



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 SECOND QUARTER ENDED 30 JUNE 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.

	The Group				The Group			
	2nd Quarter				January - June			
	2Q 2018	% of	2Q 2017	+/(-)%	1H 2018	% of	1H 2017	+/(-)%
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	7,963,505	100%	3,791,261	110%	12,926,760	100%	8,472,819	53%
Cost of sales	(6,401,722)	-80%	(2,986,426)	114%	(10,505,346)	-81%	(6,778,643)	55%
Gross profit	1,561,783	20%	804,835	94%	2,421,414	19%	1,694,176	43%
Other income	84,521	1%	49,992	69%	132,415	1%	107,425	23%
Other gains, net	212,181	3%	188,608	12%	169,993	1%	279,681	-39%
Expenses								
- Administrative								
• Impairment loss	(362,367)	-5%	(7,734)	4585%	(318,812)	-2%	(52,769)	504%
• Others	(101,652)	-1%	(93,893)	8%	(175,846)	-1%	(177,922)	-1%
- Finance	(32,067)	-0.4%	(13,712)	134%	(47,491)	-0.4%	(54,201)	-12%
Share of profit/(loss) of associated companies and a joint venture [#]	14,263	0.2%	(25,860)	n.m.	8,751	0.1%	(26,826)	n.m.
Profit before income tax	1,376,662	17%	902,236	52.6%	2,190,424	17%	1,769,564	24%
Income tax expense	(240,863)	-3%	(148,097)	63%	(423,293)	-3%	(322,846)	31%
Net profit	1,135,799	14%	754,139	51%	1,767,131	14%	1,446,718	22%
Attributable to:								
Equity holders of the Company	994,916	12%	719,916	38%	1,590,015	12%	1,387,586	15%
Non-controlling interests	140,883	2%	34,223	312%	177,116	1%	59,132	200%
	1,135,799		754,139	51%	1,767,131		1,446,718	22%

[#] Share of profit/(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:

	The Group		+ / (-) %
	2Q 2018	2Q 2017	Variance
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	149,627	137,908	8%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	32,067	13,712	134%
Impairment loss on inventory	-	35,137	n.m.
Impairment loss of financial assets, held-to-maturity	-	7,734	n.m.
Impairment loss of financial assets, at amortised costs	132,944	-	n.m.
Write off trade and other receivable	229,423	-	n.m.
Loss from dissolution of a joint venture	-	172	n.m.
After crediting:			
Interest income	36,987	33,127	12%
Foreign exchange related gains/(losses), net	101,019	(147,861)	n.m.
Fair value change on financial assets, at fair value through profit or loss	54,136	121,459	-55%
Gain from acquisition of subsidiaries	19,888	-	n.m.
Gain from dissolution/disposal of subsidiaries	-	133,538	n.m.
Fair value change on derivative financial instruments	-	64,984	n.m.
Reversal of allowance for expected losses recognised on construction contracts	13,873	-	n.m.
Subsidy income	20,347	2,970	585%
Dividend income	47,534	16,865	182%

n.m. denotes not meaningful.

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 30 Jun 2018 RMB'000	As at 31 Dec 2017 RMB'000 (Restated)	As at 30 Jun 2018 RMB'000	As at 31 Dec 2017 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	7,893,916	6,195,431	671,809	832,021
Restricted cash	16,018	29,405	-	-
Financial assets, at fair value through profit or loss	1,665,989	748,523	-	-
Financial assets, available-for-sale	-	1,027,293	-	-
Financial assets, at amortised costs	8,120,833	-	-	-
Financial assets, held-to-maturity	-	7,573,617	-	-
Trade and other receivables	5,434,195	5,290,056	9,214,397	10,075,526
Inventories	2,031,841	2,628,201	-	-
Contract assets	3,817,973	5,960,320	-	-
	<u>28,980,765</u>	<u>29,452,846</u>	<u>9,886,206</u>	<u>10,907,547</u>
Non-current assets				
Financial assets, at amortised costs	3,823,115	-	-	-
Financial assets, held-to-maturity	-	4,405,252	-	-
Trade and other receivables	1,361,826	1,238,174	1,659,829	2,345,870
Lease prepayments	978,117	990,795	-	-
Investment in subsidiaries	-	-	5,282,570	5,282,570
Investment in associated companies	1,405,913	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	5,202,038	4,820,729	15	22
Intangible assets	38,191	9,864	-	-
Deferred income tax assets	672,993	660,291	-	-
	<u>13,882,193</u>	<u>13,919,807</u>	<u>7,076,476</u>	<u>7,762,524</u>
Total assets	<u>42,862,958</u>	<u>43,372,653</u>	<u>16,962,682</u>	<u>18,670,071</u>
LIABILITIES				
Current liabilities				
Trade and other payables	4,687,245	5,859,041	4,026,553	4,192,887
Contract liabilities	3,918,587	3,607,332	-	-
Advances received on construction contracts	385,521	1,919	-	-
Borrowings	1,346,537	2,531,973	483,860	1,141,730
Provisions	363,283	371,993	-	-
Current income tax liabilities	1,180,838	1,203,376	-	-
	<u>11,882,011</u>	<u>13,575,634</u>	<u>4,510,413</u>	<u>5,334,617</u>
Non-current liabilities				
Borrowings	2,424,394	2,358,773	-	-
Deferred income tax liabilities	1,034,617	921,549	-	-
	<u>3,459,011</u>	<u>3,280,322</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>15,341,022</u>	<u>16,855,956</u>	<u>4,510,413</u>	<u>5,334,617</u>
NET ASSETS	<u>27,521,936</u>	<u>26,516,697</u>	<u>12,452,269</u>	<u>13,335,454</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	7,361,990	7,361,990	7,326,773	7,326,773
Treasury shares	(79,503)	(20,979)	(79,503)	(20,979)
Other reserves	753,737	568,680	(40,192)	(40,192)
Retained earnings	18,545,003	17,975,023	5,245,191	6,069,852
	<u>26,581,227</u>	<u>25,884,714</u>	<u>12,452,269</u>	<u>13,335,454</u>
Non-controlling interests	<u>940,709</u>	<u>631,983</u>	<u>-</u>	<u>-</u>
Total equity	<u>27,521,936</u>	<u>26,516,697</u>	<u>12,452,269</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

As at 30 June 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
105,044	1,241,493	100,243	2,431,730

Amount repayable after one year

As at 30 June 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
854,976	1,569,418	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.

	The Group	
	2Q 2018	2Q 2017
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	1,135,799	754,139
Adjustments for:		
- Income tax expenses	240,863	148,097
- Depreciation on property, plant and equipment	133,650	132,646
- Amortisation of lease prepayment	5,040	5,042
- Amortisation of intangible assets	10,937	220
- Finance expenses	32,067	13,712
- Gain on acquisition of subsidiaries	(19,888)	-
- Gain from disposal/dissolution of subsidiaries	-	(133,538)
- Loss from dissolution of a joint venture	-	172
- Fair value change on derivative financial instruments	-	(64,984)
- Fair value change on financial assets, at fair value through profit and loss	(54,136)	(121,459)
- Interest income	(36,987)	(33,127)
- Dividend income	(47,534)	(16,865)
- Share of (profit)/loss of associated companies and a joint venture	(14,263)	25,860
	1,385,548	709,915
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	595,809	(202,557)
- Construction contract balances	2,075,503	(1,082,773)
- Trade and other receivables	(86,821)	799,061
- Trade and other payables	(253,195)	199,773
- Financial assets, at amortised costs	228,586	-
- Financial assets, held-to-maturity	-	(22,526)
- Provisions	10,771	(54,367)
- Restricted cash	(14,804)	212,836
Cash generated from operations	3,941,397	559,362
Interest paid	(28,257)	(39,262)
Interest received	36,987	33,127
Income tax paid	(106,658)	(207,325)
Net cash provided by operating activities	3,843,469	345,902
Cash flows from investing activities		
Purchases of property, plant and equipment	(83,579)	(3,961)
Proceeds from sales of financial assets, at fair value through profit and loss	96,634	-
Dividend received	47,534	16,865
Acquisition of financial assets, at fair value through profit and loss	(67,500)	-
Acquisition of financial assets, available-for-sale	-	(307,500)
Acquisition of intangible assets	(500)	-
Acquisition of subsidiaries, net of cash acquired	(169,432)	-
Acquisition/additions of investment in associated companies	(177,600)	(241,000)
Return of capital by associated companies	4,438	7,500
Net cash outflow from sales of investment in subsidiaries	(386)	-
Net cash used in investing activities	(350,391)	(528,096)
Cash flows from financing activities		
Proceeds from borrowings	922,680	1,024,134
Repayments of borrowings	(1,156,740)	(459,575)
Purchase of treasury shares	(58,524)	-
Dividends paid to equity holders	(857,090)	(753,983)
Dividend paid to non-controlling interests	(900)	-
Net cash used in financing activities	(1,150,574)	(189,424)
Net increase/(decrease) in cash and cash equivalents	2,342,504	(371,618)
Cash and cash equivalents at the beginning of financial period	5,551,412	6,671,351
Cash and cash equivalents at the end of financial period	7,893,916	6,299,733

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.

	The Group		The Group	
	2nd Quarter		1st Half Year	
	2Q 2018	2Q 2017	1H 2018	1H 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	1,135,799	754,139	1,767,131	1,446,718
Other comprehensive income:				
Financial assets, available-for-sale				
- Fair value losses, net of tax	-	(34,578)	-	(34,578)
Currency translation difference arising from consolidation				
- Gain	42,081	-	13,434	-
Total comprehensive income, net of tax	1,177,880	719,561	1,780,565	1,412,140
Total comprehensive income attributable to:				
Equity holders of the Company	1,036,997	685,338	1,603,449	1,353,008
Non-controlling interests	140,883	34,223	177,116	59,132
	1,177,880	719,561	1,780,565	1,412,140

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 capital	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2017 as previously reported	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
Balance as restated at 1 January 2018	7,361,990	(20,979)	574,085	17,978,296	25,893,392	631,983	26,525,375
Transfer ⁽¹⁾	-	-	75,785	(75,785)	-	-	-
Proceeds from non-controlling shareholders of subsidiaries	-	-	-	-	-	20,003	20,003
Total comprehensive income for the period	-	-	(28,647)	595,099	566,452	36,233	602,685
Balance at 31 March 2018	7,361,990	(20,979)	621,223	18,497,610	26,459,844	688,219	27,148,063
Transfer ⁽¹⁾	-	-	90,433	(90,433)	-	-	-
Dividend relating to 2017 paid ⁽²⁾	-	-	-	(857,090)	(857,090)	(900)	(857,990)
Share buy back ⁽³⁾	-	(58,524)	-	-	(58,524)	-	(58,524)
Acquisition of subsidiaries ⁽⁴⁾	-	-	-	-	-	112,507	112,507
Total comprehensive income for the period	-	-	42,081	994,916	1,036,997	140,883	1,177,880
Balance at 30 June 2018	7,361,990	(79,503)	753,737	18,545,003	26,581,227	940,709	27,521,936
Balance at 1 April 2017	6,354,096	(20,979)	406,286	16,620,233	23,359,636	532,052	23,891,688
Transfer	-	-	64,089	(64,089)	-	-	-
Dividend relating to 2016 paid	-	-	-	(753,983)	(753,983)	-	(753,983)
Dissolution of subsidiaries	-	-	23,070	-	23,070	-	23,070
Total comprehensive income for the period	-	-	(34,578)	719,916	685,338	34,223	719,561
Balance at 30 June 2017	6,354,096	(20,979)	458,867	16,522,077	23,314,061	566,275	23,880,336

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 April 2018	7,326,773	(20,979)	(40,192)	6,024,157	13,289,759
Dividend relating to 2017 paid ⁽²⁾	-	-	-	(857,090)	(857,090)
Share buy back ⁽³⁾	-	(58,524)	-	-	(58,524)
Total comprehensive income for the period	-	-	-	78,124	78,124
Balance at 30 June 2018	7,326,773	(79,503)	(40,192)	5,245,191	12,452,269
Balance at 1 April 2017	6,318,879	(20,979)	(40,192)	2,168,585	8,426,293
Dividend relating to 2016 paid	-	-	-	(753,983)	(753,983)
Total comprehensive income for the period	-	-	-	679,163	679,163
Balance at 30 June 2017	6,318,879	(20,979)	(40,192)	2,093,765	8,351,473

- (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) This represents the final dividend of 4.5 Singapore cents per ordinary share in respect of the financial year ended 31 December 2017. The Company paid the dividend on 7 June 2018.
- (3) In 2Q2018, the Company bought back 13,158,400 shares of the Company by way of market acquisition, which are held as treasury shares.
- (4) In 2Q2018, the Company through its wholly-owned subsidiary, Jiangsu Yangzijiang Shipbuilding Co., Ltd, acquired 60% equity interest in the capital of Jiangsu Huayuan Logistics Co., Ltd. and its 100%-owned subsidiary, Shanghai Huayuan Shipping Co., Ltd.

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 30 June 2018 and 30 June 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 30 June 2018	%	As at 30 June 2017	%
Shares held as treasury shares	18,397	0.46%	5,239	0.14%
Issued shares excluding treasury shares	3,955,680	99.54%	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 30 June 2018 and 30 June 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 30 June 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	(18,397)	(5,239)
Issued shares excluding treasury shares	<u>3,955,680</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 April 2018	5,239	20,979
Repurchased during 2Q2018	13,158	58,524
Balance as at 30 June 2018	<u>18,397</u>	<u>79,503</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 financial information under SFRS(I)s for the second quarter and half year ended 30 June 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 FRS 39 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 Second Quarter and Half Year ended 30 June 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

	Effect of SFRS(I) 15 31.12.2017 RMB'000	Effect of SFRS(I) 9 01.01.2018 RMB'000
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)
Movement in net assets	-	8,678
Increase in other reserves	-	5,405
Decrease in retained earnings	-	3,273
Movement in total equity	-	8,678

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:-

		The Group	
		2Q 2018	2Q 2017
(a)	Based on weighted average number of ordinary shares in issue (RMB cents)	25.08	18.79
	Weighted average number of Ordinary shares	3,966,291,925	3,831,838,000
(b)	On fully diluted basis (RMB cents)	25.08	18.79

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 30 June 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	
	30/06/18	31/12/17	30/06/18	31/12/17
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	671.98	652.20	314.79	336.00

The Group's and the Company's net assets value per ordinary share as at 30 June 2018 and 31 December 2017 have been computed based on the share capital of 3,955,679,600 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	2Q 2018		2Q 2017	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	5,236,634	100%	2,262,863	100%
Cost	(4,113,247)	-79%	(1,817,273)	-80%
Margin	1,123,387	21%	445,590	20%
Trading				
Turnover	2,199,702	100%	1,111,434	100%
Cost	(2,176,566)	-99%	(1,095,151)	-99%
Margin	23,136	1%	16,283	1%
Others				
Turnover	133,453	100%	68,848	100%
Cost	(94,629)	-71%	(57,289)	-83%
Margin	38,824	29%	11,559	17%

Investment Segment	2Q 2018		2Q 2017	
	RMB'000	%	RMB'000	%
Financial assets, at amortized cost/held-to-maturity				
Interest Income	386,289	100%	341,288	100%
Sale taxes and levies	(17,240)	-4%	(16,650)	-5%
Net interest income	369,049	96%	324,638	95%
Micro Finance Business				
Interest Income	7,427	100%	6,828	100%
Sale taxes and levies	(40)	-1%	(63)	-1%
Net interest income	7,387	99%	6,765	99%

Revenue

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

20 vessels were delivered in 2Q2018, higher than the 4 vessels delivered in 2Q2017. In line with higher shipbuilding activities, revenue contribution in 2Q2018 by shipbuilding business of RMB5,237 million is also significantly higher than that of same quarter last year, mainly due to progressive construction and delivery of more larger size vessels in this quarter, including 2 units of 400,000DWT bulk carriers, 5 units of 10,000TEU containerships, and 3 units of 11,800TEU containerships. Meanwhile, due to higher volume of trading activities in this quarter, trading business also contributed towards a higher revenue of RMB2,200 million in 2Q2018 as compared to RMB1,111 million of 2Q2017. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB133 million in 2Q2018, compared to RMB69 million of 2Q2017 due to higher charter income in this quarter and shipping revenue contribution from our newly acquired 60%-owned subsidiary, Jiangsu Huayuan Logistics Co., Ltd. and its wholly own subsidiary, Shanghai Huayuan Shipping Co., Ltd ("Huayuan Group"), which owns 4 units of 47,350DWT vessels providing domestic shipping services.

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 RMB386 million, higher than same quarter last year.

Investment income derived from micro finance business in 2Q2018 increased to RMB7.4 million as compared to RMB6.8 million of 2Q2017. The increase was mainly due to higher loan balance in 2Q2018 as compared to the same quarter last year.

Operating cost

In line with higher shipbuilding revenue generated in 2Q2018, cost of sales of RMB4,113 million was also higher than that of RMB1,817 million recorded in 2Q2017. In 2Q2018, a reversal of RMB14 million of expected losses on construction contracts was recorded as a result of progressive construction of some of the contracts on which we had provided provisions for expected losses in FY2017.

In 2Q2018, the operating costs for other shipbuilding related business was 65% higher than same quarter last year, the increase was mainly because the acquisition of Huayuan Group, and a RMB10 million amortisation of intangible assets on a one-year chartering contract recognised upon acquisition.

In 2Q2018, total cost of RMB17 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 21% in 2Q2018, which is slightly higher than the corresponding period of last year, mainly due to the construction and delivery of more larger size vessels with higher profit margin in this quarter as compared to same quarter last year.

Trading business contributed gross profit of RMB23 million in 2Q2018 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 RMB376 million in 2Q2018 as a result of increased investment volume this quarter.

Other income

Other income, which generally includes interest income from bank deposits, interest income for ship finance leases and dividend income, increased from RMB50 million in 2Q2017 to RMB85 million in 2Q2018. This increase was mainly due to higher dividend income from financial assets, at fair value through profit or loss in this quarter.

Other gains - net

Other gains 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 gains of RMB212 million in 2Q2018 as compared to a gain of RMB189 million in 2Q2017. The gain mainly consists of a foreign exchange gain of RMB101 million, a fair value gain of RMB54 million on financial assets, at fair value through profit or loss, and a subsidy income of RMB20 million recorded in 2Q2018. A gain of RMB20 million on acquisition of Huayuan Logistic group was also recorded in this quarter, which is the negative goodwill recognized on the acquisition of Huayuan Group, being the difference between the fair value of net assets acquired and the consideration paid.

Expenses

In 2Q2018, administrative expenses increased to RMB464 million from RMB102 million in 2Q2017, the significant increase was due to an impairment loss of RMB229 million on trade and other receivables and an additional impairment loss of RMB133 million made on financial assets, at amortised costs in 2Q2018.

In 2Q2018, finance cost increased to RMB32 million as compared to RMB14 million in 2Q2017, mainly due to a revaluation gain of RMB25.6 million on USD borrowings as a result of appreciation of RMB against USD at the end of 2Q2017.

Share of results of associated companies

This represents the share of results from the Group's associated companies.

Corporate Income Tax

Group's effective tax rate for 2Q2018 was 17.5%, slightly higher than 16.4% of 2Q2017. The taxation charge of RMB241 million was arrived after accounting for an average of 6% withholding tax on Chinese subsidiaries' distributable profits in addition to the normal corporate income tax.

Statements of Financial Position Review

Assets

Contract assets at the end of 2Q2018 had dropped largely to RMB3,818 million from RMB5,809 million as at the end of last quarter, mainly due to the delivery of several large containerships which were close to completion status at the end of last quarter.

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 30 June 2018, investment in financial assets, at fair value through profit or loss had increased to RMB2,066 million from RMB2,039 million recorded at the end of last quarter as a result of fair value gain of RMB54 million and additional investment of RMB68 million, net of disposal of RMB97 million during the period. As at 30 June 2018, financial assets, at amortised costs had decreased slightly to RMB11.94 billion from RMB12.36 billion at end of 1Q2018, and impairment provision for financial assets, at amortised costs stood at RMB1,301 million as at the end of 2Q2018.

The increase of investment in associated companies from RMB1,218 million as at the end of last quarter to RMB1,406 million was mainly due to additional capital injection into the existing associated companies of RMB178 million and share of profit of associated companies of RMB14 million, net of return of capital of RMB4 million received from our associated companies during the quarter.

Intangible assets increased significantly to RMB38 million from last quarter, the increase was mainly the intangible assets recognized upon the acquisition of Huayuan Group at the beginning of 2Q2018. The intangible asset was generated by the existing one-year chartering contract of the four vessels under Huayuan Group, and to be amortized over the remaining 9 months of year 2018.

Liabilities

Warranty provisions for completed and delivered vessels increased by RMB10 million to RMB363 million as compared to 31 March 2018, 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 RMB3,771 million, which was maintained at a similar level as last quarter.

With more progressive payment received from construction contracts, contract liabilities and advances received on construction contracts as at the end of 2Q2018 had increased to RMB4,304 million as compared to RMB4,219 million at the end of last quarter. As of 30 June 2018, the remaining provision for expected losses on construction contracts stood at RMB 1,136 million.

Equity

The change of "Total equity attributable to equity holders" to RMB26,581 million as at 30 June 2018 from RMB26,460 million as at 31 March 2018 was mainly a result of profits earned during the reporting period, net of dividend paid for FY2017.

Statements of cash flows review

Cash and cash equivalents increased from RMB5,551 million to RMB7,894 million due mainly to net cash provided by operating activities of RMB3,843 million during the quarter.

Statements of cash flows review (continued)

Decrease in net working capital requirements (including restricted cash) of RMB2,458 million was primarily attributable to the decrease in construction contract balances of RMB2,076 million.

The net cash used in investing activities of RMB350 million mainly consists of additional investment in associated companies of RMB178 million and net cash outflow from the acquisition of subsidiaries of RMB169 million.

Net cash used in financing activities of RMB1,151 million during 2Q2018 was the net repayment of borrowings of RMB234 million and payment of dividend for FY2017 of RMB857 million. Overall liquidity improved further as evidenced by the current ratio of 2.44 as of 30 June 2018 as compared to 2.41 as at the end of last quarter.

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.

Supported by improving global seaborne trade volume and higher charter rates for several major vessel categories, the shipbuilding market continued to recover in 2018. Despite studies that suggest limited impact of the protectionism and trade wars on the global trade volume, the Group is mindful of the uncertainties and the potential risks to the shipping and shipbuilding demand. However, the Group's existing order book has no exposure to the sectors on the US' tariff list, and the Group doesn't see the tariff list directly impacting its future order flow.

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 China, the supply-side reform will further propel the consolidation in the shipbuilding industry, and stronger shipyards, including Yangzijiang, will benefit. Overall, the Group remains cautiously optimistic on the outlook for the shipbuilding industry.

Having withstood several market cycles, Yangzijiang has become the most profitable shipbuilding group in China. Year to date, the Group secured new orders for 22 vessels with total contract value of USD 0.98 billion. These new orders include 10 units of 82,000DWT, 2 units of 180,000DWT, 2 units of 208,000DWT bulk carriers, 2 units of 2,400TEU and 5 units of 12,690TEU container ships, and 1 unit of 83,500DWT combination carrier. As at 7 August 2018, with an outstanding order book of USD 4.1 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.

To achieve sustainable growth, the Group will further upgrade its product portfolio, especially through improving the technological content and efficiencies of large-size containerships and dry bulkers. It will push forward the R&D and innovation in clean energy vessels, and gradually build up the capabilities in building LNG and LPG related vessels. As cost of steel increased, the Group has implemented methods to improve the steel utilization rate, along with broad scale cost-cutting measures.

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.

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 second quarter ended 30 June 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)
<u>Xu Wen Jiong</u> West Gold International Pte Ltd Procurement of marine equipment	RMB 23,520,000 *	Nil^

*Aggregate value less than 3% of Group's NTA as at 30 June 2018, shareholder mandate not applicable.

^The Company does not obtain a shareholders' mandate for interested person transactions.

14. Use of Proceeds Update

A total of S\$141.9 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	37.5*	66.9
b	Working capital and general corporate purposes	104.4	104.4	-
(a+b)		208.8	141.9	66.9
Net proceeds received				208.8
Remaining balance of proceeds				66.9

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.

*The proceeds of RMB180 million (equivalent to S\$37.5 million) was utilized in the acquisition of Huayuan Group.

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 30 June 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