



**YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.**

(Company Registration No. 200517636Z)

(Incorporated in the Republic of Singapore on 21 December 2005)

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF  
QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<b>The Group</b>			
	1st Quarter			
	<b>1Q 2018</b>	% of	<b>1Q 2017</b>	+ / (-)%
	RMB'000	Revenue	RMB'000	Variance
Revenue	4,963,255	100%	4,681,558	6%
Cost of sales	(4,103,624)	-83%	(3,792,217)	8%
Gross profit	<u>859,631</u>	17%	<u>889,341</u>	-3%
Other income	47,894	1%	57,434	-17%
Other (losses)/gains, net	(42,188)	-1%	91,072	n.m.
Expenses				
- Administrative				
• Reversal of impairment loss/(impairment loss)	43,555	1%	(45,035)	n.m.
• Others	(74,194)	-1%	(84,029)	-12%
- Finance	(15,424)	-0.3%	(40,489)	-62%
Share of loss of associated companies and a joint venture <sup>#</sup>	(5,512)	-0.1%	(966)	471%
Profit before income tax	813,762	16%	867,328	-6.2%
Income tax expense	(182,430)	-4%	(174,749)	4%
<b>Net profit</b>	<u>631,332</u>	13%	<u>692,579</u>	-9%
<b>Attributable to:</b>				
Equity holders of the Company	595,099	12%	667,670	-11%
Non-controlling interests	36,233	1%	24,909	45%
	<u>631,332</u>		<u>692,579</u>	-9%

<sup>#</sup> Share of loss of associated companies and a joint venture is after tax.  
n.m. denotes not meaningful.

**1(a)(ii) Profit after taxation is arrived at:**

	<b>The Group</b>		<b>+ / (-) %</b>
	1Q2018	1Q2017	Variance
	RMB'000	RMB'000	%
<b>After charging:</b>			
Depreciation and amortization	144,235	144,712	-0.3%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	15,424	40,489	-62%
Foreign exchange related losses, net	141,028	62,369	126%
Impairment loss of financial assets, held-to-maturity	-	45,035	n.m.
Fair value change on financial assets, at fair value through profit or loss	56,872	3,290	1629%
<b>After crediting:</b>			
Reversal of impairment loss of financial assets, at amortised costs	43,555	-	n.m.
Interest income	30,081	34,151	-12%
Gain on disposal of financial assets, at fair value through profit or loss	1,238	-	n.m.
Fair value change on derivative financial instruments	-	144,108	n.m.
Reversal of allowance for expected losses recognised on construction contracts	52,525	-	n.m.
Subsidy income	96,159	7,570	1170%
Gain from disposal of property, plant and equipment	40,301	-	n.m.
Dividend income	17,813	23,283	-23%

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<u>The Group</u>		<u>The Company</u>	
	As at 31 Mar 2018 RMB'000	As at 31 Dec 2017 RMB'000 (Restated)	As at 31 Mar 2018 RMB'000	As at 31 Dec 2017 RMB'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,551,412	6,195,431	658,730	832,021
Restricted cash	1,214	29,405	-	-
Financial assets, at fair value through profit or loss	1,638,962	748,523	-	-
Financial assets, available-for-sale	-	1,027,293	-	-
Financial assets, at amortised costs	8,145,178	-	-	-
Financial assets, held-to-maturity	-	7,573,617	-	-
Trade and other receivables	5,387,311	5,290,056	9,767,476	10,075,526
Inventories	2,745,097	2,628,201	-	-
Contract assets	5,808,804	5,960,320	-	-
	<u>29,277,978</u>	<u>29,452,846</u>	<u>10,426,206</u>	<u>10,907,547</u>
<b>Non-current assets</b>				
Financial assets, at amortised costs	4,211,356	-	-	-
Financial assets, held-to-maturity	-	4,405,252	-	-
Trade and other receivables	1,124,593	1,238,174	1,881,166	2,345,870
Lease prepayments	983,157	990,795	-	-
Investment in subsidiaries	-	-	5,282,570	5,282,570
Investment in associated companies	1,218,488	1,394,702	134,062	134,062
Financial assets, at fair value through profit or loss	400,000	-	-	-
Financial assets, available-for-sale	-	400,000	-	-
Property, plant and equipment	4,652,987	4,820,729	22	22
Intangible assets	17,500	9,864	-	-
Deferred income tax assets	625,438	660,291	-	-
	<u>13,233,519</u>	<u>13,919,807</u>	<u>7,297,820</u>	<u>7,762,524</u>
<b>Total assets</b>	<u>42,511,497</u>	<u>43,372,653</u>	<u>17,724,026</u>	<u>18,670,071</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	4,876,364	5,859,041	3,954,767	4,192,887
Contract liabilities	4,124,996	3,607,332	-	-
Advances received on construction contracts	94,440	1,919	-	-
Borrowings	1,616,394	2,531,973	479,500	1,141,730
Provisions	352,512	371,993	-	-
Current income tax liabilities	1,073,735	1,203,376	-	-
	<u>12,138,441</u>	<u>13,575,634</u>	<u>4,434,267</u>	<u>5,334,617</u>
<b>Non-current liabilities</b>				
Borrowings	2,265,032	2,358,773	-	-
Deferred income tax liabilities	959,961	921,549	-	-
	<u>3,224,993</u>	<u>3,280,322</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>15,363,434</u>	<u>16,855,956</u>	<u>4,434,267</u>	<u>5,334,617</u>
<b>NET ASSETS</b>	<u>27,148,063</u>	<u>26,516,697</u>	<u>13,289,759</u>	<u>13,335,454</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	7,361,990	7,361,990	7,326,773	7,326,773
Treasury shares	(20,979)	(20,979)	(20,979)	(20,979)
Other reserves	621,223	568,680	(40,192)	(40,192)
Retained earnings	18,497,610	17,975,023	6,024,157	6,069,852
	<u>26,459,844</u>	<u>25,884,714</u>	<u>13,289,759</u>	<u>13,335,454</u>
<b>Non-controlling interests</b>	688,219	631,983	-	-
<b>Total equity</b>	<u>27,148,063</u>	<u>26,516,697</u>	<u>13,289,759</u>	<u>13,335,454</u>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

<b>As at 31 March 2018</b>		<b>As at 31 December 2017</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
86,894	1,529,500	100,243	2,431,730

**Amount repayable after one year**

<b>As at 31 March 2018</b>		<b>As at 31 December 2017</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
515,481	1,749,551	560,002	1,798,771

**Details of any collateral**

The secured borrowings from the bank are secured by restricted cash or legal mortgages over the vessels of the Group.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<u>The Group</u>	
	<b>1Q2018</b>	<b>1Q2017</b>
	RMB '000	RMB '000
<b>Cash flows from operating activities</b>		
Net profit	631,332	692,579
Adjustments for:		
- Income tax expenses	182,430	174,749
- Depreciation on property, plant and equipment	136,370	136,890
- Amortisation of lease prepayment	7,638	7,615
- Amortisation of intangible assets	227	207
- Finance expenses	15,424	40,489
- Gain on disposal of financial assets, at fair value through profit and loss	(1,238)	-
- Gain from disposal of property, plant and equipment	(40,301)	-
- Fair value change on derivative financial instruments	-	(144,108)
- Fair value change on financial assets, at fair value through profit and loss	56,872	3,290
- Interest income	(30,081)	(34,151)
- Dividend income	(17,813)	(23,283)
- Share of loss of associated companies and a joint venture	5,512	966
	<b>946,372</b>	<b>855,243</b>
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(116,896)	373,261
- Construction contract balances	761,701	(278,523)
- Trade and other receivables	(57,386)	272,490
- Trade and other payables	(980,183)	(308,864)
- Financial assets, at amortised costs	(366,781)	-
- Financial assets, held-to-maturity	-	319,545
- Provisions	(19,481)	(13,280)
- Restricted cash	28,191	671,442
Cash generated from operations	195,537	1,891,314
Interest paid	(24,234)	(48,029)
Interest received	30,081	34,151
Income tax paid	(241,013)	(312,685)
<b>Net cash (used in)/provided by operating activities</b>	<b>(39,629)</b>	<b>1,564,751</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of property, plant and equipment	103,763	-
Proceeds from sales of financial assets, at fair value through profit and loss	81,221	-
Dividend received	17,813	23,283
Purchase of property, plant and equipment	(63,231)	(18,657)
Proceeds from non-controlling shareholders of subsidiaries	20,003	-
Acquisition of financial assets, available-for-sale	-	(150,000)
Acquisition of intangible assets	(7,863)	-
Acquisition/additions of investment in associated companies	(4,000)	(74,700)
Return of capital by associated companies	174,702	-
<b>Net cash provided by/(used in) investing activities</b>	<b>322,408</b>	<b>(220,074)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	368,340
Repayments of borrowings	(926,798)	(2,127,462)
<b>Net cash used in financing activities</b>	<b>(926,798)</b>	<b>(1,759,122)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(644,019)</b>	<b>(414,445)</b>
Cash and cash equivalents at the beginning of financial period	6,195,431	7,085,796
<b>Cash and cash equivalents at the end of financial period</b>	<b>5,551,412</b>	<b>6,671,351</b>

**1(d)(i)(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	1st Quarter	
	1Q 2018	1Q 2017
	RMB'000	RMB'000
<b>Net Profit</b>	631,332	692,579
Currency translation difference arising from consolidation		
- Losses	(28,647)	-
<b>Total comprehensive income, net of tax</b>	<b>602,685</b>	<b>692,579</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	566,452	667,670
Non-controlling interests	36,233	24,909
	<b>602,685</b>	<b>692,579</b>

**1(d)(i)(b) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**THE GROUP**

**Attributable to equity holders of the Group**

	Share	Treasury	Other	Retained	Total	Non-controlling	Total
	capital	shares	reserves	earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interest	equity
						RMB'000	RMB'000
<b>Balance at 31 December 2017</b>							
<b>As previously reported</b>	7,361,990	(20,979)	568,680	17,975,023	25,884,714	631,983	26,516,697
Adoption of SFRS(I) 9	-	-	5,405	3,273	8,678	-	8,678
<b>Balance as restated at 1 January 2018</b>	7,361,990	(20,979)	574,085	17,978,296	25,893,392	631,983	26,525,375
Transfer <sup>(1)</sup>	-	-	75,785	(75,785)	-	-	-
Proceeds from non-controlling shareholders of subsidiaries <sup>(2)</sup>	-	-	-	-	-	20,003	20,003
Total comprehensive income for the period	-	-	(28,647)	595,099	566,452	36,233	602,685
<b>Balance at 31 March 2018</b>	7,361,990	(20,979)	621,223	18,497,610	26,459,844	688,219	27,148,063
<b>Balance at 1 January 2017</b>	6,354,096	(20,979)	324,938	16,033,911	22,691,966	507,143	23,199,109
Transfer	-	-	81,348	(81,348)	-	-	-
Total comprehensive income for the period	-	-	-	667,670	667,670	24,909	692,579
<b>Balance at 31 March 2017</b>	6,354,096	(20,979)	406,286	16,620,233	23,359,636	532,052	23,891,688

## THE COMPANY

### Attributable to equity holders of the Company

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	7,326,773	(20,979)	(40,192)	6,069,852	13,335,454
Total comprehensive income for the period	-	-	-	(45,695)	(45,695)
Balance at 31 March 2018	<u>7,326,773</u>	<u>(20,979)</u>	<u>(40,192)</u>	<u>6,024,157</u>	<u>13,289,759</u>
Balance at 1 January 2017	6,318,879	(20,979)	(40,192)	2,087,677	8,345,385
Total comprehensive income for the period	-	-	-	80,908	80,908
Balance at 31 March 2017	<u>6,318,879</u>	<u>(20,979)</u>	<u>(40,192)</u>	<u>2,168,585</u>	<u>8,426,293</u>

- (1) This represents amounts set aside for reserve fund and enterprise expansion fund in compliance with local laws in the PRC where subsidiaries of the Group operate. The reserve fund can only be used, upon approval by the relevant authority, to offset prior year's losses or to increase capital while the enterprise expansion fund can only be used to increase capital upon approval by the relevant authority.
- (2) In 1Q2018, the Company through its wholly-owned subsidiary, Jiangsu Yanghong Marine Import and Export Co., Ltd, subscribed for 60% of the equity interest in the capital of Jiangsu Yangzi Zhuoneng Industrial Co., Ltd., a company incorporated in the People's Republic of China with a registered paid-up capital of up to RMB200 million. In the same quarter, the Company also through its wholly-owned subsidiary, Yangzijiang Shipping Pte. Ltd. subscribed for 49.45% of the equity interest in the capital of Yangzijiang Taihua Shipping Pte. Ltd. with an initial issued and paid-up capital of US\$1,100 and 70% of the equity interest in the capital of Yangzijiang Express Shipping Pte. Ltd. with an initial issued and paid-up capital of US\$100.

**1(d)(ii)(b) Number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no outstanding convertible securities as at 31 March 2018 and 31 March 2017.

**1(d)(ii)(c) Number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of Shares ('000)			
	As at 31 March 2018	%	As at 31 March 2017	%
Shares held as treasury shares	5,239	0.13%	5,239	0.14%
Issued shares excluding treasury shares	3,968,838	99.87%	3,831,838	99.86%
Total number of shares	<u>3,974,077</u>	100%	<u>3,837,077</u>	100%

The Company did not have subsidiary holdings as at 31 March 2018 and 31 March 2017.

**1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Number of Shares ('000)	
	As at 31 March 2018	As at 31 December 2017
Issued shares at the end of periods	3,974,077	3,974,077
Treasury shares at the end of periods	(5,239)	(5,239)
Issued shares excluding treasury shares	<u>3,968,838</u>	<u>3,968,838</u>

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

	Number of Shares ('000)	RMB '000
Total number of treasury shares		
Balance as at 1 January 2018	5,239	20,979
Repurchased during 1Q2018	-	-
Treasury shares re-issued	-	-
Balance as at 31 March 2018	<u>5,239</u>	<u>20,979</u>

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable as the Company does not have any subsidiary holdings.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policy and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements, except for those as disclosed under paragraph 5.



**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its first set of financial information under SFRS(I)s for the quarter ended 31 March 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

a) **Application of SFRS(I) 1**

The Group has decided not to elect any of the optional exemptions provided by IFRS(I).

b) **Adoption of SFRS(I)s**

The following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) 9 Financial Instruments
- SFRS(I) 16 Leases
- Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

i) **Adoption of SFRS(I) 15**

SFRS(I) 15 is effective for financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively.

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Following the presentation requirements in SFRS(I) 15, the Group has presented due from customers on construction contracts as contract assets and due to customers on construction contract as contract liabilities.

ii) **Adoption of SFRS(I) 9**

SFRS(I) 9 is effective for financial years beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of SFRS(I) 9 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

1) **Classification and measurement**

The Group has assessed the business models for managing the financial assets and the contractual cash flow characteristics of the financial assets to determine the appropriate classification for each financial asset under SFRS(I) 9.

As a result, certain balance sheet items and reserves were adjusted as at 1 January 2018.

## 2) Impairment of financial assets

Financial assets are subject to expected credit loss impairment model under SFRS(I) 9. As a result, the Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost.

### **Impact on the comparative for the First Quarter 2018 Financial Statements**

The following reconciliations summarise the impacts on initial application of SFRS(I) 15 and SFRS(I) 9 on the Group's financial statements.

#### **Group Balance Sheet**

	<b>Effect of SFRS(I) 15 31.12.2017 RMB'000</b>	<b>Effect of SFRS(I) 9 01.01.2018 RMB'000</b>
Decrease in due from customers on construction contracts	(5,960,320)	-
Increase in contract assets	5,960,320	-
Decrease in due to customers on construction contracts	(3,607,332)	-
Increase in contract liabilities	3,607,332	-
Decrease in financial assets, available-for-sale	-	(1,427,293)
Increase in financial assets, at fair value through profit or loss	-	1,427,293
Decrease in financial assets, held-to-maturity	-	(11,978,869)
Increase in financial assets, at amortised cost	-	11,989,753
Increase in current income tax liabilities	-	(1,633)
Increase in deferred income tax liabilities	-	(573)
<b>Movement in net assets</b>	<b>-</b>	<b>8,678</b>
Increase in other reserves	-	5,405
Decrease in retained earnings	-	3,273
<b>Movement in total equity</b>	<b>-</b>	<b>8,678</b>

## 6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

		<b>The Group</b>	
		<b>1Q 2018</b>	<b>1Q 2017</b>
(a)	Based on weighted average number of ordinary shares in issue (RMB cents)	14.99	17.42
	Weighted average number of Ordinary shares	3,968,838,000	3,831,838,000
(b)	On fully diluted basis (RMB cents)	14.99	17.42

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 period.

Diluted earnings per share is equal to basic earnings per share as at the period ended 31 March 2018 and 2017 as the Company has no potential dilutive ordinary shares.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	The Group		The Company	
	31/03/18	31/12/17	31/03/18	31/12/17
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	666.69	652.20	334.85	336.00

The Group's and the Company's net assets value per ordinary share as at 31 March 2018 and 31 December 2017 have been computed based on the share capital of 3,968,838,000 and 3,968,838,000 shares respectively.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Income statement review**

Shipbuilding Related Segment	1Q2018		1Q2017	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,934,282	100%	2,890,028	100%
Cost	(2,427,827)	-83%	(2,234,900)	-77%
Margin	<b>506,455</b>	17%	<b>655,128</b>	23%
Trading				
Turnover	1,630,080	100%	1,515,399	100%
Cost	(1,611,520)	-99%	(1,496,593)	-99%
Margin	<b>18,560</b>	1%	<b>18,806</b>	1%
Others				
Turnover	88,066	100%	64,112	100%
Cost	(52,310)	-59%	(52,487)	-82%
Margin	<b>35,756</b>	41%	<b>11,625</b>	18%

Investment Segment	1Q2018		1Q2017	
	RMB'000	%	RMB'000	%
Financial assets, at amortized cost/held-to-maturity				
Interest Income	301,953	100%	207,884	100%
Sale taxes and levies	(11,868)	-4%	(8,186)	-4%
Net interest income	<b>290,085</b>	96%	<b>199,698</b>	96%
Micro Finance Business				
Interest Income	8,874	100%	4,135	100%
Sale taxes and levies	(99)	-1%	(51)	-1%
Net interest income	<b>8,775</b>	99%	<b>4,084</b>	99%

## Revenue

Revenue for the Group comprises income generated from the shipbuilding related segment and investment segment.

9 vessels were delivered in 1Q2018, less than the 14 vessels delivered in 1Q2017. In spite of less vessels delivered in this quarter, revenue contribution in 1Q2018 by shipbuilding business of RMB2,934 million is slightly higher than that of same quarter last year, mainly due to progressive construction of more larger size containerships in this quarter. Meanwhile, due to higher volume of trading activities in this quarter, trading business also contributed towards a higher revenue of RMB1,630 million in 1Q2018 as compared to RMB1,515 million of 1Q2017. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB88 million in 1Q2018, compared to RMB64 million of 1Q2017 due to higher charter income in this quarter.

In line with the increased size of investments in financial assets, at amortised costs, interest income derived from financial assets, at amortised costs under investment segment recorded at RMB302 million, higher than same quarter last year.

Investment income derived from micro finance business in 1Q2018 increased to RMB9 million as compared to RMB4 million of 1Q2017. The increase was mainly due to higher loan balance in 1Q2018 as compared to the same quarter last year.

## Operating cost

In line with higher shipbuilding revenue generated in 1Q2018, cost of sales of RMB2,428 million was also higher than that of RMB2,235 million recorded in 1Q2017. In 1Q2018, a reversal of RMB53 million of expected losses on construction contracts was recorded as a result of progressive construction of some of the contracts on which we provided provision for expected losses in FY2017.

In 1Q2018, total cost of RMB12 million was incurred for the Group's investment segment, which mainly consist of value added taxes and levies on interest income.

## Gross Profit

The Group's shipbuilding business registered a gross profit margin of 17% in 1Q2018, significantly lower than the corresponding period of last year, mainly due to the rising costs of raw materials and the weakening USD against RMB as compared to same quarter last year.

Trading business contributed gross profit of RMB19 million in 1Q2018 with typically low gross profit margin of 1%.

As compared to the same quarter last year, net interest income generated by investment segment increased slightly to RMB299 million in 1Q2018.

## Other income

Other income, which generally includes interest income from bank deposits, interest income for ship finance leases and dividend income, decreased from RMB57 million in 1Q2017 to RMB48 million in 1Q2018. This decrease was mainly due to lower interest income from bank deposits as a result of lower bank balances and lower dividend income from financial assets.

## Other gains/losses - net

Other gains/losses mainly comprise foreign exchange related gains/losses, and fair value change on financial assets, at fair value through profit or loss and subsidy income etc. The Group recorded other losses of RMB42 million in 1Q2018 as compared to a gain of RMB91 million in 1Q2017. The loss mainly consists of a foreign exchange loss of RMB141 million and a fair value loss of RMB57 million on financial assets, at fair value through profit or loss, which was largely offset by a gain of RMB40 million from disposal of one unit of 92500DWT vessel by our shipping arm in the second hand market, and a subsidy income of RMB96 million recorded in 1Q2018.

## Expenses

In 1Q2018, administrative expenses decreased to RMB31 million from RMB129 million in 1Q2017, the significant drop was due to a reversal of impairment loss on financial assets, at amortised costs of RMB44 million in 1Q2018 while there was an impairment loss of RMB45 million recorded in 1Q2017.

In 1Q2018, finance cost decreased to RMB15 million as compared to RMB40 million in 1Q2017, mainly due to reduced borrowings at group level during the quarter under review as compared to the previous corresponding period. Meanwhile, the reduction is also contributed by the revaluation gain of the borrowing denominated in SGD.

## Share of results of associated companies

This represents the share of results from the Group's associated companies. Share of loss of associated companies of RMB5.5 million mainly consists of the share of fair value loss of venture capital investments in 1Q2018.

## Corporate Income Tax

Group's effective tax rate for 1Q2018 was 22%, slightly higher than 20% of 1Q2017. The taxation charge of RMB182 million was arrived after accounting for an average of 6% withholding tax on Chinese subsidiaries' distributable profits and an average corporate tax rate of 16% in year 2018.

## **Statements of Financial Position Review**

### Assets

Contract assets at the end of 1Q2018 had decreased slightly to RMB5,809 million from RMB5,960 million as at the end of last year.

As at 31 March 2018, total investment in financial assets, at fair value through profit or loss and financial assets, available-for-sale had decreased to RMB2,039 million from RMB2,176 million recorded at the end of last year as a result of fair value loss and disposal during the period. Following the adoption of SFRS(I) 9 on 1 January 2018, investment in financial assets, available-for-sale had been re-classed to investment in financial assets, at fair value through profit or loss. As at 31 March 2018, financial assets, at amortised costs had increased slightly to RMB12.36 billion from RMB11.98 billion at end of FY2017, and impairment provision for financial assets, at amortised costs stood at RMB1,168 million as at the end of 1Q2018.

The decrease of investment in associated companies from RMB1,395 million as at the end of last year to RMB1,218 million was mainly due to return of capital of RMB175 million received from our associated companies, and share of loss of associated companies of RMB5.5 million, net of additional investment of RMB4 million in an associated company during the quarter.

### Liabilities

Warranty provisions for completed and delivered vessels decreased by RMB19 million to RMB353 million as compared to 31 December 2017, being the net movement of provisions made for vessels delivered during the reporting period and reversal of provision after the expiry of warranty of vessels delivered in the previous year.

Borrowings represented the Group's secured and unsecured borrowings of RMB3,881 million, this represents a decrease of RMB1,010 million from RMB4,891 million as at the end of last year.

With more progressive payment received from construction contracts, contract liabilities and advances received on construction contracts as at the end of 1Q2018 had increased to RMB4,219 million as compared to RMB3,609 million at the end of last year. As of 31 March 2018, the remaining provision for expected losses on construction contracts stood at RMB 1,150 million.

### Equity

The change of "Total equity attributable to equity holders" to RMB26,460 million as at 31 March 2018 from RMB25,885 million as at 31 December 2017 was mainly a result of profits earned during the reporting period.

## **Statements of cash flows review**

Cash and cash equivalents decreased from RMB6,195 million to RMB5,551 million due mainly to net cash used in financing activities of RMB927 million during the quarter.

Increase in net working capital requirements (including restricted cash) of RMB751 million was primarily attributable to the decrease in trade and other payable of RMB980 million and the increase in financial assets, at amortised cost of RMB367 million, which was partly offset by the increase in construction contract balances of RMB762 million.

## Statements of cash flows review (continued)

The net cash provided by investing activities of RMB322 million mainly consists of proceeds from sales of property, plant and equipment of RMB104 million, proceeds from sales of financial assets, at fair value through profit or loss of RMB81 million, and return of capital by associated companies of RMB175 million.

Net cash used in financing activities of RMB927 million during 1Q2018 was the net repayment of borrowings of RMB927 million. Overall liquidity improved further as evidenced by the current ratio of 2.41 as of 31 March 2018 as compared to 2.17 as at the end of last year.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

According to Clarksons Research, 211 new shipbuilding orders (18.4 million DWT) became effective globally in 1Q2018, compared to 241 new shipbuilding orders (7.2 million DWT) in 1Q2017. China, South Korea and Japan received 33.2%, 41.9% and 12.6% of the global new shipbuilding orders respectively<sup>1</sup>. The strong order book momentum was supported by a healthy growth in international trade, ship owners' confidence in global economic growth and their long-term plan on building up their fleets.

Year to date, the Group secured new orders for 9 vessels with total contract value of USD 268 million. These new orders include 1 unit of 180,000DWT bulk carrier, 7 units of 82,000DWT bulk carriers and 1 unit of 83,500DWT combination carrier. There were 4 vessels terminated in 1Q2018, includes 2 units of 1,900TEU containerships and 2 units of 36,500DWT bulk carriers. All of the 4 terminated contracts has not started construction. As at 31 March 2018, with an outstanding order book of USD 4.5 billion for 121 vessels, Yangzijiang was ranked no.1 in China and no. 3 in the world<sup>2</sup>. These orders will keep the Group's yard facilities highly utilized up to 2020.

While global economic growth remains strong, a potential trade war has caused uncertainties in international trade and the market conditions for the shipping and shipbuilding industries. Data suggests that international trade has been resilient despite the anticipation of a potential trade war, and according to business surveys, world trade growth is expected to hold up well in the near term. While it's unlikely for the tariffs to hit trade flows in key sectors, the dynamic effects will remain to be seen. The impact of the potential trade war on Yangzijiang's business, if any, will be indirect (i.e. in the event of significant decline in global economic growth and seaborne trade). The Group's existing order book has no exposure to the sectors on the tariff list, and the Group doesn't see the tariff list on its own impacting its future order flow.

On a positive note, seaborne trade will remain a dominant part in international trade in the foreseeable future. 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 long-term demand for containerships and dry bulkers. In China, the supply-side reform will further propel the consolidation in the shipbuilding industry, and stronger shipyards, including Yangzijiang, will benefit.

Yangzijiang remained profitable during the market volatilities in the past few years and maintained a stable level of dividend and return to shareholders. With a healthy new order inflow and a stable outstanding order book, the Group will have a stable revenue stream for at least the next 2.5 years. Operationally, the Group will further build up its order book, capturing opportunities in both the dry bulker and containership segments, push forward the R&D in the LNG related vessels space, and gradually build up our capabilities in this field. In view of the Group's robust financial position, stringent risk management, strong delivery track record and reputation as a leading shipbuilder in the world, Yangzijiang commands a favourable position in a recovering market. The Board remains confident of the Group's stable operation and performance for financial year 2018.

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<sup>1</sup> [http://www.eworldship.com/html/2018/NewShipMarket\\_0419/138368.html](http://www.eworldship.com/html/2018/NewShipMarket_0419/138368.html)

<sup>2</sup> <https://mp.weixin.qq.com/s/8QRrFmMg1Jwvi7jwl60ryg>

**11. Dividend**

**(a) Current Financial Period Reported On**

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

None

**(c) Whether the dividend is before tax, net of tax or tax exempt**

Not applicable.

**(d) Date payable**

Not applicable.

**(e) Books closure date**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared for the period under review.

**13. Interested Person Transactions**

The following table sets out the current total of all transactions with the interested person for the first quarter ended 31 March 2018:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
<b>Xu Wen Jiong</b> West Gold International Pte Ltd Procurement of marine equipment	RMB 15,181,000 *	Nil <sup>^</sup>

\*Aggregate value less than 3% of Group's NTA as at 31 March 2018, shareholder mandate not applicable.

<sup>^</sup>The Company does not obtain a shareholders' mandate for interested person transactions.

#### 14. Use of Proceeds Update

A total of S\$104.4 million of S\$208.8 million raised from the issuance of 137,000,000 ordinary shares on 31 August 2017 has been utilised as follows:

	Use of new placement proceed from the issuance of 137,000,000 ordinary shares	Planned use of Net Proceeds (S\$' million)	Net Proceeds utilised (S\$' million)	Balance of Net Proceeds (S\$' million)
a	Fund new investments and business expansion through acquisitions, joint ventures and/or strategic alliances	Up to 104.4	-	104.4
b	Working capital and general corporate purposes	104.4	104.4	-
(a+b)		208.8	104.4	104.4
	Net proceeds received			208.8
	Remaining balance of proceeds			104.4

The above utilisations are in accordance with the intended use of proceeds of Placement as disclosed in the Announcement dated 31 August 2017. The Company will continue to make further announcement(s) via SGXNet when the remaining net proceeds are materially disbursed.

#### 15. CONFIRMATION PURSUANT TO RULE 720 (1) OF THE LISTING MANUAL

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

#### 16. CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We, Ren Yuanlin and Xu Wen Jiong, being two of the Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company (the "Board") that, to the best of their knowledge, nothing has come to the attention of the Board which may render the financial statements for the period ended 31 March 2018 to be false or misleading, in all material respects.

On behalf of the Board of Directors

Ren Yuanlin  
Executive Chairman

Xu Wen Jiong  
Non-independent Non-executive Director