Yangzijiang Shipbuilding (Holdings) Ltd.
扬子江船业（控股）有限公司

GOING FORWARD WITH OUR CONSOLIDATED STRENGTHS

ANNUAL REPORT 2018

TABLE OF CONTENTS

CORPORATE **PROFILE**

WE ARE ONE OF THE
BEST SHIPBUILDING ENTERPRISES
IN CHINA AND WE ASPIRE TO BE
ONE OF THE BEST
IN THE WORLD

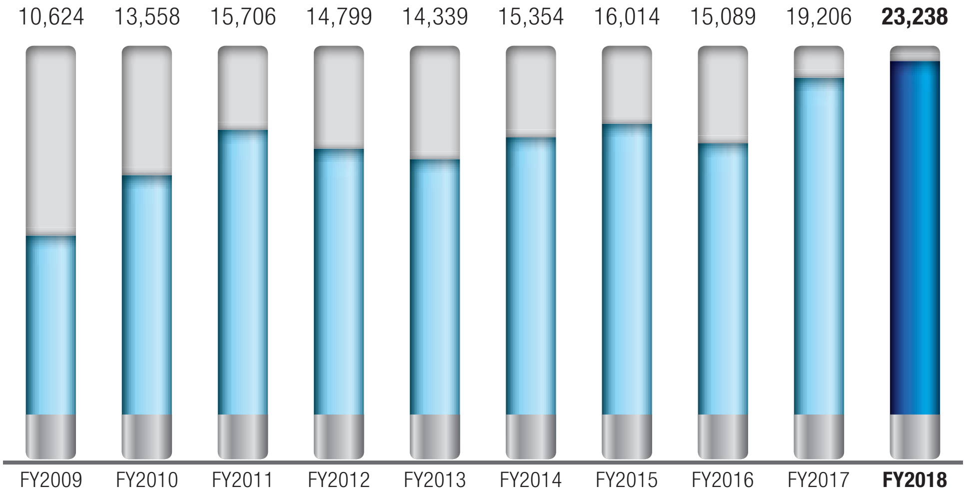
We produce a broad range of commercial vessels such as containerships, bulk carriers and LNG vessels. Our shipbuilding bases are strategically located along the Yangtze River:

Jiangsu New Yangzi Shipbuilding Co., Ltd ("New Yangzi")
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("Xinfu")
Jiangsu Yangzijiang Shipbuilding Co., Ltd ("Jiangsu Yangzijiang")
Jiangsu Yangzijiang Offshore Engineering Co., Ltd ("JYOEC")

FINANCIAL **HIGHLIGHTS**

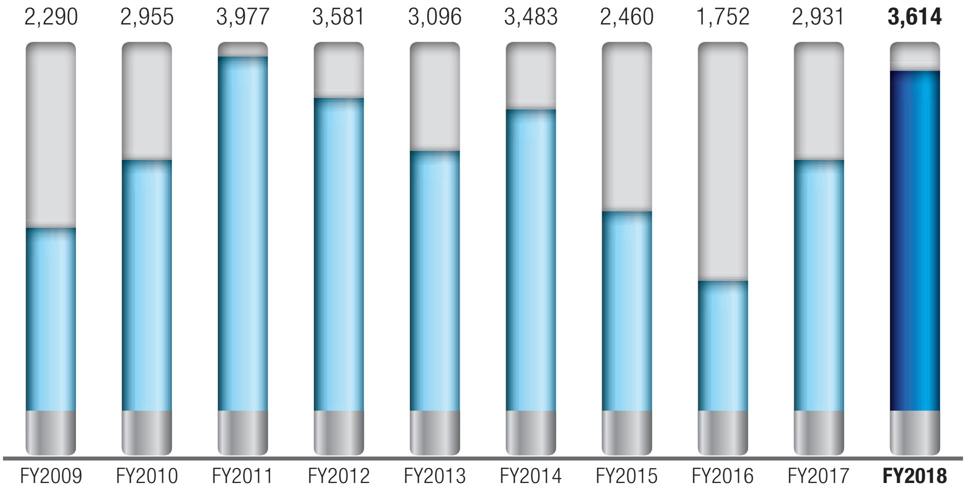
REVENUE
(RMB'MILLION)

118.7%
increase from FY2009 to FY2018



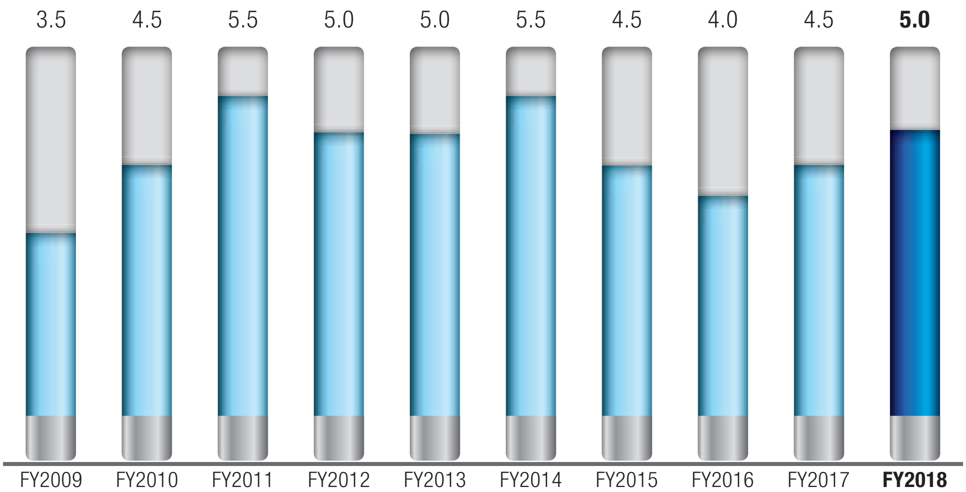
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(RMB'MILLION)

57.8%
increase from FY2009 to FY2018



DIVIDEND
(SINGAPORE CENTS)

42.9%
increase from FY2009 to FY2018



	2018 31 December RMB'000	2017 31 December RMB'000	2016 31 December RMB'000	2015 31 December RMB'000	2014 31 December RMB'000	2013 31 December RMB'000
Results						
Revenue	**23,238,289**	19,205,596	15,089,438	16,014,348	15,353,551	14,338,637
Gross Profit	**4,111,776**	3,311,963	3,636,622	3,719,271	4,143,882	4,761,895
Other Income	**840,455**	670,253	903,681	271,008	631,131	281,764
Other Gains	**501,325**	188,146	338,603	623,121	(150,182)	169,978
Net Profit Attributable to Shareholders	**3,614,044**	2,931,498	1,752,432	2,459,600	3,482,922	3,095,878
Basic EPS (RMB cents)	**91.34**	75.59	45.73	64.19	90.89	80.79
Financial Position						
Total Assets	**44,911,484**	43,372,653	41,234,183	41,246,062	40,777,982	43,211,180
Shareholders' Equity	**28,879,601**	25,884,714	22,691,966	21,799,389	20,473,394	17,800,809
Cash and Cash Equivalents	**6,594,143**	6,195,431	7,085,796	5,992,935	2,652,565	1,436,246
Net Asset Value per Ordinary Shares (RMB cents)	**731.91**	652.20	592.20	568.90	534.30	464.55
Market Capitalisation at Period End						
Dividends (Singapore Dollar)	**0.05**	0.045	0.04	0.045	0.055	0.05
Share Price at Period End (Singapore Dollar)	**1.25**	1.47	0.815	1.1	1.21	1.19
Payout Ratio	**27%**	29%	43%	33%	28%	30%
P/E	**6.83**	9.72	8.55	7.86	6.15	7.02
P/B	**0.85**	1.10	0.66	0.89	1.05	1.22
Dividend Yield	**4.00%**	3.06%	4.91%	4.09%	4.56%	4.22%
No. of Shares ('000)	**3,945,765**	3,968,838	3,831,838	3,831,838	3,831,838	3,831,838

WITH A STRONG TRACK RECORD

Over the past over 60 years, Yangzijiang has transformed from a small shipyard to the largest private shipbuilding company in China. It went through several business cycles and became a highly-respected market leader, with outstanding profitability and operational efficiency.

CHAIRMAN'S STATEMENT

In FY2018, the profitability of all our business segments grew significantly across the board.

DEAR SHAREHOLDERS,

COMPLETED DELIVERY OF CHINA'S LARGEST SHIPBUILDING ORDER

Last year, the profitability of all our business segments grew significantly across the board.

We completed delivery of the largest shipbuilding order in China's history – 25 units of 10,000-TEU containerships. The orders were placed back in 2011 by Seaspan, the world leader in containership ownership and management. Working closely with our customers, we developed this new breed of 10,000-TEU containerships with container capacity enlarged by 10%, 20% lower fuel consumption, and 20% lower pollutant emissions compared to previous conventions. This 10,000-TEU containership is our proprietary product, first delivered in 2014.

We also delivered our first batch of Very Large Ore Carriers (400,000-dwt), the largest dry bulk carriers in the world.

COLLABORATIONS TO STRENGTHEN MARKET POSITION

Leading shipbuilders are adopting big data, automation, and the internet of things, as well as sophisticated ship design methods as the market moves towards intelligent ships. Last year, we stepped up on executing our strategy to collaborate with advanced players in ship design who will strengthen our market position for more sophisticated vessels.

Joint Venture ith Global Resource Player for LNG Carriers

In September 2018, we entered into a 51:49 joint venture ("JV") to build LNG carriers with Mitsui E&S Shipbuilding ("Mitsui E&S") and Mitsui & Co., Ltd ("Mitsui"). The collaboration involves building commercial vessels, especially liquefied natural gas (LNG) carriers, at our Taicang yard in Jiangsu. Mitsui E&S Shipbuilding, a Nikkei index stock that was founded a century ago, has a track record for constructing bulk carriers, oil tankers, and LNG carriers. It also is Japan's leading manufacturer of container cranes and marine diesel engines. The JV allows Yangzijiang to import its technical expertise.

Our Japanese partners' collective 49% stake in the JV is significant enough for it to attract shipbuilding orders from Japanese ship owners who value Mitsui E&S's technology and expertise. Yangzijiang's strong track record in building large containerships and dry bulkers, management efficiency and cost control will give potential customers additional confidence. The registered share capital of the new joint venture will be up to USD99.9 million, and total capital expected to be employed could amount to USD299million. We expect the JV to commence operations in 2019.

Mitsui, one of the largest trading conglomerates in Japan, is the Group's customer for Kamsarmax bulk carriers (82,000-dwt). In

September 2018, we entered a 50:50 joint venture with Mitsui to form a shipping company in Panama with a total capital of US$13.2 million. The JV aims to provide chartering services with a fleet of top-notch quality and performance vessels. The Group will also benefit from Mitsui's privileged access to ship owners, extensive experience in ship-owning, chartering and sale & purchase of vessels.

IMPORTING FRESH TECHNOLOGY

Acquired Leading Ultramax Designer

In February 2019, we acquired 51% in Shanghai Econovo Marine Engineering Co., Ltd for RMB11.2 million. Shanghai Econovo is recognized globally as a leading designer of bulk carriers, known especially for its Ultramax design. It has a wide product portfolio, ranging from gas carriers (LPG, LEG & LNG), tankers, bulk carriers, containerships, marine surveillance ships, and marine engineering ships to offshore service vessels and FPSOs. Its design team has advanced expertise for naval architecture, fluid dynamics, structural mechanics, marine engineering, power plants and marine electrical automation. Their designs has taken into consideration of right balance of performance and green features that have been well received by the shipping market. The new concepts and new technologies that this acquisition brings to the table are expected to fortify our leading position in the shipbuilding industry.

GREATER PUSH IN PRODUCT TANKERS & GAS CARRIERS

The recovery in demand for sea transportation by dry bulk carriers and containerships has been dampened by trade tensions between the U.S. and China. Ship owners held back capital expenditure due to uncertainty over demand for Chinese imports of commodities and global seaborne trade. Last year, 97.5% of our vessel orders were for dry bulk carriers and containerships. The Group's strategy is to diversify market concentration risk by seizing opportunities in the oil & gas carrier market.

Oil tanker demand is likely to increase as seaborne trade of lower sulphur fuels is expected to rise as the revised IMO regulation to limit sulphur content of bunker fuel enters into force with effect from 1 January 2020. Strong demand for cleaner-burning fuel in Asia continued to drive rapid growth in LNG use in 2018, with global demand rising by 9% to 319 million tonnes, according to Shell's latest LNG Outlook. Shell expects global LNG imports to grow at a compounded annual growth rate of 4% between 2018 and 2035. Market insiders are talking about possible shortage of LNG carriers following a boom in infrastructure investment for LNG projects (2018 study by International Energy Agency).

MAINTAIN A HIGH-QUALITY ORDER BOOK

Overcapacity of shipyard space and cut throat price competition from state-owned Korean and PRC shipyards have contributed to depressed vessel prices. Even though the industry is challenged by this structural issue, it is the Group's policy not to take any new order that could lead to a loss. The Group's gross shipbuilding margin in FY2018 was 16.1%. We believe that by competing in the market for more technically demanding vessels such as oil tankers and LNG vessels, we would be able to defend our overall shipbuilding margins and eventually lift it.

A second avenue for securing better margins was to bid for semi-completed vessels abandoned by distressed yards. These vessels could typically be acquired at very attractive prices. We complete the construction of such vessels and sell them on the market for a profit. We have 2 vessels acquired at auctions for such and shall continue to seek opportunities in this area.

Sustained Profitability

In 2018, Group's revenue increased by 21% to RMB23.2 billion. Profit attributable to shareholders increased by 23% to RMB3.6 billion. About two thirds of the Group's gross profit came from our shipbuilding segment. The Group delivered 46 vessels on schedule compared to 33 vessels in 2017. This was a remarkable feat given that the marine industry is in a decade long consolidation with a 25% decline year-on-year in the profits of the top 80 shipyards in China in 2018.

Our sustained long-term earnings growth was due to the healthy order book momentum for newbuilding that we had kept up from year to year. We had a 15% market share of the shipbuilding output in China and 6% globally. We ended 2018 retaining our position as the shipbuilding enterprise with the largest order book (USD3.9 billion) in China and top 5 globally. We were one of China's top 500 companies.

主席致辞

We had positive revenue contribution from other shipbuilding related businesses such as ship chartering, trading, ship design, as well as from our investment segment. In the year ahead, we will focus on increasing order momentum for oil tankers and gas carriers. This is an extension of our diversification strategy in areas related to our core shipbuilding capabilities.

The rising interest rate environment globally helped our investment segment last year. In FY2018, we had a net interest income of RMB1.5 billion from our investment segment, up 44.7% year-on-year. Investments accounted for almost one third of the Group's gross profit. This segment is spearheaded by myself while the CEO leads our shipbuilding operations.

We are reactivating our changbo yards in steps and expanding our product range through strategic collaborations. Our substantive orderbook will keep the Group's yard facilities at a healthy utilization rate up to 2021 and provide a stable revenue stream.

Dividends and Appreciation

We are pleased to declare a final dividend of 5 Singapore cents per share for FY2018, a 27% payout on our net earnings. We thank all our management and employees for their invaluable effort and contribution to the Group through the challenging times in the industry. We thank our customers and business associates for their support of our business. The dividend payout represents our commitment to reward shareholders.

With your continued support, we believe our disciplined and forward-looking approach to the industry consolidation will see us through our mission to be the top shipbuilding enterprise globally.

Ren Yuanlin
Executive Chairman

各位尊敬的股东，

圆满交付中国造船史上最大订单

去年，我集团所有的业务都实现了可观的盈利增长。我们圆满完成了25艘10,000TEU集装箱船订单最后几艘船的交付。

这是中国历史上最大的造船订单，由世界最大的集装箱船船东西斯班自2011年起分批下单，集团自2014年起开始交付。这批万箱轮是我们的自主研发产品，由集团和客户共同开发设计，通过创新改良，将集装箱容量与传统船型相比增加10%，并同时节省20%的油耗及减少20%的污染物排放。

我们也交付了船厂第一批40万吨超大型矿砂船。这是世界上最大的干散货船。

通过合作共赢，巩固市场地位

随着大数据等新技术的出现，世界大型船厂已开始通过高精尖造船设计将自动化引入智能造船领域。我们在过去一年里已开始通过与船舶设计行业领先者的合作，强化智能设计和数字化造船，以巩固扬子江在高端复杂船型市场中的地位。

与有全球资源的液化天然气运输船船东和船厂成立合资公司

2018年9月，我们与三井E&S造船株式会社（「三井E&S造船」）和三井物产株式会社（「三井物产」）签约成立了持股比例为51:49的合资企业，以建造液化天然气运输船（LNG）。合资企业将以扬子江的太仓船厂为基地，建造商用船，尤其是液化天然气运输船。三井E＆S造船是日经指数成分股之一，拥有100多年的造船历史，在建造散货船、油轮和液化天然气运输船方面有丰富经验和出色记录。它也是日本领先的集装箱起重机和船用柴油发动机制造商。三井的领先造船技术对我们造船能力的进一步提升具有重要意义。

我们的日本合作伙伴在合资企业中拥有49%的股权，这将足以吸引看重三井造船的造船技术和能力的日本船东的造船订单。扬子江在建造大型集装箱船和干散货船方面的良好记录以及高效管理效率和成本控制将为潜在客户提供更多信心。新合资企业的注册资本预计为9990万美元，总资本开支预计为2.99亿美元。合资公司预计将于2019年开始运营。

三井物产是日本最大的贸易集团之一，是扬子江Kamsarmax（82,000载重吨）散货船的客户。 2018年9月，我们与三井物产成立了50:50合资企业，成立了一家在巴拿马注册的航运公司，总资本为1320万美元。

合资公司将建立一支质量和性能一流的船队并提供租船服务。通过与三井的合资，集团将获得更多的船东资源，并积累更多船队管理、租船及买卖船舶的经验。

引入新鲜血液，提升造船技术
收购大型散货船领先设计公司股权

2019年2月，我们以人民币1,120万元收购了上海绎凯船舶设计有限公司（「上海绎凯」）51％的股权。上海绎凯是全球公认领先的散货船设计公司，以其Ultramax设计而闻名。其设计产品组合广泛，包括天然气运输船（液化石油气、液乙烯和液化天然气）、油轮、散货船、集装箱船、海上监视船、海洋工程船、海事服务船和浮体生产储卸船（FPSO）等。其设计团队拥有海军建筑、流体动力学、结构力学、海洋工程、发电厂和船舶电气自动化方面的先进专业知识。其设计的船舶性能卓越，兼备环保考量，受航运市场广泛欢迎。此次收购带来的新概念和新技术有望巩固扬子江在造船业的领先地位。

着力发展油轮和液化气运输船业务

2018年，干散货船和集装箱船的海运需求复苏受到了中美贸易紧张局势的冲击。由于中国进口大宗商品和全球海运贸易需求的不确定性，船东暂缓了资本支出。去年，我们97.5％的船舶订单来自干散货船和集装箱船。我们希望通过发展油轮和液化气运输船业务来分散市场相对集中的风险。

由于国际海事组织修订的限制船用燃料硫含量的法规将于2020年1月1日起生效，预计低硫油的海运需求将增加。壳牌最新液化天然气市场展望指出，由于亚洲对清洁燃料需求的持续增长，2018年全年全球液化天然气需求增长9%，达3.19亿吨。壳牌预计全球液化天然气进口量将在2018年至2035年之间以4％的复合年增长率增长。国际能源署2018年研究报告显示，市场内部人士正在讨论液化天然气项目基础设施投资热潮后可能出现的液化天然气运输船短缺问题。

坚持对订单质量的要求

造船产能过剩以及来自韩国和中国国有船厂的价格竞争遏制了市场缓慢复苏的过程中船价的增长。尽管造船行业受到这一结构性问题的挑战，但扬子江从不接受可能导致亏损的造船订单，因此，即使在市场复苏乏力的情况下，集团2018财年的造船毛利率仍达到16.1％。我们相信，通过研发和建造技术含量更高的船型，我们能够维持相对健康的利润率，甚至在市场环境好转时提升利润率。

争取较高利润率的另一个途径是竞标被经营困堆的船厂弃置的半成品船。通常这类船只的收购价格对我们相当有吸引力，我们在扬子江完成这些半成品船只的建造并在市场出售。我们已经通过拍卖获得了2艘这样的船，并在继续寻找相关机会。

持续的盈利能力

2018年，集团收入增加21％至人民币232亿元。股东应占盈利增加23％至人民币36亿元。毛利中约三分之二来自我们的造船业务。2018年集团按计划交付46艘船舶，多于2017年交付的33艘船舶。受长达十年的行业整合和行业景气度的影响，中国前80家船厂的利润在2018年同比下降25％。与行业整体利润表现相比，扬子江在2018年取得了了不起的成就。

我们持续的长期盈利增长受益于每年稳健的新订单流入。按造船产量计，我们在中国占有15％的市场份额，在全球占有6％的市场份额。扬子江作为中国500强企业之一，在2018年保持了造船行业的领先地位，以39亿美元的在手订单，在全球排名前五。

同时，我们的其他造船相关业务，例如船舶租赁、贸易、船舶设计以及我们的投资业务都为营收做出了积极贡献。2019年，我们将努力争取油轮和天然气运输船订单，对我们的造船核心业务进行进一步的多元化延伸。

全球利率环境的变化和利率提升对我们的投资业务带来积极影响。2018财年，我们的投资业务净利息收入为人民币15亿元，同比增长44.7％。投资业务贡献集团毛利的近三分之一。投资业务由我本人亲自监管，我们的首席执行官主要负责集团造船业务。

我们正在逐步重新启用暂时搁置的长博船厂设施，以及通过战略合作，拓宽造船产品范围。我们拥有足够的在手订单，集团造船产能将保持高效利用至2021年，并提供稳定的收入来源。

股息及致谢

2018财年，集团决定派发每股5新加坡分的股息，派息率为27％。我们感谢所有管理人员和全体员工在行业充满挑战的环境里为集团做出的宝贵努力和贡献，并感谢所有客户和业务伙伴对我们业务的支持。我们坚持通过派发股息表达对股东长期支持的感谢。

有您的长期支持，相信我们有能力以严谨的态度和足够的远见，在行业整合的过程中巩固有利地位，并不断向我们成为全球顶级造船企业的使命迈进。

任元林
执行主席

CORPORATE MILESTONES

2007

- Successful listing on SGX
- Completion of New Yangzi Yard

2008

- Million square meters expansion plan completed

2014

- Yangzi Xinfu Yard become fully operational and successfully delivered six 10,000TEU containerships
- Group secured its four largest ever 260,000DWT very large ore carriers from its first Australian customer
- New Yangzi Yard was qualified as a High/New Technology Enterprise and is entitled to enjoy a preferential corporate income tax rate of 15% for three years from FY2013

2013

- Yangzijiang launched China's first ever 10,000TEU containership in September 2013.
- Yangzijiang became the first company to trade its shares in RMB on SGX, in addition to its existing SGD counter on SGX dual currency trading platform.
- Placement of 330,000,000 warrants at an issue price of RMB0.3072 (S$0.0605) for each warrant, with each warrant carrying the right to subscribe for one (1) new share in the capital of the company at the price of RMB7.617 for each new share.

2015

- The Group diversifies Shipbuilding to LNG Vessels with Orders worth US$135 Million
- Re-entered STI index from 21 September 2015
- Yangzijiang wins Gold at PR Awards 2015 for Best IR Campaign in March 2015
- Yangzijiang wins prestigious Shipbuilding & Repair Yard Award at Seatrade Maritime Awards Asia 2015 in November 2015

2016

- Successfully delivered our first 260,000DWT very large ore carrier, largest ever in terms of deadweight tonnage
- Awarded new shipbuilding orders for Six 400,000 DWT VLOCs by ICBC Leasing, marking a rare case where a state-owned ship owner in China places orders with a private shipyard

2009

- Runner-up for Most Transparent Company (Foreign Listing Category) at SIAS Investors Choice Awards 2009

2010

- First Chinese-majority owned company listed on Taiwan Stock Exchange
- Largest S-Chip company listed on SGX and most profitable Singapore-listed China company

2011

- YZJ Awarded Most Transparent Company Award 2011 (Foreign Listing Category) at SIAS Investors Choice Awards 2011
- YZJ Launches first Chinese-built ship with a groot cross-bow
- First Chinese yard to receive orders for 10,000 TEU containership vessels

2012

- The Group's Executive Chairman, Mr Ren Yuanlin, was voted by Lloyd's List as one of the top 100 most influential personalities in the shipping industry
- YZJ Awarded Most Transparent Company Award 2012 (Foreign Listing Category) at SIAS Investor Choice Awards 2012
- The Group secured its maiden offshore deal to construct and deliver one unit of Letourneau Super 116E Class design self-elevating Mobile Offshore Jackup Drilling Rig worth US$170 million
- Our new vessel designs, the 45,000-DWT, 46,500-DWT and 8,500-DWT vessels were awarded "New High Technology" certifications by the Jiangsu Provincial Technology Board in 2012

2017

- Successfully delivered our first Liquefied Natural Gas ("LNG") vessels
- Successfully delivered our largest 11,800TEU containerships
- Successfully launched the first batch of 400,000 DWT Very Large Ore Carrier ("VLOC"), largest dry bulk carriers in the world
- Xinfu Yard was qualified as a High/New Technology Enterprise and is entitled to enjoy a preferential corporate income tax rate of 15% for three years from FY2016

2018

- Successfully delivered the first batch of 400,000 DWT Very Large Ore Carrier ("VLOC")
- Entered into a Joint Venture agreement with prominent Japanese shipbuilding yards, Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. to set up a shipbuilding joint venture in Taicang

WHILE **UNCERTAINTIES** REMAIN IN THE **SHIPBUILDING MARKET**

We secured new shipbuilding orders worth US$1.46 billion in 2018.

BOARD OF DIRECTORS

REN YUANLIN

(Aged 65, Chinese)

EXECUTIVE CHAIRMAN

Mr Ren was appointed as a Director of the Company on 13 January 2006 and the Chairman on 18 March 2007. He is the founder of the Group and is currently responsible for the overall management and operations of the Group.

Mr Ren has over 40 years of experience in the shipbuilding industry, and has taken on various positions within the Group and its predecessors since 1973. From his humble beginnings as a worker, Mr Ren has transformed Yangzijiang to a formidable force within the Chinese and global shipping industry with a vision to make Yangzijiang one of the most outstanding shipyards in the world. In spite of multiple foregoing challenges faced by the Company and industry, Yangzijiang has time and again emerged stronger under the capable leadership of Mr Ren.

Mr Ren was crowned the country winner of the Mainland China region at the prestigious Ernst & Young Entrepreneur of the Year China 2011 awards. Recognized globally, Ernst & Young Entrepreneur of the Year awards honour the most outstanding entrepreneurs who inspire others with their vision, leadership and achievements.

In 2014, Mr Ren was awarded the 2013-2014 Outstanding Entrepreneur Award by the Chinese Enterprises Association, China Entrepreneurs Association and China Enterprise Management Science Foundation. The award is given in recognition of his success in heading Yangzijiang Shipbuilding and his contribution to the nation's social and economic development.

Mr Ren also holds a Diploma in Economics from Jiangsu Television Broadcasting University which he was conferred in 1986.

CHEN TIMOTHY TECK LENG

(Aged 65, Canadian)

INDEPENDENT DIRECTOR

Mr Chen was appointed as Independent Director of the Company on 26 April 2013.

Mr Chen has more than three decades of management experience in banking, insurance, international finance and corporate advisory work. He has held positions in Bank of America, Wells Fargo Bank, Bank of Nova Scotia and Sun life Financial Inc.

He was formerly the General Manager, China for Sun Life Financial Inc., and the President & CEO of Sunlife Everbright Life Insurance Company in China.

Mr Chen earned his Bachelor of Science degree from University of Tennessee and his Master's of Business Administration degree from Ohio State University. He received his Certified Corporate Director (ICD.D) designation from the Canadian Institute of Corporate Directors.

Mr Teo is the Lead Independent Director of our Company. Mr Teo was appointed as a Non-Executive Director of the Company on 28 July 2006, and was re-designated as Independent Director on 28 April 2009.

Mr Teo started his career as an Engineer in SGS-Thomson Microelectronics and moved on to Keppel Corporation Ltd, conducting business development activities for Keppel's offshore and marine businesses. In 1999, he joined Boston-based Advent International Private Equity Group to conduct direct investments into Asian based businesses. Mr Teo currently co-manages a Private Equity fund with Tokyo-based Polaris Capital Group, and focuses on Asian buyout transactions in the electronics, chemical, engineering and technology sectors.

Mr Teo holds two Masters' degrees: Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. Mr Teo was accredited as a Chartered Financial Analyst by the CFA Institute in 2001.

TEO YI-DAR

(Aged 48, Singaporean)

LEAD INDEPENDENT DIRECTOR

Mr Xu was appointed as Non-Independent, Non-Executive director on 30 April 2014. Mr Xu possesses more than 40 years of experience in marine industry, he graduated in Electrical Engineering from "Nan Jing Marine Institute" in the year of 1969. He joined Qing Dao Bei Hai Shipyard in the same year and later in 1975 he joined the COSCO Group to further his career until 1989.

In 1992, he acquired "West Gold International Pte Ltd" ("West Gold") (which was initially registered in Hong Kong). As the Chairman and Managing Director of West Gold, Mr Xu contributes greatly towards West Gold over the years, and shifted its headquarter from Hong Kong to Singapore in 1994.

West Gold is mainly engaged in shipbuilding, shipping-related businesses, including shipbuilding agency, ship chartering, ship navigation equipment and other marine equipment sales and technical services as well as business coverage in containers including reefer containers, storage as depot and repair and other related businesses with offices in Hong Kong, Shanghai and some major cities of Mainland China, as well as in Europe.

XU WEN JIONG

(Aged 70, Chinese)

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

SENIOR MANAGEMENT

REN LETIAN

(Aged 37, Chinese)
CHIEF EXECUTIVE OFFICER

Mr Ren Letian was appointed as Chief Executive Officer of the Group on 1 May 2015.

Mr Ren Letian joined the Group as a site project manager in year 2006. Since then, he has assumed several managerial roles at various levels and business divisions in the Group, and gained in-depth knowledge of the operations of the Group.

In 2014, under the management of Mr Ren Letian, the Group's Yangzi Xinfu Yard had successfully delivered 6 vessels of 10,000TEU containerships despite numerous challenges faced by the Yangzi Xinfu Yard which only turned operational in 2013. He has also received several recognitions from the local government for his outstanding achievements.

He now helms the Group's overall shipbuilding operations, and exhibits increased maturity and capability in overseeing various business functions that are integral to the successful delivery of quality vessels.

Mr Ren Letian is the son of Mr. Ren Yuanlin, the executive chairman of the Group, and holds a Master's Degree from London Southbank University.

WANG JIANSHENG

(Aged 62, Chinese)
GENERAL MANAGER

Mr Wang was appointed as General Manager of Jiangsu New Yangzi Shipbuilding Co., Ltd on 1 January 2008. He is now the Deputy Chairman of the Group and responsible for operation of the Shipping Logistics & Ship Design Segment.

Mr Wang has over 30 years of experience in the shipbuilding industry. Prior to joining the Group, between 2004 and 2007 Mr Wang was the Vice President of Shanghai Waigaoqiao Shipbuilding Co., Ltd., and was responsible for the management of manufacturing. He joined Shanghai Shipyard Co. Ltd in 1982 as Assistant Manager in the workshop and was promoted to Vice General Manager in 1997.

Mr Wang holds a Degree from Wuhan University of Technology which he was conferred in 1982.

WANG DONG

(Aged 60, Chinese)
DEPUTY GENERAL MANAGER

Mr Wang has over 30 years of experience in the shipbuilding industry. He first joined Jiangyin Shipbuilding Factory in 1977 as a workshop welder. Thereafter in 1985, he was transferred to the administrative management department.

In 1988, he was promoted to the position of Assistant Sales Supervisor of Jiangyin Shipbuilding Factory. Between 1992 and 1997, he held the position of assistant factory supervisor of Jiangyin Shipbuilding Factory (which was changed to Jiangsu Yangzijiang Shipbuilding Factory in 1992), where he was in charge of the daily operations of the factory.

Thereafter, he became the Deputy General Manager of Jiangsu Yangzijiang Shipbuilding Factory (which has since been changed to Jiangsu Yangzijiang in 1999). He is now the Deputy General Manager of the Group and in charge of the procurement of materials for the shipbuilding processes.

Mr Wang holds a high school certificate from Jiangyin City High School which he was conferred in 1975.

XIANG JIANJUN

(Aged 59, Chinese)
DEPUTY GENERAL MANAGER

Mr Xiang has over 30 years of experience in the shipbuilding industry. He joined Jiangyin Shipbuilding Factory in 1978, and worked in the workshop for about one year. In May 1979, he became a Loftsman, and since then, he has worked in various positions within Jiangyin Shipbuilding Factory (which was changed to Jiangsu Yangzijiang Shipbuilding Factory in 1992 and finally Jiangsu Yangzijiang in 1999). He was promoted as the Head of Production Process Department Section in 1985.

From January 1992 to December 1994, Mr Xiang was the Chief of the Technical Department Section of Jiangsu Yangzijiang Shipbuilding Factory. Between 1995 and 1998, he served in various positions including the Head of the Production Process, Technical Quality Control Department and Assistant Shipyard Supervisor of Jiangsu Yangzijiang Shipbuilding Factory. In January 1999, he became the Shipyard Supervisor of Jiangsu Yangzijiang.

He is now the Deputy General Manager of the Group and in charge of corporate management of the Group.

Mr Xiang holds a Diploma in Ship Engineering from Wuhan School of Transport by Water which was conferred in 1991.

DU CHENGZHONG

(Aged 51, Chinese)
DEPUTY GENERAL MANAGER

He was appointed as the Deputy General Manager and Head of Quality Control Department in New Yangzi in January 2006. He is now the Deputy General Manager of the Group and the General Manager of Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. and Chief Engineer of the Group, and is responsible for operations of Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.

Mr Du has over 20 years of experience in the shipbuilding industry. In July 1991, he started as a trainee in the turbine workshop of the then Jiangyin Shipbuilding Factory. In July 1992, he became a technician in the same workshop where he held the position till December 1996. During the period between January 1997 and December 2001, he worked as a construction manager in the Production Department of Jiangsu Yangzijiang. In January 2002, he was promoted to the position of Deputy Head of Engineering Department of Jiangsu Yangzijiang and served in the position till December 2004. Thereafter, between January 2005 and December 2005, he held concurrent positions as Assistant General Manager cum Head of Technical Preparation Department.

Mr Du holds a Bachelor's Degree in Mathematics and Engineering from Harbin Engineering University (formerly known as Harbin Shipbuilding Engineering Institute) which he was conferred in 1991. He was accredited as an Engineer by the Wuxi City Human Resource Bureau in 1998.

5 SINGAPORE CENTS DIVIDEND PER SHARE FOR FY2018

As the largest Chinese entity listed on SGX and an STI component stock, Yangzijiang has consistently returned to shareholders through stable dividends. Its shares have been owned by many institutional investors around the world today, including government pension funds and sovereign funds.

FINANCIAL AND OPERATIONS REVIEW

In 2018, the Group's revenue increased by 21% to RMB23.2 billion. We posted strong gross profit growth by 24% year-on-year to reach RMB4.1 billion. The Group's gross profit of RMB4.1 billion came mainly from shipbuilding at 55% and investment income at 38%. Gross profit contribution from shipbuilding related businesses such as shipping logistics, chartering and ship design services remained relatively small at 5%. Trading contributed 2% while microfinance contributed 2%.

Profit attributable to shareholders increased by a significant 23% to RMB3.6 billion.

Strong Profit Growth in All Segments

- **Shipbuilding up 8%**

Shipbuilding gross profit achieved an increase of 8% and contributed RMB2.3 billion.

We maintained a relatively stable shipbuilding gross margin at 16.1%. For our shipbuilding segment, 46 vessels were delivered according to schedule compared to 33 vessels in 2017. We delivered our final batch of four 10,000-TEU containerships to Seaspan in 2018.

- **Shipbuilding Related Businesses up 165%**

Gross profit from shipbuilding related businesses more than doubled to RMB205.2 million (up 165%).

This includes shipping logistics & chartering and ship design services. Segment gross margin improved significantly by 15.6 percentage points to 35.3%. This was mainly due to higher charter rates in 2018. There was also an additional revenue of RMB154 million contributed by Shanghai Huayuan Shipping Co., Ltd, a shipping company that we acquired in 2018 for RMB299.3 million. Shanghai Huayuan Shipping provides domestic shipping services.

- **Trading up 52%**

Gross profit from trading surged by 52% and contributed RMB102.0 million.

This was due to a higher volume of trading business in FY2018. The segment generated a typically low gross profit margin of 1.5%.

- **Net Interest Income from Treasury Investments up 43%**

Net Interest Income from Treasury Investments surged by 43% and contributed RMB1.5 billion.

This was on the back of an increase of 23.6% on *Debt Investments at Amortised Costs*[1] to RMB14.8 billion. Segment gross margin was 95.7% after deducting operating costs of value added taxes and levies on interest income.

- **Net Interest Income from Microfinance up 97%**

Net interest income from microfinance near doubled (up 97%) and contributed RMB62.4 million.

Segment gross margin was 99.2% after deducting operating costs of value added taxes and levies on interest income.

1 Our Treasury Investments, formerly classified as "Held-to-Maturity" investments, were classified as *Debt Investments at Amortised Cost* with effect from 1 January 2018 in accordance to changes in the prevailing Singapore Financial Reporting Standards (International).

Stronger USD Lifts Profits

The USD recovered from a low of RMB6.27 at the beginning of 2018 to a high of RMB6.97 around November, gaining close to 10%. As our shipbuilding contracts are denominated in USD, the strong dollar reaped for us book value foreign exchange gains of RMB357 million.

Interest Income and Other Income

Income from forfeiture of security guarantees and advances for shipbuilding contracts was RMB444 million.

In addition to interest income on our Treasury investments, we also had interest income from bank deposits and interest income for ship finance leases. This increased by 34.1% to RMB185 million due to a higher interest rate environment and higher average cash balance in 2018.

Dividend income from financial assets was RMB184 million.

Strategic Investments

In September 2018, we entered a 50:50 joint venture with Mitsui to form a shipping company in Panama with a total capital of US$13.2 million. Our FY2018 capital expenditure of RMB483.5 million in plant, property and equipment was mainly due to the expansion of our chartering fleet, in addition to the upgrade of our shipbuilding facilities.

Stronger Balance Sheet

The Group was in a net cash position as at 31 December 2018. Cash reserves increased by 6.4% to RMB6,594 million. Borrowings decreased by 17.3% to RMB4,044 million. Gross gearing was 13.7% compared with 18.4% a year ago.

Conservative Risk Management

The Group has a robust and rigorous system of risk management handled by 40 professionals with extensive experience in banking, legal, and auditing backgrounds. Every treasury investment product proposal goes through a thorough due diligence review by our investment committee and legal counsel before approval for fund disbursement. Each product is designated with a team for weekly monitoring of project status such as interest coverage ratio and payment progress.

Impairment provision for *Debt Investments at Amortised Cost* was RMB1,546 million as at the end of FY2018. Warranty provisions for completed and delivered vessels decreased by 13.6% to RMB321 million. This is the net movement of provisions made for vessels delivered during the reporting period and the reversal of provision after the expiry of warranty of vessels delivered in the previous year.

Provision for onerous contracts stood at RMB1,099 million as at 31 December 2018.

RMB119 million of net reversal of provision for onerous contracts was recognised in FY2018. We wrote down another RMB211 million in value of the jack up drilling rig. We are actively seeking for potential buyer for the jack up rig.

As compared to RMB 160 million share of profit recognised in FY2017, share of loss from associated companies was RMB86 million in FY2018 due mainly to mark to market variation of assets value.

FINANCIAL AND OPERATIONS REVIEW

Outlook

The global shipbuilding market continued to recover in the early part of 2018, although the momentum tapered off due to ongoing trade tensions between the U.S. and China and the forthcoming IMO 2020 Global Sulphur Cap. 1,204 new shipbuilding orders became effective for the entire industry in 2018, 18.3% lower compared to 2017.

Clarksons estimated that global container shipping volume grew by 4.3% in 2018, a slower pace than in 2017, and expected the growth to remain steady at 4.1% in 2019. Containership capacity grew by 5.6% in 2018, and is estimated to grow at 2.9% in 2019. Global seaborne dry bulk trade growth is estimated at 2.8% (by tonne-miles) in 2018, and the base case projection for 2019 is 3.4%. Risks from the global economic growth and the trade tensions still exist, which could weigh on the pace of new shipbuilding order placement.

In 2018, the Group secured new orders for 36 vessels with a total contract value of USD1.5 billion. These new orders included the following vessels:

Vessel Specification	Orders
12,690-TEU containership	5
2,700-TEU containership	3
2,400-TEU containership	2
1,800-TEU containership	2
83,500-DWT combination carrier	3
82,000-DWT bulk carrier	15
180,000-DWT bulk carrier	2
208,000-DWT bulk carrier	4

As at 31 December 2018, with an outstanding order book of USD3.9 billion for 113 vessels, Yangzijiang was ranked no. 1 in China and no. 5 in the world. These orders will keep the Group's yard facilities at a healthy utilization rate up to 2021 and provide a stable revenue stream to the Group.

In October 2018, the Group announced its intention to enter a shipbuilding joint venture with prominent Japanese shipbuilder Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd, one of Japan's largest trading conglomerates to expand its customer base with diversified vessel types and enter into new areas of shipbuilding business, primarily in LNG related vessels. The joint venture is expected to further enhance Yangzijiang's shipbuilding capabilities, upgrade its product portfolio and create momentum for order book growth.

The Group's robust financial position, prudent risk management, strong delivery track record and reputation as a leading shipbuilder in the world places it in a favourable position in a recovering market. The Board remains confident of the Group's stable operational and financial performance for financial year ending 31 December 2019.

SUSTAINABILITY REPORT

This section summarizes the highlights of the Group's sustainable development integration in 2018. A full report will be published at the end of May 2019.

STAKEHOLDER ENGAGEMENT

The following stakeholder engagement development took place in 2018, in line with the Group's strategy to expand its vessel range of intelligent ships.

- The Group recently joined the PRC Alliance of Innovation for Intelligent Ships. On 22 March 2018, we co-hosted a forum on intelligent ship design with Ship Design and Research Institute (China).
- Signed 3-year collaboration agreement with Beijing Hailanxin Data Technology Co Ltd on 16 March 2018 to promote the development of intelligent ships.

The Group actively engages its suppliers, PRC industry associations, banks, government bodies and academic institutions to improve the standards of shipbuilding in China. These include formal collaboration agreements, exchanges, site visits, and industry forums. It regularly submits its R&D findings to industry bodies for adoption.

Within the organization, it has many initiatives for employee skills upgrade as well as volunteer work to assist the needy in the community. There is a strong incentive reward program to encourage employees to come up with innovative methods of improving the Group's productivity and efficiency.

MATERIAL TOPICS

The Group's material topics in sustainability matters are as follows:

1. Economic Contribution – Financial disbursements to the local community in as well as tax payments to the government.
2. Environmental Protection – R&D in processes and materials to reduce the impact that pollution from shipbuilding activities have on the environment and worker health.
3. Workplace Safety – Training, drills, and industry forums are regularly conducted.
4. Community Training & Development – Improving industry practices, Internal training program such as Project Voyage, collaboration with vocational institutions to nurture talent for the industry, college internship.

ECONOMIC CONTRIBUTION

Yuanlin Charity Foundation's Sight Restoration Project Helps Over 20,000 Cataract Patients.

GRI 201-1 Direct Community Investments Distributed
Yuanlin Charity Foundation's Movement of Light Cataract Sight Restoration project was recognized as the Most Influential Charity Project – Jiangsu Charity Award on 5 September 2018 at China's 3rd Zhonghua Charity Day organized by the Jiangsu Provincial Government. Since its inception in August 2014, the initiative has disbursed over RMB50 million to finance cataract surgeries for 20,031 patients from Jiangyin, Jingjiang and Taixing. This is a high profile project that received widespread attention.

Awarded biennially, Jiangsu Charity Award is the most prestigious award for charity work awarded by the Jiangsu government.

SUSTAINABILITY REPORT

ENVIRONMENTAL PROTECTION

GRI 416-1 Assessment of the safety impact of product

Valemax Safety Forum for Navigating Yangtze River

The Group has been contracted by ICBC Financial Leasing to construct six 400,000 dwt VLOCs (Valemax) worth a total of US$510 million from 2017 to 2019. In February 2018, more than 40 experts assembled to discuss safe navigation of the Valemax in the Jiangsu section of the Yangtze River.

Yangzijiang Shipbuilding participated in the safety forum organized by the Taixing City People's Government of Jiangsu province. Participants included representatives from the maritime authorities of the following cities: Jiangyin, Zhangjiagang, Nantong, Taizhou, Changzhou, Changshu, Taicang; as well as the Taizhou Port Bureau of Transportation, Hongqiao Industrial Park Management committee.

R&D Breakthrough to Lower Paint VOCs

The Group participates in research initiatives by global leaders that supply its raw materials and equipment to eliminate hazards in the industry. In recent years, its effort to reduce workplace exposure to volatile organic compounds has borne fruit.

GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Paints play the function of anti-corrosion agents in shipbuilding. Surface preparation, paint, and other protective coatings used in shipbuilding and ship repair pose a hazard to workers. Potentially harmful substances can enter the body through inhalation, ingestion, and contact with the eyes or skin. The Three-Year Action Plan for Winning the Blue Sky Defence War released by the PRC State Council in July 2018 creates an action plan to reduce 2015 VOC emissions 10% by 2020.

The Group has a strategic co-operation relationship with Jotun Coatings, the marine antifouling coating arm of a leading chemicals company based in Norway. The Group's R&D findings from this co-operation had the following contribution to the industry:

- Significantly decrease the production cycle time in coating work thereby decreasing worker exposure to VOC.
- Significantly decrease the VOC emission level in paints used at Yangzijiang.
- Reduce use of raw materials.
- Protect the environment.
- Reduce the Group's emission of pollutants.
- Reduce the cost of handling hazardous waste.

The practice to lower VOC is currently used for the Group's construction of 400,000 dwt bulk carriers (Valemax Very Large Ore Carriers). It is being rolled out for 208,000 dwt bulk carriers. The Group plans to roll out safe paints on its own fleet of vessels.

The findings in Yangzi Xinfu Yard's collaboration with Jotun were so significant that they were published in 2017 in leading PRC academic journal China Paint. This new coating method is expected to be adopted as the industry's protocol.

WORKPLACE SAFETY

Water Search and Rescue Exercise

The Group participated in a provincial water search and rescue exercise at Yangtze River for companies that use the Taicang City Port. Other participants included Party leaders and representatives from Jiangsu Maritime Authority, Taicang City Municipal Government, Water Search and Rescue Centres from Taicang City, Nantong City, Changshu City, Jiangsu Taicang Port Administration, Taicang City Work Safety Administration.

SUSTAINABILITY REPORT

COMMUNITY DEVELOPMENT

Improving Jiangsu's Vocational Education for Engineers

413-1 Operations with local community engagement, impact assessments, and development programs

The Group signed a collaboration agreement with Jiangsu Vocational Institute in April 2018 to provide practical training for diploma students and develop research initiatives in the field of mechanical and electrical engineering. The collaboration aims to integrate production, formal academic education and R&D into one unified system. The initiative is expected to create for the marine industry a fresh cohort of talented mechanical and electrical engineers every year.

CORPORATE **GOVERNANCE REPORT**

The Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") continues to be committed to achieving and maintaining high standards of corporate governance, business integrity and professionalism within the Company and its subsidiaries (the "**Group**") to protect the interests of all its stakeholders and to promote investors' confidence and supports for long term value creation.

This report describes the Group's ongoing efforts in the financial year ended 31 December 2018 ("**FY2018**") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2012 (the "**Code**"). The Company confirms that it has adhered to the principles and guidelines set out in the Code, except where otherwise stated. The Board will continue to improve its practices with developments by enhancing its principle and framework.

The Board noted the revised Code of Corporate Governance issued on 6 August 2018 which is effective from the Company's financial year commencing 1 January 2019, and will endeavor to comply with the only revised Code of Corporate Governance once it is effective.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board of Directors (the "**Board**") is primarily responsible for overseeing the management of the business affairs, corporate affairs and the overall performance of the Group. Board members are expected to act in good faith and exercise independent judgment in the best interests of the Group.

The Group is led and controlled by an effective Board that has the overall responsibility for corporate governance, strategic direction, overseeing the investments, operations, internal controls, financial reporting and compliance of the Group and approving the nominations of Board of Directors.

The Board recognises that its principal duties include:

- Providing entrepreneurial leadership, setting the strategic directions and the long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- Reviewing and approving corporate plans, annual budgets, investment proposal and merger & acquisition proposals of the Group;
- Reviewing and evaluating the adequacy and integrity of the Group's internal controls, compliance, risk management and financial report systems;
- Reviewing and monitoring management performance towards achieving organisational goals;
- Overseeing succession planning for management;
- Setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met;
- Ensuring accurate and timely reporting in communication with shareholders; and
- Considering sustainability issues including environmental and social factors in the Group's strategic formulation.

The Board's approval is specifically required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposal of assets and release of the Group's quarterly and full-year financial results.

CORPORATE **GOVERNANCE REPORT**

The Management is responsible for day-to-day operations/administration of the Group and they are accountable to the Board. Clear directions have been given out to the Management that such reserved matters must be approved by the Board.

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit Committee ("**AC**") (collectively, the "**Board Committees**") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. These Board Committees are made up of Non-Executive Directors and Independent Directors and each chaired by an Independent Director. Each Board Committee has its own specific Terms of Reference which clearly set out its objectives, scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board meets on a quarterly basis to approve, among others, announcements of the Group's quarterly and full year financial results. Additional meetings are also convened to discuss and deliberate on urgent substantive matters or issues when circumstances require. The dates of Board and Board Committees meetings as well as the annual general meeting ("**AGM**") will be scheduled in advance. To assist directors in planning their attendance, the Company Secretary will first consult every director before fixing the dates of these meetings.

The Company's Constitution provides for meetings to be held via telephone conference or other methods of simultaneous communication by electronic or telegraphic means in the event when Directors were unable to attend meetings in person. Management has access to the Directors for guidance or exchange of views outside of the formal environment of the Board meetings.

The number of meetings of Board and Board Committees held during FY2018 and the attendance of each Director at those meetings are set out as follows:

Name of Directors	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meeting		No. of meeting		No. of meeting		No. of meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ren Yuanlin	4	4	–	–	–	–	–	–
Teo Yi-dar	4	4	4	4	1	1	1	1
Chen Timothy Teck Leng @ Chen Teck Leng	4	4	4	4	1	1	1	1
Xu Wen Jiong	4	4	4	4	1	1	1	1

Currently, the Company does not have a formal training programme for new Director(s). However, the Board ensures that incoming new Director(s) are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. Newly appointed Director(s) will be provided a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. The newly appointed Directors who have no prior experience as a director of a listed company in Singapore will undergo training organised by Singapore Institute of Directors in relation to the roles and responsibilities of a director of a listed company. There was no new Director appointed during FY2018.

CORPORATE **GOVERNANCE REPORT**

All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable. The Directors are also provided with updates on the relevant new laws and regulations relevant to the Group's operating environment through emails and regular meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to obtain a better understanding of the business operations. Below are some of the updates have been provided to the Directors in FY2018:

- the external auditors, PricewaterhouseCoopers LLP, had briefed the AC members on the latest developments in accounting and corporate governance standards at their attendance in the AC meetings held quarterly;
- information on new audit quality indicators framework;
- Executive Chairman has updated the Board at quarterly meetings on the business outlook of shipbuilding industry and the direction of the Group; and
- Chief Financial Officer has also updated the Board at quarterly meetings on each segmental business operation and development of the Group.

Principle 2: Board Composition and Guidance

The Board currently has four (4) Directors, comprises three (3) Non-Executive Directors with two (2) of them independent and one (1) Executive Director. The current members of the Board and their membership on the Board Committees of the Company are as follows:-

Name of Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Ren Yuanlin	Executive Chairman	–	–	–
Teo Yi-dar	Lead Independent Director	Member	Chairman	Chairman
Chen Timothy Teck Leng @ Chen Teck Leng	Independent Non-Executive Director	Chairman	Member	Member
Xu Wen Jiong	Non-Independent Non-Executive Director	Member	Member	Member

The Directors bring with them a broad range of business and financial experience, skills and expertise in finance, industry, business and management and general corporate matters. Their profiles are set out on pages 14 to 15 of this Annual Report.

The size and composition of the Board are reviewed annually by the NC, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is appropriate to facilitate effective decision-making, and that the Board has an appropriate balance of independent Directors. During FY2018, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code, including the guideline that at least one-third of the Board is made up of Independent Directors. As the Chairman is not an Independent Director, the NC also reviewed the composition of Independent Directors on the Board and was satisfied that the Independent Directors made up to at least half of the Board.

CORPORATE **GOVERNANCE REPORT**

The NC is of the view that the present Board size of four is appropriate for the Group's present scope of operations to facilitate decision making and the Board has an adequate mix of competency to discharge its duties and responsibilities. Further, no individual or small group of individuals dominates the Board's decision making process.

Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its substantial shareholders or its officers including confirming not having any relationships and circumstances provided in Guideline 2.3 of the Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group.

The independence of each Independent Non-Executive Director is assessed at least annually by the NC as mentioned under Guideline 2.3 of the Code. The NC has affirmed that Mr Teo Yi-dar and Mr Chen Timothy Teck Leng @ Chen Teck Leng are independent and free from any relationship outlined in the Code. Each Independent Non-Executive Director has also completed and submitted an independence declaration form annually to confirm his independence. Particular scrutiny is applied in assessing the continued independence of Directors having served beyond nine (9) years from the date of his first appointment, with attention to ensuring their allegiance remains clearly aligned with the shareholders' interest.

In respect of the Independent Director, namely Mr Teo Yi-dar, having served more than 9 years, the Board has considered specifically his length of services and his continued independence. The Board has determined that the Director concerned remained independent of character and judgement and there was no relationship or circumstance which would likely to affect, or could appear to affect the Director's judgement. The independence of character and judgement of the Director concerned was not in any way affected or impaired by the length of services. The Board has also conducted a review of the performance of Independent Director and considers that this Director brings invaluable expertise, experience and knowledge to the Board and that he continues to contribute positively to the Board and Board Committee deliberation. Therefore, the Board is satisfied as to the performance and continued independence of judgement of this Director.

The Board does not consider it to be in the interests of the Company or shareholders to require the Director who has served more than 9 years or longer to retire and favour ensuring continuity and stability.

Non-Executive Directors contribute to the Board process by monitoring and reviewing the Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. They constructively challenged and helped develop the Group's business strategies. Management's progress in implementing such agreed business strategies were monitored by the Non-Executive Directors.

The Non-Executive Directors communicated without the presence of Management as and when the need arose. The Company also benefited from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

Principle 3: Chairman and Chief Executive Officer

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

CORPORATE **GOVERNANCE REPORT**

The Company has a clear division of responsibilities at each level of the Company, with the Executive Chairman and the CEO having separate roles to ensure an appropriate balance of power, increased accountability and a greater capacity of the Board for independent decision-making.

The division of responsibilities between the Chairman and the CEO is also clearly established in the Constitution of the Company. The Chairman manages the business of the Board whilst the CEO and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.

Nonetheless, the Chairman, Mr Ren Yuanlin is the father of the CEO, Mr Ren Letian.

The Chairman:

- is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, Board Committees and individual Directors.
- takes a leading role in the Company's drive to achieve and maintain high standards of corporate governance with the full support of the Directors, Company Secretary and Management.
- approves agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- promotes an open environment for debates and ensures Non-Executive Directors are able to speak freely and contribute effectively.
- exercises control over the quality, quantity and timeliness of information flow between the Board and Management.
- provides close oversight, guidance, advice and leadership to the CEO and Management.
- plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.

Whereas the CEO is the highest ranking executive officer of the Group who is responsible for:

- running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- ensuring the implementation of policies and strategy across the Group as set by the Board.
- day-to-day management of the executive and senior management team.
- leading the development of senior management within the Group with aim of assessing the training and development of suitable individuals for future Director's roles.
- ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Group and of any important events and developments.
- leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

CORPORATE **GOVERNANCE REPORT**

In view of Mr Ren Yuanlin as the Executive Chairman and Mr Ren Letian as the CEO, Mr Teo Yi-dar remains as the Lead Independent Director of the Company for the shareholders in situations where there are concerns or issues which communication with the Chairman and CEO and/or Chief Financial Officer ("**CFO**") has failed to resolve or where such communication is inappropriate. Mr Teo Yi-dar will also take the lead in ensuring compliance with the Code.

The Chairman schedules the meeting and sets the meeting agenda of the Board, and reviews the Board papers before they are presented to the Board. In addition, the Chairman also assists to ensure the Company's compliance with the Code.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings as appropriate.

Principle 4: Board Membership

The NC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the NC Chairman, are independent:

Mr Teo Yi-dar, Chairman	(Lead Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-executive Director)
Mr Xu Wen Jiong	(Non-independent Non-executive Director)

The NC will meet at least once a year. During FY2018, the NC held once scheduled meeting with full attendance. The NC, which has written terms of reference, is responsible for making recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include the following:

a) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election to the Board;

b) making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;

c) review the Board structure, size and composition regularly and making recommendation to the Board, where appropriate;

d) review the Board succession plans for directors, in particular, the Chairman and CEO;

e) determine the independence of Directors annually (taking into account the circumstances set out in the Code and other salient factors);

f) develop a process for assessing and evaluating the effectiveness of the Board as a whole and the Committees of the Board and the contribution of each individual Director to an effective Board;

g) decide on how the Board's performance may be evaluated and to propose objective performance criteria for Board approval;

CORPORATE **GOVERNANCE REPORT**

h) review training and professional development programmes for the Board; and

i) determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations.

The Board, through the NC, reviews annually the effectiveness of the Board as a whole and its required mix of skills and experience and other qualities, including core competencies, which Directors should bring to the Board.

The NC has in place a formal process for the selection of new Directors and re-appointment of Directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board, before making its recommendation to the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required. The Board, on the recommendation of the NC, appoints new Directors. All new Directors who are appointed by the Board are subject to re-election at the next Annual General Meeting ("**AGM**") but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting.

Pursuant to the Company's Constitution, one-third of the Directors other than the Managing Director, shall retire from office at least once every 3 years at each AGM. The NC has recommended Mr Ren Yuanlin and Mr Teo Yi-dar, who are retiring and to be re-elected at the forthcoming 13th AGM in accordance with Regulation 94 of the Company's Constitution. They had offered themselves for re-election. The Board has accepted the recommendation of NC.

In making the recommendations, the NC considers the overall contribution and performance of the Directors. Mr Teo Yi-dar, who is the Chairman of the NC, had abstained from deliberation in respect of his own nomination and assessment.

Pursuant to Rule 720(6) of the Listing manual of the SGX-ST, the information relating to the retiring Directors as set out in Appendix 7.4.1 of the Listing manual of the SGX-ST is disclosed below:

Name of Directors	**Ren Yuanlin**	**Teo Yi-dar**
Date of Appointment	13 January 2006	28 July 2006
Date of last re-appointment (if applicable)	28 April 2017	28 April 2017
Age	65	48
Country of principal residence	China	Singapore

CORPORATE **GOVERNANCE REPORT**

Name of Directors	Ren Yuanlin	Teo Yi-dar
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Ren as the Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration of his past experience and overall contribution since he was appointed as a Director of the Company as well as he is the founder of the Company.	The re-election of Mr Teo as the Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration of his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive, Mr Ren is responsible for the overall management and directions, strategies of the Group and implementing long-term goal for the Group.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Lead Independent Director, Chairman of Nominating and Remuneration Committees and Member of Audit Committee.
Professional qualifications	Diploma in Economics from Jiangsu Television Broadcasting University	Master of Science degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance from National Universities of Singapore; Bachelor of Electrical Engineering (Honours) from National Universities of Singapore; Chartered Financial Analyst
Working experience and occupation(s) during the past 10 years	Executive Chairman and CEO of the Group	Managing Partner of Altair Capital Advisors Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	3,200,000 direct interest and 1,002,845,825 deemed interest through his interest in Yangzi International Holdings Limited which is wholly-owned by Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement.	150,000 ordinary shares in the Company

CORPORATE **GOVERNANCE REPORT**

Name of Directors	Ren Yuanlin	Teo Yi-dar
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Father of Ren Letian, CEO of the Company; Mr Ren is also the substantial shareholder of the Company.	NIL
Conflict of interest (including any competing business)	NIL	NIL
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	YES	YES
Other Principal Commitments Including Directorships# **Past (for the last 5 years)** **Present**	NONE	YES Managing Partner of Altair Capital Advisors Pte Ltd
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	NO	NO

\# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)

CORPORATE **GOVERNANCE REPORT**

Name of Directors	Ren Yuanlin	Teo Yi-dar
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	NO	NO
(c) Whether there is any unsatisfied judgment against him?	NO	NO
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	NO	NO
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	NO	NO

CORPORATE **GOVERNANCE REPORT**

Name of Directors	Ren Yuanlin	Teo Yi-dar
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	NO	NO
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	NO	NO
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	NO	NO
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	NO	NO

CORPORATE **GOVERNANCE REPORT**

Name of Directors	Ren Yuanlin	Teo Yi-dar
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	NO	NO
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	NO	NO
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	NO	NO
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	NO	NO
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	NO	NO

CORPORATE **GOVERNANCE REPORT**

Name of Directors	**Ren Yuanlin**	**Teo Yi-dar**
Disclosure applicable to the appointment of Director only. **Any prior experience as a director of an issuer listed on the Exchange?** **If yes, please provide details of prior experience.** **If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.** **Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).**	NA	NA

The NC reviewed the independence of the Directors as mentioned under Guidelines 2.3 and 2.4. The NC has affirmed that Mr Chen Timothy Teck Leng @ Chen Teck Leng and Mr Teo Yi-dar are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

In assisting the NC to determine whether Directors who are on multiple boards have committed adequate time to discharge their responsibilities towards the Company's affairs, the NC had considered the attendances and contributions of Directors to the Board and Board Committees but does not make any recommendation on setting the maximum number of listed company board appointment to which any Director may hold given that the multiple Board representation by the Non-executive Directors do not hinder each Director from carrying out his duties as a Director of the Company adequately. Having reviewed each of the other Director's directorships in other companies as well as each of the other Director's attendance and contribution to the Board in FY2018, the NC is satisfied that the Directors have spent adequate time on the Company's affairs and have duly discharged their responsibilities. All Independent Non-Executive Directors are required to declare their Board representations at the Board meeting whenever there is change and at the beginning of each financial year.

The Board provides for the appointment of alternate directors when any of the Directors think fit. The Board will take into consideration the same criteria for selection of Directors such as his qualifications, mix skills sets and competencies. The Company does not have any alternate director during FY2018. Subsequent to FY2018, the Board has accepted and approved the recommendation from NC for the appointment of Mr Ren Letian as the alternate director to Mr Ren Yuanlin who is the father of Mr Ren Letian and also the Executive Chairman of the Group, after reviewed and assessed the qualification and working experience of Mr Ren Letian together with his current role as the CEO.

Key information of each director's academic, professional qualifications and other principal commitments can be found in pages 14 and 15 of the "Board of Directors" section of this Annual Report.

CORPORATE **GOVERNANCE REPORT**

Directors' key information are set out below:

Name of Directors	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies	Directorships and Chairmanships in Other Listed Companies over the preceding three years
Ren Yuanlin	13 January 2006	28 April 2017	Nil	Nil
Teo Yi-dar	28 July 2006	28 April 2017	1. China Yuanbang Property Holdings Limited 2. Asia Vets Holdings Ltd 3. HG Metal Manufacturing Ltd 4. Denox Environmental & Technology Holdings Limited 5. Penyao Environmental Protection Co Ltd	1. Net Pacific Financial Holdings Limited
Chen Timothy Teck Leng @ Chen Teck Leng	26 April 2013	27 April 2018	1. Boldtek Holdings Ltd. 2. Tianjin Zhongxin Pharmaceutical Group Corporation Ltd. 3. Sysma Holdings Limited 4. Tye Soon Ltd.	1. TMC Education Corporation Ltd 2. XinRen Aluminum Holdings Limited 3. Hu An Cable Holdings Ltd.
Xu Wen Jiong	30 April 2014	27 April 2018	Nil	Nil

Principle 5: Board Performance

The NC has in place a framework for annual individual Board and Board as a whole as well as Board Committees performance evaluations to assess the effectiveness of the Board and its Board Committees and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board and Board Committees performance evaluations is carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/key management personnel and standards of conduct of Board members being completed by each individual Director. Completed questionnaires are collated by the Company Secretary and the findings presented to the NC for discussion with comparatives from the previous year's results. The NC and the Board were satisfied with the results of the Board and Board Committees performance evaluation for FY2018, which indicated areas of improvements compared with FY2017. No significant problems were identified. Both the NC and Board agreed to work on those areas which had the lowest average score. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

CORPORATE **GOVERNANCE REPORT**

Principle 6: Access to Information

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and Board Committees papers are distributed to the Directors a week in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committees meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

All Directors have access to the Company's senior management, including CEO, CFO and other key management, as well as the Group's internal and independent auditors. Wherever possible, the Directors are provided Board papers prior to each Board meeting. Board papers provided are, amongst others, financial and corporation information, significant operational, financial and corporate issues, results and performance of the Company and of the Group, and management's proposals which require the approval of the Board. Queries by individual Directors on circulated paper are directed to management who will respond accordingly.

To facilitate direct access to management, Directors are also provided with the names and contact details of the management team. The Directors also have separate and independent access to the Company Secretary through e-mail, telephone and face-to-face meetings. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST Listing Manual ("**Listing Manual**") are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The role of the Company Secretary is, inter alia, advising the Board on all governance matters and ensuring that all Board procedures are followed. The Company Secretary assists the Chairman in ensuring good information flows within the Board and its Board Committees and between senior management and the Non-Executive Directors. The Company Secretary attends all Board meetings and Board Committees meetings and records the proceedings and decisions of the Board and of the Board Committees. The Company Secretary ensures that the corporate secretarial aspects of procedures concerning the Board are duly complied. The appointment and the removal of the Company Secretary are subject to the Board's approval.

The Directors, whether as a full Board or in their individual capacity may seek independent professional advice in the furtherance of their duties from time to time. The advisor so selected shall be approved by the Board and the cost of such professional advice will be borne by the Company. There was no such requirement during the year under review.

CORPORATE **GOVERNANCE REPORT**

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Matters relating to the remuneration of the Board, key management personnel and other employees who are related to the controlling shareholders and/or Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Company. The RC also ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talents to run the Company successfully.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this Report under Principles 7, 8 and 9; and in the Financial Statements of the Company and of the Group.

The RC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the RC Chairman, are independent:

Mr Teo Yi-dar, Chairman	(Lead Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-executive Director)
Mr Xu Wen Jiong	(Non-independent Non-executive Director)

The RC will meet at least once a year. During FY2018, the RC held once scheduled meeting with full attendance. The RC carries out its duties in accordance with a set of terms of reference which includes mainly, the following:

- reviewing and recommending to the Board for endorsement, a framework of remuneration policies to determine the specific remuneration packages for each Director and key management personnel, including employees related to the Executive Directors and controlling shareholders. The framework covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind;

- reviewing and recommending the remuneration of the Non-Executive Directors, taking into account factors such as their effort, time spent and their responsibilities;

- reviewing and recommending to the Board for endorsement on the payment of performance bonus to certain Executive Directors and executive officers pursuant to the profit-sharing scheme of the Company;

- reviewing and determining the contents of any service contracts for any Director; and

- carrying out other duties as may be agreed by the RC and the Board, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

The RC is responsible for ensuring a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also considers and recommends the CEO's remuneration package including salary, bonus and benefits-in-kind for endorsement by the Board.

CORPORATE **GOVERNANCE REPORT**

The RC ensures that the remuneration of the Non-Executive Directors are appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Non-Executive Directors receive a basic fee for their services. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package. Directors' fees are further subjected to the approval of shareholders at the AGM.

The remuneration of related employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel.

The Executive Director has a service agreement with the Company with last renewed on year 2016. The service agreement may be terminated by either the Company or the Executive Director giving not less than six months' notice in writing. The remuneration package of the Executive Director and other senior management consists of the following components:

(a) Fixed Component

Fixed pay comprises basic salary, social security contributions, and employer's fixed allowances. Eligibility of employer's fixed allowances depends on the length of service.

(b) Variable Component

This component comprises variable bonus based on the Group's and the individual's performance. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation.

Having reviewed and considered the salary components of the Executive Directors and the Key Management Personnel which is considered reasonable and commensurate with their respective job scopes and level of responsibilities, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

CORPORATE **GOVERNANCE REPORT**

Principle 9: Disclosure on Remuneration

Details of the remuneration of Directors and top five (5) key management personnel of the Group for the financial year ended 31 December 2018 are set out below:

Name of Directors	Breakdown of Remuneration in Percentage (%)				Total (S$)
	Fees[2] (%)	Salary[1] (%)	Variable Bonus (%)	Total (%)	
Ren Yuanlin	–	87	13	100	52,000
Teo Yi-dar	100	–	–	100	45,500
Chen Timothy Teck Leng @ Chen Teck Leng	100	–	–	100	45,500
Xu Wen Jiong	100	–	–	100	45,500

(1) In accordance with the service agreement.
(2) The directors' fees are subject to the approval of the shareholders at the 13th AGM.

Name of Top 5 Key Management Personnel	Designation	Breakdown of Remuneration in Percentage (%)		
		Salary (%)	Variable Bonus (%)	Total (%)
Below S$250,000				
Ren Letian	Chief Executive Officer	100	–	100
Wang Jiansheng	General Manager	54	46	100
Du Chengzhong	Deputy General Manager	28	72	100
Wang Dong	Deputy General Manager	21	79	100
Xiang Jianjun	Deputy General Manager	24	76	100

The remuneration of each of the above top five (5) key management personnel did not exceed S$250,000. In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 key management personnel in the financial year ended 31 December 2018 was approximately S$443,000.

During FY2018, the following immediate family member of a Director or the CEO was the employee of the Group:–

Name of employee who is the immediate family member	Family relationship
Ren Letian	Son of Ren Yuanlin

The aggregate remuneration (including contributions to define contribution plans thereon and bonus) paid to Ren Letian amounted to approximately S$93,000.

Save as disclosed above, the Group does not have any other employee who is an immediate family member of a Director or CEO and whose remuneration exceeded S$50,000 during the financial year.

CORPORATE **GOVERNANCE REPORT**

ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the AC reviews all financial statements and recommends them to the Board for approval. In addition, the AC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

Principle 10: Accountability
Principle 11: Risk Management and Internal Controls

In discharging its responsibility of providing accurate relevant information on a timely basis to shareholders in compliance with statutory and regulatory requirements, the Board strives to ensure the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where appropriate. The Independent Directors in consultation with Management will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

On a quarterly basis, the Management will report to the AC ensuring the financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group, if any.

In accordance with the Singapore Exchange's requirements, the Board issued negative assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board is responsible for the governance of risk. It should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The Group had set up its own internal audit team to conduct a full review of its internal control and accounting system (the "**Internal Audit Team**"). The Internal Audit Team reports audit conclusions directly to the AC. It reviews, identifies and analyses the risks incurred by the Group in its activities and examines if there are any material non-compliance and internal control weaknesses as well as monitoring the implementation. The AC will oversee and monitor implementation of any improvements thereto.

CORPORATE **GOVERNANCE REPORT**

The risk management system performed by the Internal Audit Team has also been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the AC reviews and reports to the Board the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to assure itself and the Board that the process is operating effectively as planned. The risk management policy of the Group consists of the framework of formal, systematic and comprehensive guidelines and rules to identify and manage significant risks that might affect the Group's achievement of its business objectives. A Risk Management Framework has been in place to assist the Board, the Management and staff in identifying, reviewing and monitoring potential risks. Comprehensive guidelines and rules are set to identify and manage significant risks that may affect the Group's achievement of its business objectives, outputs, projects or operating processes. The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the management and the Board, working as a team. The process identifies relevant potential risks across the Group's operations with the aim to bring them to within acceptable cost and tolerance parameters.

The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology risks and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and the AC for further discussion. The Board and the AC also work with the Internal Audit Team, independent auditors and Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

The Board notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. In view of the above and based on the internal controls established and maintained by the Group, work performed by the Internal Audit Team, independent auditors, and reviews performed by the Management, various Board Committees and the Board so far, the AC and the Board are of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, put in place during the financial year were adequate and effective. This is in turn supported by the assurance from the CEO and the CFO that (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant accounting standards; and (b) an effective risk management and internal control systems have been put in place.

The Board also notes that no system of risk management and internal control can provide absolute assurance against the occurrence of errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported. The Board will look into the need for establishment of a separate board risk committee at the relevant time when necessary.

Principle 12: Audit Committee

The Board recognises the importance of providing accurate and relevant information on a timely basis. To ensure that the corporate governance is effectively practiced, the Board has established self-regulatory and monitoring mechanisms, including the establishment of the AC to ensure that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks. The AC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the AC Chairman, are independent:

CORPORATE **GOVERNANCE REPORT**

Mr Chen Timothy Teck Leng @ Chen Teck Leng, Chairman	(Independent Non-Executive Director)
Mr Teo Yi-dar	(Lead Independent Director)
Mr Xu Wen Jiong	(Non-Independent Non-Executive Director)

The Board has ensured that all the AC members, having the necessary accounting and/or related financial management expertise, are appropriately qualified to discharge their responsibilities.

The AC meets on a quarterly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance. During FY2018, the AC held four scheduled meetings with full attendance.

The members of AC carry out their duties in accordance with a set of terms of reference which includes, mainly, reviewing the following:

a) The audit plan of the Company's independent auditor, results of its audit and its report on the weaknesses of internal accounting controls arising from the statutory audit;

b) The audit plan of the Internal Audit Team, results of its audit and evaluation of the Group's systems of internal accounting controls;

c) The nature and extent of the independent auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money, as well as the assistance given by management to the independent auditor;

d) The significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial statements;

e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018, prior to the submission to the Board, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group, and assisting the Board in the discharge of its responsibilities on financial and accounting matters;

f) The adequacy and effectiveness of the Group's internal audit function, and the adequacy of the Group's internal financial controls, operational, compliance and information technology control, and risk management systems;

g) Interested person transactions and potential conflicts of interest, if any;

h) The hedging policies and instruments implemented by the Group;

i) Debt Investments at amortised cost to ensure that the Group's financial performance and position are not compromised;

j) The appointment, re-appointment and removal of the independent auditor, and approving the terms of engagement of the internal auditors and making recommendations to the Board; and

CORPORATE **GOVERNANCE REPORT**

k) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The AC has reviewed and is satisfied with the level of co-operation rendered by the Management to the independent auditors, the adequacy of the scope and quality of their audits after having regard to the adequacy of the resources and experience of the auditors as well as the independence and objectivity of the independent auditor. In the course of its review, the AC also met with the independent auditors without the presence of the Management to discuss any matters deemed appropriate to be discussed privately, at least once a year.

The Board, through its announcements of quarterly and full-year financial results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. The Management provides the Board with quarterly management accounts for the Board's review.

The AC discussed with the Management on the accounting treatment and methodology applied as well as the assumptions used in judgemental assessment which might impact the results of financial statements. The external auditors had reviewed the financial statements of the Group and highlight some key audit matters that might significantly impact the financial statements and were reviewed by AC as follows:–

The AC has discussed significant financial reporting matters with management and the external auditors which have been included as key audit matters ("**KAMs**") in the independent auditors' report for the financial year ended 31 December 2018, as set out on pages 57 to 58 of this Annual Report.

In assessing each KAM, the AC took into consideration the approach and methodology applied by management in the determination of shipbuilding revenue recognition using percentage of completion method, provision for onerous contracts and the valuation of debt investments at amortised cost. The reasonableness of the estimates and key assumptions used were also considered by the AC. Where necessary, views of subject matter experts such as independent valuers were consulted where necessary.

The AC also considered the report from the external auditors, including their findings and views on the key areas of audit focus. The AC concluded that the Group's accounting treatment and estimates in each of the KAMs were appropriate.

The AC also reviews the independence and objectivity of the independent auditors and having reviewed the scope and value of non-audit services provided to the Group by the independent auditors, PricewaterhouseCoopers LLP, AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity it the independent auditors. The aggregate amount of audit and non-audit fees paid or payable to the PricewaterhouseCoopers LLP Singapore for FY2018 were S$724,000 and S$42,000 respectively. The AC has recommended to the Board the nomination of PricewaterhouseCoopers LLP for re-appointment as auditors of the Company at the forthcoming 13th AGM. The Group has also complied with Rules 712 and 716 of the Listing Manual of SGX-ST in relation to the appointment of its independent auditors.

CORPORATE **GOVERNANCE REPORT**

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and has had the full co-operation of the Management. It also has full discretion to invite any Director or any member of the Management to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the AC will seek advice from the independent auditors as and when necessary.

None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve (12) months and none of the AC members hold any financial interest in the external audit firm.

Whistle Blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has implemented a whistle-blowing policy. The Policy stipulates the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc, may be raised. A dedicated secured e-mail address allows whistle blowers to contact the AC directly. The Whistle blowing policy, its procedures and contact details of the AC have been made available to all employee and external parties at the Company's Bulletin Board.

The Company's Whistle Blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.

The AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

Principle 13: Internal Audit

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors. On an annual basis, the AC reviews the internal audit program of the Group so as to align it to the changing needs and risk profile of the Group's activities. The Group had established its own internal audit team that is independent of the activities it audits and its primary line of reporting is to the Chairman of the AC. The Internal Audit Team carries out its functions under the direction of the AC which assists the Board in monitoring and managing risks and internal controls of the Group, and reports its findings and make recommendations to the AC.

The Internal Audit Team carries out of its function in accordance with the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC ensures that Management provides good support to the Internal Audit Team and provides adequate access to documents, records, properties and personnel when requested in order for the Internal Audit Team to carry out its function accordingly. The Internal Audit Team also has unrestricted access to the AC on internal audit matters. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC.

CORPORATE **GOVERNANCE REPORT**

The internal audit function primarily focusing on whether the current system of internal control provides reasonable assurance on:

- compliance with applicable laws, regulations, policy and procedures;
- reliability and integrity of information; and
- safeguarding of assets.

The AC will review the adequacy and effectiveness of the internal audit function annually.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights and Responsibilities
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholders' Meetings

The Group acknowledges the importance of regular communication with shareholders and investors through which shareholders can have an overview of the Group's performance and operation. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. Information is communicated to shareholders on a timely basis through the Company's annual report, circulars to shareholders (if any), quarterly financial results and the various announcements.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group has been released to the public through the Company's announcements via the SGXNET.

The Group strongly encourages shareholders' participation at the AGM which will be held in Singapore. Shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

The Company strives to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the respective quarter ended and 60 days from the full year financial year ended during the year. In addition, the Annual Report 2018 (physical copy and online digital copy) is distributed to shareholders within the mandatory period before the 13th AGM to be held on 30 April 2019. To further enhance its communication with investors, the Company has also enhanced its website through its Investor Relations at http://www.yzjship.com where the public can access information on the Group directly.

CORPORATE **GOVERNANCE REPORT**

The Company has adopted a dividend policy that it believes appropriately reflects its goals, strategy and risk profile while providing attractive long-term return to investors. The Board is recommending 5 Singapore cents per ordinary share for FY2018 as the first and final one-tier tax-exempt dividend payable to the shareholders, subject to the approval of shareholders at the forthcoming 13th AGM. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- the results of operations and cash flow;
- the expected financial performance and working capital needs;
- future prospects; and
- capital expenditures and other investment plans;

as well as general economic and business operations in People's Republic of China and other factors deemed relevant by the Board and statutory restrictions on the payment of dividends.

The Group supports and encourages active shareholders' participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

The Company's Constitution allows all shareholders to appoint proxies to attend general meetings and vote on their behalf. Voting in absentia and by electronic mail may only be possible following careful study to ensure that the integrity of the information and authentication of the identity of shareholder via the internet is not compromised. Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate. All Directors including Chairman of the Board and the respective Chairman of the Board Committees, senior management and the independent auditors are intended to be in attendance at forthcoming 13th AGM to address any queries of the shareholders.

The Company Secretary prepares minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from Management and the Board, subsequently approved by the Board. Such minutes will be available to shareholders upon their written request.

The Board acknowledges voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution where shareholders are accorded rights proportionate to the shareholding and all votes counted. To enhance shareholders' participation, the Group puts all resolutions at general meetings to vote by manual poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage via SGXNET after the general meetings.

CORPORATE **GOVERNANCE REPORT**

OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSON TRANSACTIONS

(Rule 907 of the Listing Manual of SGX-ST)

The following table sets out the current total of all transactions with the interested persons for the financial year ended 31 December 2018:

Name of interested persons	**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) RMB'000**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) RMB'000**
Xu Wen Jiong*	96,158	–

* Shareholder mandate is not applicable as the aggregate value was less than 3% of Group's NTA as at 31 December 2018.

The Group has adopted an internal policy which sets out the procedures for the identification, approval and monitoring of interested person transactions ("**IPTs**"). All IPTs are subject to review by the AC on a timely manner and the transactions are carried out on normal commercial terms and will not be prejudiced to the interests of the Group and its minority shareholders. The Company did not enter into any IPTs which require shareholders' approval under SGX-ST Listing Rules regulating IPTs during the financial year ended 31 December 2018.

RISK MANAGEMENT

(Rule 1207(4)(d) of the Listing Manual of SGX-ST)

Currently, the Group does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and will highlight all significant matters to the Directors and the AC.

Financial risk factors have been described in Note 37 of the Financial Statements.

MATERIAL CONTRACTS

(Rule 1207(8) of the Listing Manual of SGX-ST)

Save for the service agreements between the Company and the Executive Director and except as disclosed in the Directors' Statements and the Financial Statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

CORPORATE **GOVERNANCE REPORT**

DEALING IN SECURITIES

(Rule 1207(19) of the SGX-ST)

The Group has adopted an internal code (the "**Internal Code**") on securities trading which provides guidance and internal regulation with regard to dealings in the Group's securities by its Directors and employees. The Internal Code is modelled after SGX-ST's Listing Rules on best practices on dealings in the Company's securities. The Internal Code prohibits the Directors and employees from dealing in listed securities of the Company on short-term considerations or while in possession of unpublished material or price-sensitive information. The Directors and employees are not allowed to deal in the Company securities during the period commencing two weeks before the date of announcement of its quarterly results and one month before the date of announcement of the full-year financial results and ending on the date of the announcement of the relevant results. The Directors and employees are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Listing Manual and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Company has complied with SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the financial year ended 31 December 2018.

USE OF PROCEEDS FROM THE PLACEMENT

(Rule 1207(20) of the Listing Manual of SGX-ST)

The Company has raised a net proceeds of S$208.80 million after the deduction of expenses pursuant to the placement of 137,000,000 ordinary shares in the capital of the Company (the "Placement").

As at the date of this Corporate Governance Report, the net proceeds of S$208.80 million from the Placement have 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	61.4	43.0
b	Working capital and general corporate purposes	104.4	104.4	–
(a+b)		208.8	165.8	43.0
Net proceeds received				208.8
Balance of proceeds				43.0

The abovementioned use of the net proceeds from the Placement is in accordance with the intended use as stated in the Company's announcement for the Placement.

CORPORATE DISCLOSURE

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company is committed to provide a high level of disclosure in all public announcements, press releases and annual reports.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 61 to 172 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Ren Yuanlin
Chen Timothy Teck Leng @ Chen Teck Leng
Teo Yi-dar
Xu Wen Jiong

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2018	At 1.1.2018	At 31.12.2018	At 1.1.2018
Company				
(No. of ordinary shares)				
Ren Yuanlin	3,200,000	3,200,000	1,002,845,825	1,002,845,825
Teo Yi-dar	150,000	150,000	–	–

DIRECTORS' **STATEMENT**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Directors' interests in shares or debentures (Continued)

(b) Mr Ren Yuanlin, by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Company in the subsidiaries that are not wholly-owned by the Group as set out in Note 43 of the financial statements.

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Audit Committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Chen Timothy Teck Leng @ Chen Teck Leng
Teo Yi-dar
Xu Wen Jiong

Two of the AC members are independent directors and one is a non-independent non-executive director.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the AC reviewed the following:

a) The audit plan of the Company's independent auditor, results of its audit and its report on the weaknesses of internal accounting controls arising from the statutory audit;

b) The audit plan of the Internal Audit Team, results of its audit and evaluation of the Group's systems of internal accounting controls;

c) The nature and extent of the independent auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money, as well as the assistance given by management to the independent auditor;

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Audit Committee (Continued)

d) The significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial statements;

e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018, prior to the submission to the Board, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group, and assisting the Board in the discharge of its responsibilities on financial and accounting matters;

f) The adequacy and effectiveness of the Group's internal audit function, and the adequacy of the Group's internal financial controls, operational, compliance and information technology control, and risk management systems;

g) Interested person transactions and potential conflicts of interest, if any;

h) The hedging policies and instruments implemented by the Group;

i) Debt Investments at amortised cost to ensure that the Group's financial performance and position are not compromised;

j) The appointment, re-appointment and removal of the independent auditor, and approving the terms of engagement of the internal auditors and making recommendations to the Board; and

k) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

The Audit Committee, having reviewed all non-audit services provided by the independent auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditor.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

REN YUANLIN Director	TEO YI-DAR Director

28 March 2019

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, Chapter 50 (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 2018 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 year ended 31 December 2018;
- the balance sheet of the Group as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the 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 2018. 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.

Key audit matter	How our audit addressed the key audit matter
1. Shipbuilding contracts	
Refer to Notes 2.3(a), 3(a), 4, 7 and 31 of the financial statements Shipbuilding revenue amounted to RMB14.02 billion, representing 60% of the Group's total revenue for the financial year ended 31 December 2018. 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 RMB1.10 billion, on shipbuilding contracts as at 31 December 2018. 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.	Our audit procedures included the following: a. evaluated the key controls and tested 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 each contract; b. based on our understanding of the components that make up the estimated total shipbuilding cost for each type of vessel, reviewed, on a sample basis, the appropriateness of the significant cost components against supporting documents such as quotations and contracts with suppliers; c. assessed 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, agreed material and subcontractor costs to the suppliers' invoices and approved payment vouchers, and also checked the allocation of overheads to each contract; e. on a sample basis, recomputed 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, reviewed the overall reasonableness of the progress towards completion for vessels under construction through physical verification; and g. recomputed the revenue recognised for the year. 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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Key audit matter	How our audit addressed the key audit matter
2. Debt investments at amortised cost	
Refer to Notes 3(c), 16 and 37(b)(vi) of the financial statements As at 31 December 2018, the carrying amount of the Group's debt investments at amortised cost was RMB14.81 billion, representing 33% of its total assets. This is net of allowance for impairment loss of RMB1.55 billion at that date. We focused on this area because of the application of significant judgement and assumptions by management in determining the expected credit loss ("ECL") impairment model in accordance to SFRS(I) 9. These included: (i) the identification of changes in credit risk associated with the investments. (ii) the classification of the investments according to credit risk, taking into account the likelihood of default, and (iii) the ECL rates.	Our audit procedures included: a. evaluated the key controls and tested the operating effectiveness of those relating to monitoring of investments to ensure timeliness of identifying changes in credit risk. b. reviewed the completeness and accuracy of key inputs to the Group's ECL impairment model used, including historical default rate and loss from default; c. assessed the appropriateness of the classification of investments against the Group's internal grading guidelines and assessed the proper classification of the investments into performing ("Stage 1") and under performing ("Stage 2"); d. for each material non-performing investment, assessed the adequacy of the specific provision by examining management's estimate of future cash flows, including expected cash flow from realisation of collaterals and timing of cash flows; and e. involved our internal specialist in reviewing the appropriateness of the ECL impairment model. Based on our procedures, we found management's judgement and assumptions around the determination of the ECL to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report, and excludes the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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.

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 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.

- 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 Alex Toh Wee Keong.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 28 March 2019

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	The Group 2018 RMB'000	The Group 2017 RMB'000
Revenue	4	**23,238,289**	19,205,596
Cost of sales	7	**19,126,513**	(15,893,633)
Gross profit		**4,111,776**	3,311,963
Other income	5	**840,455**	670,253
Other gains – net	6	**501,325**	188,146
Expenses			
– Selling and distribution	7	**(2,652)**	(1,851)
– Administrative	7		
– Impairment loss on financial assets – net		**(211,805)**	(295,783)
– Others		**(454,489)**	(312,233)
		(666,294)	(608,016)
– Finance	9	**(133,782)**	(113,202)
Share of (losses)/profits of associated companies and a joint venture	26	**(85,826)**	40,069
Profit before income tax		**4,565,002**	3,487,362
Income tax expense	10	**(941,206)**	(395,440)
Net profit		**3,623,796**	3,091,922
Profit attributable to:			
Equity holders of the Company		**3,614,044**	2,931,498
Non-controlling interests		**9,752**	160,424
		3,623,796	3,091,922
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic and diluted	11	**91.34**	75.59

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group	
	Note	2018	2017
		RMB'000	RMB'000
Profit for the year		**3,623,796**	3,091,922
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale			
– Fair value losses, net of tax	34(d)	**–**	(48,882)
– Reclassification	34(d)	**–**	63,761
		–	14,879
Share of other comprehensive income from the associated companies and a joint venture			
– Currency translation gains/(losses)	26	**6,569**	(8,052)
– Reclassification	25	**–**	(34,420)
		6,569	(42,472)
Currency translation gains arising from consolidation		**13,420**	34,872
Items that will not be reclassified subsequently to profit or loss:			
Currency translation gains arising from consolidation		**3,692**	–
Other comprehensive income, net of tax		**23,681**	7,279
Total comprehensive income		**3,647,477**	3,099,201
Total comprehensive income attributable to:			
Equity holders of the Company		**3,634,033**	2,938,777
Non-controlling interests ("NCI")		**13,444**	160,424
		3,647,477	3,099,201

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

BALANCE **SHEETS** – GROUP

AS AT 31 DECEMBER 2018

		The Group		
		31 December		1 January
	Note	2018	2017	2017
		RMB'000	RMB'000	RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	12	**6,594,143**	6,195,431	7,085,796
Restricted cash	13	**208,756**	29,405	1,219,695
Financial assets, at fair value through profit or loss	14	**804,384**	748,523	605,429
Financial assets, available-for-sale	15	**–**	1,027,293	648,843
Debt investments at amortised cost	16	**11,216,892**	–	–
Financial assets, held-to-maturity	17	**–**	7,573,617	5,296,709
Trade and other receivables	18	**5,050,978**	5,290,056	5,346,997
Inventories	19	**2,605,707**	2,628,201	2,032,459
Contract assets	4	**4,669,468**	5,960,320	3,929,478
Derivative financial instruments	22	**–**	–	36,371
		31,150,328	29,452,846	26,201,777
Non-current assets				
Financial assets, at fair value through profit or loss	14	**446,770**	–	–
Financial assets, available-for-sale	15	**–**	400,000	200,000
Debt investments at amortised cost	16	**3,593,484**	–	–
Financial assets, held-to-maturity	17	**–**	4,405,252	5,609,925
Trade and other receivables	20	**1,405,103**	1,238,174	1,258,379
Derivative financial instruments	22	**–**	–	23,002
Lease prepayments	23	**970,610**	990,795	1,080,656
Investment in a joint venture	25	**–**	–	4,796
Investments in associated companies	26	**1,454,006**	1,394,702	882,622
Property, plant and equipment	27	**5,162,755**	4,820,729	5,476,950
Intangible assets	28	**17,527**	9,864	7,906
Deferred income tax assets	32	**710,901**	660,291	488,170
		13,761,156	13,919,807	15,032,406
Total assets		**44,911,484**	43,372,653	41,234,183

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

BALANCE **SHEETS** – GROUP

AS AT 31 DECEMBER 2018

		The Group		
		31 December		1 January
	Note	2018	2017	2017
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Current liabilities				
Trade and other payables	29	**4,512,924**	5,769,547	5,604,784
Contract liabilities	4	**2,923,707**	2,480,400	2,251,094
Derivative financial instruments	22	**–**	–	281,166
Borrowings	30	**1,149,001**	2,531,973	2,579,435
Provisions	31	**1,420,799**	1,590,338	504,138
Current income tax liabilities		**1,343,444**	1,203,376	1,130,020
		11,349,875	13,575,634	12,350,637
Non-current liabilities				
Derivative financial instruments	22	**–**	–	1,416
Borrowings	30	**2,894,980**	2,358,773	4,645,022
Deferred income tax liabilities	32	**1,086,372**	921,549	1,037,999
		3,981,352	3,280,322	5,684,437
Total liabilities		**15,331,227**	16,855,956	18,035,074
NET ASSETS		**29,580,257**	26,516,697	23,199,109
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	33	**7,361,990**	7,361,990	6,354,096
Treasury shares	33	**(122,362)**	(20,979)	(20,979)
Other reserves	34	**938,173**	568,680	324,938
Retained earnings		**20,701,800**	17,975,023	16,033,911
		28,879,601	25,884,714	22,691,966
Non-controlling interests		**700,656**	631,983	507,143
Total equity		**29,580,257**	26,516,697	23,199,109

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

BALANCE **SHEETS** – COMPANY

AS AT 31 DECEMBER 2018

	Note	The Company 31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	12	**488,556**	832,021	1,422,015
Trade and other receivables	18	**8,488,478**	10,075,526	6,736,769
Derivative financial instruments	22	**–**	–	36,371
		8,977,034	10,907,547	8,195,155
Non-current assets				
Trade and other receivables	20	**2,834,232**	2,345,870	2,347,406
Derivative financial instruments	22	**–**	–	23,002
Investments in subsidiaries	24	**5,282,570**	5,282,570	5,199,570
Investment in a joint venture	25	**–**	–	4,796
Investments in associated companies	26	**134,062**	134,062	134,062
Property, plant and equipment	27	**7**	22	37
		8,250,871	7,762,524	7,708,873
Total assets		**17,227,905**	18,670,071	15,904,028
LIABILITIES				
Current liabilities				
Trade and other payables	29	**4,313,370**	4,192,887	3,869,948
Derivative financial instruments	22	**–**	–	281,166
Borrowings	30	**483,098**	1,141,730	1,387,400
Current income tax liabilities		**4,740**	–	406,529
		4,801,208	5,334,617	5,945,043
Non-current liabilities				
Derivative financial instruments	22	**–**	–	1,416
Borrowings	30	**–**	–	1,387,400
Deferred income tax liabilities	32	**–**	–	224,784
		–	–	1,613,600
Total liabilities		**4,801,208**	5,334,617	7,558,643
NET ASSETS		**12,426,697**	13,335,454	8,345,385
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	33	**7,326,773**	7,326,773	6,318,879
Treasury shares	33	**(122,362)**	(20,979)	(20,979)
Other reserves	34	**(40,192)**	(40,192)	(40,192)
Retained earnings		**5,262,478**	6,069,852	2,087,677
Total equity		**12,426,697**	13,335,454	8,345,385

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to equity holders of the Company									
	Note	Share capital RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Currency translation reserve RMB'000	Fair value reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2018											
As at 31 December 2017		**7,361,990**	**(20,979)**	**3,566,028**	**(2,928,270)**	**(63,673)**	**(5,405)**	**17,975,023**	**25,884,714**	**631,983**	**26,516,697**
Adoption of SFRS(I) 9	2.2B1	–	–	–	–	–	**5,405**	**320,650**	**326,055**	–	**326,055**
As at 1 January 2018		**7,361,990**	**(20,979)**	**3,566,028**	**(2,928,270)**	**(63,673)**	–	**18,295,673**	**26,210,769**	**631,983**	**26,842,752**
Profit for the year		–	–	–	–	–	–	**3,614,044**	**3,614,044**	**9,752**	**3,623,796**
Other comprehensive income for the year		–	–	–	–	**19,989**	–	–	**19,989**	**3,692**	**23,681**
Total comprehensive income for the year		–	–	–	–	**19,989**	–	**3,614,044**	**3,634,033**	**13,444**	**3,647,477**
		7,361,990	**(20,979)**	**3,566,028**	**(2,928,270)**	**(43,684)**	–	**21,909,717**	**29,844,802**	**645,427**	**30,490,229**
Purchase of treasury share	33	–	**(101,383)**	–	–	–	–	–	**(101,383)**	–	**(101,383)**
Dividends	35	–	–	–	–	–	–	**(857,090)**	**(857,090)**	**(12,852)**	**(869,942)**
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	**124,682**	**124,682**
Capital injection of NCI		–	–	–	–	–	–	–	–	**75,970**	**75,970**
Acquisition of equity interest from NCI	24	–	–	–	**(6,728)**	–	–	–	**(6,728)**	**(132,571)**	**(139,299)**
Transfer	34	–	–	**350,827**	–	–	–	**(350,827)**	–	–	–
Total transactions with owners, recognised directly in equity		–	**(101,383)**	**350,827**	**(6,728)**	–	–	**(1,207,917)**	**(965,201)**	**55,229**	**(909,972)**
As at 31 December 2018		**7,361,990**	**(122,362)**	**3,916,855**	**(2,934,998)**	**(43,684)**	–	**20,701,800**	**28,879,601**	**700,656**	**29,580,257**
2017											
As at 1 January 2017		6,354,096	(20,979)	3,329,625	(2,928,330)	(56,073)	(20,284)	16,033,911	22,691,966	507,143	23,199,109
Profit for the year		–	–	–	–	–	–	2,931,498	2,931,498	160,424	3,091,922
Other comprehensive income for the year		–	–	–	–	(7,600)	14,879	–	7,279	–	7,279
Total comprehensive income for the year		–	–	–	–	(7,600)	14,879	2,931,498	2,938,777	160,424	3,099,201
Dividends	35	–	–	–	–	–	–	(753,983)	(753,983)	(511)	(754,494)
Disposal of subsidiaries	12	–	–	–	60	–	–	–	60	(35,073)	(35,013)
Issuance of shares	33	1,007,894	–	–	–	–	–	–	1,007,894	–	1,007,894
Transfer	34	–	–	236,403	–	–	–	(236,403)	–	–	–
Total transactions with owners, recognised directly in equity		1,007,894	–	236,403	60	–	–	(990,386)	253,971	(35,584)	218,387
As at 31 December 2017		7,361,990	(20,979)	3,566,028	(2,928,270)	(63,673)	(5,405)	17,975,023	25,884,714	631,983	26,516,697

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	The Group 2018 RMB'000	The Group 2017 RMB'000
Cash flows from operating activities			
Net profit		**3,623,796**	3,091,922
Adjustments for:			
– Income tax expenses		**941,206**	395,440
– Depreciation of property, plant and equipment		**475,552**	461,432
– Amortisation of lease prepayments		**20,185**	20,192
– Amortisation of intangible assets		**36,563**	934
– Finance expenses		**133,782**	113,202
– (Gain)/Loss on:			
• Bargain purchase		**(7,023)**	–
• Disposal of associated company		**–**	6,063
• Disposal of jointly controlled company		**–**	(34,248)
• Disposal/Dissolution of subsidiaries		**–**	(228,303)
• Disposal of property, plant and equipment		**(43,265)**	(74,639)
• Disposal of financial assets at fair value, through profit and loss		**(156,709)**	–
– Fair value change on:			
• Derivative financial instruments		**–**	(223,209)
• Financial assets at fair value, through profit and loss		**50,282**	(143,094)
– Impairment loss/(Reversal of impairment loss) on:			
• Financial assets, available for sale		**–**	91,159
• Other receivables from non-related parties		**–**	(32,750)
– Bad debt recovery		**(19,650)**	–
– Interest income		**(185,455)**	(138,440)
– Dividend income		**(184,072)**	(71,516)
– Share of (profits)/losses of associated companies and a joint venture		**85,826**	(40,069)
		4,771,018	3,194,076
Change in working capital, net of effects from acquisition and disposal of subsidiaries:			
– Inventories		**26,097**	(627,206)
– Contract balances		**1,734,159**	(687,215)
– Trade and other receivables		**22,643**	(352,104)
– Trade and other payables		**(1,492,347)**	671,570
– Financial assets, held-to-maturity		**–**	(1,072,235)
– Debt investments at amortised cost		**(2,831,507)**	–
– Provisions		**(169,539)**	(116,640)
– Restricted cash		**(179,351)**	1,190,290
Cash generated from operations		**1,881,173**	2,200,536
Interest paid		**(122,605)**	(173,352)
Interest received		**185,455**	138,440
Income tax paid		**(636,889)**	(583,523)
Net cash provided by operating activities		**1,307,134**	1,582,101

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	The Group 2018 RMB'000	The Group 2017 RMB'000
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		**146,387**	252,518
Proceeds from sales of financial assets, available-for-sale		**–**	18,000
Proceeds from sales of financial assets, at fair value through profit and loss		**1,234,114**	–
Dividend received		**184,072**	71,516
Purchase of property, plant and equipment		**(483,484)**	(48,333)
Disposal of subsidiaries, net of cash disposed	12	**(386)**	88,761
Proceeds from striking off of joint venture		**–**	36
Acquisition of financial assets, available-for-sale		**–**	(670,104)
Acquisition of financial assets, at fair value through profit and loss		**(90,100)**	–
Acquisition of intangible assets		**(9,528)**	(2,892)
Acquisition of subsidiaries, net of cash acquired	40	**(169,432)**	–
Acquisition/additions of investments in associated companies		**(187,000)**	(544,700)
Return of capital by associated companies		**283,333**	58,574
Repayment of loan from non-related parties		**–**	131,000
Loan to a non-related party		**–**	(137,218)
Net cash provided from/(used in) investing activities		**907,976**	(782,842)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	33	**–**	1,012,017
Share issuance cost	33	**–**	(4,123)
Proceeds from borrowings		**1,819,137**	2,548,991
Repayments of borrowings		**(2,600,881)**	(4,492,015)
Purchase of treasury shares		**(101,383)**	–
Capital injection by non-controlling interest		**75,970**	–
Acquisition of equity interest in existing subsidiaries from non-controlling interests	24	**(139,299)**	–
Dividends paid to equity holders	35	**(857,090)**	(753,983)
Dividends paid to non-controlling interests		**(12,852)**	(511)
Net cash used in financing activities		**(1,816,398)**	(1,689,624)
Net increase/(decrease) in cash and cash equivalents		**398,712**	(890,365)
Cash and cash equivalents at beginning of financial year		**6,195,431**	7,085,796
Cash and cash equivalents at end of financial year	12	**6,594,143**	6,195,431

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Reconciliation of liabilities arising from financing activities

					Non-cash changes		
	1 January 2018 RMB'000	Proceeds from borrowings RMB'000	Repayments of borrowings RMB'000	Interest payments RMB'000	Interest expense RMB'000	Foreign exchange movement RMB'000	31 December 2018 RMB'000
Borrowings	4,890,746	1,819,137	(2,600,881)	(122,605)	122,605	(65,021)	4,043,981

					Non-cash changes		
	1 January 2017 RMB'000	Proceeds from borrowings RMB'000	Repayments of borrowings RMB'000	Interest payments RMB'000	Interest expense RMB'000	Foreign exchange movement RMB'000	31 December 2017 RMB'000
Borrowings	7,224,457	2,548,991	(4,492,015)	(173,352)	173,352	(390,687)	4,890,746

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 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.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Business combinations

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

(ii) Leases

The Group applied the exemption and has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(iii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.2 **Adoption of SFRS(I)** (Continued)

(a) Optional exemptions applied (Continued)

(iv) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;
- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	**Note**	**Reported under SFRS RMB'000**	**Effects of applying SFRS(I) 15 RMB'000**	**Reported under SFRS(I) RMB'000**
ASSETS				
Current assets				
Due from customers on construction contracts	A1	3,929,478	(3,929,478)	–
Contract assets	A1	–	3,929,478	3,929,478
LIABILITIES				
Current liabilities				
Due to customers on construction contracts	A1	1,808,605	(1,808,605)	–
Advances received on construction contracts	A1	457,021	(457,021)	–
Trade and other payables	A1	5,605,757	(973)	5,604,784
Contract liabilities	A1	–	2,251,094	2,251,094
Provisions	A1,A2	488,633	15,505	504,138
EQUITY				
Capital and reserve attributable to equity holders of the Company				
Other reserves		–	–	–
Retained earnings		–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (Continued)

	Note	As at 31 Dec 2017 reported under SFRS RMB'000	Effects of applying SFRS(I) 15 RMB'000	As at 31 Dec 2017 reported under SFRS (I) RMB'000	Effects of applying SFRS(I) 9 RMB'000	As at 1 Jan 2018 reported under SFRS(I) RMB'000
ASSETS						
Current assets						
Financial assets, at fair value through profit or loss	B1(i)	748,523	–	748,523	1,106,967	**1,855,490**
Financial assets, available-for-sale	B1(i)	1,027,293	–	1,027,293	(1,027,293)	**–**
Financial assets, held to maturity	B1(iii)	7,573,617	–	7,573,617	(7,573,617)	**–**
Debt investments at amortised cost	B1(iii)	–	–	–	7,573,617	**7,573,617**
Investment in associated companies	B1(ii)	1,394,702	–	1,394,702	234,894	**1,629,596**
Due from customers on construction contracts	A1	5,960,320	(5,960,320)	–	–	**–**
Contract assets	A1	–	5,960,320	5,960,320	–	**5,960,320**
Non-current assets						
Financial assets, at fair value through profit or loss	B1(i)	–	–	–	431,251	**431,251**
Financial assets, available-for-sale	B1(i)	400,000	–	400,000	(400,000)	**–**
Financial assets, held-to-maturity	B1(iii)	4,405,252	–	4,405,252	(4,405,252)	**–**
Debt investments at amortised cost	B1(iii)	–	–	–	4,405,252	**4,405,252**
LIABILITIES						
Current liabilities						
Due to customers on construction contracts	A1	3,607,332	(3,607,332)	–	–	**–**
Advances received on construction contracts	A1	1,919	(1,919)	–	–	**–**
Trade and other payables	A1	5,859,041	(89,494)	5,769,547	–	**5,769,547**
Contract liabilities	A1	–	2,480,400	2,480,400	–	**2,480,400**
Provisions	A1,A2	371,993	1,218,345	1,590,338	–	**1,590,338**
Non-current liabilities						
Deferred income tax liabilities	B1(i)	921,549	–	921,549	19,764	**941,313**
EQUITY						
Capital and reserve attributable to equity holders of the Company						
Other reserves		568,680	–	568,680	5,405	**574,085**
Retained earnings		17,975,023	–	17,975,023	320,650	**18,295,673**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

(c) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

A. Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(iv), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

A1. Presentation of contract assets and contract liabilities

The Group has also changed the presentation of certain amounts in the balance sheet as at 31 December 2017 on adopting SFRS(I) 15:

(i) Contract assets relating to shipbuilding construction contracts were previously presented as "due from customers on construction contracts" of RMB5,960,320,000 (1.1.2017: RMB3,929,478,000) under SFRS.

(i) Contract liabilities in relation to shipbuilding contracts of RMB2,480,400,000 (1.1.2017: RMB2,251,094,000) and provision for onerous contracts of RMB1,218,345,000 (1.1.2017: RMB15,505,000) were previously presented as "due to customers on construction contracts", "trade and other payables" and "advances received on construction contracts" of RMB3,607,332,000, RMB89,494,000 and RMB1,919,000 (1.1.2017: RMB1,808,605,000, RMB973,000 and RMB457,021,000) under SFRS.

A2. Accounting for loss-making shipbuilding contracts

Previously under SFRS 11 *Construction Contracts*, when it was probable that total contract costs will exceed total contract revenue for construction contracts, the expected loss was recognised as an expense immediately on a contract-by-contract basis, and was accounted for on the balance sheet (due from/to customers on construction contracts) in accordance with SFRS 11.

On adoption of SFRS(I) 15, expected losses on loss-making contracts are identified and accounted for using. SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Group has assessed and concluded that these loss-making contracts are onerous and will be recognised and measured as a provision. Provision for onerous contracts amounting to RMB1,218,345,000 (1.1.2017: RMB15,505,000) was recognised as a result of this change and reclassified from "Due to customers on construction contracts".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

B. Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(iii), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.11.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

B. Adoption of SFRS(I) 9 (Continued)

B1. Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. Material reclassifications resulting from management's assessment are disclosed below.

	Note	Financial Assets							
		FVPL RMB'000	AFS RMB'000	HTM RMB'000	Amortised cost* RMB'000	Investment in associated companies RMB'000	Deferred tax liabilities RMB'000	Other reserves RMB'000	Retained earnings RMB'000
As at 31 December 2017 – before adoption of SFRS(I) 9		748,523	1,427,293	11,978,869	–	1,394,702	921,549	568,680	17,975,023
Reclassify investment from AFS to FVPL	(i)	1,427,293	(1,427,293)	–	–	–	–	5,405	(5,405)
Fair value movement	(i)	110,925	–	–	–	–	–	–	110,925
Relating tax impact on the above	(i)	–	–	–	–	–	19,764	–	(19,764)
Share of profit of associated companies	(ii)	–	–	–	–	234,894	–	–	234,894
Reclassify unlisted debt securities from HTM to amortised cost	(iii)	–	–	(11,978,869)	11,978,869	–	–	–	–
		1,538,218	(1,427,293)	(11,978,869)	11,978,869	234,894	19,764	5,405	320,650
As at 1 January 2018 – after adoption of SFRS(I) 9		2,286,741	–	–	11,978,869	1,629,596	941,313	574,085	18,295,673

* Represent debt investments measured at amortised costs

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

B. Adoption of SFRS(I) 9 (Continued)

B1. Classification and measurement of financial assets (Continued)

(i) Reclassification of financial assets from available-for-sale (“AFS”) to fair value through profit or loss (“FVPL”)

The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as AFS, in profit or loss. As a result, investments in listed and unlisted equity amounting to RMB1,427,293,000 were reclassified from “AFS” to “financial assets, at FVPL” on 1 January 2018.

Related fair value losses for listed equity investments of RMB5,405,000 were transferred from the fair value reserve to retained earnings on 1 January 2018. Before adoption of SFRS(I) 9, the unlisted equity investments were carried at cost of RMB1,137,404,000 as of 31 December 2017 under SFRS 39 as disclosed in Note 15. Upon adoption of SFRS(I) 9, the Group has measured the fair value of unlisted equity investments as of 1 January 2018 and determined it to be RMB1,248,329,000. Accordingly, the Group has recognised the cumulative impact of the adoption of RMB110,925,000 in the opening retained earnings at 1 January 2018.

(ii) Investment in associated companies

Before adoption of SFRS(I) 9 on 1 January 2018, associated companies accounted for its underlying unlisted equity investments at cost under SFRS 39.

Upon adoption of SFRS(I) 9, the Group measured the underlying unlisted equity investments held by associated company at fair value through profit or loss as of 1 January 2018. The difference of RMB234,894,000 arising from measurement of underlying investment due to adoption of SFRS(I) 9 have been recognised in associated’s companies retained earnings at 1 January 2018. Accordingly, the Group has recognised the cumulative impact of the adoption in the opening retained earnings at 1 January 2018.

(iii) Reclassification from held-to-maturity to amortised cost

Debt investments amounting to RMB11,978,869,000 previously classified as “held-to maturity” were reclassified to “amortised cost” on 1 January 2018. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest. There was no difference between the previous carrying amount and the revised carrying amount of these financial assets on 1 January 2018.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

B. Adoption of SFRS(I) 9 (Continued)

B1. Classification and measurement of financial assets (Continued)

(iv) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables and contract assets recognised under SFRS(I) 15;
- lease receivables recognised under SFRS(I) 1-17;
- debt instruments measured at amortised cost; and
- other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11 and Note 37(b).

(d) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

The Company's opening balance sheet was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I).

2.3 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition (Continued)

(a) *Shipbuilding revenue* (Continued)

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 payment received from shipbuilding contracts is recognised when the shipbuilding contract has been effectively terminated and the payments received from 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

Collections occurs when the physical possession of the vessels have been transferred to the customers, and either the customers has 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 metal and chemical products

The Group enters into contracts with customers to supply goods (including metals and chemical 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 deferred revenue prior to the delivery of goods. Deferred revenue 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition (Continued)

(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.

(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.

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(i) *Consolidation* (Continued)

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(ii) *Acquisitions* (Continued)

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.

(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 but not exceeding 50%.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (Continued)

(c) *Associated companies and joint ventures* (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

(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
Buildings	20 years
Machinery	5 – 10 years
Vehicles	5 – 12 years
Furniture, fittings and equipment	5 – 12 years
Vessels	25 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(d) 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. Construction-in-progress is not depreciated 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

(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".

2.6 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.

2.7 Intangible assets

(a) Goodwill on acquisitions

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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 three to five 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 capitalised 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 contract

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.

2.8 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

2.10 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.

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets (Continued)

(b) *Intangible assets*
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures (Continued)

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.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.11 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(a) *Classification* (Continued)

(i) *Financial assets, at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "cash and cash equivalents" and "restricted cash" on the balance sheet.

(iii) *Financial assets, held-to-maturity*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

(iv) *Financial assets, available-for-sale*

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(b) *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 financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Financial assets, available-for-sale and financial assets, at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in "Other income". Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(e) *Impairment* (Continued)

(i) *Loans and receivables*
Financial assets, held-to-maturity

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described in Note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for equity securities are not reversed through profit or loss in subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

The accounting for financial assets from 1 January 2018 are as follows:

(f) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(f) Classification and measurement (Continued)

At subsequent measurement (Continued)

(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".

(g) 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 37 details how the Group determines whether there has been a significant increase in credit risk.

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.

(h) 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. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

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 fair value of a derivative is presented as a non-current asset or liability if the remaining expected life of the derivative is more than 12 months, and as a current asset or liability if the remaining expected life of the derivative is less than 12 months.

2.17 Leases

(a) When the Group is the lessee:

The Group leases land and certain plant and machinery under operating leases from non-related parties.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

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

(i) 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

(b) *When the Group is the lessor* (Continued)

(i) *Lessor – Finance leases* (Continued)

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 recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

(ii) *Lessor – Operating leases*

Leases of vessels 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.

When a lease is effectively terminated before the lease period expires, any payment made (or received) by the Group as penalty is recognised as an expense (or income) when effective termination takes place.

2.18 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 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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.

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.

2.20 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.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions (Continued)

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.

2.21 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.22 **Currency translation** (Continued)

(b) *Transactions and balances* (Continued)

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.

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 capital 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.

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").

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

(a) *Estimation of total contract costs* (continued)

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, and corroborated with the experience gained from the most recent deliveries.

As at 31 December 2018, RMB4,669,468,000 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/lower by 5% from management's estimates, the Group's revenue and contract assets would have been lower by RMB358,391,000 and higher by RMB339,066,000 respectively. If the total contract costs of on-going contracts to be incurred had been higher by 5% from management's estimates, a provision for onerous contracts of RMB1,239,962,000 would have been recognised.

(b) *Impairment of trade receivables and contract assets*

As at 31 December 2018, the Group's trade receivables and contract assets amounted to RMB989,875,000 (Note 18 and Note 20) and RMB4,669,468,000 [Note 4 (b)] respectively, arising from the Group's different revenue segments – shipbuilding, investments and trading.

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 RMB11,082,000 for trade receivables was recognised as at 31 December 2018.

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 37(b).

(c) *Impairment of debt investments at amortised cost*

When measuring 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 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 account expected cash flows from of collateral and integral credit enhancements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(c) *Impairment of debt investments at amortised cost* (Continued)

Probability of default 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 loss allowance of RMB323,367,000 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 37(b)(vi).

(d) *Net realisable value of inventories work-in-progress*

The Group holds certain vessels as inventories work-in-progress. In determining the net realisable value, management considers the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Based on management's assessment of the net realisable value of inventories work-in-progress, there is a write-down of RMB211,080,000 provided on inventories work-in-progress to their net realisable value during the current financial years as disclosed in Note 19.

(e) *Impairment of property, plant and equipment – vessels*

The vessels are tested for impairment whenever there is an objective evidence or indication that they may be impaired. An impairment loss is recognised to the extent that the carrying amount is more than its recoverable amount. The recoverable amount is determined based on the higher of its fair value less costs of disposal and value-in-use. In assessing the fair value less costs of disposal, the Group engaged independent valuation specialists to determine the fair value less costs of disposal of the vessels. The independent valuers used a valuation technique based on recent vessel sales and other comparable market data. In assessing the value-in-use calculations, the Group used cash flow projections based on financial budgets approved by management.

As at 31 December 2018, the recoverable amounts of the vessels have been determined based on fair value less costs of disposal. As the recoverable amounts of the vessels are higher than its carrying amount, no impairment loss on property, plant and equipment – vessels were recognised for the current and previous financial year.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

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
2018			
Shipbuilding segment			
– Shipbuilding revenue	**–**	**12,767,961**	**12,767,961**
– Sale of completed vessels	**1,255,375**	**–**	**1,255,375**
Investments segment			
Interest income from debt investments at amortised cost	**1,549,279**	**–**	**1,549,279**
Interest income from microfinance	**62,881**	**–**	**62,881**
Trading segment			
Sale of goods – materials and others	**7,021,366**	**–**	**7,021,366**
Others segment			
Rendering of ship design services	**1,219**	**–**	**1,219**
Charter hire income	**570,331**	**–**	**570,331**
Others	**9,877**	**–**	**9,877**
Total revenue	**10,470,328**	**12,767,961**	**23,238,289**

	At a point in time RMB'000	Over time RMB'000	Total RMB'000
2017			
Shipbuilding segment			
– Shipbuilding revenue	–	11,942,735	11,942,735
– Sale of completed vessels	357,822	–	357,822
Investments segment			
Interest income from financial assets, held-to-maturity	1,078,823	–	1,078,823
Interest income from microfinance	32,075	–	32,075
Trading segment			
Sales of goods – materials and others	5,401,391	–	5,401,391
Others segment			
Rendering of ship design services	4,300	–	4,300
Charter hire income	270,134	–	270,134
Others	118,316	–	118,316
Total revenue	7,262,861	11,942,735	19,205,596

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Contract assets and liabilities

		31 December		1 January
		2018	**2017**	**2017**
	Note	**RMB'000**	**RMB'000**	**RMB'000**
Contract assets				
– Shipbuilding contract	(i)	**4,669,468**	5,960,320	3,929,478
Contract liabilities				
– Shipbuilding contract	(i),(ii)	**(2,729,081)**	(2,390,906)	(2,250,121)
– Sale of goods – material and others	(i),(ii)	**(194,626)**	(89,494)	(973)
		(2,923,707)	(2,480,400)	(2,251,094)

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 higher contracts in which the Group billed and received consideration ahead of the provision of services.

(i) Revenue recognised in relation to contract liabilities

	2018	**2017**
	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	**1,777,579**	869,031
– Sale of goods – material and others	**89,494**	973

(ii) Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligation is RMB15,512,503,000 and the Group expects to recognise this revenue over the next 1 to 3 years.

As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. OTHER INCOME

	The Group	
	2018 RMB'000	2017 RMB'000
Interest income		
– Cash and cash equivalents and restricted cash	**114,375**	64,485
– Finance lease	**69,856**	73,955
– Other receivable from a non-related party	**1,224**	–
Income from forfeiture of advances received [Note (a)]	**237,138**	80,556
Income from forfeiture of security guarantees [Note (b)]	**207,289**	321,550
Sales of bunker stock	**–**	18,315
Dividend income	**184,072**	71,516
Others	**26,501**	39,876
	840,455	670,253

(a) These represent forfeiture of payments received from customers as a result of default by customers and effective cancellation of shipbuilding contracts determined on an individual contract basis.

(b) These represent forfeiture of security guarantees resulting from termination of finance lease agreements [(Note 29 (c))].

6. OTHER GAINS – NET

	The Group	
	2018 RMB'000	2017 RMB'000
Currency translation gain/(loss) – net	**357,400**	(745,161)
Fair value (loss)/gain:		
– Derivative financial instruments	**–**	223,209
– Financial assets, at fair value through profit or loss (Note 14)	**(50,282)**	143,094
Gain/(loss) on disposal of:		
– Associated companies	**–**	(6,063)
– A joint venture	**–**	34,248
– Subsidiaries (Note 12)	**–**	228,303
– Financial assets, at fair value through profit or loss	**156,709**	–
– Property, plant and equipment	**43,265**	74,639
Gain on bargain purchase (Note 40)	**7,023**	–
Impairment loss on advance to suppliers [Note 18(d)]	**(232,748)**	–
Subsidy income	**216,301**	236,884
Others	**3,657**	(1,007)
	501,325	188,146

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. EXPENSES BY NATURE

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Raw materials and consumables used (Note 19)	**14,967,476**	11,772,140
Amortisation of lease prepayments (Note 23)	**20,185**	20,192
Amortisation of intangible assets (Note 28)	**36,563**	934
Depreciation of property, plant and equipment (Note 27)	**475,552**	461,432
(Reversal of impairment loss)/impairment loss on:		
– Financial assets, held to maturity – net [Note 37(b)(v)]	**–**	230,265
– Debt investments at amortised cost [Note 37(b)(vi)]	**323,367**	–
– Other receivables from non-related parties [Note 37(b)(iv)]	**–**	(32,750)
– Loans to non-related parties – microfinance [Note 37(b)(iv)]	**(91,912)**	7,972
– Available-for-sale financial assets (Note 15)	**–**	91,159
Bad debt recovery	**(19,650)**	–
Employee compensation (Note 8)	**341,708**	309,907
Subcontracting costs	**2,035,915**	1,376,817
Other project-related fees and charges	**715,111**	474,936
Business tax on interest income from debt instruments at amortised cost and loans to non-related parties – microfinance	**67,677**	7,688
Reversal of inventory write-down (Note 19)	**(159,188)**	(143,775)
Inventory write-down (Note 19)	**211,080**	–
Write-back of warranty provision – net (Note 31)	**(31,550)**	(113,693)
(Reversal)/allowance for provision for onerous contracts – net (Note 31)	**(119,038)**	1,202,840
Utilities	**203,789**	170,352
Transportation expenses	**13,143**	12,968
Professional fees	**11,352**	16,572
Operating lease	**943**	6,194
Others	**792,936**	631,350
Total cost of sales, selling and distribution and administrative expenses	**19,795,459**	16,503,500

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. EMPLOYEE COMPENSATION

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Salaries and wages	**286,445**	184,394
Employer's contributions to defined contribution plans [Note (a)]	**37,671**	36,572
Other employee benefits	**17,592**	88,941
	341,708	309,907

(a) 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 2018, the Group is required to make monthly defined contribution to these plans at approximately 45% to 47% (2017: 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.

9. FINANCE EXPENSES

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Interest on bank borrowings	**122,605**	173,352
Net foreign currency translation loss/(gain) on bank borrowings	**11,177**	(60,150)
	133,782	113,202

10. INCOME TAXES

The Group is subject to income tax on an entity basis on profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operates in. According to the Corporate Income Tax Law of the PRC (the "CIT Law") which became effective from 1 January 2008, the income tax rate for these subsidiaries in PRC in 2018 was 25% (2017: 25%), except for Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS") and Jiangsu Yangzi Xinfu Shipbuilding Co.,Ltd ("JXF"), which enjoy reduced income tax rate of 15%.

In 2017, JXF has obtained the qualification as a "High and New Technology Enterprise" ("HNTE") for three years from November 2016 to November 2019, which entitles it to a reduced income tax rate of 15% from November 2017 to November 2019, as long as it maintains its qualification as a HNTE under the CIT Law.

10. INCOME TAXES (CONTINUED)

(a) Income tax expense

	The Group	
	2018	2017
	RMB'000	RMB'000
Income tax expense attributable to profit is made up of:		
Current year		
– Current income tax	**843,697**	530,223
– Deferred income tax (Note 32)	**97,509**	(54,015)
	941,206	476,208
Over-provision of current income tax in prior financial years	**–**	(80,768)
	941,206	395,440

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	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**4,565,002**	3,487,362
Share of losses/(profits) of associated companies and a joint venture, net of tax	**85,826**	(40,069)
Profit before tax and share of profit/(loss) of associated companies and a joint venture	**4,650,828**	3,447,293
Tax calculated at the applicable tax rate of 25% (2017: 25%)	**1,162,707**	861,823
Effect of tax exemption and different tax rates	**(423,679)**	(534,828)
Deferred tax on undistributed profits	**147,673**	106,264
Expenses not deductible for tax purposes	**50,910**	38,002
Deferred tax asset on tax losses not recognised	**916**	4,305
Over-provision of current tax in prior year	**–**	(80,768)
Others	**2,679**	642
Tax charge	**941,206**	395,440

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. INCOME TAXES (CONTINUED)

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

Group	2018			2017		
	Before Tax RMB'000	**Tax credit/ (charge) RMB'000**	**After tax RMB'000**	**Before tax RMB'000**	**Tax credit/ (charge) RMB'000**	**After tax RMB'000**
Fair value losses on financial assets, available-for-sale	–	–	–	(58,654)	9,772	(48,882)
Reclassification adjustments on financial assets, available-for-sale	–	–	–	76,159	(12,398)	63,761
	–	–	–	17,505	(2,626)	14,879
Currency translation gains/ (losses) arising from share of other comprehensive income of associated companies and a joint venture	**6,569**	–	**6,569**	(8,052)	–	(8,052)
Reclassification on share of other comprehensive income of associated companies and a joint venture	–	–	–	(34,420)	–	(34,420)
Currency translation gains arising from consolidation	**17,112**	–	**17,112**	34,872	–	34,872
Other comprehensive income	**23,681**	–	**23,681**	9,905	(2,626)	7,279

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. 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	
	2018	**2017**
Net profit attributable to equity holders of the Company (RMB'000)	**3,614,044**	2,931,498
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**3,956,782**	3,878,005
Basic earnings per share (RMB cents)	**91.34**	75.59

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

12. CASH AND CASH EQUIVALENTS

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**6,594,143**	6,195,431	7,085,796	**488,556**	832,021	1,422,015

Acquisition of subsidiaries

Please refer to Note 40 for the effect of the acquisition of subsidiaries on the cash flows of the Group.

Disposal of subsidiaries

On 18 May 2018, the Group disposed of its entire interest in Taixing Yangzi Xinfu Ship Accessories Processing Co., Ltd for a cash consideration of RMB1,000,000.

On 1 August 2017, the Group disposed of its entire interest in Jiangsu Huayuan Metal Processing Co Ltd ("JHMP") and Jiangsu Zhongzhou Vessel Component Manufacturing Co Ltd for a total cash consideration of RMB94,494,000.

12. CASH AND CASH EQUIVALENTS (CONTINUED)

The aggregated effects of the disposal on the cash flows of the Group were:

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Carrying amounts of assets and liabilities disposed of		
Cash and cash equivalents	**1,386**	5,733
Trade and other receivables	**3,811**	72,030
Inventories	**–**	31,464
Property, plant and equipment (Note 27)	**–**	15,610
Lease prepayments (Note 23)	**–**	69,669
Total assets	**5,197**	194,506
Trade and other payables	**4,197**	413,698
Contract liabilities	**–**	2
Total liabilities	**4,197**	413,700
Net assets/(liabilities) derecognised	**1,000**	(219,194)
Less: Non-controlling interests	**–**	(35,073)
Net assets/(liabilities) disposed of	**1,000**	(254,267)
Net assets/(liabilities) disposed of (as above)	**1,000**	(254,267)
Less: Reclassification of currency translation reserve	**–**	(2,456)
Less: Reclassification of capital reserve	**–**	(60)
Cash proceeds from disposal	**(1,000)**	(94,494)
Gain on disposal	**–**	(346,245)
Less: Impairment of other receivables (i)	**–**	(117,942)
Net gain on disposal	**–**	(228,303)

(i) The Group has an amount of RMB117,942,000 due from JHMP prior to the disposal. As the receivable is deemed not recoverable, the Group has written off the receivable against the total gain on disposal of RMB346,245,000.

The aggregate cash (outflows)/inflows arising from the disposal of those entities disclosed as above were:

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Cash proceeds from disposal of (as above)	**1,000**	94,494
Less: Cash and cash equivalents in subsidiaries disposed of	**(1,386)**	(5,733)
Net cash (outflow)/inflow on disposal	**(386)**	88,761

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. RESTRICTED CASH

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

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Restricted cash	**208,756**	29,405	1,219,695

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

	The Group	
	2018	2017
	RMB'000	RMB'000
Beginning of financial year	**748,523**	605,429
Reclassified from financial assets, available-for-sale (Note 15)*	**1,427,293**	–
Adoption of SFRS(I) 9 [Note 2.2B(i)]	**110,925**	–
Acquisition of subsidiaries (Note 40)	**2,000**	–
Additions	**90,100**	–
Fair value (losses)/gains through profit and loss (Note 6)	**(50,282)**	143,094
Disposals	**(1,077,405)**	–
End of financial year	**1,251,154**	748,523

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS (I) 9.

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

		The Group		
		31 December		1 January
		2018	2017	2017
		RMB'000	RMB'000	RMB'000
Current				
Listed				
– Equity securities – PRC		**167,641**	–	–
Unlisted				
– Equity securities – PRC		**636,743**	–	–
– Preference shares – US	(a)	**–**	748,523	605,429
		804,384	748,523	605,429
Non-Current				
Unlisted				
– Equity securities – PRC		**446,770**	–	–
		1,251,154	748,523	605,439

14. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) The Group subscribed for the unlisted preference shares of a corporation whose common shares are listed on the New York Stock Exchange. These unlisted preference shares carried a dividend rate of 6.95% per annum for the first 5 years, with a step-up of 1% each year thereafter till a maximum dividend rate of 10.5% per annum, subject to the issuer meeting certain conditions. Effective from 1 January 2018, the dividend rate is maintained at 10.5% per annum (the "Conditions") given that the issuer has failed to meet the Conditions.

The Group has the option to convert the preference shares to common shares of the listed corporation, while the issuer also has the right to redeem the shares once the dividend rate exceeds 6.95% per annum.

The issuer has redeemed the preference shares in July 2018 and the Group has realised a gain of RMB160,652,000. The proceeds from the redemption amounted to USD140,000,000 (RMB946,302,000).

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

15. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Beginning of financial year	**1,427,293**	848,843
Reclassification at 1 January 2018*	**(1,427,293)**	–
Additions	**–**	670,104
Fair value losses recognised in other comprehensive income [Note 34(d)]	**–**	(58,654)
Impairment losses on an unlisted equity security	**–**	(15,000)
Disposals	**–**	(18,000)
End of financial year	**–**	1,427,293

* *See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9*

Available-for-sale financial assets are analysed as follows:

	The Group	
	31 December 2017	**1 January 2017**
	RMB'000	**RMB'000**
Current		
Listed – Equity securities – PRC	289,889	237,043
Unlisted – Equity securities – PRC	737,404	411,800
	1,027,293	648,843
Non-current		
Unlisted – Equity securities – PRC	400,000	200,000
	1,427,293	848,843

15. FINANCIAL ASSETS, AVAILABLE-FOR-SALE (CONTINUED)

Financial assets, available-for-sale comprise of listed and unlisted equity securities. The listed equity securities were stated at their fair values (using quoted market prices), while the unlisted equity securities were stated at cost.

Fair value information had not been disclosed for the Group's investment in unlisted equity securities that were carried at cost because fair value cannot be measured reliably. The amount was largely made up of investments in venture capital funds which was not quoted on any market.

During the financial year ended 31 December 2017, the Group recognised an impairment loss of RMB15,000,000 on an unlisted equity security as the issuer was in financial distress. A further RMB76,159,000 [Note 34(d)] impairment loss has been recognised against certain listed equity securities held by the Group as the trade prices of these securities had been below cost for a prolonged period. As such total impairment loss on financial assets, available-for-sale recognised in the financial year ended 31 December 2017 amounted to RMB91,159,000 reclassed to profit or loss.

16. 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	
	2018	**2017**
	RMB'000	**RMB'000**
Beginning of financial year	**–**	–
Reclassification at 1 January 2018* (Note 17)	**11,978,869**	–
Addition	**13,542,000**	–
Redemptions	**(10,387,126)**	–
Impairment losses recognised in profit or loss [Note 37(b)]	**(323,367)**	–
End of financial year	**14,810,376**	–

Presented as:

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Current		
Debt investments	**12,503,480**	–
Less: Allowance for impairment loss	**(1,286,588)**	–
	11,216,892	–
Non-current		
Debt investments	**3,853,074**	–
Less: Allowance for impairment loss	**(259,590)**	–
	3,593,484	–
Total		
Debt investments	**16,356,554**	–
Less: Allowance for impairment loss [Note 37(b)]	**(1,546,178)**	–
	14,810,376	–

* *See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9*

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. DEBT INVESTMENTS AT AMORTISED COST (CONTINUED)

The table below analyses the maturity profile of the Group's gross investments in debt investments at amortised cost into relevant maturity groupings based on the remaining maturity period from the balance sheet date.

	The Group 2018 RMB'000
Within one year	**12,503,480**
Between one year to two years	**3,118,000**
Over two years	**735,074**
	16,356,554

The fair value of the debt investments at amortised cost based on the discounted cash flows using market interest rate of 4.75% per annum for an equivalent investment at the balance sheet date are as follows:

	The Group 2018 RMB'000
Debt investments at amortised cost	**16,771,545**

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

17. FINANCIAL ASSETS, HELD-TO-MATURITY

	The Group	
	31 December 2017 RMB'000	**1 January 2017 RMB'000**
Current		
Debt investment	8,427,310	5,811,680
Less: Allowance for impairment loss [Note 37(b)(vi)]	(853,693)	(514,971)
	7,573,617	5,296,709
Non-current		
Debt investment	4,774,370	6,087,500
Less: Allowance for impairment loss [Note 37(b)(vi)]	(369,118)	(477,575)
	4,405,252	5,609,925

17. FINANCIAL ASSETS, HELD-TO-MATURITY (CONTINUED)

The table below analyses the maturity profile of the Group's gross investments in financial assets, held-to-maturity into relevant maturity groupings based on the remaining maturity period from the balance sheet date.

	The Group	
	31 December 2017 RMB'000	1 January 2017 RMB'000
Within one year	8,427,310	5,811,680
Between one year to two years	2,921,900	4,241,000
Over two years	1,852,470	1,846,500
	13,201,680	11,899,180

As of 31 December 2017, the fair value of the financial assets, held-to-maturity, based on the discounted cash flows using market interest rate of 4.75% (1.1.2017: 4.75%) per annum for an equivalent investment at the balance sheet date was as follows:

	The Group	
	31 December 2017 RMB'000	1 January 2017 RMB'000
Financial assets, held-to-maturity	13,684,568	12,600,866

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

The above investments have been reclassified to "Debt investments at amortised cost" (Note 16) on adoption of SFRS(I) 9. See Note 2.2(b) for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. TRADE AND OTHER RECEIVABLES – CURRENT

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables (Note 21)	**105,397**	50,610	31,725	**–**	–	–
Trade receivables						
– Loans to non-related parties – microfinance [Note (a)]	**264,045**	537,657	504,070	**–**	–	–
– Customers	**626,515**	445,343	1,527,421	**–**	–	–
	890,560	983,000	2,031,491	**–**	–	–
Less: Allowance for impairment of loans to non-related parties – microfinance	**(11,082)**	(122,430)	(114,523)	**–**	–	–
Trade receivables – net	**879,478**	860,570	1,916,968	**–**	–	–
Amount due from a related party [Note (b)]	**–**	–	208,790	**–**	–	–
Other receivables						
– Subsidiaries	**–**	–	–	**8,488,354**	10,060,207	6,736,633
– Non-related parties [Note (c)]	**457,959**	374,310	347,249	**–**	15,263	–
	457,959	374,310	347,249	**8,488,354**	10,075,470	6,736,633
Less: Allowance for impairment of other receivables from non-related parties	**–**	–	(32,750)	**–**	–	–
Other receivables – net	**457,959**	374,310	314,499	**8,488,354**	10,075,470	6,736,633
Other assets						
– Value added tax recoverable	**1,273,948**	1,523,013	786,694	**–**	56	–
– Deposits	**154**	3	136	**124**	–	136
– Others	**4,014**	4,860	–	**–**	–	–
Prepayments [Note (d)]	**2,330,028**	2,476,690	2,088,185	**–**	–	–
	5,050,978	5,290,056	5,346,997	**8,488,478**	10,075,526	6,736,769

(a) Loans to non-related parties related to microfinance activities are lending to small and medium sized entities by a Group's subsidiary.

(b) As at 1 January 2017, non-trade amount due from a related party pertains to amounts receivable from a related party who had bought over a previously defaulted held-to-maturity financial asset from the Group at a price determined through a court auction. These amounts were unsecured, interest-free and repayable on demand.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

(c) Included in these receivables is loan to non-related party of RMBNil (31.12.2017: RMB137,218,000, 1.1.2017: RMB98,250,000) which is interest bearing at 4% per annum, secured against a pledge of RMB155,000,000 by a third party and repayable within one year from the balance sheet date.

(d) 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.

During the financial year, the Group impaired an advance paid to a supplier due to the supplier's significant financial difficulties and it has ceased operation.

The non-trade amounts due from subsidiaries are unsecured, interest-free and expected to be received within one year from the balance sheet date, except for an amount of RMBNil (31.12.2017: RMB896,823,000, 1.1.2017: RMB954,951,000) which bear interest at rates ranging from 3% to 4% per annum.

19. INVENTORIES

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Raw materials	**729,595**	483,210	662,422
Work-in-progress	**972,674**	1,688,658	1,304,604
Trading goods	**903,438**	456,333	65,433
	2,605,707	2,628,201	2,032,459

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 that are under conditional contracts or without a contract.

The cost of inventories recognised as expense and included in "cost of sales" amounts to RMB14,967,476,000 (2017: RMB11,772,140,000).

As at 31 December 2018, RMBNil (31.12.2017: RMBNil, 1.1.2017: RMB24,884,000) was provided on trading goods to bring the value to its net realisable value.

During the financial year ended 31 December 2018, the Group reversed RMB159,188,000 (31.12.2017: RMB143,775,000, 1.1.2017: RMBNil) of a previous write-down in value of work-in-progress. The reversal was due to sales of five (2017: five) vessels and this reversal has been included in "cost of sales".

During the financial year ended 31 December 2018, there was a write-down of RMB211,080,000 provided on work-in-progress to their net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables (Note 21)	**1,263,653**	1,199,745	1,207,849	**–**	–	–
Trade receivables						
– Loans to non-related parties – microfinance	**110,397**	17,998	50,530	**–**	–	–
Less: Allowance for impairment of loans to non-related parties	**–**	(65)	–	**–**	–	–
	110,397	17,933	50,530	**–**	–	–
Other receivables						
– Loans to subsidiaries [Note (a)]	**–**	–	–	**2,834,232**	2,345,870	2,347,406
– Loans to non-related parties	**31,053**	20,496	–	**–**	–	–
	1,405,103	1,238,174	1,258,379	**2,834,232**	2,345,870	2,347,406

(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. These loans are considered as quasi-equity in nature.

The fair values of non-current trade and other receivables of the Group 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		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	%	%	%
Finance lease receivables	**1,292,608**	1,224,646	1,299,617	**4.75**	4.75	4.75
Trade receivables						
– Loans to non-related parties – microfinance	**121,968**	18,796	55,806	**4.75**	4.75	4.75
Other receivables						
– Loans to non-related parties	**31,049**	20,493	–	**4.75**	4.75	4.75

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCE LEASE RECEIVABLES

The Group leases vessels to non-related parties under finance leases. The various agreements expire between 2019 and 2024, and the non-related parties have the obligation to purchase the vessel upon the expiry date.

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Gross receivables due			
– Not later than one year	**181,435**	130,428	112,508
– Later than one year but not later than five years	**1,315,183**	878,862	773,698
– Later than five years	**147,402**	549,839	773,036
	1,644,020	1,559,129	1,659,242
Less: Unearned finance income	**(274,970)**	(308,774)	(419,668)
Net investment in finance leases	**1,369,050**	1,250,355	1,239,574

The net investment in finance leases is analysed as follows:

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Not later than one year (Note 18)	**105,397**	50,610	31,725
Later than one year but not later than five years (Note 20)	**1,123,891**	676,834	507,178
Later than five years (Note 20)	**139,762**	522,911	700,671
	1,369,050	1,250,355	1,239,574

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount	Fair value			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group and Company					
31 December 2018					
Non-hedging instruments					
– Currency options	**–**	**–**	**–**	**–**	**–**
Total	**–**	**–**	**–**	**–**	**–**
31 December 2017					
Non-hedging instruments					
– Currency options	–	–	–	–	–
Total	–	–	–	–	–
1 January 2017					
Non-hedging instruments					
– Currency options	16,369,749	36,371	23,002	(281,166)	(1,416)
Total	16,369,749	36,371	23,002	(281,166)	(1,416)

The contract notional amount included above is on a gross basis. The contracts are entered into mainly to manage the foreign currency risk arising from shipbuilding contracts, purchase contracts and borrowings entered by the Group.

23. LEASE PREPAYMENTS

	The Group	
	2018	2017
	RMB'000	RMB'000
Land use rights		
Cost		
As at 1 January	**1,158,168**	1,227,837
Disposal of subsidiaries (Note 12)	**–**	(69,669)
As at 31 December	**1,158,168**	1,158,168
Accumulated amortisation		
As at 1 January	**(167,373)**	(147,181)
Amortisation charge (Note 7)	**(20,185)**	(20,192)
As at 31 December	**(187,558)**	(167,373)

23. LEASE PREPAYMENTS (CONTINUED)

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Net book value at 31 December	**970,610**	990,795	1,080,656

The Group's interest in land use rights in the PRC is held on leases with periods ranging from 46.5 years to 50 years.

24. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2018	2017
	RMB'000	RMB'000
Equity investments at cost		
As at 1 January	**5,282,570**	5,199,570
Additions	**–**	83,000
As at 31 December	**5,282,570**	5,282,570

(a) Acquisition of additional interest in a subsidiary

Jiangsu Yangzi Zhuoneng Industrial Co., Ltd ("JYZI")

During the financial year, the Group acquired the remaining 40% equity interest in the share capital of JYZI for a purchase consideration of RMB20,000,000. The carrying amount of the non-controlling interest in JYZI on the date of acquisition was RMB20,681,000. The Group derecognised non-controlling interests of RMB20,000,000 and recorded an increase in equity attributable to owners of the parent of RMB681,000.

Jiangsu Huayuan Logistics Co., Ltd ("JHL")

During the financial year, the Group acquired the remaining 40% equity interest in the share capital of JHL for a purchase consideration of RMB119,299,000. The carrying amount of the non-controlling interest in JHL was RMB111,890,000. The Group derecognised non-controlling interests of RMB111,890,000 and recorded a decrease in equity attributable to owners of the parent of RMB7,409,000.

The effect of changes in the ownership interest of JYZI and JHL on the equity attributable to owners of the Group during the year is summarised as follows:

	2018
	RMB'000
Carrying amount of non-controlling interest acquired	**132,571**
Consideration paid to non-controlling interest	**(139,299)**
Excess of consideration paid recognised in parent's equity	**(6,728)**

24. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of additional interest in a subsidiary (Continued)

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.

Significant restrictions

Cash and restricted cash of RMB2,080,443,000 (31.12.2017: RMB418,702,000, 1.1.2017: RMB910,165,000) 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.

25. INVESTMENT IN A JOINT VENTURE

	The Group		The Company	
	2018 RMB'000	**2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**
Equity investment at cost				
As at 1 January			–	4,796
Impairment			–	(4,796)
As at 31 December			–	–
As at 1 January	–	4,796		
Strike-off of a joint venture	–	(4,796)		
As at 31 December	–	–		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Set out below is the details of the joint venture of the Group as at 31 December 2018, which, in the opinion of the directors, is immaterial to the Group. The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group.

Name of company	Principal activity	Place of business/ country of incorporation	Effective equity holding		
			31 December		1 January
			2018	2017	2017
			%	%	%
PPL Holding Pte Ltd (“PPL Holding”)	Investment holding	Singapore	**–**	–	45

On November 2017, PPL Holding has obtained its approval from Accounting and Corporate Regulatory Authority (“ACRA”) to be strike-off from Register of Companies (“Register”) as it has become dormant. Cumulative translation gains amounting to RMB34,420,000 has been reclassed to the Income Statement and recognised as part of the gain on disposal of a joint venture (Note 6).

26. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2018 RMB’000	2017 RMB’000	2018 RMB’000	2017 RMB’000
Equity investment at cost				
As at 1 January and 31 December			**134,062**	134,062
As at 1 January	**1,394,702**	882,622		
Adoption of SFRS(I) 9*	**234,894**	–		
As at 1 January	**1,629,596**	882,622		
Acquisition	**–**	274,000		
Additions	**187,000**	270,700		
Return of capital [Note (a)]	**(283,333)**	(58,574)		
Disposals	**–**	(6,063)		
Share of (losses)/profits	**(85,826)**	40,069		
Share of other comprehensive income/ (loss) – currency translation reserve	**6,569**	(8,052)		
As at 31 December	**1,454,006**	1,394,702		

(a) In 2018, seven associated companies (2017: four associated companies) of the Group distributed their capital to all the shareholders based on the respective shareholding. This did not result in a change of significant influence over these associated companies.

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.

Details of significant associated companies are included in Note 43.

* See Note 2.2 for defails of reclassitication as at 1 January 2018 on adoption of SFRS (1)9.

27. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
Group							
2018							
Cost							
As at 1 January	**4,385,454**	**2,159,256**	**182,115**	**118,436**	**1,818,863**	**14,479**	**8,678,603**
Acquisition of subsidiaries (Note 40)	**–**	**–**	**–**	**–**	**396,346**	**–**	**396,346**
Additions	**106**	**17,933**	**2,283**	**4,549**	**388,241**	**70,372**	**483,484**
Transfers	**1,744**	**8,393**	**3,017**	**2,818**	**–**	**(15,972)**	**–**
Disposals	**–**	**(2,581)**	**(51,187)**	**(1,918)**	**(129,649)**	**(22,858)**	**(208,193)**
Currency translation difference	**–**	**–**	**–**	**–**	**77,383**	**–**	**77,383**
As at 31 December	**4,387,304**	**2,183,001**	**136,228**	**123,885**	**2,551,184**	**46,021**	**9,427,623**
Accumulated depreciation and impairment losses							
As at 1 January	**(1,369,225)**	**(1,305,537)**	**(132,947)**	**(84,011)**	**(966,154)**	**–**	**(3,857,874)**
Depreciation charge (Note 7)	**(205,921)**	**(160,266)**	**(13,026)**	**(9,049)**	**(87,290)**	**–**	**(475,552)**
Disposals	**–**	**2,196**	**35,652**	**1,657**	**65,566**	**–**	**105,071**
Currency translation difference	**–**	**–**	**–**	**–**	**(36,513)**	**–**	**(36,513)**
As at 31 December	**(1,575,146)**	**(1,463,607)**	**(110,321)**	**(91,403)**	**(1,024,391)**	**–**	**(4,264,868)**
Net book value							
As at 31 December 2018	**2,812,158**	**719,394**	**25,907**	**32,482**	**1,526,793**	**46,021**	**5,162,755**
2017							
Cost							
As at 1 January	4,531,434	2,195,613	184,403	121,652	2,283,135	15,851	9,332,088
Additions	133	8,954	10	1,692	–	37,544	48,333
Transfers	25,058	7,815	–	24	–	(32,897)	–
Disposals	(23,842)	(7,619)	(877)	(4,656)	(373,617)	–	(410,611)
Disposals of subsidiaries (Note 12)	(147,329)	(45,507)	(1,421)	(276)	–	(6,019)	(200,552)
Currency translation difference	–	–	–	–	(90,655)	–	(90,655)
As at 31 December	4,385,454	2,159,256	182,115	118,436	1,818,863	14,479	8,678,603
Accumulated depreciation and impairment losses							
As at 1 January	(1,313,817)	(1,160,304)	(118,978)	(76,448)	(1,179,572)	(6,019)	(3,855,138)
Depreciation charge (Note 7)	(199,976)	(184,830)	(16,038)	(10,314)	(50,274)	–	(461,432)
Disposals	16	6,784	789	2,473	222,670	–	232,732
Disposals of subsidiaries (Note 12)	144,552	32,813	1,280	278	–	6,019	184,942
Currency translation difference	–	–	–	–	41,022	–	41,022
As at 31 December	(1,369,225)	(1,305,537)	(132,947)	(84,011)	(966,154)	–	(3,857,874)
Net book value							
As at 31 December 2017	3,016,229	853,719	49,168	34,425	852,709	14,479	4,820,729

27. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) In 2016, two vessels under finance lease were acquired by the Group due to default in payments by the charterers. Accordingly, the respective charter agreements were also cancelled. The total carrying amount for the two vessels upon transfer was RMB191,561,000.

No new finance lease was acquired by the Group for the financial year ended 31 December 2017 and 31 December 2018.

(b) In 2016, impairment charge of RMB669,930,000 was recognised and included within "administrative expenses" in profit or loss.

The recoverable amounts of the vessels as at 1 January 2017 were determined based on fair value less costs of disposal. The fair value less costs of disposal is determined by an independent third party valuer who made reference to comparable transaction prices of similar vessels. These are regarded as Level 2 fair values.

No impairment charge was recognised on vessels for the financial year ended 31 December 2017 and 31 December 2018.

(c) Impairment charge on buildings and machinery as at 1 January 2017 of RMB294,489,000 and RMB40,000,000, respectively were included within "administrative expenses" in profit or loss.

The recoverable amounts of the buildings and machinery as at 1 January 2017 were determined based on fair value less costs of disposal. The Group has determined the fair value less costs of disposal by making reference to comparable transaction prices of similar buildings and machinery. Where comparable transaction prices were not available for certain buildings and machinery, they have been impaired to their residual values. The carrying amount of these buildings and machinery after impairment charges is RMB48,255,000.

No impairment charge was recognised on buildings and machinery for the financial year ended 31 December 2017 and 31 December 2018.

(d) Bank borrowings are secured on certain vessels of the Group with carrying amounts of RMB696,270,000 (31.12.2017: RMB568,525,000; 1.1.2017: RMB721,448,000).

27. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RMB'000	Total RMB'000
Company		
2018		
Cost		
As at 1 January and 31 December	**412**	**412**
Accumulated depreciation		
As at 1 January	**(390)**	**(390)**
Depreciation charge	**(15)**	**(15)**
As at 31 December	**(405)**	**(405)**
Net book value		
As at 31 December 2018	**7**	**7**
2017		
Cost		
As at 1 January and 31 December	412	412
Accumulated depreciation		
As at 1 January	(375)	(375)
Depreciation charge	(15)	(15)
As at 31 December	(390)	(390)
Net book value		
As at 31 December 2017	22	22

28. INTANGIBLE ASSETS

	The Group		
	31 December		1 January
	2018 RMB'000	2017 RMB'000	2017 RMB'000
Composition:			
Computer software licenses [Note (a)]	**17,527**	9,864	7,906
Customer contract [Note (b)]	**–**	–	–
	17,527	9,864	7,906

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. INTANGIBLE ASSETS (CONTINUED)

(a) Computer software licenses

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Cost		
Beginning of financial year	**12,075**	9,183
Additions	**9,528**	2,892
End of financial year	**21,603**	12,075
Accumulated amortisation		
Beginning of financial year	**(2,211)**	(1,277)
Amortisation charge (Note 7)	**(1,865)**	(934)
End of financial year	**(4,076)**	(2,211)
Net book value as at 31 December	**17,527**	9,864

(b) Customer contract

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Cost		
Beginning of financial year	**–**	–
Acquisition of subsidiary (Note 40)	**34,698**	–
End of financial year	**34,698**	–
Accumulated amortisation		
Beginning of financial year	**–**	–
Amortisation charge (Note 7)	**(34,698)**	–
End of financial year	**(34,698)**	–
Net book value as at 31 December	**–**	–

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. TRADE AND OTHER PAYABLES

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current						
Trade payables						
– Suppliers	**2,951,578**	3,090,507	2,054,461	**–**	–	–
– Notes payables [Note (a)]	**28,073**	45,800	450,000	**–**	–	–
Other payables						
– Subsidiaries [Note (b)]	**–**	–	–	**4,307,290**	4,186,151	3,859,192
– Non-related parties [Note (c)]	**937,339**	2,345,344	2,310,394	**1,989**	1,496	4,726
Deferred compensation income [Note (d)]	**157,482**	157,482	157,482	**–**	–	–
Other operating accruals	**438,452**	130,414	632,447	**4,091**	5,240	6,030
	4,512,924	5,769,547	5,604,784	**4,313,370**	4,192,887	3,869,948

(a) Notes payables are bills of exchange with average maturity dates of less than 6 months.

(b) The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand, except for an amount of RMB899,714,000 (31.12.2017: RMB910,844,000, 1.1.2017: RMB212,909,000) which bear interest at rates ranging from 3% to 4% per annum.

(c) Included in other payables to non-related parties is RMBNil (31.12.2017: RMB165,055,000, 1.1.2017: RMB496,780,000) which relates to the loans granted by the previous owners of Hong Kong vessel owning companies to these subsidiaries prior to the acquisition by the Group. Upon acquisition by the Group, the Group leased the vessels owned by these five companies to the previous owners under finance lease and these loans were used as security guarantees for the finance lease agreements. During the financial years ended 31 December 2016, those lease agreements were cancelled due to default in payments by the charterers.

In the current financial year, the Group recognise other income amounting to RMB207,289,000 (31.12.2017: RMB321,550,000 1.1.2017: RMBNil) as a result of forfeiture of the security guarantees for two of these Hong Kong vessel owning subsidiaries as disclosed in Note 5.

(d) 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 has yet been met.

30. BORROWINGS

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current						
Bank borrowings (secured) [Note (a)]	**29,218**	100,243	507,185	**–**	–	–
Bank borrowings (unsecured)	**1,119,783**	2,431,730	2,072,250	**483,098**	1,141,730	1,387,400
	1,149,001	2,531,973	2,579,435	**483,098**	1,141,730	1,387,400
Non-current						
Bank borrowings (secured) [Note (a)]	**256,730**	560,002	898,243	**–**	–	–
Bank borrowings (unsecured)	**2,619,621**	1,781,035	3,727,950	**–**	–	1,387,400
Non-related parties	**18,629**	17,736	18,829	**–**	–	–
	2,894,980	2,358,773	4,645,022	**–**	–	1,387,400
	4,043,981	4,890,746	7,224,457	**483,098**	1,141,730	2,774,800

(a) These bank borrowings are secured by restricted cash (Note 13) and legal mortgages over certain vessels of the Group (Note 27).

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		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Floating rate:						
– Six months or less	**3,930,352**	3,573,062	6,411,128	**483,098**	1,141,730	2,774,800
Fixed rate:						
– One to three years	**113,629**	1,317,684	813,329	**–**	–	–
	4,043,981	4,890,746	7,224,457	**483,098**	1,141,730	2,774,800

30. BORROWINGS (CONTINUED)

Fair value of non-current borrowings at fixed rate:

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings						
– USD	**17,931**	16,631	17,680	**–**	–	–

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		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
Borrowings						
– USD	**3.89%**	3.27%	3.20%	**–**	–	–

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

31. PROVISIONS

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Onerous contracts	**1,099,307**	1,218,345	15,505
Warranty	**321,492**	371,993	488,633
	1,420,799	1,590,338	504,138

The Group provides provision for onerous contracts when the estimated cost of construction for vessels in respect with the construction contracts entered with customers exceeded the proceeds from contracts. The provision for onerous contracts is estimated based on difference between the total estimated construction costs and proceeds from contracts. Significant assumptions in estimating construction cost are disclosed in Note 3(a). The proceeds are determined based on the agreed contract sum.

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.

31. PROVISIONS (CONTINUED)

Movement in provision is as follows:

	The Group Warranty		The Group Onerous contracts	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
As at 1 January	**371,993**	488,633	**1,218,345**	15,505
Write back of provision	**(180,989)**	(199,645)	**(449,431)**	–
Provision made	**149,439**	85,952	**484,166**	1,202,840
Provision utilised	**(18,951)**	(2,947)	**(153,773)**	
As at 31 December	**321,492**	371,993	**1,099,307**	1,218,345

32. DEFERRED INCOME TAX

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018 RMB'000	2017 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2017 RMB'000
Deferred income tax assets						
– to be recovered within one year	**(292,179)**	(188,282)	(168,771)	**–**	–	–
– to be recovered after one year	**(418,722)**	(472,009)	(319,399)	**–**	–	–
	(710,901)	(660,291)	(488,170)	**–**	–	–
Deferred income tax liabilities						
– to be recovered after one year	**1,086,372**	921,549	1,037,999	**–**	–	224,784

Movements in deferred income tax accounts during the year are as follows:

	The Group		The Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
As at 1 January	**261,258**	549,829	**–**	224,784
Adoption of SFRS(I) 9*	**19,764**	–	**–**	–
As at 1 January	**281,022**	549,829	**–**	224,784
Acquisition of subsidiary (Note 40)	**(3,060)**	–	**–**	–
Charged/(credited) to profit or loss [Note 10(a)]	**97,509**	(54,015)	**–**	–
Transfer to current income tax liabilities	**–**	(224,784)	**–**	(224,784)
Credited to other comprehensive income	**–**	(9,772)	**–**	–
As at 31 December	**375,471**	261,258	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. DEFERRED INCOME TAX (CONTINUED)

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 RMB1,404,416,000 (31.12.2017: RMB1,400,752,000, 1.1.2017: 1,571,209,000) 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. The tax losses of RMB321,221,000, RMB339,712,000 and RMB17,220,000 and RMB3,651,000 will expire in 2020, 2021, 2022 and 2023 respectively. Tax losses of RMB474,966,000 (31.12.2017: RMB474,954,000, 1.1.2017: RMB474,954,000) arising from Singapore and Hong Kong incorporated entities have no expiry date.

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.

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS (I) 9.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax assets

	Impairment losses RMB'000	Fair value losses – net RMB'000	Warranty provision RMB'000	Foreseeable losses RMB'000	Total RMB'000
2018					
As at 1 January	**(428,569)**	**(954)**	**(48,015)**	**(182,753)**	**(660,291)**
Acquisition of subsidiary (Note 40)	**(11,734)**	**–**	**–**	**–**	**(11,734)**
Charged/(credited) to profit or loss	**(59,674)**	**954**	**1,988**	**17,856**	**(38,876)**
As at 31 December	**(499,977)**	**–**	**(46,027)**	**(164,897)**	**(710,901)**
2017					
As at 1 January	(420,724)	(3,580)	(63,866)	–	(488,170)
Charged/(credited) to profit or loss	4,553	–	15,851	(182,753)	(162,349)
Credited to other comprehensive income	–	(9,772)	–	–	(9,772)
Transfer	(12,398)	12,398	–	–	–
As at 31 December	(428,569)	(954)	(48,015)	(182,753)	(660,291)

32. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Undistributed profits of subsidiaries RMB'000	Fair value gain – net RMB'000	Others RMB'000	Total RMB'000
2018				
As at 1 January	**906,252**	**–**	**15,297**	**921,549**
Adoption of SFRS(I) 9*	**–**	**19,764**	**–**	**19,764**
As at 1 January	**906,252**	**19,764**	**15,297**	**941,313**
Acquisition of subsidiary (Note 40)	**–**	**–**	**8,674**	**8,674**
Charged/(credited) to profit or loss	**147,673**	**(1,070)**	**(10,218)**	**136,385**
As at 31 December	**1,053,925**	**18,694**	**13,753**	**1,086,372**
2017				
As at 1 January	1,024,772	–	13,227	1,037,999
Charged to profit or loss	106,264	–	2,070	108,334
Transferred to current income tax liabilities	(224,784)	–	–	(224,784)
As at 31 December	906,252	–	15,297	921,549

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS (I) 9.

Company

Deferred income tax liabilities

	Undistributed profits of subsidiaries RMB'000
2018	
As at 1 January	**–**
Transferred to current income tax liabilities	**–**
As at 31 December	**–**
2017	
As at 1 January	224,784
Transferred to current income tax liabilities	(224,784)
As at 31 December	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. SHARE CAPITAL

	Number of shares		Amount	
	Issued capital '000	**Treasury shares '000**	**Share capital RMB'000**	**Treasury shares RMB'000**
Group				
2018				
As at 1 January	**3,974,077**	**(5,239)**	**7,361,990**	**(20,979)**
Share buy back (Note b)	**–**	**(23,073)**	**–**	**(101,383)**
As at 31 December	**3,974,077**	**(28,312)**	**7,361,990**	**(122,362)**
2017				
As at 1 January	3,837,077	(5,239)	6,354,096	(20,979)
Issuance of shares (Note a)	137,000	–	1,012,017	–
Share issue expenses	–	–	(4,123)	–
As at 31 December	3,974,077	(5,239)	7,361,990	(20,979)
Company				
2018				
As at 1 January	**3,974,077**	**(5,239)**	**7,326,773**	**(20,979)**
Share buy back (Note b)	**–**	**(23,073)**	**–**	**(101,383)**
As at 31 December	**3,974,077**	**(28,312)**	**7,326,773**	**(122,362)**
2017				
As at 1 January	3,837,077	(5,239)	6,318,879	(20,979)
Issuance of shares (Note a)	137,000	–	1,012,017	–
Share issue expenses	–	–	(4,123)	–
As at 31 December	3,974,077	(5,239)	7,326,773	(20,979)

(a) On 31 August 2017, the Company issued 137,000,000 ordinary shares in the capital of the Company at a placement price of S$1.53 (RMB7.38) per share by way of a private placement to institutional investors and other investors.

(b) In 2018, the Company bought back 23,072,800 shares of the Company by way of market acquisition, which are held as treasury shares.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

34. OTHER RESERVES

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Composition:						
Statutory reserves [Note (a)]	**3,916,855**	3,566,028	3,329,625	**–**	–	–
Capital reserve [Note (b)]	**(2,934,998)**	(2,928,270)	(2,928,330)	**(40,192)**	(40,192)	(40,192)
Currency translation reserve [Note (c)]	**(43,684)**	(63,673)	(56,073)	**–**	–	–
Fair value reserve [Note (d)]	**–**	(5,405)	(20,284)	**–**	–	–
	938,173	568,680	324,938	**(40,192)**	(40,192)	(40,192)

(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".

In 2018, the Group's subsidiaries have appropriated RMB350,827,000 (2017: RMB236,403,000) from their profits to statutory reserves.

(b) *Capital reserve*

Capital reserve represents capital investments and distributions relating to equity transactions with non-controlling shareholders.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. **OTHER RESERVES** (CONTINUED)

(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) *Fair value reserve*

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Fair value reserve		
Beginning of financial year	**(5,405)**	(20,284)
– Adoption of SFRS(I) 9 [Note 2.2B(i)]	**5,405**	–
Available-for-sale financial assets		
– Fair value losses (Note 15)	**–**	(58,654)
– Tax on fair value changes	**–**	9,772
	–	(48,882)
Share of joint venture's fair value losses on available-for-sale financial assets, net of tax	**–**	–
Reclassification to profit or loss (Note 15)	**–**	76,159
Tax on reclassification (Note 10)	**–**	(12,398)
	–	63,761
End of financial year	**–**	(5,405)

Fair value reserve represents fair value changes resulting from the Group's financial assets, available-for-sale that are recorded in other comprehensive income. The fair value gains will be reclassified to profit and loss upon disposal of the available-for-sale financial assets or when there is a significant or prolonged decline in the fair value.

35. **DIVIDENDS**

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of SGD4.5 cents (2017: SGD4.0 cents) per share	**857,090**	753,983

A final exempt (one-tier) dividend of SGD5.0 cents per share amounting to approximately SGD197,288,000 (equivalent of RMB987,663,000) has been recommended for the shareholders' approval at the Annual General Meeting on 30 April 2019. 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 2019.

36. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	**5,006**	7,308	32,703

(b) Operating lease commitments – where the Group is a lessee

The Group leases office from a non-related party under a non-cancellable operating lease agreement.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Not later than one year	**327**	943	320
Between one year to two years	**–**	327	–
	327	1,270	320

37. 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 options and foreign currency borrowings to manage 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk

(i) Currency risk

The Group has shipbuilding contracts with customers around the world and is exposed to currency risk mainly arising from USD. The Group is also exposed to USD borrowings. The Group aims to mitigate the currency risk by entering into currency options, in accordance with the Group's financial risk management policies.

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
Group					
At 31 December 2018					
Financial assets					
Cash and cash equivalents	2,077,180	4,470,550	32,066	14,347	6,594,143
Restricted cash	3,265	205,491	–	–	208,756
Financial assets at fair value through profit or loss	1,251,154	–	–	–	1,251,154
Debt investments at amortised cost	14,810,376	–	–	–	14,810,376
Trade and other receivables excluding prepayment	2,352,028	1,683,548	90,477	–	4,126,053
	20,494,003	6,359,589	122,543	14,347	26,990,482
Financial liabilities					
Trade and other payables	(2,285,746)	(2,064,721)	–	(4,975)	(4,355,442)
Borrowings	(1,555,000)	(2,005,882)	–	(483,099)	(4,043,981)
	(3,840,746)	(4,070,603)	–	(488,074)	(8,399,423)
Net financial assets/(liabilities)	16,653,257	2,288,986	122,543	(473,727)	18,591,059
Less: Net financial assets denominated in the respective entities' functional currency	(16,653,257)	(643,086)	–	–	
Add: Contract assets	–	4,669,468	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	9,076,114	–	–	
Currency exposure	–	15,391,482	122,543	(473,727)	

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
Group					
At 31 December 2017					
Financial assets					
Cash and cash equivalents	428,699	4,944,933	64,406	757,393	6,195,431
Restricted cash	–	29,405	–	–	29,405
Financial assets, fair value through profit or loss	–	748,523	–	–	748,523
Financial assets, available-for-sale	1,427,293	–	–	–	1,427,293
Financial assets, held-to-maturity	11,978,869	–	–	–	11,978,869
Trade and other receivables excluding prepayment	1,332,064	2,719,399	–	77	4,051,540
	15,166,925	8,442,260	64,406	757,470	24,431,061
Financial liabilities					
Trade and other payables	(2,530,036)	(3,076,869)	–	(5,160)	(5,612,065)
Borrowings	(1,791,879)	(2,610,557)	–	(488,310)	(4,890,746)
	(4,321,915)	(5,687,426)	–	(493,470)	(10,502,811)
Net financial assets	10,845,010	2,754,834	64,406	264,000	13,928,250
Less: Net financial assets denominated in the respective entities' functional currency	(10,845,010)	(87,100)	–	–	
Add: Contract assets	–	5,960,320	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	9,549,512	–	–	
Currency exposure	–	18,177,566	64,406	264,000	

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Others RMB'000	Total RMB'000
Group						
At 1 January 2017						
Financial assets						
Cash and cash equivalents	911,304	6,007,911	151,792	7,317	7,472	7,085,796
Restricted cash	441,063	778,632	–	–	–	1,219,695
Financial assets, fair value through profit or loss	–	605,429	–	–	–	605,429
Financial assets, available-for-sale	848,843	–	–	–	–	848,843
Financial assets, held-to-maturity	10,906,634	–	–	–	–	10,906,634
Trade and other receivables excluding prepayments	3,169,879	1,347,236	–	76	–	4,517,191
	16,277,723	8,739,208	151,792	7,393	7,472	25,183,588
Financial liabilities						
Trade and other payables	(3,081,819)	(2,069,328)	(203)	(295,952)	–	(5,447,302)
Borrowings	(2,032,500)	(5,191,957)	–	–	–	(7,224,457)
	(5,114,319)	(7,261,285)	(203)	(295,952)	–	(12,671,759)
Net financial assets/ (liabilities)	11,163,404	1,477,923	151,589	(288,559)	7,472	12,511,829
Less: Net financial assets denominated in the respective entities' functional currency	(11,198,924)	(726,547)	–	–	–	
Add: Contract assets	35,520	3,893,958	–	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	9,095,797	–	–	–	
Currency exposure	–	13,741,131	151,589	(288,559)	7,472	

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
Company				
At 31 December 2018				
Financial assets				
Cash and cash equivalents	**–**	**476,639**	**11,917**	**488,556**
Trade and other receivables	**11,297,318**	**36**	**25,356**	**11,322,710**
	11,297,318	**476,675**	**37,273**	**11,811,266**
Financial liabilities				
Other payables	**(2,635,069)**	**(1,674,155)**	**(4,146)**	**(4,313,370)**
Borrowings	**–**	**–**	**(483,098)**	**(483,098)**
	(2,635,069)	**(1,674,155)**	**(487,244)**	**(4,796,468)**
Net financial assets/(liabilities)	**8,662,249**	**(1,197,480)**	**(449,971)**	**7,014,798**
Less: Net financial assets denominated in the company's functional currency	**(8,662,249)**	**–**	**–**	
Currency exposure	**–**	**(1,197,480)**	**(449,971)**	
At 31 December 2017				
Financial assets				
Cash and cash equivalents	–	75,115	756,906	832,021
Trade and other receivables	12,396,759	48	24,589	12,421,396
	12,396,759	75,163	781,495	13,253,417
Financial liabilities				
Other payables	(1,719,272)	(2,468,722)	(4,893)	(4,192,887)
Borrowings	–	(653,420)	(488,310)	(1,141,730)
	(1,719,272)	(3,122,142)	(493,203)	(5,334,617)
Net financial assets/(liabilities)	10,677,487	(3,046,979)	288,292	7,918,800
Less: Net financial assets denominated in the company's functional currency	(10,677,487)	–	–	
Currency exposure	–	(3,046,979)	288,292	
At 1 January 2017				
Financial assets				
Cash and cash equivalents	–	1,415,858	6,157	1,422,015
Trade and other receivables	8,071,943	987,358	24,874	9,084,175
	8,071,943	2,403,216	31,031	10,506,190
Financial liabilities				
Other payables	(2,686,389)	(905,815)	(277,744)	(3,869,948)
Borrowings	–	(2,774,800)	–	(2,774,800)
	(2,686,389)	(3,680,615)	(277,744)	(6,644,748)
Net financial assets/(liabilities)	5,385,554	(1,277,399)	(246,713)	3,861,442
Less: Net financial assets denominated in the company's functional currency	(5,385,554)	–	–	
Currency exposure	–	(1,277,399)	(246,713)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

If the USD, EUR and SGD change against the RMB 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			Possible rate change		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000			
The Group						
USD against RMB:						
– strengthened	**1,337,520**	1,132,462	644,459	**11%**	7%	7%
– weakened	**(1,337,520)**	(1,132,462)	(644,459)	**11%**	7%	7%
EUR against RMB:						
– strengthened	**4,840**	5,732	5,078	**5%**	10%	5%
– weakened	**(4,840)**	(5,732)	(5,078)	**5%**	10%	5%
SGD against RMB:						
– strengthened	**(26,197)**	9,398	(13,533)	**7%**	4%	7%
– weakened	**26,197**	(9,398)	13,533	**7%**	4%	7%
The Company						
USD against RMB:						
– strengthened	**(109,330)**	(177,030)	(59,910)	**11%**	7%	7%
– weakened	**109,330**	177,030	59,910	**11%**	7%	7%
SGD against RMB:						
– strengthened	**(26,143)**	9,571	(11,571)	**7%**	4%	7%
– weakened	**26,143**	(9,571)	11,571	**7%**	4%	7%

(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, loans to non-related parties and borrowings from financial institutions. The Group's policy is to minimise exposure to variable interest rates of interest bearing assets.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at 31 December 2018, 31 December 2017 and 1 January 2017, the Group's investments in debt investments at amortised cost, loans to non-related parties – microfinance, and loans to non-related parties were not exposed to cash flow interest rate risk as they were all fixed rated instruments.

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in RMB, USD and SGD. If interest rates had changed by 1% (31.12.2017: 1%, 1.1.2017: 1%) with all other variables including tax rate being held constant, the effects on profit after tax would have been as a result of higher/lower interest expense on these borrowings, as follows:

	Increase/(Decrease) Profit after tax		
	31 December		1 January
	2018 RMB'000	2017 RMB'000	2017 RMB'000
Group			
RMB interest rate			
– Increase	**(12,107)**	(3,082)	(6,141)
– Decrease	**12,107**	3,082	6,141
USD interest rate			
– Increase	**(17,902)**	(25,877)	(34,440)
– Decrease	**17,902**	25,877	34,440
SGD interest rate			
– Increase	**(4,411)**	(4,880)	Nil
– Decrease	**4,411**	4,880	Nil

(iii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified either as financial assets, available-for-sale or 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk (Continued)

If prices for equity security listed in PRC had increased/decreased by 10% (31.12.2017: 10%, 1.1.2017: 10%) with all other variables including tax rate being held constant, the net of tax effects on profit after tax ("PAT") and other comprehensive income ("OCI") would have been:

	Increase/(Decrease)					
	31 December				1 January	
	2018		2017		2017	
	PAT RMB'000	OCI RMB'000	PAT RMB'000	OCI RMB'000	PAT RMB'000	OCI RMB'000
Group						
Increased by	**14,249**	–	–	24,641	–	17,778
Decreased by	**(14,249)**	–	–	(24,641)	–	(17,778)

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group.

Except as disclosed below, the maximum exposure to credit risk for those financial assets which the Group and the Company do not hold collaterals is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and the Company's credit risk exposure in relation to financial assets at amortised costs and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the as follows:

(i) Cash and cash equivalents and restricted cash

For cash and cash equivalents and restricted cash, the Group and the Company adopt the policy of dealing only with major banks of high credit standing throughout the world. There is no recent history of defaults in relation to cash and cash equivalents and restricted cash. Cash and cash equivalents and restricted cash are subject to immaterial credit losses.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables and contract assets related to shipbuilding activities

As at 31 December 2018, credit risk exposure relating to shipbuilding activities is RMB4,940,468,000, which comprises of RMB271,000,000 included in trade and other receivables and contract assets of RMB4,669,468,000.

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.

(iii) Trade receivables related to trading activities

As at 31 December 2018, credit risk exposure relating to trading activities is RMB298,000,000.

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 3 debtors (31.12.2017: 3 debtors, 1.1.2017: 3 debtors) that represented 68% (31.12.2017: 59%, 1.1.2017: 58%) 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Loans to non-related parties – microfinance

Loans to non-related parties – microfinance are related to the micro-credit provided to enterprises and individuals.

All the loans to non-related parties – microfinance are secured by either single or a group of collaterals or by guarantees. The Group monitors the market value of these collaterals on a periodic basis and has contractual safeguards in place to minimise credit risk as they have the right to call for additional collateral if the value of the initial collateral is inadequate. The Group uses internal credit risk rating to determine the credit risk and determine the credit loss allowance.

The Group applies a general 3 stage approach to measure expected credit loss. In measuring expected credit loss, the Group considers the probability of default upon the initial recognition of the loan and assess whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

A significant increase in credit risk is presumed if there is a decline in internal credit risk grading. A default on a loan is when the counterparty fails to make contractual payments for prolonged period when they fall due.

The fair value of the collaterals is considered when providing for loss allowance. The carrying amounts of loans to non-related parties – microfinance before loss allowance presented by the type of collaterals held are as follows:

	The Group		
	31 December		**1 January**
	2018	**2017**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Collateralised by:			
– Listed shares in PRC	**10,078**	156,039	26,337
– Unlisted shares in PRC	**21,212**	25,686	30,480
– Properties and land use rights	**214,152**	198,955	141,223
– Guaranteed by non-related individuals	**–**	330	10,156
– Guaranteed by non-related corporations	**129,000**	174,645	346,404
	374,442	555,655	554,600

37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Loans to non-related parties – microfinance (Continued)

As at 31 December 2018, the Group measures loss allowance based on the following basis:

Basis of recognition of expected credit loss	**12-month expected credit losses**	**Lifetime expected credit losses**	**Total**
Gross carrying amount as at 31.12.2018 (RMB'000)	**355,096**	**19,346**	**374,442**

The movement in the allowance for impairment loss are as follow:

The Group	**2018 RMB'000**
As at 1 January	**122,495**
Loss allowance recognised in profit or loss during the year on:	
– Assets acquired/originated	**7,221**
– Reversal of unutilised amounts	**(99,133)**
	(91,912)
Receivables written off as uncollectible	**(19,501)**
As at 31 December 2018	**11,082**

The reduction of expected loss allowance during the year is mainly due to the settlement of loans by customers during the year.

(v) Other receivables and other financial assets

Other receivables and other financial assets that are substantially counterparties with a good collection track record with the Group and subject to immaterial credit loss.

(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. Collaterals provided by the ultimate borrowers are held by the intermediaries as guarantee for the repayment of principal and interests.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

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 the following categories of internal credit risk grading for its debt investments. These internal credit risk grading is established by reference to industry practice.

Category	Performing	Under-performing	Non-performing	Write-off
Definition of category	Borrowers have a low risk of default and 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	Principal payments past due; Borrowers facing litigations; and extension of principal repayment date due to financial difficulties	No reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off

37. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Financial risk factors (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 Group provides for credit losses against debt investments as follows:

Category	**Performing**	**Under-performing**	**Non-performing**	**Write-off**	**Total**
Basis of recognition of expected credit loss	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off	
Expected credit loss rates	6.74%	8.45%	- *	-	
Gross carrying amount as at 31.12.2018 (RMB'000)	**14,796,354**	**20,000**	**1,540,200**	**–**	**16,356,554**
Credit loss allowance as at 31.12.2018 (RMB'000)	**(996,863)**	**(1,689)**	**(547,626)**	**–**	**(1,546,178)**
Net carrying amount as at 31.12.2018 (RMB'000)	**13,799,491**	**18,311**	**992,574**	**–**	**14,810,376**

* 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 a reasonable approximation of the original effective interest rate.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

The loss allowance for loans to customers as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing	Under-performing	Non-performing	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	**860,007**	**6,454**	**356,350**	**1,222,811**
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(82,432)	–	430,988	348,556
New financial assets originated or purchased	688,887	–	116,638	805,525
Recoveries	(462,628)	(4,303)	(356,350)	(823,281)
Change in risk parameters**	(6,971)	(462)	–	(7,433)
Closing loss allowance as at 31 December 2018 (calculated under IFRS 9)	**996,863**	**1,689**	**547,626**	**1,546,178**

** The reduction in the loss allowance is due to reduce in the probability of default used to calculate the 12-month expected credit loss for the performing loans.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

The fair value of the collaterals is considered when providing for loss allowance. The carrying amounts debt investment before loss allowance presented by the type of collaterals held are as follows:

	The Group		
	31 December		**1 January**
	2018	**2017**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Collateralised by:			
– Listed shares in PRC*	**4,807,200**	2,568,750	1,746,720
– Unlisted shares in PRC	**1,310,000**	2,195,000	935,000
– Properties and land use rights	**6,330,984**	1,943,560	2,363,960
– Guaranteed by government corporations and non-related corporations	**3,908,370**	6,494,370	6,853,500
	16,356,554	13,201,680	11,899,180

* Included in the listed shares in PRC is an amount of RMB629,000,000 (31.12.2017: RMB629,000,000, 1.1.2017: RMB231,720,000) of shares which will only be available for trading after the expiry of their restriction period.

(vii) Financial guarantees

As at 31 December 2018 and 2017, no corporate guarantees are issued to banks for borrowings of customers. The Company issues corporate guarantees to banks for borrowings of its subsidiaries. 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 carrying amount of these borrowings guaranteed by the Group and the Company is as follows:

	The Company		
	31 December		**1 January**
	2018	**2017**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
For borrowings incurred by subsidiaries	**4,272,688**	5,101,583	6,014,114

Without taking into consideration of the collaterals held directly or indirectly by the Group, the maximum exposure to credit risk of the above financial guarantees is the notional amount of the borrowings as above.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade and other receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

(i) Trade receivables and contract assets related to shipbuilding activities

The movement in the allowance for is as follows:

	2017 RMB'000
As at 1 January	429,790
Transferred to inventory work-in-progress	(429,790)
As at 31 December	–

As at 31 December 2017 and 1 January 2017, other than set out above, there is no trade receivables related to shipbuilding activities or contract assets that is past due but not impaired.

(ii) Trade receivables related to trading activities

The trade receivables related to trading activities are neither past due nor impaired as at 31 December 2017 and 1 January 2017.

(iii) Loans to non-related parties – microfinance

The movement in the allowance for impairment is as follows:

	2017 RMB'000
As at 1 January	114,523
Allowance made (Note 7)	42,922
Allowance reversed (Note 7)	(34,950)
As at 31 December	122,495

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade and other receivables (Continued)

(iii) Loans to non-related parties – microfinance (Continued)

As at 31 December 2017 and 1 January 2017, other than the allowance made for the impairment as set out above, there is no further impairment noted. None of the loans to non-related parties – microfinance is past due but not impaired.

(iv) Other receivables and other financial assets

Other receivables and other financial assets are neither past due nor impaired as of 31 December 2017 and 1 January 2017.

The Company's other receivables due from subsidiaries are neither past due nor impaired.

As at 31 December 2017 and 1 January 2017, the carrying amount of other receivables from non-related parties individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	31 December 2017 RMB'000	**1 January 2017 RMB'000**
Gross amount	–	131,000
Less: Allowance for impairment	–	(32,750)
	–	98,250

	31 December 2017 RMB'000
As at 1 January	32,750
Reversal of allowance made (Note 7)	(32,750)
As at 31 December	–

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade and other receivables (Continued)

(iv) Other receivables and other financial assets (Continued)

In 2016, there were two charter agreements cancelled as the charterers were unable to pay the charter hire on time during the financial year. As a result, the vessels were repossessed by the Group, upon which the related net finance lease receivable amounts of RMB191,561,000, including an allowance of impairment of RMB323,815,000 was derecognised. The net amount of finance lease receivable was recognised as the cost of vessels at the date of contract cancellation (Note 27).

No additional allowance for impairment on finance lease receivables is made in financial year ended 31 December 2017.

None of the remaining other receivables and other financial assets is past due but not impaired as at 31 December 2017 and 1 January 2017.

When there is an impairment indicator on these investments, the fair value of collaterals is considered when providing impairment allowance as at 31 December and 1 January 2017.

(v) Financial assets, held-to-maturity

The carrying amount of financial assets, held-to-maturity individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	31 December 2017 RMB'000	**1 January 2016 RMB'000**
Gross amount	9,628,930	8,649,680
Less: Allowance for impairment	(1,222,811)	(992,546)
	8,406,119	7,657,134
As at 1 January	992,546	961,080
Allowance made (Note 7)	773,261	1,029,045
Allowance reversed (Note 7)	(542,996)	(914,709)
Allowance utilised	–	(82,870)
As at 31 December	1,222,811	992,546

Other than the allowance made for the impairment as above, there is no further impairment noted. None of the other held-to-maturity financial assets is past due but not impaired as at 31 December 2017 and 1 January 2017.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and marketable securities to enable them to meet their normal operating commitments.

The table below analyses the maturity profile of the Group's 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
Group				
As at 31 December 2018				
Trade and other payables	**(4,355,442)**	**–**	**–**	**–**
Bank borrowings	**(1,470,543)**	**(2,554,754)**	**(281,098)**	**(35,623)**
	(5,825,985)	**(2,554,754)**	**(281,098)**	**(35,623)**
As at 31 December 2017				
Trade and other payables	(5,612,065)	–	–	–
Bank borrowings	(2,724,962)	(1,965,090)	(473,998)	–
	(8,337,027)	(1,965,090)	(473,998)	–
As at 1 January 2017				
Trade and other payables	(5,447,302)	–	–	–
Bank borrowings	(2,770,581)	(3,821,502)	(319,405)	(702,469)
	(8,217,883)	(3,821,502)	(319,405)	(702,469)
Company				
As at 31 December 2018				
Trade and other payables	**(4,313,370)**	**–**	**–**	**–**
Bank borrowings	**(485,355)**	**–**	**–**	**–**
	(4,798,725)	**–**	**–**	**–**
Financial guarantees*	**(4,272,688)**	**–**	**–**	**–**
As at 31 December 2017				
Trade and other payables	(4,192,887)	–	–	–
Bank borrowings	(1,155,171)	–	–	–
	(5,348,058)	–	–	–
Financial guarantees*	(5,101,583)	–	–	–
As at 1 January 2017				
Trade and other payables	(3,869,948)	–	–	–
Bank borrowings	(1,474,553)	(1,408,747)	–	–
	(5,344,501)	(1,408,747)	–	–
Financial guarantees*	(6,014,114)	–	–	–

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

* This represents the maximum exposure of the Company in relation to corporate guarantee provided to subsidiaries without taking into consideration of the collateral held. However, based on management's assessment, it is not probable that the counterparties to financial guarantee contracts will claim under the contracts.

(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 31 December 2018, 31 December 2017 and 1 January 2017 were as follows:

	The Group		
	31 December		**1 January**
	2018	**2017**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Total liabilities	**15,331,227**	16,855,956	18,035,074
Total assets	**44,911,484**	43,372,653	41,234,183
Liability-to-asset ratio	**34.14%**	38.86%	43.74%

The Group and the Company do not have any external imposed capital requirements for the financial years ended 31 December 2018, 31 December 2017 and 1 January 2017.

(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).

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2018				
Assets				
Financial assets, at fair value through profit or loss	**167,641**	**–**	**1,083,513**	**1,251,154**
31 December 2017				
Assets				
Financial assets, available-for-sale	289,889	–	–	289,889
Financial assets, at fair value through profit or loss	–	748,523	–	748,523
1 January 2017				
Assets				
Financial assets, available-for-sale	237,043	–	–	237,043
Financial assets, at fair value through profit or loss	–	605,429	–	605,429
Non-hedging derivatives	–	59,373	–	59,373
Liabilities				
Non-hedging derivatives	–	(282,582)	–	(282,582)
The Company				
31 December 2018				
Assets				
Non-hedging derivatives	**–**	**–**	**–**	**–**
31 December 2017				
Assets				
Non-hedging derivatives	–	–	–	–
1 January 2017				
Assets				
Non-hedging derivatives	–	59,373	–	59,373
Liabilities				
Non-hedging derivatives	–	(282,582)	–	(282,582)

There were no transfers between Levels 1 and 2 during the year.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

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.

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.

In 2017, the fair value of preference shares classified as financial assets at fair value through profit or loss, is determined by using the Black Scholes model, and by using quoted prices of a similar financial instrument. The significant inputs into the model are the initial stock price, risk-free rate, stock volatility, strike price and maturity of the conversation option. These instruments are included in Level 2. The preference shares have been redeemed in 2018 as disclosed in Note 14.

The fair value of forward foreign exchange currency contracts is determined using quoted forward currency rates at the balance sheet date. These instruments are included in Level 2.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

Inputs used in Level 3 fair value measurements and sensitivity analysis

As of the end of reporting period, the Group have unlisted equity securities measured at fair value through profit or loss and the fair values that are within level 3 of the fair value hierarchy. The unobservable input used for Level 3 fair value measurement is share of attributable net assets in the investee companies. The higher is the share of attributable net assets in the investee companies, the higher is the fair value of the unlisted equity securities.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 14, Note 15 and Note 17 to the financial statements, except for the following:

	Group RMB'000	Company RMB'000
31 December 2018		
Financial assets, at amortised cost	**25,739,328**	**11,811,266**
Financial liabilities, at amortised cost	**(8,399,423)**	**(4,796,468)**
31 December 2017		
Loans and receivables	10,276,376	13,253,417
Financial liabilities, at amortised cost	(10,502,841)	(5,334,617)
1 January 2017		
Loans and receivables	12,822,682	10,506,190
Financial liabilities, at amortised cost	(12,671,759)	(6,644,748)

38. 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	
	2018 RMB'000	2017 RMB'000
Purchase of materials from a related party	**96,158**	60,995
Sale of a subsidiary	–	1,000

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2018	**2017**
	RMB'000	**RMB'000**
Directors		
Basic salaries	**211**	36
Directors' fees	**683**	657
Contributions to defined contribution plans	**15**	–
Discretionary bonuses	**34**	204
Senior management		
Basic salaries	**1,721**	1,693
Contributions to defined contribution plans	**222**	172
Discretionary bonuses	**1,030**	988
	3,916	3,750

39. 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 shipbuilding segment are that of shipbuilding, offshore marine equipment construction and ship design. The principal activities of investment segment consist of micro-financing and debt investments at amortised cost (2017: financial assets at held-to-maturity) and other investments. The principal activities of trading segment consist of trading of goods.

Other segments include ship demolition and vessel owning companies. 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".

39. **SEGMENT INFORMATION** (CONTINUED)

The segment information provided to the Management Team for the reportable segments for the years ended 31 December 2018 and 2017 are as follows:

	Shipbuilding RMB'000	Investments RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
Group					
For the financial year ended 31 December 2018					
Total segment sales	14,023,336	1,612,160	7,903,176	581,427	24,120,099
Inter-segment sales	–	–	(881,810)	–	(881,810)
Sales to external parties	14,023,336	1,612,160	7,021,366	581,427	23,238,289
Segment result	2,503,488	1,603,526	47,067	262,131	4,416,212
Included within segment result:					
Finance expenses	(28,888)	–	(54,939)	(28,792)	(112,619)
Fair value loss on financial assets, at fair value through profit or loss	–	(50,282)	–	–	(50,282)
Reversal of impairment loss/ (impairment loss) on:					
• Loans to non-related parties – microfinance	–	91,912	–	–	91,912
• Advance to a supplier	(232,748)	–	–	–	(232,748)
• Debt investment at amortised cost	–	(323,367)	–	–	(323,367)
• Reversal of provision for onerous contracts – net	119,038	–	–	–	119,038
Depreciation	(417,550)	–	–	(58,002)	(475,552)
Dividend income	–	184,072	–	–	184,072
Share of profits/(losses) of associated companies	148,829	–	–	(234,655)	(85,826)
Gain on disposal of:					
• Property, plant and equipment	–	–	–	43,265	43,265
• Financial assets at fair value through profit or loss	–	156,709	–	–	156,709
Business tax on interest income from debt investments at amortised cost and loans to non-related parties – microfinance	–	(67,677)	–	–	(67,677)
Interest income – finance lease	–	–	–	69,856	69,856
Inventory write-down	(211,080)	–	–	–	(211,080)
Income from forfeiture of advances received	237,138	–	–	–	237,138
Income from forfeiture of security guarantee	–	–	–	207,289	207,289
Segment assets	20,109,805	18,010,604	1,935,529	4,144,645	44,200,583
Segment assets includes:					
Investment in associated companies	–	1,421,963	–	32,043	1,454,006
Additions to property, plant and equipment	93,695	–	19	389,770	483,484
Segment liabilities	(9,133,769)	(8,483)	(1,842,819)	(1,916,340)	(12,901,411)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. SEGMENT INFORMATION (CONTINUED)

	Shipbuilding RMB'000	Investments RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
Group					
For the financial year ended 31 December 2017					
Total segment sales	12,300,557	1,110,898	7,181,601	392,750	20,985,806
Inter-segment sales	–	–	(1,780,210)	–	(1,780,210)
Sales to external parties	12,300,557	1,110,898	5,401,391	392,750	19,205,596
Segment result	2,168,021	921,626	45,785	778,314	3,913,746
Included within segment result:					
Finance expenses	(52,429)	–	(21,510)	(25,954)	(99,893)
Fair value gain on financial assets, at fair value through profit or loss	–	143,094	–	–	143,094
Impairment loss on loans to non-related parties – microfinance	–	(7,972)	–	–	(7,972)
Reversal of impairment loss on other receivables from non-related parties	–	32,750	–	–	32,750
Impairment loss of financial assets, at held-to-maturity	–	(230,265)	–	–	(230,265)
Provision for onerous contracts	(1,202,840)	–	–	–	(1,202,840)
Depreciation	(392,599)	–	–	(68,833)	(461,432)
Impairment loss on disposal of financial assets, held-to-maturity	–	(91,159)	–	–	(91,159)
Gain on disposal of subsidiaries and associated companies and a joint venture	–	–	–	256,487	256,487
Share of profit of associated companies and a joint venture	39,898	–	–	171	40,069
Gain on disposal of property, plant and equipment	–	–	–	74,639	74,639
Business tax on interest income from financial assets, held-to-maturity and loans to non-related parties – microfinance	–	(7,688)	–	–	(7,688)
Interest income – finance lease	–	–	–	73,955	73,955
Income from forfeiture of security guarantee	–	–	–	321,550	321,550
Income from forfeiture of advances received	80,556	–	–	–	80,556
Segment assets	21,595,329	16,013,601	1,458,521	3,644,911	42,712,362
Segment assets includes:					
Investment in associated companies	–	1,381,467	–	13,235	1,394,702
Additions to property, plant and equipment	47,955	–	1	377	48,333
Segment liabilities	(11,065,225)	(4,915)	(1,559,741)	(2,101,151)	(14,731,032)

39. SEGMENT INFORMATION (CONTINUED)

Sales between segments are carried out at market terms.

The Management Team assesses the performance of the operating segments based on a measure of segment results. Certain administrative expenses, foreign currency exchange differences are not allocated to segments, as all these types of activities are shared by all segments. Interest income on cash and cash equivalents, and finance expenses of certain borrowings are not allocated to segments, as this type of activity is 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:

	2018 RMB'000	2017 RMB'000
Segment results for reportable segments	**4,154,081**	3,135,432
Segment results for other segments	**262,131**	778,314
Unallocated:		
Other income	**142,100**	194,192
Other gains – net	**584,381**	(286,075)
Administrative expenses	**(556,528)**	(321,192)
Finance expenses	**(21,163)**	(13,309)
Profit before tax	**4,565,002**	3,487,362

(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 deferred income tax assets and certain other receivables.

	2018 RMB'000	2017 RMB'000
Segment assets for reportable segments	**40,055,938**	39,067,451
Other segment assets	**4,144,645**	3,644,911
Unallocated:		
Deferred income tax assets	**710,901**	660,291
Total assets	**44,911,484**	43,372,653

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. 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 income tax liabilities, certain borrowings and deferred income tax liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	2018 RMB'000	2017 RMB'000
Segment liabilities for reportable segments	**10,985,071**	12,629,881
Other segment liabilities	**1,916,340**	2,101,151
Unallocated:		
Current income tax liabilities	**1,343,444**	1,203,376
Deferred income tax liabilities	**1,086,372**	921,549
Total liabilities	**15,331,227**	16,855,957

(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 vessel as well as sales of some shipbuilding-related goods. Revenue of investment segment comprises interest income from loans to non-related parties – microfinance and debt investments at amortised cost and other investments. Revenue of trading segment is derived from the trading of goods such as metal and chemical products. Revenue from other segment is mainly derived from ship demolition and ship management services. Breakdown of the revenue by major product types is as follows:

	2018 RMB'000	2017 RMB'000
Construction of container ships	**3,858,138**	7,889,007
Construction of multiple purpose cargo ships	**8,909,823**	4,053,728
Sales of other completed vessels	**1,255,375**	357,822
Sales of metal and chemical products	**7,021,366**	5,401,391
Interest income from loans to non-related parties – microfinance	**62,881**	32,075
Interest income from debt investments at amortised cost	**1,549,279**	–
Interest income from held-to-maturity financial assets	**–**	1,078,823
Rendering of ship design services	**1,219**	4,300
Charter income	**570,331**	270,134
Others	**9,877**	118,316
	23,238,289	19,205,596

39. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's revenue based on the customers' locations are as follows:

	2018 RMB'000	2017 RMB'000
PRC and Taiwan	**14,128,345**	3,327,219
Germany	**94,079**	1,362,512
Greece	**2,326,538**	–
Other European countries	**2,330,443**	2,860,310
Other Asian countries	**3,581,192**	11,242,124
Canada	**101,434**	413,431
Norway	**594,798**	–
Bahamas	**81,460**	–
	23,238,289	19,205,596

Revenues of approximately RMB10,483,536,000 (2017: RMB5,813,575,000) are derived from three (2017: three) major customers. These revenues are attributable to the shipbuilding segment. Revenue of approximately RMB2,371,921,000 (2017: RMB1,220,423,000) is derived from one (2017: one) customer from the trading business included in the trading segment.

The Group's non-current assets amounting to RMB11,806,235,000 (2017: RMB12,667,000,000) are mainly located in the PRC.

40. BUSINESS COMBINATION

In March 2018, the Group acquired 60% of equity interest in Jiangsu Huayuan Logistics Co., Ltd. ("JHLCO"). Subsequently, the Group has further acquired the remaining 40% of equity interest in JHLCO in August 2018. The principal activity of JHLCO is that of leasing and chartering of vessels in China.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	2018 RMB'000
Cash paid	**180,000**
Consideration transferred for the business	**180,000**

(b) Effect on cash flows of the Group

	2018 RMB'000
Cash paid (as above)	**180,000**
Less: Cash and cash equivalents in subsidiary acquired	**(10,568)**
Cash outflow on acquisition	**169,432**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

40. **BUSINESS COMBINATION** (CONTINUED)

(c) Identifiable assets required and liabilities assumed

	2018 At fair value RMB'000
Cash and cash equivalents	**10,568**
Property, plant and equipment (Note 27)	**396,346**
Customer contracts (included in intangibles) (Note 28)	**34,698**
Financial assets, at fair value through profit or loss (Note 14)	**2,000**
Inventories	**3,603**
Trade and other receivables	**34,611**
Current tax recoverables	**66,740**
Deferred tax assets (Note 32)	**11,734**
Total assets	**560,300**
Trade and other payables	**239,921**
Deferred tax liabilities (Note 32)	**8,674**
Total liabilities	**248,595**
Total identifiable net assets	**311,705**
Less: Non-controlling interest at fair value	**(124,682)**
Less: Bargain purchase	**(7,023)**
Consideration transferred for the business	**180,000**

The acquired business contributed revenue of RMB154,211,000 and net profit of RMB51,582,000 to the Group from the period from 1 March 2018 to 31 December 2018. Had JHLCO been acquired from 1 January 2018, consolidated revenue and consolidated profit for the year ended 31 December 2018 would have been RMB178,308,000 and RMB55,151,000.

41. 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 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

(a) SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019) (Continued)

SFRS(I) 16 will take effect from financial years beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The standard will affect primarily the accounting for the Group's operating leases. The future minimum rental expense payable under significant non-cancellable leases is disclosed in Note 36(b).

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitment of RMB327,000 [Note 36(b)] that may result in the recognition of an asset and a liability for future payments.

The Group anticipates that the adoption of this standard will not have a material impact on the financial statements of the Group in the period of its initial adoption.

(b) SFRS(I) INT 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

(ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored,

(iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment,

(iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

(v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions.

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 28 March 2019.

43. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES 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		
			31 December 2018 %	31 December 2017 %	1 January 2017 %	31 December 2018 %	31 December 2017 %	1 January 2017 %	31 December 2018 %	31 December 2017 %	1 January 2017 %
Jiangsu New Yangzi Shipbuilding Co., Ltd.(1)	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**48.9**	48.9	48.9	**100**	100	100	**–**	–	–
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.(1)	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**12.5**	12.5	12.5	**80**	80	80	**20**	20	20
Jiangsu Yangzijiang Shipbuilding Co., Ltd.(2)	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**100**	100	100	**100**	100	100	**–**	–	–
Jiangsu Tianyuan Ships Import and Export Co., Ltd.(1)	Facilitating the sale and export of ships for the shipbuilder and trading of ship related equipment	PRC	**–**	–	–	**100**	100	100	**–**	–	–
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	100	**–**	–	–
Jiangsu Yangchuan Equipment and Materials Co., Ltd.(2)	Supply of marine equipment and materials	PRC	**–**	–	–	**100**	100	100	**–**	–	–
Jingjiang Runyuan Rural Micro-finance Co., Ltd.(2)	Provide microcredit to enterprise and individual	PRC	**–**	–	–	**100**	100	100	**–**	–	–
Yangzijiang International Trading Pte. Ltd.(3)	Trading of shipbuilding related materials/ supplies	Singapore	**100**	100	100	**100**	100	100	**–**	–	–
Jiangsu Yanghong Marine Import and Export Co., Ltd.(1)	Facilitating the PRC Sale and export of ships for the ship builder and trading of ship related equipment	PRC	**96.8**	96.8	96.8	**100**	100	100	**–**	–	–

43. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES 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		
			31 December 2018 %	2017 %	1 January 2017 %	31 December 2018 %	2017 %	1 January 2017 %	31 December 2018 %	2017 %	1 January 2017 %
Yangzijiang Shipping Pte. Ltd.(3)	Investment holding and shipping related businesses	Singapore	**100**	100	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	79.6	**20.4**	20.4	20.4

Name of associated companies	Principal activities	Place of business/ country of incorporation	Effective equity holding		
			31 December 2018 %	2017 %	1 January 2017 %
Everbright Venture Capital Jiangyin Co., Ltd.(2)	Engaging in venture capital investment and providing seed capital	PRC	**21.36**	21.36	21.36
Jiangsu New Material Industrial Venture Capital Enterprise(2)	Engaging in venture capital investment and providing seed capital	PRC	**38**	38	38
Shanghai Chengding Yangzi Investment Partnership Enterprise ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**29.15**	29.15	29.15
Shanghai Chengding New Yangzi Investment Partnership Enterprise ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**29.85**	29.85	29.85

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

43. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES IN THE GROUP (CONTINUED)

Name of associated companies	Principal activities	Place of business/ country of incorporation	Effective equity holding 31 December 2018 %	31 December 2017 %	1 January 2017 %
Zhuhai Interconnect Leading High-Tech Industrial Investment Center ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**30**	30	30
Wuxi Jinrui Zhonghe Investment Enterprise ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**33.33**	33.33	33.33
Jiangsu Sushang Joint Industry Investment Partnership ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**25**	25	–
Jiangsu Nantong Yanhai Emerging Industrial Investment Fund ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**30**	30	–

(1) These subsidiaries are audited by Jiangyin Tian Cheng CPAs Co. Limited for local statutory purpose.

(2) These subsidiaries and associated companies 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.

STATISTICS OF **SHAREHOLDINGS**

AS AT 22 MARCH 2019

Issued and fully paid-up shares capital	:	S$1,451,903,280.38 (RMB7,326,773,000)
Number of shares (excluding treasury share)	:	3,945,765,200
Class of shares	:	Ordinary Shares
Voting per share	:	One vote per share
Treasury Share	:	28,311,800
Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	15	0.09	162	0.00
100 – 1,000	1,670	9.75	1,562,274	0.04
1,001 – 10,000	10,532	61.51	60,958,794	1.54
10,001 – 1,000,000	4,881	28.50	190,925,190	4.84
1,000,001 AND ABOVE	26	0.15	3,692,318,780	93.58
TOTAL	**17,124**	**100.00**	**3,945,765,200**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	1,340,705,017	33.98
2	CITIBANK NOMINEES SINGAPORE PTE LTD	1,097,167,741	27.81
3	DBS NOMINEES (PRIVATE) LIMITED	456,324,850	11.56
4	DBSN SERVICES PTE. LTD.	340,721,716	8.64
5	RAFFLES NOMINEES (PTE.) LIMITED	272,989,692	6.92
6	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	48,672,243	1.23
7	BPSS NOMINEES SINGAPORE (PTE.) LTD.	37,561,408	0.95
8	MERRILL LYNCH (SINGAPORE) PTE. LTD.	23,995,239	0.61
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,386,100	0.24
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,354,100	0.21
11	UOB KAY HIAN PRIVATE LIMITED	7,649,600	0.19
12	SOCIETE GENERALE SPORE BRANCH	6,224,272	0.16
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,705,894	0.12
14	ABN AMRO CLEARING BANK N.V.	4,680,747	0.12
15	OCBC SECURITIES PRIVATE LIMITED	4,317,900	0.11
16	KENYON PTE LTD	4,300,000	0.11
17	PHILLIP SECURITIES PTE LTD	3,886,248	0.10
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,567,632	0.09
19	LEON LEE SHUNG-FEI	3,500,000	0.09
20	DB NOMINEES (SINGAPORE) PTE LTD	3,252,710	0.08
	TOTAL	**3,681,963,109**	**93.32**

STATISTICS OF **SHAREHOLDINGS**

AS AT 22 MARCH 2019

Substantial Shareholders	Direct Interest Number of Shares	Direct Interest %	Deemed Interest Number of Shares	Deemed Interest %	Total Interest Number of Shares	Total Interest %
Ren Yuanlin[1]	3,200,000	0.0811	1,002,845,825	25.4158	1,006,045,825	25.4969
Yangzi International Holdings Limited	1,002,845,825	25.4158	–	–	1,002,845,825	25.4158
Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement	–	–	1,002,845,825	25.4158	1,002,845,825	25.4158
Lido Point Investments Ltd	394,134,000	9.9888	–	–	394,134,000	9.9888
Wang Dong[2]	–	–	394,134,000	9.9888	394,134,000	9.9888
Hengyuan Asset Investment Limited	279,359,650	7.0800	–	–	279,359,650	7.0800
Chang Liang[3]	–	–	279,359,650	7.0800	279,359,650	7.0800

(1) Ren Yuanlin (as Settlor of the YZJ Settlement) is deemed to be interested in the shares held through his interest in Yangzi Internaional Holdings Limited, which is wholly-owned by Julius Baer Trust Company (Singapore) Limited as trustee of the YZJ Settlement, by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Wang Dong is deemed to be interested in the shares through his interest in Lido Point Investments Ltd, by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Chang Liang is deemed to be interested in the shares through his interest in Hengyuan Asset Investments Limited, by virtue of Section 7 of the Companies Act, Cap. 50.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 52.85% of the shareholding of the Company is held in the hands of the public as at 22 March 2019 and Rule 723 of the Listing Manual is complied with.

NOTICE OF **THIRTEENTH ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at 168 Robinson Road, #09-01, Capital Tower, STI Auditorium, Singapore 068912 on Tuesday, 30 April 2019 at 3.00 p.m. to transact the following business:–

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statements and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of S$0.05 per ordinary share in respect of the financial year ended 31 December 2018. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$136,500 for the financial year ended 31 December 2018. (2017: S$136,500) **(Resolution 3)**

4. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 94 of the Company's Constitution:

   (a) Mr Ren Yuanlin *[See Explanatory Note (a)]* **(Resolution 4)**
   (b) Mr Teo Yi-dar *[See Explanatory Note (b)]* **(Resolution 5)**

5. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary resolutions, with or without modifications:

6. **AUTHORITY TO ALLOT AND ISSUE SHARES**

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

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

NOTICE OF **THIRTEENTH ANNUAL GENERAL MEETING**

provided that:

(1) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (1) above, the total number of issued Shares shall be based on the issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the time such authority was conferred, after adjusting for:

   (a) new Shares arising from the conversion or exercise of any convertible securities;

   (b) new Shares arising from the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

   (c) any subsequent consolidation or subdivision of the Shares;

   and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and

(4) (unless revoked or varied by the Company in a general meeting) the authority so conferred shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. *[See Explanatory Note (c)]* **(Resolution 7)**

NOTICE OF **THIRTEENTH ANNUAL GENERAL MEETING**

7. **RENEWAL OF SHARE PURCHASE MANDATE**

THAT:

(a) the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Ordinary Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST; and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**"),

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of the Shares pursuant to Share Purchase Mandate are carried out to the full extent mandated.

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Ordinary Shares representing 10% of the total number of the issued Ordinary Shares as at the date of the passing of this Resolution (excluding any Ordinary Shares which are held as treasury shares as at that date);

"**Maximum Price**", in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 120% of Average Closing Price (as defined hereinafter), pursuant to an equal access scheme;

NOTICE OF **THIRTEENTH ANNUAL GENERAL MEETING**

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five Market Days;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. *[See Explanatory Note (d)]* **(Resolution 8)**

8. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board

Ong Bee Choo
Company Secretary
12 April 2019
Singapore

NOTICE OF **THIRTEENTH ANNUAL GENERAL MEETING**

Explanatory Notes:

(a) Key information on Mr Ren Yuanlin, who is seeking re-election as Director of the Company, is found on page 14 of the Annual Report. Mr Ren Yuanlin is the Executive Chairman of the Group and also the father of Mr Ren Letian, the Chief Executive Officer of the Company. Details of the share interests of Mr Ren Yuanlin in the Company can be found on page 53 of the Annual Report.

(b) Mr Teo Yi-dar will remain as the Lead Independent Director, the Member of the Audit Committee, Chairman of the Nominating Committee and Remuneration Committee, upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Key information on Mr Teo Yi-dar is found on page 15 of the Annual Report. There are no relationships (including immediate family relationships) between Mr Teo Yi-dar and the other Directors, or the Company, or its substantial shareholders.

(c) The proposed ordinary resolution 7, if passed, will empower the Directors of the Company from the date of the above meeting to issue shares in the Company up to an amount not exceeding in total 50% of the total number of issued shares in the capital of the Company with a sub-limit of 20% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interest of the Company. The authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(d) The proposed ordinary resolution 8, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to purchase or acquire up to 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution. Details of the proposed Share Purchase Mandate are set out in the Appendix to the Notice of the above meeting which is available online for information.

    (i) As at the date of this Notice, the Company has purchased a total of 23,072,800 shares by way of market acquisition at an aggregate consideration of S$20,894,974.67.

    (ii) The amount of financing required for the Company to further purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as this will depend on the number of the shares purchased or acquired and the price at which such shares were purchased or acquired.

    (iii) The financial effects of the purchase or acquisition of shares by the Company pursuant to the proposed Share Purchase Mandate on the Group's audited financial statements for the financial year ended 31 December 2018 are set out in Appendix to the Notice of the above meeting and are for illustration only.

NOTICE OF **THIRTEENTH ANNUAL GENERAL MEETING**

Notes:

(1) A member of the Company (other than a "Relevant Intermediary") entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

(2) A Relevant Intermediary may appoint more than two proxies provided that each proxy must be appointed to exercise the rights attached to different shares held by him (which number and class of shares shall be specified).

"**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

(3) The instrument appointing a proxy must be duly deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not later than seventy-two (72) hours before the time appointed for the holding of the Thirteenth Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Thirteenth Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Thirteenth Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Thirteenth Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

APPENDIX

THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE

1. INTRODUCTION

1.1 Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") proposes to seek the approval of Shareholders of the Company ("**Shareholders**") at the Thirteen Annual General Meeting of the Company to be held at 168 Robinson Road, #09-01 Capital Tower, STI Auditorium, Singapore 068912 on Tuesday, 30 April 2019 at 3.00 p.m. ("**13th AGM**") for the proposed renewal of share purchase mandate to authorise the directors from time to time to purchase shares in the capital of the Company (whether by market purchases and/or off-market purchases on an equal access system) up to 10% of the issued ordinary share capital of the Company as at the date on which this Resolution is passed, at the price of up to but not exceeding the Maximum Price (as defined below), subject to the Constitution of the Company and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as set out in the SGX-ST Listing Manual ("**Listing Rules**") (the "**Share Purchase Mandate**").

1.2 The Shareholders of the Company had at the Extraordinary General Meeting ("**EGM**") held on 25 April 2008, approved the Share Purchase Mandate ("**2008 Mandate**") for the Directors to exercise all the powers of the Company to purchase or acquire up to 10% of the issued ordinary share capital of the Company on the terms of that mandate. The Share Purchase Mandate was renewed at the last Annual General Meeting ("**AGM**") held on 27 April 2018 and such mandate being to take effect until the conclusion of the Company's forthcoming AGM to be held on 30 April 2019.

1.3 The Share Purchase Mandate will expire on the date of the forthcoming 13th AGM. If the proposed resolution for the renewal of Share Purchase Mandate is approved at the 13th AGM, the mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the next AGM of the Company is held or is required by law to be held, whichever is earlier.

1.4 The purpose of this Appendix is to provide information relating to and explain the rationale for the proposed renewal of Share Purchase Mandate.

2. RATIONALE FOR THE SHARE PURCHASE MANDATE

2.1 The proposed renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its ordinary shares in the issued and paid-up share capital of the Company ("**Shares**") will continue to give the Directors the flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 3.1 below at any time, during the period when the Share Purchase Mandate is in force.

2.2 The rationale for the Company to undertake the purchase or acquisition of its issued Shares, as previously stated in its circular to Shareholders dated 9 April 2008, are as follows:

(a) In managing the business of the Group, the Management will strive to increase Shareholders' value by improving, *inter alia*, the Return on Equity ("**ROE**") of the Company. In addition to growth and expansion of the business, share purchases may be considered as one of the ways through which the ROE of the Company may be enhanced.

APPENDIX

(b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds, which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.

(c) Share purchase programmes help to buffer short-term share price volatility.

(d) The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

3. AUTHORITY AND LIMITS ON THE SHARE PURCHASE MANDATE

The authority and limitations placed on share purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, are similar in terms to those previously approved by Shareholders, and are summarised below:

3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be repurchased by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than ten percent (10%) of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) ascertained as at the date of the passing of the ordinary resolution at the 13th AGM, unless the share capital of the Company has been reduced in accordance with the applicable provisions of the Companies Act at any time during the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or required by law to be held, whichever is the earlier, after the date of the resolution relating to the Share Purchase Mandate is passed (the "**Relevant Period**"), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit. As at 22 March 2019 ("**Latest Practicable Date**"), the Company is holding 28,311,800 Shares in treasury and does not have subsidiary holdings.

APPENDIX

For illustrative purposes only, on the basis of 3,945,765,200 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings), and assuming on or prior to the 13th AGM:

(a) no further Shares are issued;
(b) 28,311,800 Shares are held by the Company as treasury shares;
(c) no shares are held as subsidiary holdings; and
(d) no further Shares are repurchased by the Company and no Shares repurchased by the Company are held as treasury shares,

not more than 394,576,520 Shares [representing 10% of the total number of Shares (excluding the Shares held in treasury and subsidiary holding) as at that date] may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the Relevant Period.

3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the 13th AGM, at which the renewal of Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM of the Company is held or required by law to be held; or
(b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or
(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM (after the 13th AGM) or an EGM to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) market purchase(s) ("**Market Purchase**"), transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) off-market purchase(s) ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

APPENDIX

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(a) the terms and conditions of the offer;
(b) the period and procedures for acceptances;
(c) the reasons for the proposed purchase or acquisition of Shares;
(d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
(e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
(f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
(g) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

3.4 <u>Maximum Purchase Price</u>

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price; and
(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

APPENDIX

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five (5) Market Days.

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.5 Status of Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

3.6. Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.6.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

3.6.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

APPENDIX

3.6.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;
(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
(d) cancel the treasury shares; or
(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "usage"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage, and the value of the treasure shares if they are used for a sale, transfer, or cancelled.

4. REPORTING REQUIREMENTS

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority ("**ACRA**").

The Company shall notify ACRA within 30 days of a purchase of Shares by the Company on the SGX-ST or otherwise. Such notification shall include details of the purchases, the total number of Shares purchased by the Company, the number of Shares held as treasury shares, the Company's total number of issued shares as at the date of the Shareholders' resolution approving the purchase of the Shares and after the purchase of Shares, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required in the prescribed form.

The Company is required under Rule 886 of the Listing Manual that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its Shares, and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisition of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

APPENDIX

5. SOURCE OF FUNDS

The Company may only apply funds for the purchase or acquisition of the Shares as provided in the Constitution of the Company and in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits. Apart from using its internal sources of funds, the Company may obtain or incur borrowings to finance its purchase or acquisition of Shares.

6. FINANCIAL EFFECTS

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the net tangible asset and earning per share as the resultant effect would depend on, inter alia, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares and the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total number of issued Shares will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The NTA of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirements, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view of enhancing the EPS and/or the NTA value per Share.

APPENDIX

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the financial statements of the Group for the financial period ended 31 December 2018 are based on the assumptions set out below:

(a) based on 3,945,765,200 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings), and assuming no further Shares are issued, 28,311,800 Shares are held by the Company as treasury shares and no further Shares are held by the Company as treasury shares on or prior to the 13th AGM, not more than 394,576,520 Shares [representing 10% of the total number of issued shares of the Company (excluding Shares held in treasury and subsidiary holding) as at that date] may be purchased by the Company pursuant to the proposed Share Purchase Mandate;

(b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 394,576,520 Shares at the Maximum Price of S$1.573 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 394,576,520 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB3,080,432,005.00; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 394,576,520 Shares at the Maximum Price of S$1.798 for one Share (being the price equivalent to 20% above the Average Closing Price of the Shares on the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 394,576,520 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB3,520,493,720.00.

For illustrative purposes only and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed solely by internal sources of funds; (ii) the Share Purchase Mandate had been effective on 1 January 2018; and (iii) the Company had purchased or acquired 394,576,520 Shares [representing 10% of its total number of issued shares of the Company (excluding Shares held in treasury and subsidiary holding) at the Latest Practicable Date] on 31 December 2018, the financial effects of the purchase or acquisition of 394,576,520 shares by the Company pursuant to the Share Purchase Mandate:

(1) by way of purchases made entirely out of capital and held as treasury shares; and

(2) by way of purchases made entirely out of capital and cancelled,

APPENDIX

on the financial statements of the Company and the Group for the financial period ended 31 December 2018 are set out below:

(1) Purchases made entirely out of capital and held as treasury shares

(A) Market Purchases

	Group		Company	
	Before Share Purchase RMB'000	**After Share Purchase RMB'000**	**Before Share Purchase RMB'000**	**After Share Purchase RMB'000**
As at 31 December 2018				
Issued capital and reserves	29,001,963	28,909,550	12,549,059	12,456,646
Treasury shares	(122,362)	(3,202,794)	(122,362)	(3,202,794)
Total shareholders' equity	28,879,601	25,706,756	12,426,697	9,253,852
NTA (excl. Non controlling interests)	28,879,601	25,706,756	12,426,697	9,253,852
Profit after taxation and minority interest	3,614,044	3,521,631	49,717	(42,696)
Net debt	Net Cash	321,514	Net Cash	3,074,974
Number of shares ('000)	3,945,765	3,551,189	3,945,765	3,551,189
Financial Ratios				
NTA per share (cents)	731.91	723.89	314.94	260.58
Gross debt gearing (%)	14.00	27.71	3.89	38.51
Net debt gearing (%)	Net Cash	1.25	Net Cash	33.23
Current ratio (times)	2.74	2.15	1.87	1.13
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	36.07	19.86	2.01	0.74
Basic EPS (cents)				
(before exceptional items)	91.34	98.86	1.26	(1.20)
(after exceptional items)	91.34	98.86	1.26	(1.20)
Return on equity (%)	12.51	13.70	0.40	(0.46)

Note:

Based on 3,945,765,200 Shares in issue as at the Latest Practicable Date, excluding subsidiary holding and 28,311,800 Shares that are held in treasury as at the Latest Practicable Date.

APPENDIX

(B) *Off-Market Purchases*

	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
As at 31 December 2018				
Issued capital and reserves	29,001,963	28,896,348	12,549,059	12,443,444
Treasury shares	(122,362)	(3,642,856)	(122,362)	(3,642,856)
Total shareholders' equity	28,879,601	25,253,492	12,426,697	8,800,588
NTA (excl. Non controlling interests)	28,879,601	25,253,492	12,426,697	8,800,588
Profit after taxation and minority interest	3,614,044	3,508,429	49,717	(55,898)
Net debt	Net Cash	761,576	Net Cash	3,515,036
Number of shares ('000)	3,945,765	3,551,189	3,945,765	3,551,189
Financial Ratios				
NTA per share (cents)	731.91	711.13	314.94	247.82
Gross debt gearing (%)	14.00	29.95	3.89	45.49
Net debt gearing (%)	Net Cash	3.02	Net Cash	39.94
Current ratio (times)	2.74	2.09	1.87	1.07
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	36.07	18.66	2.01	0.68
Basic EPS (cents)				
(before exceptional items)	91.34	98.49	1.26	(1.57)
(after exceptional items)	91.34	98.49	1.26	(1.57)
Return on equity (%)	12.51	13.89	0.40	(0.64)

Note:

Based on 3,945,765,200 Shares in issue as at the Latest Practicable Date, excluding subsidiary holding and 28,311,800 Shares that are held in treasury as at the Latest Practicable Date.

APPENDIX

(2) Purchases made entirely out of capital and cancelled

(A) Market Purchases

	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
As at 31 December 2018				
Issued capital and reserves/ Total shareholders' equity	28,879,601	25,706,756	12,426,697	9,253,852
NTA (excl. Non controlling interests)	28,879,601	25,706,756	12,426,697	9,253,852
Profit after taxation and minority interest	3,614,044	3,521,631	49,717	(42,696)
Net debt	Net Cash	321,514	Net Cash	3,074,974
Number of shares ('000)	3,945,765	3,551,189	3,945,765	3,551,189
Financial Ratios				
NTA per share (cents)	731.91	723.89	314.94	260.58
Gross debt gearing (%)	14.00	27.71	3.89	38.51
Net debt gearing (%)	Net Cash	1.25	Net Cash	33.23
Current ratio (times)	2.74	2.15	1.87	1.13
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	36.07	19.86	2.01	0.74
Basic EPS (cents)				
(before exceptional items)	91.34	98.86	1.26	(1.20)
(after exceptional items)	91.34	98.86	1.26	(1.20)
Return on equity (%)	12.51	13.70	0.40	(0.46)

APPENDIX

(B) *Off-Market Purchases*

	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
As at 31 December 2018				
Issued capital and reserves/ Total shareholders' equity	28,879,601	25,253,492.47	12,426,697	8,800,588
NTA (excl. Non controlling interests)	28,879,601	25,253,492	12,426,697	8,800,588
Profit after taxation and minority interest	3,614,044	3,508,429	49,717	(55,898)
Net debt	Net Cash	761,576	Net Cash	3,515,036
Number of shares ('000)	3,945,765	3,551,189	3,945,765	3,551,189
Financial Ratios				
NTA per share (cents)	731.91	711.13	314.94	247.82
Gross debt gearing (%)	14.00	29.95	3.89	45.49
Net debt gearing (%)	Net Cash	3.02	Net Cash	39.94
Current ratio (times)	2.74	2.09	1.87	1.07
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	36.07	18.66	2.01	0.68
Basic EPS (cents)				
(before exceptional items)	91.34	98.49	1.26	(1.57)
(after exceptional items)	91.34	98.49	1.26	(1.57)
Return on equity (%)	12.51	13.89	0.40	(0.64)

Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of its issued Shares (excluding Shares held in treasury and subsidiary holding), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares (excluding Shares held in treasury and subsidiary holding). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Purchase Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

7. TAKE-OVER IMPLICATIONS

Appendix 2 of the Singapore Code on Take-over and Mergers ("Take-over Code") contains the Share Purchase Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

APPENDIX

7.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and person(s) acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

7.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;

(b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) a financial or other professional adviser, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

APPENDIX

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

7.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares:

(a) the voting rights of such Directors and their concert parties would increase to 30% or more; or

(b) in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares and subsidiary holding shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

(a) the voting rights of such Shareholder would increase to 30% or more; or

(b) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months.

Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Purchase Mandate.

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

APPENDIX

8. LISTING RULES

While the Listing Rules do not expressly prohibit purchase of shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of consideration and/or a decision of the Board of Directors until such time as the price-sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one month immediately preceding the announcement of the Company's annual financial results; and

(b) two weeks immediately preceding the announcement of the Company's financial results for each of the first three quarters of its financial year.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares (excluding Shares held in treasury and subsidiary holding) are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, Substantial Shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 2,085,253,824 Shares, representing approximately 52.848% of the issued Shares (excluding Shares held in treasury and subsidiary holding), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to approximately 1,690,677,304 Shares, representing approximately 47.609% of the total number of issued Shares of the Company (excluding Shares held in treasury and subsidiary holding). Accordingly, the Company is of the view that there is a sufficient number of issued Shares (excluding Shares held in treasury and subsidiary holding) held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

APPENDIX

9. SHARES PURCHASED DURING THE PREVIOUS 12 MONTHS

The details of the share purchases made by the Company in the previous 12 months prior to the Latest Practicable Date are as follows:–

(a) the total number of Shares purchased was 23,072,800. All such Shares were acquired by way of Market Purchases;

(b) the highest and lowest price paid for such Shares purchases were S$0.985 and S$0.86 respectively; and

(c) the total consideration paid by the Company for such Share purchases was S$20,894,974.67.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

10.1 Directors' Interests

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

	Number of Shares	
Director	**Direct Interest**	**Deemed Interest**
Ren Yuanlin	3,200,000	1,002,845,825[1]
Teo Yi-Dar	150,000	–
Chen Timothy Teck Leng @ Chen Teck Leng	–	–
Xu Wenjiong	–	–

10.2 Substantial Shareholders' Interests

The interests of the Substantial Shareholders of the Company in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Number of Shares		Total Percentage
Substantial Shareholders	**Direct Interest**	**Deemed Interest**	**Interest (%)[2]**
Ren Yuanlin	3,200,000	1,002,845,825	25.50
Yangzi International Holdings Limited	1,002,845,825	–	25.42
Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement	–	1,002,845,825	25.42
Lido Point Investments Ltd	394,134,000	–	9.99
Wang Dong	–	394,134,000[3]	9.99
Hengyuan Asset Investment Limited	279,359,650	–	7.08
Chang Liang	–	279,359,650[4]	7.08

1 Ren Yuanlin (as Settlor of the YZJ Settlement) is deemed to be interested in the Shares through his interest in Yangzi International Holdings Limited, which is wholly-owned by Julius Baer Trust Company (Singapore) Limited as trustee of the YZJ Settlement, by virtue of Section 7 of the Companies Act.

2 Based on 3,945,765,200 Shares in issue as at the Latest Practicable Date, excluding subsidiary holding and 28,311,800 Shares that are held in treasury as at the Latest Practicable Date.

3 Wang Dong is deemed to be interested in the Shares through his interest in Lido Point Investments Ltd, by virtue of Section 7 of the Companies Act.

4 Chang Liang is deemed to be interested in the Shares through his interest in Hengyuan Asset Investment Limited, by virtue of Section 7 of the Companies Act.

APPENDIX

11. DIRECTORS' RECOMMENDATIONS

The Proposed Renewal of Share Purchase Mandate

The Directors are of the opinion that the proposed renewal of Share Purchase Mandate is in the best interest of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution 8 relating to the proposed renewal of Share Purchase Mandate as set out in the Notice of the 13th AGM.

12. ANNUAL GENERAL MEETING

The 13th AGM, notice of which is set out on pages 175 to 180 of the Notice of 13th AGM attached to the Annual Report 2018 of the Company, will be held at 168 Robinson Road, #09-01 Capital Tower, STI Auditorium, Singapore 068912 on Tuesday, 30 April 2019 at 3.00 p.m. for the purpose of, *inter alia*, considering and, if thought fit, passing the ordinary resolution on the renewal of Share Purchase Mandate as set out in the Notice of the 13th AGM.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

14. SGX-ST'S DISCLAIMER

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinion expressed in this Appendix.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date hereof up to and including the date of the 13th AGM:

(a) the Constitution of the Company; and

(b) the audited consolidated financial statements of the Company for FY2018.

Yours faithfully,
For and on behalf of the Board of Directors of
YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Ren Yuanlin
Executive Chairman

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Proxy Form

IMPORTANT
1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap.50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the capital of Yangzijiang Shipbuilding (Holdings) Ltd., this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective agent Banks/SRS Operators if they any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy (ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of 13th Annual General Meeting dated 12 April 2019.

Yangzijiang Shipbuilding (Holdings) Ltd.

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200517636Z)

I/We______________________________ (name) ____________________ (NRIC/Passport No.)

of ____ (address)

being a member/members of Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company"), hereby appoint: -

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

and/or failing him (delete as appropriate)

as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the 13th AGM of the Company to be held at 168 Robinson Road, #09-01 Capital Tower, STI Auditorium, Singapore 068912 on Tuesday, 30 April 2019 at 3.00 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the 13th AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the 13th AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the 13th AGM shall be *my/our proxy to vote, for or against the Resolutions to be proposed at the 13th AGM as indicated hereunder, for *me/us and on *my/our behalf at the 13th AGM and at any adjournment thereof.

No.	Resolutions	**For	**Against
ORDINARY BUSINESS			
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Independent Auditors' Report thereon.		
2.	Declaration of final dividend.		
3.	Approval for payment of Directors' fees for the financial year ended 31 December 2018.		
4.	Re-election of Mr Ren Yuanlin.		
5.	Re-election of Mr Teo Yi-dar.		
6.	Re-appointment of Messrs PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
7.	To authorise Directors to allot and issue shares.		
8.	To renew the Share Purchase Mandate.		

* *Delete accordingly*

** *Voting will be conducted by pol. Indicate your vote "For" or "Against" with a (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" next to each resolution.*

Dated this ______ day of __________, 2019

Total Number of Shares Held

____

Signature(s) of Member(s)/Common Seal

Important: Please read notes overleaf

DO NOT STAPLE. GLUE ALL SIDES FIRMLY

Notes:–

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.
   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 at least seventy-two (72) hours before the time appointed for the AGM.
6. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

DO NOT STAPLE. GLUE ALL SIDES FIRMLY

AFFIX POSTAGE STAMP

The Company Secretary
Yangzijiang Shipbuilding (Holdings) Ltd.
80 Robinson Road
#02-00
Singapore 068898

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CORPORATE **INFORMATION**

DIRECTORS

REN YUANLIN
Executive Chairman

TEO YI-DAR
Lead Independent Director

XU WEN JIONG
Non-Independent Non-Executive Director

CHEN TIMOTHY TECK LENG @ CHEN TECK LENG
Independent Director

JOINT COMPANY SECRETARIES

ONG BEE CHOO
PAN MI KEAY

COMPANY REGISTRATION NUMBER

200517636Z

REGISTERED OFFICE

80 Robinson Road #02-00
Singapore 068898

BUSINESS ADDRESSES

1# Lianyi Road, Jiangyin-Jingjiang Industry Zone,
Jingjiang City, Jiangsu, People's Republic of China 214532

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

PRICEWATERHOUSECOOPERS LLP
CERTIFIED PUBLIC ACCOUNTANTS
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936
Partner-in-charge: **ALEX TOH WEE KEONG**
(Appointed since Financial Year ended 31 December 2017)

Yangzijiang Shipbuilding (Holdings) Ltd.
扬子江船业(控股)有限公司

16 RAFFLES QUAY
#41-02 HONG LEONG BUILDING
SINGAPORE 048581