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# Yangzijiang reports RMB778.6 million earnings for 3Q2018

- **Revenue increased by 23% yoy to RMB5.4 billion in 3Q2018, with the delivery of 6 vessels and higher trading and chartering income**
- **Core shipbuilding gross margin at 20%, compared to 15% for 3Q2017 supported by strong USD against RMB**
- **Outstanding order book stood at USD4.1 billion as at 7 November 2018, which will keep Group's yard facilities optimally utilized up to 2020 and provide a stable revenue stream for at least 2.5 years**
- **New shipbuilding joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. brings further growth potential through expansion of customer base and building up LNG-related-vessel business**

**SINGAPORE – 7 November 2018 – Yangzijiang Shipbuilding (Holdings) Ltd.** ("**Yangzijiang**" or the "**Group**"), a globally-leading shipbuilder based in China, and an Straits Times Index component company listed on the SGX Main Board, reported net profit attributable to shareholders of RMB778.6 million for the three months ended 30 September 2018 ("**3Q2018**").

## Financial Analysis

Group's total revenue increased by 23% year-on-year ("yoy") to RMB5.4 billion in 3Q2018. In the shipbuilding segment, 6 vessels were delivered in 3Q2018, compared to 9 vessels delivered in 3Q2017. Supported by the construction and delivery of large and higher value vessels, core shipbuilding revenue was only marginally lower at RMB2.7 billion in 3Q2018 compared to RMB2.8 billion in 3Q2017. Trading business generated RMB2.1 billion of revenue in 3Q2018, compared to RMB1.3 billion in 3Q2017, which is in line with the higher volume of trading activities. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB149 million in 3Q2018, compared to RMB65 million in 3Q2017. The increase was supported by the higher charter rate and the charter income from four additional vessels following the acquisition of a wholly-owned subsidiary in 2018.

| Financial Highlights | 3Q2018 | 3Q2017 | Change | 9M2018 | 9M2017 | Change |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| **Revenue** | 5,366,685 | 4,378,165 | 23 | 18,293,445 | 12,850,984 | 42 |
| **Gross Profit** | 1,001,636 | 673,584 | 49 | 3,423,050 | 2,367,760 | 45 |
| ***Gross Profit Margin*** | *19%* | *15%* | - | *19%* | *18%* | - |
| **Expenses ^** | 471,260 | 113,949 | 314 | 1,013,409 | 398,841 | 154 |
| **Other Income** | 109,099 | 57,697 | 89 | 241,514 | 165,121 | 46 |
| **Other Gains** | 284,491 | 309,302 | (8) | 454,484 | 588,984 | (23) |
| **Net Profit Attributable to Equity Holders** | 778,629 | 865,996 | (10) | 2,368,644 | 2,253,582 | 5 |
| ***PATMI Margin*** | *15%* | *20%* | - | *13%* | *18%* | - |

^ *Expenses include administrative expenses and finance expenses, which include some impairment loss*

The financial assets, at amortised costs[1] increased to RMB13.3 billion as at 30 September 2018. Net interest income received was RMB364.1 million in 3Q2018, compared to the RMB217.9 million in 3Q2017.

Gross profit margin for core shipbuilding business was at 20% for 3Q2018, compared to 15% for 3Q2017. The higher gross profit margin was primarily contributed by the strengthened USD against RMB during the quarter, as well as a reversal of RMB152 million of provision that the Group made previously (in anticipation of potential losses when the RMB was stronger).

| Balance Sheet (RMB'000) | 30 Sep 2018 | 31 Dec 2017 |
|---|---|---|
| **Property, Plant and Equipment** | 5,160,503 | 4,820,729 |
| **Restricted Cash** | 11,068 | 29,405 |
| **Cash & Cash Equivalents** | 7,675,218 | 6,195,431 |
| **Financial Assets, at Amortised Costs** | 13,287,536 | 11,978,869 |
| **Total Borrowing** | 3,823,772 | 4,890,746 |
| **Total Equity** | 28,231,100 | 26,516,697 |
| **Gross Gearing (Borrowings / Equity)** | 13.5% | 18.4% |
| **Net Gearing (Net Borrowings* / Equity)** | Net cash | Net cash |

**Borrowings - (restricted cash + cash & cash equivalents)*

[1] According to new accounting standards, the Group has reclassified the Held-to-Maturity investment as "financial assets, at amortised costs" in the statement of financial position

As a prudent measure, the Group made an additional impairment loss of RMB333 million on financial assets, at amortised costs in 3Q2018.

The Group delivered net profit attributable to shareholders of RMB778.6 million in 3Q2018 compared to RMB866 million in 3Q2017. Fully diluted earnings per share was RMB19.73 cents for 3Q2018, compared to RMB22.33 cents for 3Q2017.

Group's financial position strengthened further during 3Q2018. Gross gearing decreased from 18.4% as at 31 December 2017 to 13.5% as at 30 September 2018, and the Group remained in a net cash position. Net asset value per share increased to RMB6.93 as at 30 September 2018 from RMB6.52 as at 31 December 2017. Group's cash & cash equivalents and restricted cash increased from RMB6.2 billion as at 31 December 2017 to RMB7.7 billion as at 30 September 2018.

**REVIEW / OUTLOOK/ FUTURE PLANS**

The shipbuilding market is still in the recovery phase post the recession experienced in the last few years. In the first nine months in 2018, 796 new shipbuilding orders (57.9 million DWT) were placed globally, 13.6% lower in terms of number of vessels (6.6% higher by DWT) compared to the new orders in the first nine months in 2017. China, Korea and Japan received 32.2%, 44.3% and 11.5% of the new orders respectively.[2]

With the growing uncertainties in global shipping volume and economic growth due to the trade tensions between US and China, the pace of new shipbuilding order placement will become less predictable. However, the trades are redistributed among countries rather than disappearing, and the demand for shipping remains intact. In addition, the outstanding orderbook to fleet ratio is still in the bottom range historically, implying fundamental catch-up in shipbuilding demand[3]. In the longer term, seaborne trade will remain a dominant part in international trade. The growth of e-commerce, China's Belt and Road initiative, and International Maritime Organization rules and regulations on vessel emission standards are all expected to support the shipbuilding demand for high-tech, environmentally-friendly and energy-efficient vessels.

In October, the Group announced the establishment of the shipbuilding joint venture with prominent Japanese enterprises, Mitsui E&S Shipbuilding Co., Ltd. ("MES-SC") and Mitsui & Co., Ltd. ("Mitsui") to expand customer base with diversified vessel types and new areas of shipbuilding business, primarily in LNG related vessels.

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[2] http://www.eworldship.com/html/2018/NewShipMarket_1025/143936.html
[3] http://www.eworldship.com/html/2018/ship_market_observation_0918/143090.html

Year to date, the Group secured new orders for 28 vessels with total contract value of USD1.2 billion. These new orders received since the Group's last order update includes 2 units of 82000DWT bulk carriers, 1 unit of 83,500DWT combination carrier and 3 units of 2,700TEU containerships. As at 7 November 2018, with an outstanding order book of USD4.1 billion (for 114 vessels), Yangzijiang was ranked no.1 in China and no. 4 in the world. These orders will keep the Group's yard facilities at a healthy utilization rate up to 2020 and provide a stable revenue stream for at least the next 2.5 years.

***"As we maintain a stable, strong outstanding order book, we are managing the shipbuilding facilities carefully to ensure the delivery of quality vessels on or ahead of schedule. In new order taking, we try to balance between order quantity and quality for optimal profitability. At the same time, we are very pleased to have made a significant step in building up the LNG related business, through the new joint venture that we set up with MES-SC and Mitsui.***

***The combined strengths of Yangzijiang and our Japanese partners in shipbuilding, technology and customer network will set the foundation for a strong shipbuilding entity that caters to clients' demand for high-tech, green vessels especially in the LNG carrier space. The JV will help us upgrade our product portfolio and bring our growth prospect to the next level."***

***---- Mr. Ren Yuanlin (任元林), Executive Chairman,***
***Yangzijiang Shipbuilding (Holdings) Ltd***

--The End—

## ***Company Profile***

Established in 1956, Yangzijiang Shipbuilding (Holdings) Ltd. ("Yangzijiang Shipbuilding" or collectively known as the "Group") is one of the largest private shipbuilding companies in China. The Group is listed on SGX Mainboard since April 2007 and is currently one of the Straits Times Index ("STI") constituent stocks. With four shipyards in Jiangsu Province, China along the Yangtze River, the Group produces a broad range of commercial vessels including large containerships, bulk carriers and LNG carriers, serving the orders from a well-established customer network covering Northern America, Europe and other parts of the world. Since listing on SGX, it has delivered consistent growth in the past ten years.

*For more information please visit the website at: www.yzjship.com*

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Issued for and on behalf of Yangzijiang Shipbuilding (Holdings) Ltd.

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