,076**	15,137,154

Revenues of approximately RMB11,387,660,000 (2021: RMB4,994,030,000) are derived from three (2021: three) major customers. These revenues are attributable to the shipbuilding segment.

The Group's non-current assets located in the PRC amount to RMB5,327,913,000 (2021: RMB11,222,535,000).

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2023 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).

The amendments to SFRS(I) 1-12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
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39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. SFRS(1) 1-12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments. The Group does not expect any significant impact arising from applying these amendments.

40. PRIOR YEAR ADJUSTMENTS

A prior year restatement and a presentation change were made to the balance sheets of the Group as at 31 December 2021 and 1 January 2021. The changes to comparative financial statements presentation are summarised below:

	As previously reported RMB'000	**Restatement Note (i) RMB'000**	**Presentation change Note (ii) RMB'000**	**As restated RMB'000**
The Group – Balance Sheet				
As at 1 January 2021				
Lease prepayments	952,487	252,982	(1,205,469)	–
Property, plant and equipment	5,226,004	–	1,205,469	6,431,473
Goodwill	258,979	(252,982)	–	5,997*
As at 31 December 2021				
Lease prepayments	930,575	252,982	(1,183,557)	–
Property, plant and equipment	5,151,788	–	1,183,557	6,335,345
Goodwill	258,979	(252,982)	–	5,997*

* Presented under intangible assets.

i) Restatement

In 2022, the Group re-assessed the nature of the premium paid of RMB252.982 million for the acquisition of Yangzijiang Terminals China Holding Pte. Ltd. and its subsidiary, Jiangsu Yangzi Jiasheng Terminal Co., Ltd. in 2019. A restatement of this premium from goodwill to lease prepayment is to reflect the firm plan to convert the terminal to a LNG terminal related facility at point of acquisition. The asset continues to be appropriately classified under the "Others" business segment and there is no impairment recorded on this asset since 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

40. PRIOR YEAR ADJUSTMENTS (CONTINUED)

ii) Presentation change – change in accounting policy

Before 1 January 2022, the Group presented ROU assets (land use rights) separately on the balance sheet under lease prepayments.

From 1 January 2022, the Group elected to present ROU assets acquired under leasing arrangements together with owned assets of the same class under property, plant and equipment, to better reflect the nature and intended use of such assets.

This is determined to provide more relevant information about the Group's financial position and the Group has applied the new accounting policy retrospectively.

The restatement and presentation change had an immaterial impact on the consolidated statement of comprehensive income, the consolidated statement of cash flows and the cumulative retained earnings of the Group for the prior financial years.

41. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 2 February 2023, the Group incorporated an entity, Yangzijiang Realty Pte. Ltd. ("YZJR"). As at the date of these financial statements, the Group owns 81% of YZJR, with the remaining interests owned by two third party investors. On 29 March 2023, YZJR entered into a conditional agreement ("Agreement") to purchase a property in Singapore. The consideration for the acquisition is cash of approximately S$401 million, with balance payment due on completion of conditions in the Agreement.

42. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. passed on 31 March 2023.

43. LISTING OF SIGNIFICANT SUBSIDIARIES IN THE GROUP

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Jiangsu New Yangzi Shipbuilding Co., Ltd.[1]	Shipbuilding, ship repairing, production and processing of large-scale steel structures	PRC	**48.9**	48.9	**100**	100	**–**	–
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.[1]	Shipbuilding, ship repairing, production and processing of large-scale steel structures	PRC	**55.1**	32.5	**100**	100	**–**	–
Jiangsu Yangzijiang Shipbuilding Co., Ltd.[2]	Shipbuilding, ship repairing, production and processing of large-scale steel structures	PRC	**100**	100	**100**	100	**–**	–
Jiangsu Yangzijiang Offshore Engineering Co., Ltd.[1]	Shipbuilding, production and processing of large-scale steel structures	PRC	**–**	–	**79.6**	79.6	**20.4**	20.4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

43. LISTING OF SIGNIFICANT SUBSIDIARIES IN THE GROUP (CONTINUED)

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Jiangsu Tianchen Marine Import and Export Co., Ltd.[1]	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Yanghong Marine Import and Export Co., Ltd.[1]	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**96.8**	96.8	**100**	100	**–**	–
Jiangsu Tianhong Marine Import and Export Co., Ltd.[1]	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**88.5**	–	**100**	100	**–**	–
Yangzijiang International Trading Pte. Ltd.[3]	Trading of shipbuilding related materials/ supplies	Singapore	**100**	100	**100**	100	**–**	–
Jiangsu Yangzi Zhuoneng Industrial Co., Ltd.[1]	Trading of raw materials, sales and research and development of mechanical equipment.	PRC	**–**	–	**100**	100	**–**	–
Shanghai Huayuan Shipping Co., Ltd.[1]	Domestic cargo transportation, cargo storage and offshore, aeronautical and highway international cargo transportation agency services.	PRC	**–**	–	**100**	100	**–**	–
Shanghai Econovo Marine Engineering Co., Ltd.[2]	Naval architecture and marine engineering field	PRC	**–**	–	**51**	51	**49**	49
Jiangsu Yangzi Jiasheng Terminal Co., Ltd.[2][5]	Owns and operates a tank terminal	PRC	**–**	–	**100**	55	**–**	45
Jiangsu Jiasheng Gas Co., Ltd.[1]	Tank related services	PRC	**–**	–	**100**	–	**–**	–

(1) These subsidiaries are audited by Jiangyin Tian Cheng CPAs Co. Limited for local statutory purpose.

(2) These subsidiaries are audited by other accounting firms for local statutory purpose.

(3) The Company and these subsidiaries are audited by PricewaterhouseCoopers LLP, Singapore for local statutory purpose.

(4) In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

(5) Formerly known as Yangzijiang Garson Terminals (Jiangsu) Company Ltd.

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