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

ANNUAL
REPORT
2019

PURSUING GROWTH
DELIVERING OPPORTUNITIES

A New Era

TABLE OF CONTENTS

CORPORATE **PROFILE**

WE ARE A **LEADING SHIPBUILDING GROUP** IN CHINA AND **ONE OF THE MOST-RESPECTED** SHIPBUILDING GROUPS GLOBALLY

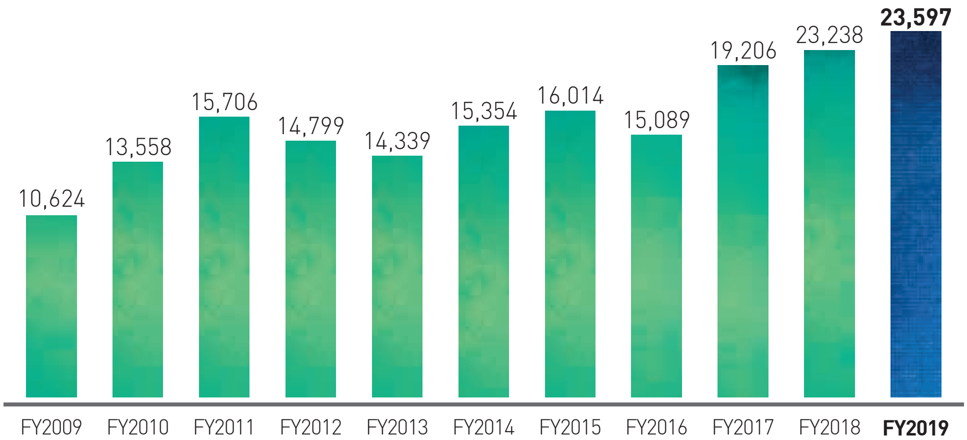
We produce a broad range of commercial vessels such as containerships, bulk carriers and LNG vessels, our shipbuilding bases are strategically located along the Yangtze River:

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")
Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd. ("YAMIC")

FINANCIAL **HIGHLIGHTS**

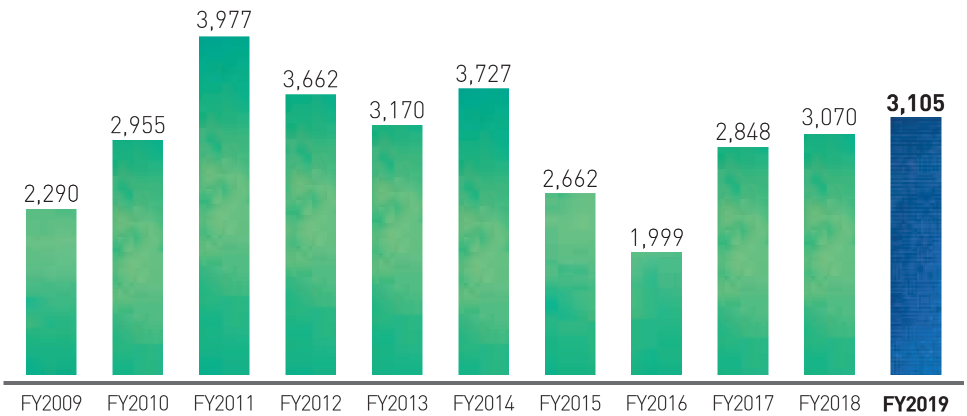
REVENUE (RMB'MILLION)

122.1%
increase from
FY2009 to FY2019



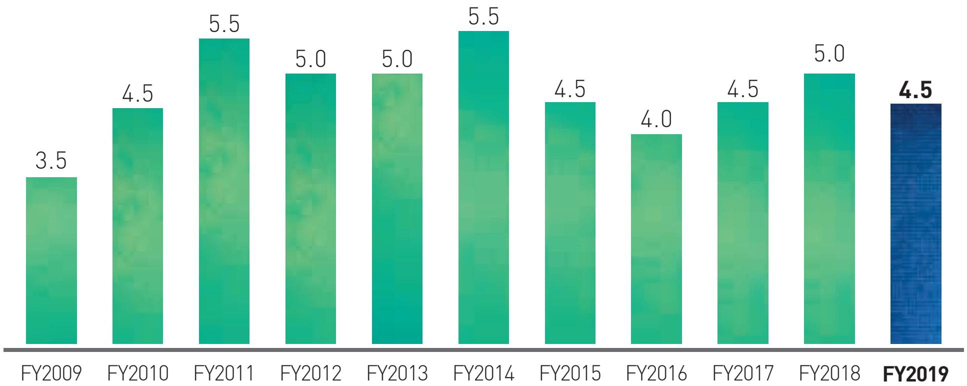
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RMB'MILLION)

35.6%
increase from
FY2009 to FY2019



DIVIDEND (SINGAPORE CENTS)

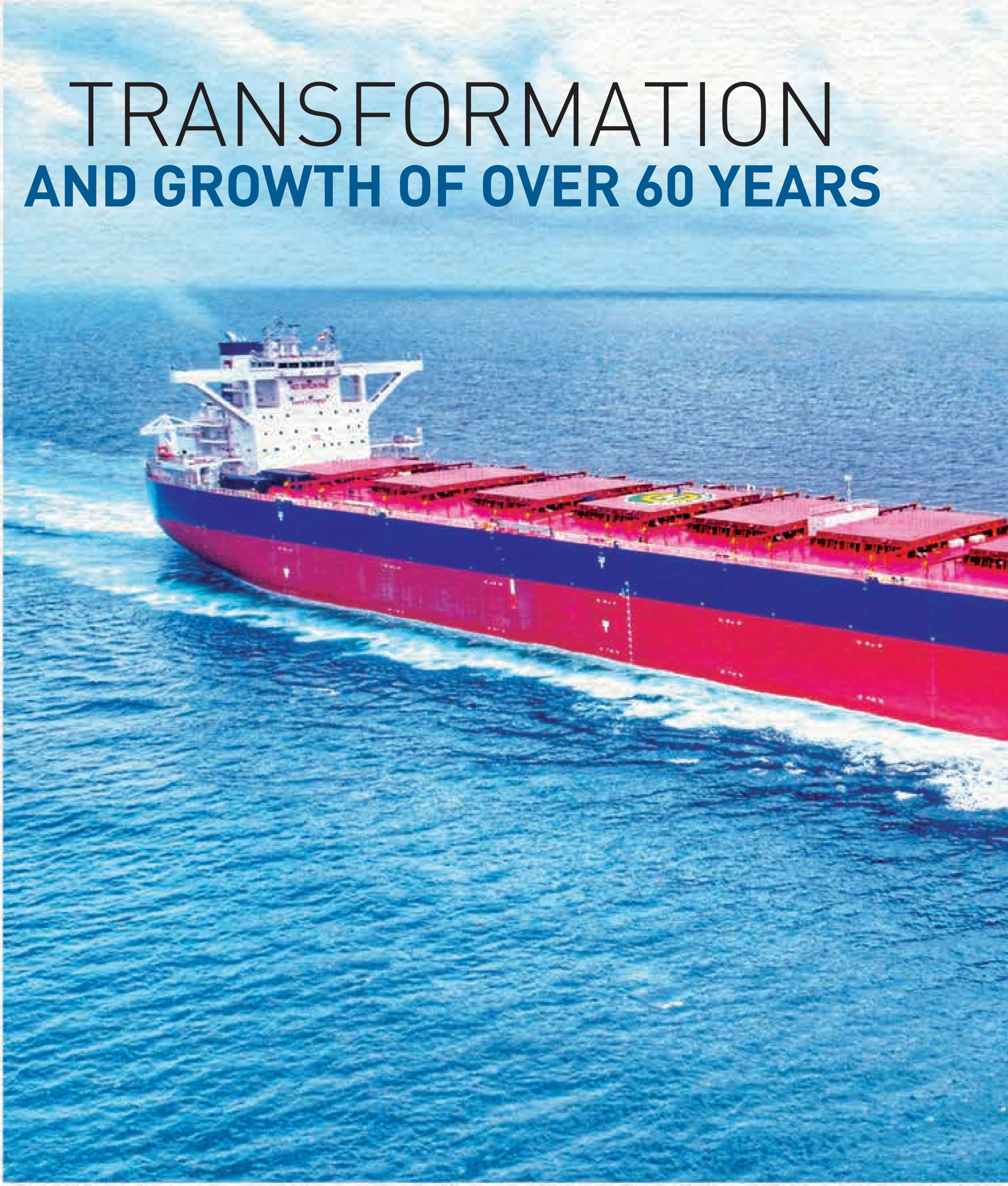
28.6%
increase from
FY2009 to FY2019



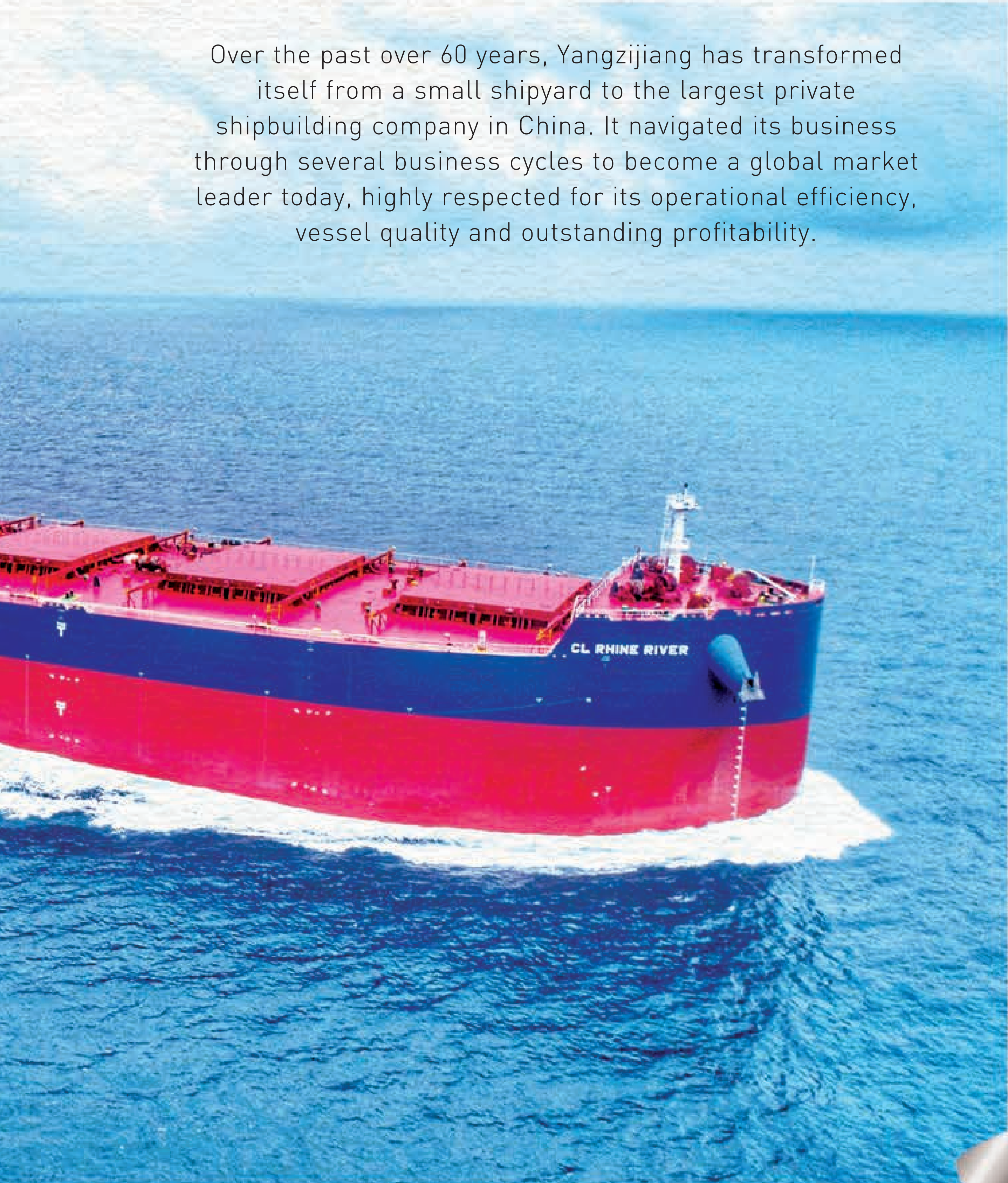
	2019 31 December RMB'000	2018 31 December RMB'000	2017 31 December RMB'000	2016 31 December RMB'000	2015 31 December RMB'000
RESULTS					
Revenue	**23,597,175**	23,238,289	19,205,596	15,089,438	16,014,348
Gross Profit	**4,328,554**	4,111,776	3,311,963	3,636,622	3,719,271
Other Income	**441,788**	396,028	544,227	988,737	541,537
Other Gains	**125,948**	290,946	215,806	521,322	623,121
Net Profit Attributable to Shareholders	**3,105,069**	3,070,345	2,848,483	1,998,943	2,662,497
Basic EPS (RMB cents)	**78.88**	77.60	73.45	52.16	69.49
FINANCIAL POSITION					
Total Assets	**45,756,122**	44,911,484	43,583,032	41,416,902	41,246,062
Shareholders' Equity	**31,095,631**	29,101,587	26,650,399	23,540,666	22,401,578
Cash and Cash Equivalents	**10,183,019**	6,594,143	6,195,431	7,085,796	5,992,935
Net Asset Value per Ordinary Shares (RMB cents)	**793.51**	737.54	671.49	614.34	584.62
MARKET CAPITALISATION AT PERIOD END					
Dividends (Singapore Dollar)	**0.045**	0.05	0.045	0.04	0.045
Share Price at Period End (Singapore Dollar)	**1.12**	1.25	1.47	0.815	1.1
Payout Ratio	**29%**	32%	30%	37%	30%
P/E	**7.31**	8.04	10.00	7.50	7.26
P/B	**0.73**	0.85	1.07	0.64	0.86
Dividend Yield	**4.02%**	4.00%	3.06%	4.91%	4.09%
No. of Shares ('000)	**3,918,765**	3,945,765	3,968,838	3,831,838	3,831,838

Numbers for FY2012 to FY2018 had been restated.

TRANSFORMATION AND GROWTH OF OVER 60 YEARS



Over the past over 60 years, Yangzijiang has transformed itself from a small shipyard to the largest private shipbuilding company in China. It navigated its business through several business cycles to become a global market leader today, highly respected for its operational efficiency, vessel quality and outstanding profitability.



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

It is my pleasure to present to you our annual report for the twelve months ended 31 December 2019 ("**FY2019**"). In 2019, Yangzijiang has yet again proved itself as a strong, resilient entity that survives adversities and emerges stronger.

MARKET REMAINED DOWNBEAT

The market downturn for the shipbuilding industry that has lasted for several years didn't show signs of a much-anticipated recovery in 2019. As the industry went through years of painful shakeout and capacity reduction towards equilibrium with demand, global trade tensions and IMO rules brought many uncertainties to the market since 2018. Shipowners continued to cut their investments in new vessels substantially, resulting in global new shipbuilding orders declining by 31% in DWT terms in 2019 compared to that of 2018. Global outstanding order book continued to decline, which at the beginning of 2020, reached the lowest level since 2004[1].

TEST OF STRENGTH – ONLY THE STRONGER ONES SURVIVE

Despite a challenging market, Yangzijiang delivered a set of respectable results in FY2019. Innovation, new technology and new method in production improved efficiency and the number of vessel deliveries continued to grow. We still obtained new orders of US$830 million even as the competition was intense. Our partnership with Mitsui at Yangzi-Mitsui Shipbuilding Co., Ltd. ("**YAMIC**") has started operations and made good progress in getting new orders and construction of vessels. Financially, the Group's net profit attributable to shareholders remained stable at RMB3.1 billion for FY2019 compared to that of FY2018. The Group maintained a strong financial position with increased net cash.

THE NEW GENERATION OF LEADERS IS READY

In the few months when I was away in 2019, our younger generation of management, led by Group CEO, Ren Letian, took on the leadership role without my direct supervision for the first time. They exhibited impressive dedication, professionalism, and rationality in decision-making. New orders were secured, vessels were delivered on time, and customers were happy. New ventures at YAMIC progressed smoothly, and morale at Yangzijiang remained high.

After holding the helm at Yangzijiang for decades, I had been deliberating an ideal time for me to officially hand it over to the next generation. In these few months, our CEO exhibited sound maturity and good judgement and made several remarkable achievements. This gave me great confidence to step back gradually to a more advisory role and let our new generation of leaders take larger responsibilities and bring Yangzijiang's business to a new height.

THE MARKET WILL RECOVER EVENTUALLY

Yangzijiang has gone through multiple business cycles over the past few decades, and we have always been able to identify new trends and opportunities in the market, and introduced new models with improved designs and efficiencies. With our flagship vessels such as the 10,000TEU containerships, the 82,000DWT bulk carriers, and the 400,000DWT iron ore carriers, we grew our customer base and worked our way up in the market to become one of the most prominent shipbuilding groups globally. Our outstanding order book remains healthy, and our strong balance sheet gives us the vitality and flexibility that are essential in an industry downturn.

[1] *Source: www.eworldship.com*

Although the issues that distress the shipbuilding market currently are severe and complicated to deal with, these will not alter the long-term trend for demand and supply to balance. Global trade and the economy will recover, and people's lives will continue to improve in the long run. At the same time, the industry will evolve with significant structural changes in favour of clean-energy vessels, with energy efficiency and emission at the centre of vessel design and production. Our established operational system, strong design capabilities and the partnership at YAMIC place us in an advantageous position in the long-term evolution of the shipbuilding industry.

DIVIDEND

We have consistently delivered sizable profits every year since our listing in Singapore in 2007 despite market volatilities, and it gives me great satisfaction that thousands of shareholders have been rewarded with the annual dividends. For FY2019, we are pleased to declare a final dividend of 4.5 Singapore cents, representing a payout of 29% based on the fully diluted earnings per share.

Dividend is an important vehicle to show our gratitude to shareholders for your continued trust in Yangzijiang. In Yangzijiang's early days of listing, your support helped us expand our capacity and take good-quality orders in a booming market. Today, we have the financial muscle and we still survive well with good potential to thrive, and we remain committed to sharing the value we create and returning to our shareholders.

APPRECIATION

I would like to 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. I would like to particularly thank our joint venture partners at Mitsui; our partnership has been off to a great start, and I'm confident that we will create a business with a bright future.

I communicated my intention to hand over the helm to our CEO with our Board, and our board directors have been kind enough to invite me to take the role of Honorary Chairman at the Group. I would be pleased to accept the invitation and continue to provide guidance to the Board and the management team and contribute wherever I am needed. Yangzijiang's values in ethical conduct, a prudent and disciplined approach, a forward-looking vision, and a desire for innovation are the pillars of our achievement today. These values are deeply instilled in our newer generation of leaders, who have matured and ready to captain Yangzijiang to make new achievements. I would like to encourage you to give your trust and support to them as you did for me, and I look forward to witnessing Yangzijiang continuing to grow in size, profitability and market influence towards our mission to be one of the most respected shipbuilding groups globally.

REN YUANLIN
Executive Chairman

主席
致辞

各位尊敬的股东，

我很荣幸向各位呈献2019财年年度报告。在2019年，扬子江在逆境中继续成长，并再一次证明了我们的强大实力与韧性。

市场仍然低迷

造船市场低迷已经持续了数年，2019年，这种低迷环境仍然笼罩着造船行业，人们期待已久的复苏迹象也并未出现。过去几年，造船业经历了持久的行业洗牌和去产能，供求逐渐趋于平衡。但是2018年起，全球贸易紧张局势和国际海事组织的新规给市场带来了诸多不确定性。船东继续大幅消减对新船的投资，导致2019年全球新船订单量(按载重吨位计)较2018年下降了31%。全球造船行业在手订单量持续下跌，并在2020年初到达2004年以来最低水平。

逆境中的强者

尽管市场充满挑战，扬子江在2019财年仍然取得了一系列令人满意的业绩。科技创新和新造船技术的应用进一步提高了我们的生产效率，船舶交付数量也持续增长。在激烈的市场竞争中，我们仍拿下了8.3亿美元的新订单。我们与三井的合资公司——扬子三井造船有限公司(“YAMIC”)已经开始运营，并在签订新订单和建造船舶方面取得了良好进展。在财务业绩方面，集团2019财年归属股东的净利润与2018财年相比保持稳定，都在31亿人民币的水平。集团财务状况继续保持稳健，净现金量再度攀升。

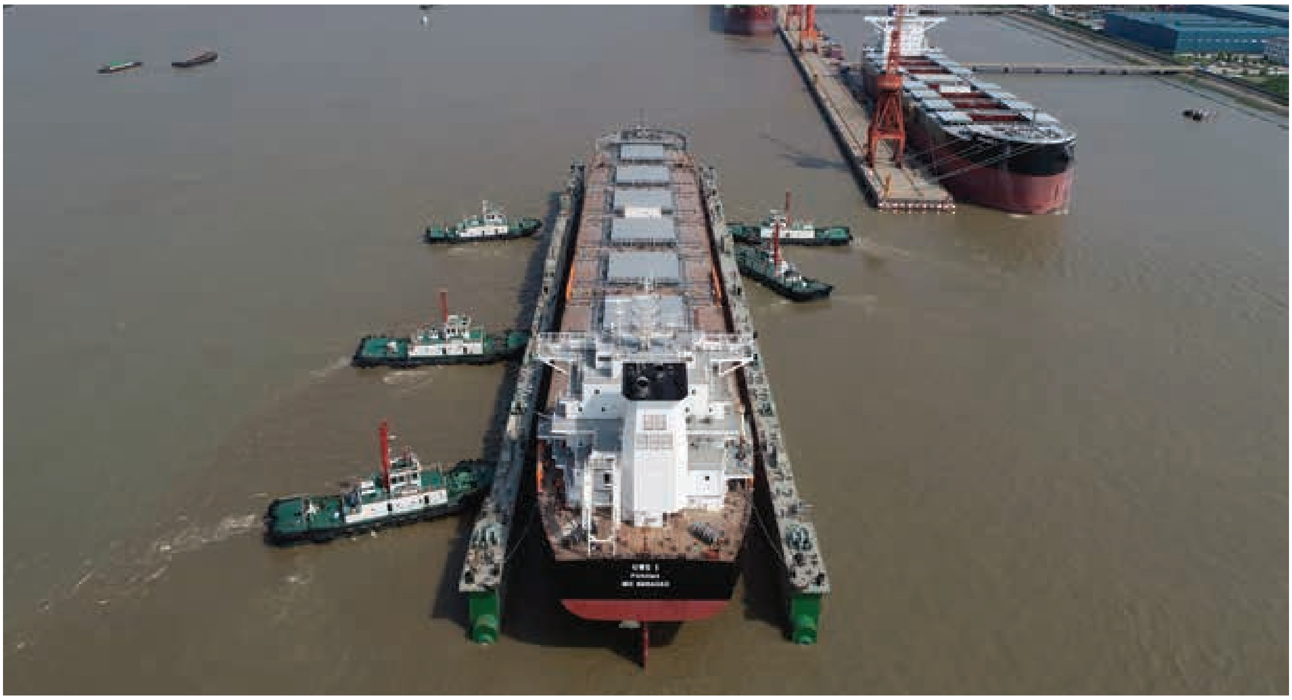
新一代领导者已经成熟

2019年我离岗的几个月里，由集团首席执行官任乐天领导的年轻一代管理团队首次在没有我的直接监督的情况下承担起了领导集团的重任。他们在决策过程中表现出的专注、专业和理性，令人印象深刻。期间，集团屡获新订单，船只得以按时交付，客户对我们仍然非常满意。扬子三井造船的新项目也进展顺利，扬子江的士气仍然高昂。

在扬子江掌舵几十年后，我一直在考虑一个理想的时机，正式把集团领导人的重任交给下一代。在过去几个月里，我们的首席执行官展现出了难得的成熟和良好的判断力，并取得了一系列显著的成绩。这给了我巨大的信心，觉得是时候逐渐退到幕后、作为一个顾问的角色支持他们，同时让我们的新一代挑起大梁，把扬子江的事业推向一个新的高峰。

市场终会复苏

在过去几十年里，扬子江总是能发现市场新趋势和机遇，并通过研发改进设计、优化船型和性能，安然度过了一个又一个的市场低迷周期。我们的旗舰船型如10,000标箱集装箱船、82,000吨散货船和400,000吨铁矿石散货船帮助我们扩大了客户基础，逐渐巩固了市场地位，成长壮大为全球领先的造船集团之一。我们充足的



在手订单和稳健的财务实力是我们在市场低迷的环境中能够生存下来、并且在条件允许时甚至逆流发展壮大的必不可少的条件。

虽然目前困扰造船行业的问题严峻且复杂，但这些不会改变供需恢复平衡的长期趋势。全球贸易和经济总会复苏，人们的生活也将会得到持续改善。与此同时，行业结构也会朝着偏向清洁能源船舶方向发展，提高能源效率和减少排放将成为船舶设计和生产的核心。扬子江成熟稳健的运营系统、强大的设计能力以及与三井集团的合作，将使我们在造船行业的长期发展中继续处于有利地位。

股息

尽管市场高低起伏，我们自2007年在新加坡上市以来，每年都实现了可观的利润。每年几万名股东都能获得集团的股息，分享集团的盈利，这让我感到欣慰。2019财年，我们提议发放4.5新加坡分的股息。根据完全摊薄后的每股收益计算，派息率为29%。

派发股息是我们向股东表达对大家对扬子江的信任和支持的重要方式。在集团上市初期，是你们的支持，帮助我们扩大了产能，使我们能在市场上行的环境中拿下了许多高质量订单。今天，我们经过12年的成长，不仅拥有了雄厚的资金实力，也拥有良好的发展潜力。我们仍然致力于分享我们所创造的价值，并回馈给我们的股东。

致谢

感谢我们所有的管理团队和员工在市场艰难的环境中为集团做出的努力和巨大贡献。感谢客户和商业伙伴对我们的长期支持。在此，我要特别鸣谢三井的合资伙伴——我们的合作已经有了一个良好的开端，我坚信我们可以共同开创光明未来。

我与董事会沟通了把领导集团的重任交给我们的首席执行官的意向，我们的董事们非常诚恳地邀请我担任集团的长期名誉主席。我很荣幸接受他们的邀请，继续向董事会和管理层在需要的时候尽力提供指导和帮助。扬子江的商业道德和价值观、审慎自律的态度、高瞻远瞩的视野和不断创新的勇气是我们能够取得今天成就的根基。这些价值观也深深地影响著我们的新一代领导人，他们已经成熟，足以带领扬子江打开事业的新篇章。我希望大家能够一如既往地支持我们年轻一代的领导人，就像你们支持我一样。我坚信在新一代领导人的带领下，扬子江的规模、盈利能力和市场影响力将不断壮大，并朝着我们成为全球最受尊敬的造船集团的目标不断迈进。

任元林
董事长

CORPORATE MILESTONES

2007

- Successful listing on SGX
- Completion of New Yangzi Yard

2008

- Million square meters expansion plan completed

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

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.

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

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

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

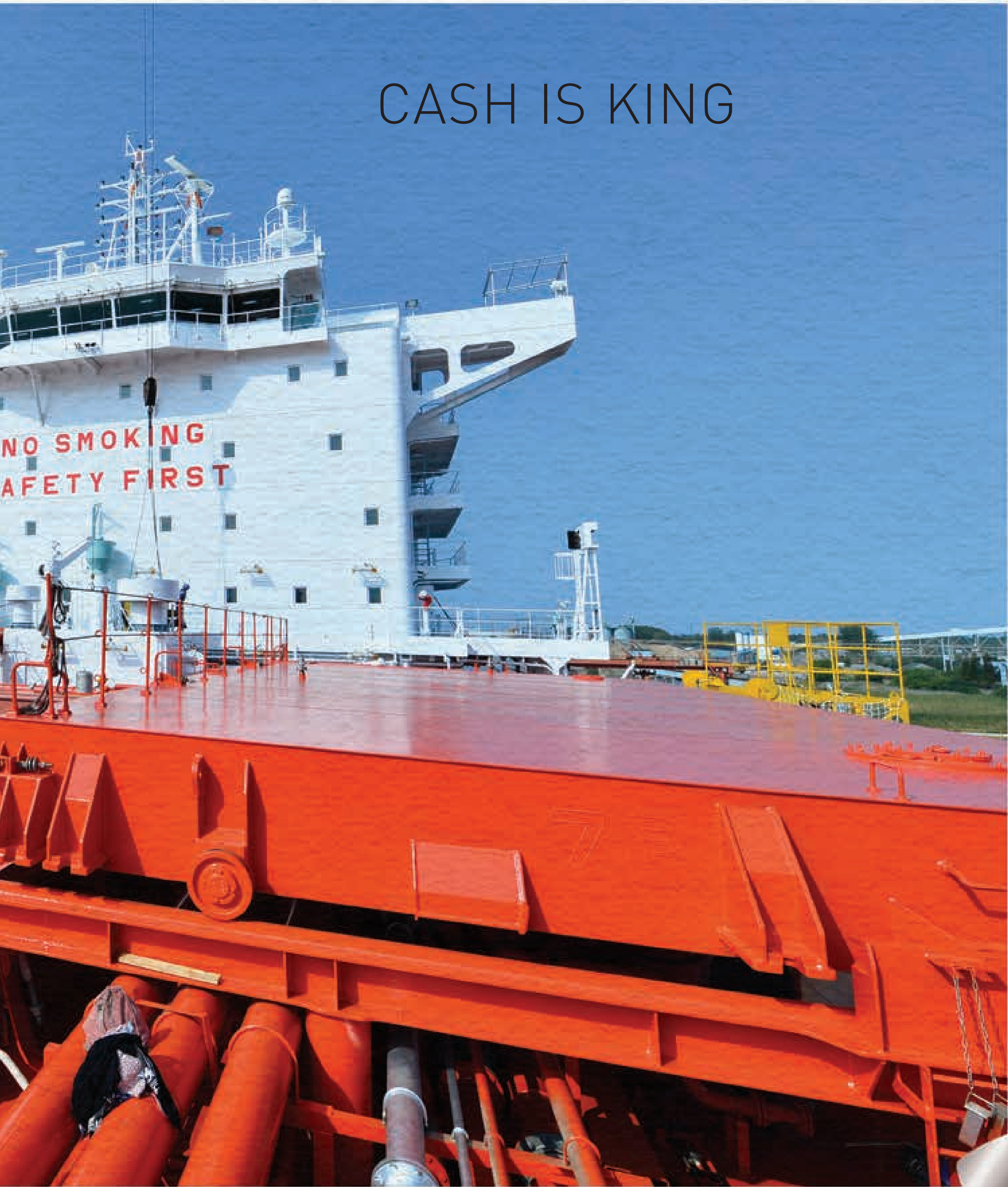
- Successfully delivered the first batch of 400,000 DWT Very Large Ore Carrier ("VLOC")
- Entered into a Joint Venture agreement with prominent Japanese shipbuilding yards, Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. to set up a shipbuilding joint venture in Taicang

2019

- Jiangsu Yangzi-Mitsui Shipbuilding Company ("YAMIC"), the joint venture between Mitsui E&S Shipbuilding and Yangzijiang Shipbuilding Holdings, officially began operations in August 2019.

Cash is vital for a company especially in an industry downturn and economic recession. Our financial self-sufficiency gives us great vitality and flexibility and allows us to pay a stable level of dividend despite the business cycles.

CASH IS KING



BOARD OF DIRECTORS

REN YUANLIN
(Aged 66, 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 66, 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, investment fund 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 is a graduate of Harvard Business School's Executive Management Program. He received his Certified Corporate Director (ICD.D) designation from the Canadian Institute of Corporate Directors.

TEO YI-DAR
(Aged 49, Singaporean)
Lead Independent Director

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.

XU WEN JIONG
(Aged 71, Chinese)
Non-independent Non-executive 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.

SENIOR **MANAGEMENT**

REN LETIAN
(Aged 38, Chinese)
Chief Executive Officer

Mr Ren Letian was appointed as Chief Executive Officer of the Group on 1 May 2015. He was also appointed as alternate director to Ren Yuanlin on 12 March 2019.

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 63, 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.

DU CHENGZHONG
(Aged 52, 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.

SONG SHUMING
(Aged 42, Chinese)
Deputy General Manager

Mr Song has been appointed as the Deputy General Manager of the Group since 2013. Now he is also the General Manager of Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd and Jiangsu Yangzijiang Offshore Engineering Co., Ltd with one of the responsibilities to be dedicated to the marketing development and customer maintenance based on the Japanese market.

Mr Song has over 20 years of experience in the shipbuilding industry. From 2000 and before joining the Group, he worked in Tsuji Co. in Japan. From 2003 to May 2009, he was the Director of Shipbuilding Division and the Manager of Production Management Department, responsible for the production management of the shipbuilding site in Tsuji Heavy Industry (Jiangsu) Co., Ltd. From June 2009 and after joining the Group, he successively was the Deputy General Manager and General Manager of Jiangsu Zhongzhou Offshore Engineering & Equipment Co., Ltd. From 2013 to 2019, he was appointed as the Deputy General Manager of the Group and the General Manager of Jiangsu Yangzijiang Shipbuilding Factory and Jiangsu Yangzijiang Offshore Engineering Co., Ltd.

Since 2018, he has been delegated to prepare and establish Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd together with Mitsui & Co., Ltd and Mitsui E&S Shipbuilding Co. Ltd.

Mr Song ever studied in Ocean University of Qingdao and Jiangsu University of Science and Technology with the major of Naval Architecture and Ocean Engineering.

DING JIANWEN
(Aged 47, Chinese)
Deputy General Manager

Mr Ding has been appointed as the Deputy General Manager in 2020, and Chief accountant of the Group since 2017,and is responsible for Group's financial, accounting, taxation, risk management as well as overseeing trading logistic division.

Mr Ding has over 20 years of experience in the shipbuilding industry. Prior to joining the Group, from 1995 to June 2004, Mr Ding worked in Chengxi Shipyard Co. During the period 2004 to August 2010, he was the finance manager in Cosco Shipyard Group Co., Ltd. From September 2010 and after joining the Group, he became the Head of financial department and Chief Accountant of Jiangsu New Yangzi Shipbuilding Co.,Ltd. In January 2020, he was promoted as Deputy General Manager and continued to assume the role of Chief Accountant of Jiangsu New Yangzi Shipbuilding Co.,Ltd.

Mr Ding holds a Degree from Hebei GEO University which he was conferred in 1995.

BUILDING THE VESSELS OF TOMORROW

The shipbuilding industry will evolve with significant structural changes in favour of clean-energy vessels, with energy efficiency and emission at the centre of vessel design and production. Our established operational system, strong design capabilities and the partnership at YAMIC place us in an advantageous position in the long-term evolution of the shipbuilding industry.

FINANCIAL & OPERATIONS REVIEW

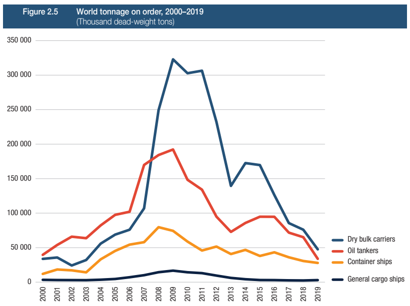
DEAR SHAREHOLDERS,

It's my great pleasure to address shareholders in the annual report for the first time since I took the role of the Group CEO in 2015. On behalf of the Board of Directors (the "**Board**") of Yangzijiang Shipbuilding (Holdings) Limited ("**Yangzijiang**" or the "**Company**", and together with its group of companies, the "**Group**"), I am pleased to provide you with a review on Yangzijiang's financial and operational performance in 2019.

MARKET OVERVIEW

The chart[1] below shows the world's new shipbuilding orders in dead-weight-ton (DWT) term since 2000, with a clear downtrend across major vessel types since 2011. The slowdown in fleet growth was primarily caused by the industry's adjustment to reduce overcapacity. Adding to the fundamental adjustment, since 2018, the market has been increasingly affected by the weak economic outlook, trade tensions, and International Maritime Organization (IMO)'s new rule on sulphur emission.

Figure 2.5 World tonnage on order, 2000–2019
(Thousand dead-weight tons)



Source: UNCTAD secretariat calculations, based on data from Clarksons Research.
Notes: Propelled seagoing merchant vessels of 100 gross tons and above; beginning-of-year figures.

To cope with IMO's new rule that requires vessels to reduce sulphur emission from 3.5% previously to 0.5% from 1 January 2020, shipowners have a few options. They could either install scrubbers in their existing vessels, or use cleaner fuel, or order new vessels and retire the aged ones. Because of the uncertainties on trade volumes, relative prices of different types of fuel, and the cost and time needed for scrubber installation, it was a difficult task for shipowners to make their plan on new order placement. Many shipowners cut or postponed their investment in new vessels, resulting in an extended decline in new orders in 2019 compared to 2018 for major vessel types.

While containership, dry bulker and oil tanker markets remained weak, gas carriers became the most dynamic segment of the world fleet, with an increase of 7.25% in new orders in the 12 months to 1 January 2019.

Fully aware of the challenges in the market, our management team and staff at every division exerted their utmost determination and strength. After a year of hard work, I am glad to report to you that we made several commendable achievements in FY2019.

FINANCIAL REVIEW

Revenue

In FY2019, we delivered 59 vessels to customers as compared to 46 vessels delivered in FY2018. However, fewer large-size containerships which carried higher value were constructed in FY2019 as compared to that of FY2018. This led to a slightly lower revenue contribution from the shipbuilding segment (RMB13.0 billion for FY2019 vs. RMB14.0 billion for FY2018).

Revenue contribution from trading business increased in FY2019 as a result of higher trading volume. Other shipbuilding related businesses such as shipping logistics & chartering and ship design services generated revenue of RMB749 million in FY2019, compared to RMB581 million in FY2018, mainly due to an expansion in fleet size.

The size of our investment portfolio, primarily under debt investment at amortised costs, increased for a few months in FY2019, which led to an increase in interest income to RMB2.1 billion, compared to RMB1.6 billion in FY2018.

[1] *Review of Maritime Transport 2019, produced by the United Nations Conference on Trade and Development and published on 31 January 2020*

Overall, the Group's total revenue increased by 2% year-on-year to RMB23.6 billion in FY2019.

Gross profit and gross profit margin

The gross profit margin for our shipbuilding business was 15% in FY2019, lower than 18% attained in FY2018. This was due to an increase in labour and raw material costs. Trading business typically carries a low gross profit margin, and for FY2019 it was 1.9%.

Other shipbuilding related business generated gross profit of RMB230 million in FY2019, compared to RMB205 million in FY2018, with a gross profit margin of 31% compared to 35% for FY2018. This was mainly due to the higher maintenance costs as the fleet was required to meet the requirement of the Ballast Water Management Convention which came into force in 2017 and gradually began to apply to our fleet from 2019.

In line with the higher interest income from the investment segment, net interest income was also higher at RMB2.0 billion in FY2019, compared to RMB1.5 billion in FY2018.

Net profit

The Group reported a net profit of RMB3.3 billion for FY2019, 7% higher than that of FY2018. Of which, net profit attributable to shareholders was RMB3.1 billion, 1% higher than that of FY2018. Non-controlling interests, primarily in relation to the interests of the minority shareholder of the Group's Xinfu yard, was RMB191.2 million for FY2019, compared to a very small amount for FY2018. Fully diluted earnings per share was 78.88 RMB cents for FY2019, compared to 77.60 RMB cents for FY2018.

Financial position

Attributable to a large number of vessel deliveries and our long tradition in prudent financial management, the Group's cash and cash equivalents increased to RMB10.2 billion as of 31 December 2019, compared to RMB6.6 billion a year earlier. With total borrowings of RMB5.0 billion as at 31 December 2019, the Group maintained a strong financial position with net cash. Net asset value per share increased to RMB7.94 as at 31 December 2019 from RMB7.38 as at 31 December 2018.

OPERATIONAL REVIEW

Construction and deliveries

In FY2019, Yangzijiang completed the construction of 62 vessels, with a total volume of over 5 million DWT. 59 vessels were delivered to customers within the year, marking a record high in Yangzijiang 's operating history. The vessels delivered included several large ones and those with innovative design and outstanding specifications.

Completion of VLOC orders – making history

In March 2019, we delivered the last vessel in the orders for the six 400,000DWT very-large-iron-ore carriers (VLOC) placed by ICBC Leasing and China Merchants Energy Shipping in 2016. Yangzijiang was the only private shipbuilding company in China to receive part of the customers' 30 units of generation II VLOC orders.

The construction of the VLOCs represented several records. With 362 metres in length, the VLOC is the largest vessel ever built at Yangzijiang. We also made a world record with four of such big vessels being built simultaneously in one shipyard. The VLOC is equipped with four ballast pumps that can discharge 4,000 cubic metres of water per hour, which matches the high-speed handling at Brazil port and saves the docking time and port cost for shipowners. Compared to the first generation of VLOCs, the second generation is designed with improved shape, which saves energy consumption by 19% under the same speed and draught. The VLOC is also LNG ready, with space and other elements equipped for potential alteration for LNG-fuelled engines and fuel storage.

We are pleased that customers were happy with the quality of the vessels and were very impressed with our flexibility in being able to deliver earlier than scheduled at a short notice. The completion of this batch of VLOC orders marked another milestone in Yangzjiang's long track record of building large, highly efficient, and environmentally friendly vessels.

Shipbuilding efficiency continued to improve

Yard and dock capacity is a key factor that affects the efficiency, cost control and production cycle in shipbuilding. To constantly improve efficiency and cost controlling measures, in 2019, we also introduced semi-submerged ship launching method that is commonly used in more advanced Korean yards. With the joint teamwork with our Mitsui partners, three 82,000 DWT dry bulkers were launched this way at our Taicang yard.

This method uses a floating dock rather than a slipway or dry dock used in the traditional way of launching vessels. It doesn't require vessels to be built in docks, and hence removes the limitations of dock capacity, allows increased production volume and output, and substantially enhances shipbuilding efficiency. It is also a cost-efficient way to increase capacity quickly, and it has been a meaningful progress as we scale up our building capabilities for the construction of LNG vessels at our Taicang yard. I'm also proud that the 16,000 DWT floating dock that was used in the semi-submerged launch was also of our proprietary design and was built by Yangzijiang.

FINANCIAL & OPERATIONS REVIEW

The increase in vessel deliveries also stemmed from our tireless efforts in improving the integrity of the parts and components in each phase of the construction. With systematic coordination and management of workflow, the percentage of completion before launching continued to improve, and the time needed for outfitting was shortened substantially. This was a key reason for the production cycle to shorten, which gives us the flexibility in schedule management and a buffer when unforeseen situation strikes. It also allows us to focus more on improving the quality of the vessels in every possible way.

Order book – Still a preferred shipbuilding group to customers

While our outstanding orderbook has consistently ranked No.1 in China and one of the top 10 in the world in the past few years, the weak market and intense competition put a strain on our orderbook growth in FY2019. Nonetheless, our sales and marketing team worked relentlessly with existing and potential customers and secured new orders for 21 vessels with a total contract value of USD830 million. These new orders include 82,000DWT bulk carriers, 31,800DWT Great Lakes bulk carriers, 325,000DWT bulk carriers, 29,800DWT self-loading vessel, 83,500DWT combination carrier, 157,000DWT oil tanker, and 13,000DWT dual fuel chemical tankers. As at 31 December 2019, the Group had an outstanding order book of USD2.9 billion for 75 vessels. Year to date in 2020, the Group has secured new contracts for four bulk carriers and two containerships worth a total of USD334 million. Our outstanding orderbook will keep our yard facilities at a healthy utilization rate up to the end of 2021 and provide a stable revenue stream for the next two years. The orders for the two containerships in 2020 came with eight option orders worth USD920 million in total, which could further strengthen our order book if exercised.

Many of our customers are renowned ship owners globally. Some chose to place orders with Yangzijiang instead of their own affiliated shipbuilding company. For example, in September 2019, Kambara Kisen Co., Ltd. of Japan, which has its own shipbuilding company under Tsuneishi Holdings Corporation, placed an order for an 82,000DWT bulk carrier with us. Many of our shipowner customers are well-known for their high standard on quality and their orders were a vote of confidence in our solid track record in building large, complex, quality and efficient vessels.

Many of our customers are repeat customers. For example, Navigation Maritime Bulgare (NAVIBULGAR®), a Bulgarian shipping company with 125 years of history, took delivery of a 45,000DWT dry bulker built by Yangzijiang and gave us very positive feedback on the quality, the construction process and the professionalism of our team. It then ordered six 31,800DWT Great Lakes bulk carriers with us in October 2019.

A highly-regarded joint venture

Mitsui at Yangzi-Mitsui Shipbuilding Co., Ltd. ("YAMIC"), our joint venture with prominent Japanese shipbuilding companies, Mitsui E&S Shipbuilding Co., Ltd. ("MES-SC") and Mitsui & Co., Ltd. (together with MES-SC, "Mitsui"), started operation in August 2019. The establishment of the joint venture was highly regarded in China by industry peers and government authorities. It holds strategic significance in elevating the prospect of the shipbuilding industry in both Japan and China, combining the advanced shipbuilding technologies and extensive resources at Mitsui with Yangzijiang's strengths in shipbuilding and cost advantage. It is also a significant step for Yangzijiang to upgrade its capabilities in building more high-tech, high-specification vessels, especially gas carriers.

While the joint venture ramped up the preparation for the start of operations, MES-SC announced that it would no longer take commercial shipbuilding orders amid intense competition from Chinese and Korean yards. Following this, it has channelled some of its inquiries to YAMIC, and we have successfully secured some orders. Our joint venture partners' resources and network could potentially open up our market in certain areas, and depending on the type of vessels, we can utilise our resources efficiently by allocating the orders to the Group's other yards.

The first few batches of the working team from Mitsui provided their earnest advice since they arrived at Taicang yard. We are highly impressed by their knowledge, experience, dedication, and team spirit. The progress in equipment procurement and set-up and the construction of vessels at YAMIC wouldn't have been possible without their contribution. In early 2020, a team of 17 technical staff from Yangzijiang visited Mitsui in Japan for training, and they came back with valuable knowledge gains.

Build and grow capabilities in LNG and other gas carriers

In February 2019, we acquired 51% of the stake in Shanghai Econovo Marine Engineering Co., Ltd ("Shanghai Econovo"). Shanghai Econovo is a professional engineering company with leading design capabilities in gas carriers (LPG, LEG & LNG), tankers, bulk carriers, containerships, and other vessel types. The acquisition is part of our strategy to enhance our competitiveness by developing new concepts and introducing new technologies to the vessels we build and fortify our leading position in the shipbuilding industry. This is also part of the strategy for us to build up the capabilities in gas carriers.

In July 2019, we acquired 100% of the stake in Odfjell Terminals China Holding Pte. Ltd. ("OTCH"), which held a 55% equity interest in Odfjell Terminal (Jiangyin) Company Ltd ("OTJ"). OTJ owns and operates a

tank terminal, which handles various types of petrochemical products and provides complete terminal services for petrochemical distribution in the downstream Yangtze River region. We plan to convert it into a terminal that can handle and store gas products, to stay closer to the gas-related transportation market and facilitate the growth of our gas carrier-related business.

OUTLOOK

The market recovery wouldn't be imminent, given the weak economic outlook. The coronavirus outbreak that started in January 2020 is still growing in terms of spread-ability and severity globally. This has caused substantial disruption to many industries in China and other countries. While we are taking necessary measures to minimize the impact on the construction and delivery schedule, the larger impact on global demand and supply could lead to a serious economic fallout. This will cause further difficulties for ship owners to measure the demand and make fleet plans, prolonging the industry downturn for shipbuilding. However, the outstanding order book to fleet ratio has reached a very low level historically, which means once the coronavirus situation is contained properly and the economy starts to recover, new orders will have to start to grow. As a market leader, Yangzijiang is in an advantageous position to ride the market recovery when it eventually arrives.

CONCLUSION

Together with my fellow management and all staff, we made 2019 another year of milestones. We delivered respectable financial results despite a challenging market, enhanced our position as a leading shipbuilding company globally, and cemented the framework at YAMIC for future growth. It has been a defining year for me as our Chairman Ren Yuanlin was away for a few months and I took charge of the overall business management without his direct supervision for the first time. I'm glad that our performance in 2019 didn't disappoint him.

2020 will be a year that marks the gradual transition between the first and second generation of leaders at Yangzijiang. I have tremendous respect for our chairman, my father Ren Yuanlin for his vision, dedication, and passion that led Yangzijiang to its glory today. I am also thankful that over the past five years working as the CEO of the Group, I received invaluable guidance and inspiration from him. I am humbled to gradually take on larger responsibilities while our Chairman gradually moves to a more advisory role. Conscious of the weight on my shoulders day and night, I will do my best to lead Yangzijiang to realize its full potential, and I would appreciate your continued trust and support as we continue to create value for all our stakeholders.

REN LETIAN
Chief Executive Officer

SUSTAINABILITY REPORT

A shipbuilder's commercial activities exist in the context of environmental, social, and governance issues. The Board and the Group's management regularly review and oversee the management of the material Environmental, Social and Governance factors of Yangzijiang Shipbuilding (Holdings) Ltd, and considers them in the determination of the Group's strategic direction and policies.

Sustainable Development Initiatives – 2019 Highlights

STAKEHOLDER ENGAGEMENT

The Group actively engages its suppliers, 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 and 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.

To elaborate, the following stakeholder engagement activities took place in 2019 (the list is not exhaustive).

- The Group organised periodical events, such as recreational sport events and gatherings ahead of major holidays, inviting business associates, including representatives of customers and classification societies

- The Group organised discussion sessions between classification societies and ship owners, where the classification society gave a detailed introduction on the function and items to note in vessel operations

- The Group organises annual supplier conference to give feedback on their supplies and highlight the significance of quality control. Suppliers would share their tips on quality assurance. 71 qualified suppliers attended the conference in 2019.

MATERIAL TOPICS

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

1. Economic Contribution – Financial disbursements to the local community, tax payments to the government and economic value created through R&D and cost-saving.

2. Environmental Protection – R&D in processes and materials to reduce the impact of 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 programs such as Project Voyage, collaboration with local universities and vocational institutions to nurture talent for the industry, college internship.

1. ECONOMIC CONTRIBUTION

GRI 201-1 Direct economic value generated and distributed

Financial contribution

Based on the Group's financial performance, particularly revenue, the Group was ranked the 359^{th} in the top 500 Chinese Companies List in September 2019 by The China Enterprise Confederation and the China Entrepreneurs Association. This was up by 90 places from 2018. This list consists of 265 state-owned companies and 235 private enterprises. The Group was also ranked the 361^{st} in Fortune China 500 Companies in 2019, up 19 places from 2018.

Thousands of shareholders receive dividends from Yangzijiang every year. The Group is also one of the largest taxpayers to the local government.

GIVING TO COMMUNITY

Yuanlin Rehabilitation Hospital, a new charity initiative under Yuanlin Charity Foundation's Movement of Light Cataract Sight Restoration, started operation in May 2019. With total investment of RMB500 million, the hospital provides medical consultation and treatment in seven major disciplines, with 500 beds on a floor area of 60,000 sqm. The hospital has also been approved as a designated healthcare institution under the national healthcare insurance system in China.

Yuanlin Charity Foundation is solely funded by the Group's Chairman Ren Yuanlin with his annual dividend from his shareholdings in Yangzijiang.

The Group also makes donations from time to time to local schools and other causes.

ECONOMIC VALUE CREATED THROUGH COST SAVING

The Group started to use semi-submerged ship launching method that is commonly used in more advanced Korean yards. This method uses a floating dock rather than a slipway or dry dock used in the traditional way of launching vessels. It removes the limitations of dock capacity and improves construction efficiency. It is also a cost-efficient way to increase capacity quickly.

The Group's ongoing Group-wide cost-saving initiatives led to saving on costs and expenses of RMB383 million in 2019, 153% of the Group's annual cost-saving target of RMB250 million.

The Group's power storage station started operation in November 2019. Utilizing lithium batteries, the station releases the power in its storage in peak hours to support construction and help the company rationalize its cost on electricity. The power storage station is

SUSTAINABILITY **REPORT**

expected to save close to RMB1 million in electricity costs every year.

2. ENVIRONMENTAL PROTECTION

GRI 416-1 Assessment of the safety impact of product

Operational system approved by the China Classification Society

China Classification Society ("CCS") conducted thorough inspection and review on the Group's operational system from January 8th to 10th 2020 on quality control, energy consumption, environmental impact, and safety production, and concluded that the operating system was functioning effectively and was adequate for its day-to-day business operation. The review is conducted annually.

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 by 10% by 2020.

The Group has a long-time relationship with Jotun Coatings, the marine antifouling coating arm of a leading chemical company based in Norway. The Group's R&D findings had made 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 the 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 construction of several 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.

3. WORKPLACE SAFETY

GRI 403-2 Hazard identification, risk assessment, and incident investigation

The Group conducts a thorough monthly inspection at each division to identify safety issues.

GRI 403-3 Occupational health services

In 2019, the Group set up an additional clinic (cum. pharmacy) at the yard.

GRI 403-8 Workers covered by an occupational health and safety management system

To ensure that workers understand their healthcare insurance coverage, the Group invited relevant government authorities to the Group to give talks on social security and labour insurance policies in May 2019.

GRI 403-9 Work-related injuries

There were no fatal or major accidents at the Group in 2019. The overall incidence of small accidents and injuries declined in 2019 compared to 2018.

4. COMMUNITY DEVELOPMENT

GRI 404-2 Programs for upgrading employee skills and transition assistance programs

Project Voyage
The Group continued with the monthly training program for mid-level and above managers to improve their managerial skills in 2019, two full days each month from April to December.

Training in Japan
A team of 17 people from Yangzijiang participated in an on-site training in Japan at joint venture partner Mitsui's yard in January 2020 on design, safety management, quality control, automation, and production planning.

Promote the use of advanced software
To encourage the use of AVEVA MARINE vessel design software, the R&D centre organized a series of contests as part of the training program.

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

Participate in local maritime service project
The Group entered into an agreement with the local government in December 2019 for the construction of an Integrated Marine Service Zone. The service zone is designed to provide port services, information centre, medical treatment, power station, and supplies to vessels for port users, among other services.

Close collaboration with local universities
Senior management from Jiangsu University of Science and Technology visited the Group in May 2019. The university and the Group have been working together for many years on R&D, master and PhD stations, and talent training programs.

CORPORATE GOVERNANCE REPORT

The Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") is continue 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 2019 ("**FY2019**") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2018 (the "**Code**"). The Company confirms that it has adhered to the principles and provisions set out in the Code, except where otherwise stated. The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code and which sets out best practice standards for companies. The Board will continue to improve its practices with developments by enhancing its principle and framework.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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. A code of conduct and ethics has also been put in place by the Board to ensure proper accountability within the Company. Directors facing conflict of interest has recused himself from discussions and decisions involving the issues of conflict.

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, and reporting back to the Board. 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 FY2019 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	2	–	–	–	–	–	–
Ren Letian [Alternate Director to Ren Yuanlin (appointed w.e.f. 12 March 2019)]	4	*3	–	–	–	–	–	–
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

* *By invitation.*

CORPORATE GOVERNANCE REPORT

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 must undergo mandatory training in his/her roles and responsibilities as prescribed by the SGX-ST. There was no new Director appointed during FY2019.

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 at the Group's expenses. 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 FY2019:

- 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.

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.

CORPORATE **GOVERNANCE REPORT**

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.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

During FY2019, the Board has four (4) Directors, comprises three (3) Non-Executive Directors with two (2) of them independent and one (1) Executive Director. The members of the Board and their membership on the Board Committees of the Company as of FY2019 are as follows: -

Name of Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
*Ren Yuanlin (Retiring at the forthcoming 14th AGM)	Executive Chairman	–	–	–
*Ren Letian [Alternate Director to Ren Yuanlin (appointed w.e.f. 12 March 2019)]	–	–	–	–
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

*Mr Ren Letian shall, ipso facto, cease his appointment as alternate director to Ren Yuanlin upon the retirement of Mr Ren Yuanlin.

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.

CORPORATE GOVERNANCE 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 FY2019, 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.

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. The NC will further consider other aspects of diversity such as gender and age, and assist the Board to put in place a board diversity policy and progress for implementation of such policy, so as to avoid groupthink and foster constructive debate.

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 Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of the SGX-ST, 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 Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of the SGX-ST. 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 as outlined above. 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.

Mr Ren Yuanlin has decided to retire from the Company as Executive Chairman pursuant to Regulation 94 of the Company's Constitution and not to seek for re-election at the forthcoming AGM. NC has recommended and the Board has approved that the existing Alternate Director to Mr Ren Yuanlin, Mr Ren Letian (the Chief Executive Officer), be appointed as Executive Director and elected as Chairman of the Company immediately after the forthcoming 14th AGM, whereas Mr Ren Yuanlin be designated as Honorary Chairman of the Company upon his retirement as Executive Chairman of the Company at the forthcoming 14th AGM.

CORPORATE **GOVERNANCE REPORT**

In addition, NC recommended and the Board approved the proposed appointment of 2 new Directors, comprising 1 Executive Director and 1 Independent Non-Executive Director. Separate announcements relating to these appointments of Directors will be released accordingly.

Following the aforesaid proposed appointments, Non-Executive Directors will make up a majority of the Board in compliance with Provision 2.3 of the Code, which comprises total six (6) Directors, of whom three (3) are independent non-executive directors, one (1) is non-independent non-executive director and two (2) are executive directors, as detailed below:

Name of Directors	Designation
Ren Letian	Executive Chairman and Chief Executive Officer
Song Shu Ming	Executive Director
Xu Wen Jiong	Non-Independent Non-Executive Director
Teo Yi-dar	Lead Independent Director
Chen Timothy Teck Leng @ Chen Teck Leng	Independent Non-Executive Director
Toe Teow Heng	Independent Non-Executive Director

This is part of the Board's move to refreshing the board composition and embrace recommended best practices.

As the Executive Chairman is part of the management team, the Board has reviewed the percentage of Independent Directors on the Board, the Board believes that the Executive Chairman has always acted and his successor will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group. NC recommends the Board to continue identifying suitable candidates so as to cause the Independent directors make up a majority of the Board pursuant to Provision 2.2 of the Code.

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.

Chairman and Chief Executive Officer
Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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.

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.

CORPORATE GOVERNANCE REPORT

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.

Currently, Mr Ren Yuanlin is the Executive Chairman and Mr Ren Letian is the CEO. Upon the appointment of Mr Ren Letian in replacement of Mr Ren Yuanlin as Chairman. Mr Teo Yi-dar remains 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.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

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 FY2019, 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;

(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.

CORPORATE GOVERNANCE REPORT

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 Xu Wen Jiong, who is retiring and to be re-elected at the forthcoming 14th AGM in accordance with Regulation 94 of the Company's Constitution. He had offered himself 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 Director. Mr Xu Wen Jiong, who is a member the NC, had abstained from deliberation in respect of his own nomination and assessment.

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

	XU WEN JIONG
Date of Appointment	30 April 2014
Date of last re-appointment (if applicable)	27 April 2018
Age	71
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Xu Wen Jiong as the Non-Executive 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	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of Audit Committee, Nominating Committee and Remuneration Committee
Professional qualifications	Mr Xu graduated in Electrical Engineering from "Nan Jing Marine Institute" in the year of 1969.
Working experience and occupation(s) during the past 10 years	the Chairman and Managing Director of West Gold International Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	None

CORPORATE GOVERNANCE REPORT

	XU WEN JIONG
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	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships Past (for the last 5 years) Present	Yes None WEST GOLD INTERNATIONAL (PTE) LTD WEST GOLD INTERNATIONAL (PTE) LTD, HONG KONG
Information required **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
(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
(c) Whether there is any unsatisfied judgment against him?	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

CORPORATE
GOVERNANCE REPORT

	XU WEN JIONG
(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
(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
(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
(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
(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

CORPORATE **GOVERNANCE REPORT**

	XU WEN JIONG
(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
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
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
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
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

CORPORATE
GOVERNANCE REPORT

	XU WEN JIONG
Information required **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).	N/A

The NC reviewed the independence of the Directors as mentioned under Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of the SGX-ST. 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 FY2019, 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. During FY2019, 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 on pages 14 and 15 of the "Board of Directors" section of this Annual Report.

CORPORATE GOVERNANCE REPORT

Directors' key information is 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 (Retiring at the forthcoming 14th AGM)	13 January 2006	30 April 2019	Nil	Nil
Teo Yi-dar	28 July 2006	30 April 2019	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

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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 FY2019, which indicated areas of improvements compared with FY2018. 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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 6, 7 and 8; 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 FY2019, the RC held one 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 aspect 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.

CORPORATE
GOVERNANCE REPORT

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.

The RC ensures that the remuneration of the Non-Executive Directors are appropriate to their level of contribution taking into account of 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 2019. 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

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Details of the remuneration of Directors and top six (6) key management personnel of the Group for FY2019 are set out below:

Name of Directors	Breakdown of Remuneration in Percentage (%)				Total (S$)
	Fees[2] (%)	Salary[1] (%)	Variable Bonus (%)	Total (%)	
Ren Yuanlin	–	100	–	100	Approximately 43,468
Ren Letian (Alternate Director to Ren Yuanlin)	–	100	–	100	Approximately 76,621
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 Service Agreement.

(2) The directors' fees are subject to the approval of the shareholders at the 14th AGM.

Name of Top 6 Key Management Personnel	Designation	Breakdown of Remuneration in Percentage (%)		
		Salary (%)	Variable Bonus (%)	Total (%)
<u>Below S$250,000</u>				
Ren Letian	Chief Executive Officer	100	–	100
Wang Jiansheng	General Manager	54	46	100
Liu Hua	Chief Financial Officer	100	–	100
Xiang Jianjun (retired on 28 February 2020)	Deputy General Manager	23	77	100
Song Shuming (appointed w.e.f. 12 November 2019)	Deputy General Manager	24	76	100
Du Chengzhong	Deputy General Manager	38	62	100

The remuneration of each of the above top six (6) key management personnel did not exceed S$250,000. In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 6 key management personnel in FY2019 was approximately S$375,032.

CORPORATE GOVERNANCE REPORT

During FY2019, the following immediate family member of a Director, CEO or Substantial Shareholder 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$76,621.

Save as disclosed above, the Group does not have any other employee who is an immediate family member of a Director, CEO or Substantial Shareholder and whose remuneration exceeded S$100,000 during the financial year.

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.

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders

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.

CORPORATE
GOVERNANCE REPORT

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. The AC is generally satisfied that the Group's internal audit function for FY2019 is independent, effective and adequately resourced.

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 Board, with the concurrence of the AC, is 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 (a) assurance from the CEO and the CFO that 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) the assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of risk management and internal control systems.

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.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

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:

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 FY2019, 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 2019, 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 assurance from the CEO and CFO on the financial records and financial statements;

(g) The adequacy, effectiveness, independence, scope and results of the Group's internal audit function, as well as the adequacy and effectiveness of the Group's internal financial controls, operational, compliance and information technology control, and risk management systems;

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

(i) The hedging policies and instruments implemented by the Group;

CORPORATE GOVERNANCE REPORT

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

(k) 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

(l) 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.

Following the recent amendments to Rule 705 of the Listing Manual of SGX-ST, the Company will not be required to carry out quarterly reporting of its financial statements. However, the Company has decided to continue with quarterly reporting of the Company and the Group's financial results voluntarily, and the practice is subject to Group's periodic review.

The AC discussed with the Management on the accounting treatment and methodology applied as well as the assumptions used in judgmental 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 2019, as set out on pages 59 to 60 of this Annual Report.

In assessing each KAM, the AC took into consideration the approach and methodology applied by management in the shipbuilding contracts, provision of onerous contracts and the 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.

CORPORATE GOVERNANCE REPORT

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 FY2019 were S$730,000 and S$59,000 respectively. The AC has recommended to the Board the nomination of PricewaterhouseCoopers LLP for re-appointment as auditors of the Company at the forthcoming 14th 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.

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.

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Audit Team. 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. Administratively, the Internal Audit Team report to the CEO. 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 carrying 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 primary reporting line of the internal audit function is to the AC and 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 ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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 communicates 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 2019 (physical copy and online digital copy) is distributed to shareholders within the mandatory period before the 14th AGM to be held on 30 April 2020.

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 4.5 Singapore cents per ordinary share for FY2019 as the first and final one-tier tax-exempt dividend payable to the shareholders, subject to the approval of shareholders at the forthcoming 14th 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 14th 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. Copy of the minutes will also be posted on the Company's website as soon as practicable.

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report which is included in this Annual Report.

The Company maintains a corporate website at http://www.yzjship.com to communicate and engage with stakeholders.

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 FY2019:

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year 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
West Gold International Pte Ltd ("WGI")*	Mr Xu Wen Jiong, the Non-Independent Non-Executive Director of the Company, holds 100% interest (10% direct interest and 90% deemed interest through his associates) in WGI.	100,264	–

* Shareholder mandate is not applicable as the aggregate value was less than 3% of Group's NTA as at 31 December 2019.

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 2019.

CORPORATE GOVERNANCE REPORT

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 Notes 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.

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 2019.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS FROM THE PLACEMENT

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

The Company has raised a net proceed 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	104.4	–
b	Working capital[(1)] and general corporate purposes	104.4	104.4	–
(a+b)		208.8	208.8	–
Net proceeds received				208.8
Balance of proceeds				–

Note:

(1) Repayment of borrowings.

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 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

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 63 to 161 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 2019 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
Ren Letian (alternate director to Ren Yuanlin, appointed on 12 March 2019)

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 31.12.2019	At 1.1.2019 or date of appointment, if later	At 31.12.2019	At 1.1.2019 or date of appointment, if later
The Company				
(No. of ordinary shares)				
Ren Yuanlin	3,200,000	3,200,000	852,845,825	1,002,845,825
Teo Yi-dar	150,000	150,000	–	–
Ren Letian	–	–	2,100,000	2,100,000

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Directors' interests in shares or debentures (Continued)

(b) Mr Ren Yuanlin, who 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 45 of the financial statements.

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

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;

(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 2019, 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 assurance from the CEO and CFO on the financial records and financial statements;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Audit Committee (Continued)

(g) 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;

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

(i) The hedging policies and instruments implemented by the Group;

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

(k) 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

(l) 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

26 March 2020

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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019;
- the balance sheet of the Group as at 31 December 2019;
- the balance sheet of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">1. Shipbuilding contracts</td></tr>
<tr><td>Refer to Notes 2.2(a), 3(a), 4, 7 and 31 of the financial statements

Shipbuilding revenue amounted to RMB13.02 billion, representing 55% of the Group's total revenue for the financial year ended 31 December 2019. 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 RMB0.59 billion, on shipbuilding contracts as at 31 December 2019. A provision for onerous contract is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

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

a. 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.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Key audit matter	How our audit addressed the key audit matter
2. Debt investments at amortised cost	
Refer to Notes 3(c), 15 and 37 of the financial statements As at 31 December 2019, the carrying amount of the Group's debt investments at amortised cost was RMB14.43 billion, representing 32% of its total assets. This is net of allowance for impairment loss of RMB1.47 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 Financial Instruments. 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, 26 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group 2019 RMB'000	2018 (Restated) RMB'000
Revenue	4	**23,597,175**	23,238,289
Cost of sales	7	**(19,268,621)**	(19,126,513)
Gross profit		**4,328,554**	4,111,776
Other income	5	**441,788**	396,028
Other gains – net	6	**125,948**	290,946
Expenses			
– Selling and distribution	7	**(1,862)**	(2,652)
– Administrative	7		
– Impairment loss on financial assets – net		**(183,465)**	(211,805)
– Others		**(454,501)**	(454,489)
		(637,966)	(666,294)
– Finance	9	**(187,094)**	(133,782)
Share of profits/(losses) of associated companies and joint ventures	23,24	**117,121**	(85,826)
Profit before income tax		**4,186,489**	3,910,196
Income tax expense	10	**(890,176)**	(830,099)
Net profit		**3,296,313**	3,080,097
Profit attributable to:			
Equity holders of the Company		**3,105,069**	3,070,345
Non-controlling interests		**191,244**	9,752
		3,296,313	3,080,097
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic and diluted	11	**78.88**	77.60
Profit for the year		**3,296,313**	3,080,097
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income from the associated companies			
– Currency translation gains	24	**2,136**	6,569
Currency translation gains arising from consolidation		**1,191**	13,420
Items that will not be reclassified subsequently to profit or loss:			
Currency translation gains arising from consolidation		**1,069**	3,692
Other comprehensive income, net of tax		**4,396**	23,681
Total comprehensive income		**3,300,709**	3,103,778
Total comprehensive income attributable to:			
Equity holders of the Company		**3,108,396**	3,090,334
Non-controlling interests ("NCI")		**192,313**	13,444
		3,300,709	3,103,778

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

BALANCE SHEETS – GROUP

AS AT 31 DECEMBER 2019

	Note	The Group 31 December 2019 RMB'000	31 December 2018 (Restated) RMB'000	1 January 2018 (Restated) RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	12	**10,183,019**	6,594,143	6,195,431
Restricted cash	13	**17,049**	208,756	29,405
Financial assets, at fair value through profit or loss	14	**823,783**	804,384	2,065,869
Debt investments at amortised cost	15	**10,527,661**	11,216,892	7,573,617
Trade and other receivables	16	**4,680,344**	5,050,978	5,290,056
Inventories	17	**1,597,950**	2,605,707	2,628,201
Contract assets	4	**3,420,943**	4,669,468	5,960,320
Derivative financial instruments	20	**1,317**	–	–
		31,252,066	31,150,328	29,742,899
Non-current assets				
Financial assets, at fair value through profit or loss	14	**425,265**	446,770	431,251
Debt investments at amortised cost	15	**3,900,721**	3,593,484	4,405,252
Trade and other receivables	18	**1,061,537**	1,405,103	1,238,174
Lease prepayments	21	**973,518**	970,610	990,795
Investments in joint ventures	23	**143,200**	–	–
Investments in associated companies	24	**1,389,518**	1,454,006	1,629,596
Property, plant and equipment	25	**5,678,063**	5,162,755	4,820,729
Intangible assets	27	**25,927**	17,527	9,864
Goodwill	28	**258,979**	–	–
Deferred income tax assets	32	**647,328**	710,901	660,291
		14,504,056	13,761,156	14,185,952
Total assets		**45,756,122**	44,911,484	43,928,851
LIABILITIES				
Current liabilities				
Trade and other payables	29	**3,514,329**	4,195,401	5,007,597
Contract liabilities	4	**1,626,157**	2,923,707	2,480,400
Derivative financial instruments	20	**8,479**	–	–
Borrowings	30	**2,782,310**	1,149,001	2,531,973
Provisions	31	**970,126**	1,420,799	1,590,338
Current income tax liabilities		**1,289,383**	1,343,444	1,203,376
		10,190,784	11,032,352	12,813,684
Non-current liabilities				
Borrowings	30	**2,250,622**	2,894,980	2,358,773
Deferred income tax liabilities	32	**1,260,191**	1,165,753	1,131,801
		3,510,813	4,060,733	3,490,574
Total liabilities		**13,701,597**	15,093,085	16,304,258
NET ASSETS		**32,054,525**	29,818,399	27,624,593

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

BALANCE **SHEETS** – GROUP

AS AT 31 DECEMBER 2019

	Note	The Group 31 December 2019 RMB'000	31 December 2018 (Restated) RMB'000	1 January 2018 (Restated) RMB'000
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	33	**7,361,990**	7,361,990	7,361,990
Treasury shares	33	**(250,121)**	(122,362)	(20,979)
Other reserves	34	**1,347,796**	938,173	574,085
Retained earnings		**22,635,966**	20,923,786	19,061,358
		31,095,631	29,101,587	26,976,454
Non-controlling interests		**958,894**	716,812	648,139
Total equity		**32,054,525**	29,818,399	27,624,593

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

BALANCE SHEETS – COMPANY

AS AT 31 DECEMBER 2019

	Note	The Company 2019 RMB'000	The Company 2018 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**14,790**	488,556
Trade and other receivables	16	**8,492,430**	8,488,478
Derivative financial instruments	20	**1,317**	–
		8,508,537	8,977,034
Non-current assets			
Trade and other receivables	18	**2,742,736**	2,834,232
Investments in subsidiaries	22	**5,954,915**	5,282,570
Investments in joint ventures	23	**51,680**	–
Investments in associated companies	24	**134,062**	134,062
Property, plant and equipment	25	**1,800**	7
		8,885,193	8,250,871
Total assets		**17,393,730**	17,227,905
LIABILITIES			
Current liabilities			
Other payables	29	**4,941,689**	4,313,370
Derivative financial instruments	20	**8,479**	–
Borrowings	30	**505,222**	483,098
Current income tax liabilities		**9,581**	4,740
		5,464,971	4,801,208
Non-current liabilities			
Borrowings	30	**1,138**	–
		1,138	–
Total liabilities		**5,466,109**	4,801,208
NET ASSETS		**11,927,621**	12,426,697
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	**7,326,773**	7,326,773
Treasury shares	33	**(250,121)**	(122,362)
Other reserves	34	**(40,192)**	(40,192)
Retained earnings		**4,891,161**	5,262,478
Total equity		**11,927,621**	12,426,697

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to equity holders of the Company								
		Share capital RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2019										
As at 31 December 2018										
As previously reported		**7,361,990**	**(122,362)**	**3,916,855**	**(2,934,998)**	**(43,684)**	**20,701,800**	**28,879,601**	**700,656**	**29,580,257**
Prior year adjustments	42	**–**	**–**	**–**	**–**	**–**	**221,986**	**221,986**	**16,156**	**238,142**
As restated		**7,361,990**	**(122,362)**	**3,916,855**	**(2,934,998)**	**(43,684)**	**20,923,786**	**29,101,587**	**716,812**	**29,818,399**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**3,105,069**	**3,105,069**	**191,244**	**3,296,313**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**3,327**	**–**	**3,327**	**1,069**	**4,396**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**3,327**	**3,105,069**	**3,108,396**	**192,313**	**3,300,709**
		7,361,990	**(122,362)**	**3,916,855**	**(2,934,998)**	**(40,357)**	**24,028,855**	**32,209,983**	**909,125**	**33,119,108**
Purchase of treasury share	33	**–**	**(127,759)**	**–**	**–**	**–**	**–**	**(127,759)**	**–**	**(127,759)**
Dividends	35	**–**	**–**	**–**	**–**	**–**	**(986,593)**	**(986,593)**	**(3,692)**	**(990,285)**
Acquisition of subsidiaries	40	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53,461**	**53,461**
Transfer	34	**–**	**–**	**406,296**	**–**	**–**	**(406,296)**	**–**	**–**	**–**
Total transactions with owners, recognised directly in equity		**–**	**(127,759)**	**406,296**	**–**	**–**	**(1,392,889)**	**(1,114,352)**	**49,769**	**(1,064,583)**
As at 31 December 2019		**7,361,990**	**(250,121)**	**4,323,151**	**(2,934,998)**	**(40,357)**	**22,635,966**	**31,095,631**	**958,894**	**32,054,525**
2018										
As at 1 January 2018										
As previously reported		7,361,990	(20,979)	3,566,028	(2,928,270)	(63,673)	18,295,673	26,210,769	631,983	26,842,752
Prior year adjustments	42	–	–	–	–	–	765,685	765,685	16,156	781,841
As restated		7,361,990	(20,979)	3,566,028	(2,928,270)	(63,673)	19,061,358	26,976,454	648,139	27,624,593
Profit for the year										
As previously reported		–	–	–	–	–	3,614,044	3,614,044	9,752	3,623,796
Prior year adjustments	42	–	–	–	–	–	(543,699)	(543,699)	–	(543,699)
As restated		–	–	–	–	–	3,070,345	3,070,345	9,752	3,080,097
Other comprehensive income for the year		–	–	–	–	19,989	–	19,989	3,692	23,681
Total comprehensive income for the year (restated)		–	–	–	–	19,989	3,070,345	3,090,334	13,444	3,103,778
		7,361,990	(20,979)	3,566,028	(2,928,270)	(43,684)	22,131,703	30,066,788	661,583	30,728,371
Purchase of treasury share	33	–	(101,383)	–	–	–	–	(101,383)	–	(101,383)
Dividends	35	–	–	–	–	–	(857,090)	(857,090)	(12,852)	(869,942)
Acquisition of subsidiaries		–	–	–	–	–	–	–	124,682	124,682
Capital injection of NCI		–	–	–	–	–	–	–	75,970	75,970
Acquisition of equity interest from NCI		–	–	–	(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 (restated)		7,361,990	(122,362)	3,916,855	(2,934,998)	(43,684)	20,923,786	29,101,587	716,812	29,818,399

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group 2019 RMB'000	The Group 2018 (Restated) RMB'000
Cash flows from operating activities			
Net profit		**3,296,313**	3,080,097
Adjustments for:			
– Income tax expenses		**890,176**	830,099
– Depreciation of property, plant and equipment		**472,132**	475,552
– Amortisation of lease prepayments		**20,504**	20,185
– Amortisation of intangible assets		**2,798**	36,563
– Finance expenses		**187,094**	133,782
– (Gain)/Loss on:			
• Bargain purchase		**–**	(7,023)
• Disposal of property, plant and equipment		**4,598**	(43,265)
• Disposal of financial assets at fair value, through profit and loss		**(100)**	16,543
– Fair value change on:			
• Derivative financial instruments		**7,162**	–
• Financial assets at fair value, through profit and loss		**(18,699)**	87,409
– Bad debt written off/(recovery)		**34,805**	(19,650)
– Interest income		**(249,174)**	(185,455)
– Dividend income		**(138,633)**	(184,072)
– Share of (profits)/losses of associated companies and joint ventures		**(117,121)**	85,826
		4,391,855	4,326,591
Change in working capital, net of effects from acquisition and disposal of subsidiaries:			
– Inventories		**759,203**	26,097
– Contract balances		**(49,025)**	1,734,159
– Trade and other receivables		**757,020**	22,643
– Trade and other payables		**(657,761)**	(1,047,920)
– Debt investments at amortised cost		**381,994**	(2,831,507)
– Provisions		**(450,673)**	(169,539)
– Restricted cash		**191,707**	(179,351)
Cash generated from operations		**5,324,320**	1,881,173
Interest paid		**(183,319)**	(122,605)
Interest received		**249,174**	185,455
Income tax paid		**(781,499)**	(636,889)
Net cash provided by operating activities		**4,608,676**	1,307,134

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group 2019 RMB'000	2018 (Restated) RMB'000
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		**1,349**	146,387
Proceeds from sales of financial assets, at fair value through profit and loss		**101,305**	1,234,114
Dividend received		**138,633**	184,072
Purchase of property, plant and equipment		**(528,881)**	(483,484)
Disposal of subsidiaries, net of cash disposed	12	**–**	(386)
Capital injection in joint ventures		**(139,307)**	–
Acquisition of financial assets, at fair value through profit and loss		**(80,400)**	(90,100)
Acquisition of intangible assets		**(3,866)**	(9,528)
Acquisition of subsidiaries, net of cash acquired	40	**(312,971)**	(169,432)
Acquisition/additions of investments in associated companies		**(10,000)**	(187,000)
Return of capital by associated companies		**124,302**	283,333
Net cash (used in)/provided from investing activities		**(709,836)**	907,976
Cash flows from financing activities			
Proceeds from bank borrowings	30	**2,392,405**	1,819,137
Repayments of bank borrowings	30	**(1,583,605)**	(2,600,881)
Principal payment of lease liabilities		**(720)**	–
Purchase of treasury shares		**(127,759)**	(101,383)
Acquisition of equity interest in existing subsidiaries from non-controlling interests		**–**	(139,299)
Capital injection by non-controlling interest		**–**	75,970
Dividends paid to equity holders	35	**(986,593)**	(857,090)
Dividends paid to non-controlling interests		**(3,692)**	(12,852)
Net cash used in financing activities		**(309,964)**	(1,816,398)
Net increase in cash and cash equivalents		**3,588,876**	398,712
Cash and cash equivalents at beginning of financial year		**6,594,143**	6,195,431
Cash and cash equivalents at end of financial year	12	**10,183,019**	6,594,143

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 45.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the repective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*.

<u>Adoption of SFRS(I) 16 Leases</u>

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Interpretations and amendments to published standards effective in 2019 (Continued)

Adoption of SFRS(I) 16 Leases (Continued)

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

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 *Determining whether an Arrangement* contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

ii) On a lease-by-lease basis, the Group has:

a) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

b) accounted for operating leases with a remaining lease term of less than 12 months as at 1 Jan 2019 as short-term leases;

c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and

d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2019).

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease.

The effects of adoption of SFRS(I) 16 on the Group's and the Company's financial statements as at 1 January 2019 are as follows:

	Increase/(decrease) RMB'000
Property, plant and equipment (right-of-use assets)	2,556
Borrowings (lease liabilities)	2,556

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Interpretations and amendments to published standards effective in 2019 (Continued)

Adoption of SFRS(I) 16 Leases (Continued)

(b) *When the Group is a lessor*

An explanation of the differences between the operating lease commitments previously disclosed in the Group's and the Company's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	327
Add: Extension options which are reasonably certain to be exercised	2,407
Less: Discounting effect using incremental borrowing rate	(178)
Lease liabilities recognised as at 1 January 2019	2,556

2.2 Revenue recognition

(a) Shipbuilding revenue

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(a) Shipbuilding revenue (Continued)

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(c) Revenue from sale of metal and chemical products (Continued)

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.

(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.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) ***Subsidiaries*** (Continued)

(i) *Consolidation* (Continued)

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

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

(ii) *Acquisitions*

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

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)

2.3 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, associates, 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 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

(a) *Measurement*

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) *Depreciation*

Depreciation is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives, as follows:

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

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

(d) *Construction-in-progress*

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

(e) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(f) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains – net".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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

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

(b) Acquired computer software licenses

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

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

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

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

(c) Customer contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Borrowing costs

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

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

2.7 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.

2.8 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
Right-of-use assets
Investments in subsidiaries, associates and joint ventures

Intangible assets, property, plant and equipment, right-of-use assets and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any indication or objective evidence that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (Continued)

(b) Intangible assets
Property, plant and equipment
Right-of-use assets
Investments in subsidiaries, associates and joint ventures
(Continued)

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.

2.9 Financial assets

(a) Classification and measurement

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(a) Classification and measurement (Continued)

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains – net".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 37 details how the Group determines whether there has been a significant increase in credit risk.

For cash and cash equivalents, loan to subsidiaries and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss.

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

2.11 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.

2.12 Financial guarantees

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

(i) When the Group is the lessee:

The Group leases land and office 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.

(ii) When the Group is the lessor:

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

- *Lessor – Finance leases*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(a) The accounting policy for leases before 1 January 2019 are as follows: (Continued)

(ii) When the Group is the lessor: (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.

- *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.

(b) The accounting policy for leases from 1 January 2019 are as follows:

(i) When the Group is the lessee:

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

- Right-of-use assets

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

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (Continued)

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

- *Right-of-use assets* (Continued)

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

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

- *Lease liabilities*

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

  Lease payments include the following:

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

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

  – Amount expected to be payable under residual value guarantees;

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(i) When the Group is the lessee: (continued)

- *Lease liabilities* (continued)

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

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

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

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

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

- *Short-term and low value leases*

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

(ii) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.16 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to stiuations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

2.18 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

2.19 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.

2.20 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.

2.21 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 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 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.

2.23 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)

2.24 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.

2.25 Dividends to the Company's shareholders

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

2.26 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 2019, RMB3,420,943,000 (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% (2018: 5%) from management's estimates, the Group's revenue and contract assets would have been lower by RMB304,085,000 (2018: RMB358,391,000) and higher by RMB271,477,000 (2018: 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 RMB835,784,000 (2018: RMB1,239,962,000) would have been recognised.

(b) Impairment of trade receivables and contract assets

As at 31 December 2019, the Group's trade receivables and contract assets amounted to RMB899,321,000 (2018: RMB989,875,000) (Note 16 and Note 18) and RMB3,420,943,000 (2018: 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 RMB5,305,000 (2018: RMB11,082,000) for trade receivables was recognised as at 31 December 2019.

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.

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 RMB128,118,000 (2018: 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, there is a write-down of RMB54,005,000 (2018: RMB211,080,000) provided on trading goods (2018: inventories work-in-progress) to their net realisable value during the current financial years as disclosed in Note 17.

(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 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
The Group			
2019			
Shipbuilding segment			
– Shipbuilding revenue	**–**	**11,734,239**	**11,734,239**
– Sale of completed vessels	**1,284,711**	**–**	**1,284,711**
Investments segment			
Interest income from:			
– debt investments at amortised cost	**2,049,067**	**–**	**2,049,067**
– microfinance	**49,896**	**–**	**49,896**
Trading segment			
Sale of goods – materials and others	**7,730,736**	**–**	**7,730,736**
Others segment			
Rendering of ship design services	**4,915**	**–**	**4,915**
Charter hire income	**–**	**689,419**	**689,419**
Others	**54,192**	**–**	**54,192**
Total revenue	**11,173,517**	**12,423,658**	**23,597,175**
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
– microfinance	62,881	–	62,881
Trading segment			
Sales 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	9,899,997	13,338,292	23,238,289

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Contract assets and liabilities

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
The Group				
Contract assets				
– Shipbuilding contract	(i)	**3,420,943**	4,669,468	5,960,320
Contract liabilities				
– Shipbuilding contract	(i),(ii)	**(1,482,956)**	(2,729,081)	(2,390,906)
– Sale of goods – material and others	(i),(ii)	**(143,201)**	(194,626)	(89,494)
		(1,626,157)	(2,923,707)	(2,480,400)

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 decreased due to lower contracts in which the Group billed and received consideration behind of the provision of services.

(i) Revenue recognised in relation to contract liabilities

	2019 RMB'000	2018 RMB'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period.		
– Shipbuilding contracts	**1,778,373**	1,777,579
– Sale of goods – material and others	**194,626**	89,494

(ii) Unsatisfied performance obligations

As at 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligation is RMB14,645,564,000 (2018: RMB15,512,503,000) and the Group expects to recognise this revenue over the next 1 to 3 years (2018: 1 to 3 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. OTHER INCOME

	The Group	
	2019	2018 (Restated)
	RMB'000	RMB'000
Interest income		
– Cash and cash equivalents and restricted cash	**176,168**	114,375
– Finance lease	**73,006**	69,856
– Other receivable from a non-related party	**–**	1,224
Sales of bunker stock	**33,860**	–
Dividend income	**138,633**	184,072
Others	**20,121**	26,501
	441,788	396,028

6. OTHER GAINS – NET

	The Group	
	2019	2018 (Restated)
	RMB'000	RMB'000
Currency translation (loss)/gain – net	**(80,972)**	357,400
Fair value (loss)/gain:		
– Derivative financial instruments	**(7,162)**	–
– Financial assets, at fair value through profit or loss (Note 14)	**18,699**	(87,409)
Gain/(loss) on disposal of:		
– Financial assets, at fair value through profit or loss	**100**	(16,543)
– Property, plant and equipment	**(4,598)**	43,265
Gain on bargain purchase	**–**	7,023
Impairment loss on advance to suppliers [Note 16(b)]	**–**	(232,748)
Subsidy income	**193,416**	216,301
Others	**6,465**	3,657
	125,948	290,946

7. EXPENSES BY NATURE

	The Group	
	2019	**2018**
	RMB'000	**RMB'000**
Raw materials and consumables used (Note 17)	**15,515,738**	14,967,476
Amortisation of lease prepayments (Note 21)	**20,504**	20,185
Amortisation of intangible assets (Note 27)	**2,798**	36,563
Depreciation of property, plant and equipment (Note 25)	**472,132**	475,552
Impairment loss/(reversal of impairment loss) on:		
– Debt investments at amortised costs (Note 15)	**128,118**	323,367
– Loans to non-related parties – microfinance [Note 37(b)(iv)]	**20,542**	(91,912)
Bad debt written off/(recovery)	**34,805**	(19,650)
Employee compensation (Note 8)	**433,030**	341,708
Subcontracting costs	**1,811,354**	2,035,915
Other project-related fees and charges	**785,914**	715,111
Business tax on interest income from debt instruments at amortised cost and loans to non-related parties – microfinance	**100,889**	67,677
Reversal of inventories write-down (Note 17)	**–**	(159,188)
Inventories write-down (Note 17)	**54,005**	211,080
Write-back of warranty provision – net (Note 31)	**70,393**	(31,550)
Reversal of provision for onerous contracts – net (Note 31)	**(511,470)**	(119,038)
Utilities	**222,961**	203,789
Transportation expenses	**41,341**	13,143
Professional fees	**12,915**	11,352
Operating lease	**–**	943
Vessel operations expenses	**185,809**	171,988
Others	**506,671**	620,948
Total cost of sales, selling and distribution and administrative expenses	**19,908,449**	19,795,459

8. EMPLOYEE COMPENSATION

	The Group	
	2019	**2018**
	RMB'000	**RMB'000**
Salaries and wages	**317,931**	286,445
Employer's contributions to defined contribution plans	**82,347**	37,671
Other employee benefits	**32,752**	17,592
	433,030	341,708

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 2019, the Group is required to make monthly defined contribution to these plans at approximately 45% to 47% (2018: 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	
	2019	**2018**
	RMB'000	**RMB'000**
Interest expenses:		
– Bank borrowings	**183,231**	122,605
– Lease liabilities	**88**	–
Net foreign currency translation loss on borrowings	**3,775**	11,177
	187,094	133,782

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 2019 was 25% (2018: 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, JNYS and JXF have 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. During the year, JNYS and JXF has obtained extension of reduced income tax rate of 15% for the period up to November 2022.

10. INCOME TAXES (CONTINUED)

Income tax expense

	The Group	
	2019	2018 (Restated)
	RMB'000	RMB'000
Income tax expense attributable to profit is made up of:		
Current year		
– Current income tax	**727,438**	843,697
– Deferred income tax (Note 32)	**162,738**	(13,598)
	890,176	830,099

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	
	2019	2018 (Restated)
	RMB'000	RMB'000
Profit before tax	**4,186,489**	3,910,196
Share of (profits)/losses of associated companies and joint ventures, net of tax	**(117,121)**	85,826
Profit before tax and share of profit of associated companies and joint ventures	**4,069,368**	3,996,022
Tax calculated at the applicable tax rate of 25% (2018: 25%)	**1,017,342**	999,006
Effect of tax exemption and different tax rates	**(372,242)**	(371,175)
Deferred tax on undistributed profits	**173,096**	147,673
Expenses not deductible for tax purposes	**71,506**	51,000
Deferred tax asset on tax losses not recognised	**474**	916
Others	**–**	2,679
Tax charge	**890,176**	830,099

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	
	2019	**2018 (Restated)**
Net profit attributable to equity holders of the Company (RMB'000)	**3,105,069**	3,070,345
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**3,936,519**	3,956,782
Basic earnings per share (RMB cents)	**78.88**	77.60

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	
	2019	**2018**	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and on hand	**10,183,019**	6,594,143	6,195,431	**14,790**	488,556

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.

12. CASH AND CASH EQUIVALENTS (CONTINUED)

Disposal of subsidiaries (Continued)

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

	The Group 2018 RMB'000
Carrying amounts of assets and liabilities disposed of	
Cash and cash equivalents	1,386
Trade and other receivables	3,811
Total assets	5,197
Trade and other payables	4,197
Total liabilities	4,197
Net assets derecognised	1,000
Less: Non-controlling interests	–
Net assets disposed of	1,000
Net assets disposed of (as above)	1,000
Cash proceeds from disposal	(1,000)
Net gain on disposal	–

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

	The Group 2018 RMB'000
Cash proceeds from disposal of (as above)	1,000
Less: Cash and cash equivalents in subsidiaries disposed of	(1,386)
Net cash outflow on disposal	(386)

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
	2019 RMB'000	2018 RMB'000	2018 RMB'000
Restricted cash	**17,049**	208,756	29,405

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

	The Group	
	2019	2018 (Restated)
	RMB'000	RMB'000
Beginning of financial year	**1,251,154**	2,497,120
Acquisition of subsidiaries	**–**	2,000
Additions	**80,400**	90,100
Fair value gains/(losses) through profit and loss (Note 6)	**18,699**	(87,409)
Disposals	**(101,205)**	(1,250,657)
End of financial year	**1,249,048**	1,251,154

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

		The Group		
		31 December		1 January
		2019	2018	2018 (Restated)
		RMB'000	RMB'000	RMB'000
Current				
Listed				
– Equity securities – PRC		**160,552**	167,641	289,889
Unlisted				
– Equity securities – PRC		**663,231**	636,743	817,078
– Preference shares – US	(a)	**–**	–	958,902
		823,783	804,384	2,065,869
Non-Current				
Unlisted				
– Equity securities – PRC		**425,265**	446,770	431,251
		1,249,048	1,251,154	2,497,120

(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 loss of RMB12,600,000. The proceeds from the redemption amounted to RMB946,302,000.

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

15. 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	
	2019	**2018**
	RMB'000	**RMB'000**
Beginning of financial year	**14,810,376**	11,978,869
Addition	**13,647,168**	13,542,000
Redemptions	**(13,901,044)**	(10,387,126)
Impairment losses recognised in profit or loss (Note 7)	**(128,118)**	(323,367)
End of financial year	**14,428,382**	14,810,376

Presented as:

	The Group		
	31 December		1 January
	2019	**2018**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Current			
Debt investments	**11,778,993**	12,503,480	8,427,310
Less: Allowance for impairment loss	**(1,251,332)**	(1,286,588)	(853,693)
	10,527,661	11,216,892	7,573,617
Non-current			
Debt investments	**4,115,662**	3,853,074	4,774,370
Less: Allowance for impairment loss	**(214,941)**	(259,590)	(369,118)
	3,900,721	3,593,484	4,405,252
Total			
Debt investments	**15,894,655**	16,356,554	13,201,680
Less: Allowance for impairment loss [Note 37(b)]	**(1,466,273)**	(1,546,178)	(1,222,811)
	14,428,382	14,810,376	11,978,869

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		
	31 December		1 January
	2019	**2018**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Within one year	**11,468,993**	12,503,480	8,427,310
Between one year to two years	**3,718,559**	3,118,000	2,921,900
Over two years	**707,103**	735,074	1,852,470
	15,894,655	16,356,554	13,201,680

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. DEBT INVESTMENTS AT AMORTISED COST (CONTINUED)

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		
	31 December		1 January
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Debt investments at amortised cost	**16,406,577**	16,771,545	13,684,568

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

16. TRADE AND OTHER RECEIVABLES – CURRENT

	The Group			The Company	
	31 December		1 January	31 December	
	2019	2018	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables (Note 19)	**128,999**	105,397	50,610	**–**	–
Trade receivables					
– Loans to non-related parties – microfinance [Note (a)]	**285,660**	264,045	537,657	**–**	–
– Customers	**596,401**	626,515	445,343	**–**	–
– Amount due from a joint venture	**810**	–	–	**–**	–
	882,871	890,560	983,000	**–**	–
Less: Allowance for impairment of loans to non-related parties – microfinance	**(1,805)**	(11,082)	(122,430)	**–**	–
Trade receivables – net	**881,066**	879,478	860,570	**–**	–
Other receivables					
– Subsidiaries	**–**	–	–	**8,492,306**	8,488,354
– Non-related parties	**437,336**	457,959	374,310	**–**	–
– Amount due from a joint venture	**184**	–	–	**–**	–
Other receivables – net	**437,520**	457,959	374,310	**8,492,306**	8,488,354
Other assets					
– Value added tax recoverable	**888,328**	1,273,948	1,523,013	**–**	–
– Deposits	**682**	154	3	**124**	124
– Others	**40**	4,014	4,860	**–**	–
Prepayments [Note (b)]	**2,343,709**	2,330,028	2,476,690	**–**	–
	4,680,344	5,050,978	5,290,056	**8,492,430**	8,488,478

16. TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

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

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

In previous 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. The amount due from a joint venture is unsecured, interest-free, and repayable on demand.

17. INVENTORIES

	The Group		
	31 December		1 January
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Raw materials	**411,938**	729,595	483,210
Work-in-progress	**887,935**	972,674	1,688,658
Trading goods	**298,077**	903,438	456,333
	1,597,950	2,605,707	2,628,201

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 RMB15,515,738,000 (2018: RMB14,967,476,000).

In 2019, there was a write-down of RMB54,005,000 (2018: RMB211,080,000) provided on trading goods (2018: work-in-progress) to their net realisable value.

In 2018, the Group reversed RMB159,188,000 of a previous write-down in value of work-in-progress. The reversal was due to sales of five vessels and this reversal has been included in "cost of sales".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	The Group			The Company	
	31 December		1 January	31 December	
	2019	2018	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables (Note 19)	**1,043,282**	1,263,653	1,199,745	**–**	–
Trade receivables					
– Loans to non-related parties – microfinance	**21,755**	110,397	17,998	**–**	–
Less: Allowance for impairment of loans to non-related parties	**(3,500)**	–	(65)	**–**	–
	18,255	110,397	17,933	**–**	–
Other receivables					
– Loans to subsidiaries [Note (a)]	**–**	–	–	**2,742,736**	2,834,232
– Loans to non-related parties	**–**	31,053	20,496	**–**	–
	1,061,537	1,405,103	1,238,174	**2,742,736**	2,834,232

(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
	2019	2018	2018	2019	2018	2018
	RMB'000	RMB'000	RMB'000	%	%	%
Finance lease receivables	**1,072,004**	1,292,608	1,224,646	**4.75**	4.75	4.75
Trade receivables						
– Loans to non-related parties – microfinance	**22,357**	121,968	18,796	**4.75**	4.75	4.75
Other receivables						
– Loans to non-related- parties	**–**	31,049	20,493	**–**	4.75	4.75

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

19. FINANCE LEASE RECEIVABLES

The Group leases vessels to non-related parties under finance leases. The various agreements expire between 2020 and 2024, and the non-related parties have the obligation to purchase the vessel upon the expiry date.

	The Group		
	31 December		1 January
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Gross receivables due			
– Not later than one year	**192,200**	181,435	130,428
– Later than one year but not later than five years	**1,211,032**	1,315,183	878,862
– Later than five years	**1,097**	147,402	549,839
	1,404,329	1,644,020	1,559,129
Less: Unearned finance income	**(232,048)**	(274,970)	(308,774)
Net investment in finance leases	**1,172,281**	1,369,050	1,250,355

The net investment in finance leases is analysed as follows:

	The Group		
	31 December		1 January
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Not later than one year (Note 16)	**128,999**	105,397	50,610
Later than one year but not later than five years (Note 18)	**1,043,282**	1,123,891	676,834
Later than five years (Note 18)	**–**	139,762	522,911
	1,172,281	1,369,050	1,250,355

20. 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 2019					
Non-hedging instruments					
– Currency options	2,092,860	1,317	–	(8,479)	–
31 December 2018					
Non-hedging instruments					
– Currency options	–	–	–	–	–
1 January 2018					
Non-hedging instruments					
– Currency options	–	–	–	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. LEASE PREPAYMENTS

	The Group	
	2019 RMB'000	2018 RMB'000
Land use rights		
Cost		
As at 1 January	**1,158,168**	1,158,168
Acquisition of subsidiaries (Note 40)	**23,412**	–
As at 31 December	**1,181,580**	1,158,168
Accumulated amortisation		
As at 1 January	**(187,558)**	(167,373)
Amortisation charge (Note 7)	**(20,504)**	(20,185)
As at 31 December	**(208,062)**	(187,558)

	The Group		
	31 December		1 January
	2019 RMB'000	2018 RMB'000	2018 RMB'000
Net book value at 31 December	**973,518**	970,610	990,795

(a) The Group's interest in land use rights in the PRC is held on leases with periods ranging from 35 years to 50 years (2018: 46.5 years to 50 years).

(b) Bank borrowings are secured on certain land use rights of the Group with carrying amounts of RMB23,080,000 (31.12.2018: RMBNil; 1.1.2018: RMBNil).

22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019 RMB'000	2018 RMB'000
Equity investments at cost		
As at 1 January	**5,282,570**	5,282,570
Additions	**672,345**	–
As at 31 December	**5,954,915**	5,282,570

In 2019, the Company subscribed for the following:

(i) entire equity interest in Odfjell Terminals China Holding Pte. Ltd. for a cash consideration of RMB317,655,000 as disclosed in Note 40; and

(ii) subscribed for additional equity interest in Jiangsu New Yangzi Shipbuilding Co., Ltd. by way of capitalisation of dividend receivable of RMB354,690,000.

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of significant subsidiaries are included in Note 45.

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 RMB4,184,683,000 (2018: RMB2,080,443,000) 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.

23. INVESTMENTS IN JOINT VENTURES

	The Group		The Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at cost				
As at 1 January	–	–	–	–
Additions	139,307	–	51,680	–
Share of profits	3,893	–	–	–
As at 31 December	143,200	–	51,680	–

Set out below is the details of the joint venture of the Group and of the Company as at 31 December 2019.

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

Name of company	Principal activity	Place of business/ country of incorporation	Effective equity holding 31 December 2019 %	31 December 2018 %	1 January 2018 %
Jiangsu Yangzi-Mitsui Shipbuilding Co. Ltd.	Shipbuilding	China	51	–	–
United Wave Shipping S.A.	Ship-owning, chartering and sale and purchase of vessels	Panama	50	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investments at cost				
As at 1 January and 31 December			**134,062**	134,062
As at 1 January	**1,454,006**	1,629,596		
Additions	**10,000**	187,000		
Return of capital [Note (a)]	**(124,302)**	(283,333)		
Disposals	**(65,550)**	–		
Share of profits/(losses)	**113,228**	(85,826)		
Share of other comprehensive income – currency translation reserve	**2,136**	6,569		
As at 31 December	**1,389,518**	1,454,006		

(a) In 2019, ten (2018: seven) 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 45.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. 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
The Group							
2019							
Cost							
As at 1 January	**4,387,304**	**2,183,001**	**136,228**	**123,885**	**2,551,184**	**46,021**	**9,427,623**
Adoption of SFRS(I) 16 (Note 2.1)	**2,556**	**–**	**–**	**–**	**–**	**–**	**2,556**
	4,389,860	**2,183,001**	**136,228**	**123,885**	**2,551,184**	**46,021**	**9,430,179**
Acquisition of subsidiaries (Note 40)	**112,580**	**79,290**	**617**	**686**	**–**	**3,218**	**196,391**
Additions	**3,592**	**200,280**	**5,332**	**7,845**	**252,408**	**59,424**	**528,881**
Transfer from inventory	**–**	**–**	**–**	**–**	**248,884**	**–**	**248,884**
Transfers	**51,992**	**16,887**	**118**	**3,508**	**–**	**(72,505)**	**–**
Disposals	**(3,922)**	**(10,416)**	**(376)**	**(1,143)**	**–**	**–**	**(15,857)**
Currency translation difference	**–**	**–**	**–**	**–**	**29,960**	**–**	**29,960**
As at 31 December	**4,554,102**	**2,469,042**	**141,919**	**134,781**	**3,082,436**	**36,158**	**10,418,438**
Accumulated depreciation and impairment losses							
As at 1 January	**(1,575,146)**	**(1,463,607)**	**(110,321)**	**(91,403)**	**(1,024,391)**	**–**	**(4,264,868)**
Depreciation charge (Note 7)	**(197,006)**	**(142,953)**	**(6,127)**	**(9,208)**	**(116,838)**	**–**	**(472,132)**
Disposals	**1,379**	**7,153**	**382**	**996**	**–**	**–**	**9,910**
Currency translation difference	**–**	**–**	**–**	**–**	**(13,285)**	**–**	**(13,285)**
As at 31 December	**(1,770,773)**	**(1,599,407)**	**(116,066)**	**(99,615)**	**(1,154,514)**	**–**	**(4,740,375)**
Net book value							
As at 31 December 2019	**2,783,329**	**869,635**	**25,853**	**35,166**	**1,927,922**	**36,158**	**5,678,063**
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	–	–	–	–	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
As at 1 January 2018	3,016,229	853,719	49,168	34,425	852,709	14,479	4,820,729

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 26(a).

(d) Bank borrowings are secured on certain buildings of the Group with carrying amounts of RMB193,216,000 (31.12.2018: RMBNil; 1.1.2018: RMBNil) and vessels of the Group with carrying amounts of RMB814,963,000 (31.12.2018: RMB696,270,000; 1.1.2018: RMB568,525,000).

	Buildings RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
Company			
2019			
Cost			
As at 1 January	**–**	**412**	**412**
Adoption of SFRS(I) 16 (Note 2.1)	**2,556**	**–**	**2,556**
As at 31 December	**2,556**	**412**	**2,968**
Accumulated depreciation			
As at 1 January	**–**	**(405)**	**(405)**
Depreciation charge	**(756)**	**(7)**	**(763)**
As at 31 December	**(756)**	**(412)**	**(1,168)**
Net book value			
As at 31 December 2019	**1,800**	**–**	**1,800**
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

26. LEASES

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

Buildings

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

Leasehold land

The Group has made upfront payments to secure the right-of-use of the leasehold land with lease term ranging from 35 years to 50 years, which are used in the Group's operations in China. These leasehold lands are recognised within Lease prepayment (Note 21).

There is no externally imposed covenant on these lease arrangements.

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	31 December 2019 RMB'000	1 January 2019 RMB'000
The Group and the Company		
Buildings	**1,800**	2,556

ROU assets classified within Lease prepayment

The carrying amount of right-of-use assets relating to leasehold land is disclosed in Note 21.

(b) Depreciation and amortisation charge during the year

	31 December 2019 RMB'000
The Group	
Buildings	**756**
Leasehold land	**20,504**
	21,260

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. LEASES (CONTINUED)

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

(c) Interest expense

	31 December 2019 RMB'000
The Group and the Company	
Interest expense on lease liabilities	88

(e) Total cash outflow for all the leases in 2019 was RMB808,000.

(f) Future cash outflow which are not capitalised in lease liabilities

Extension options

The leases for office space contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension options are exercisable by the Group and not by the lessor.

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

The Group has leased out their vessels to third parties for monthly lease payments. These leases are classified as a finance lease because the risk and rewards incidental to ownership of the assets have been substantially transferred.

Finance lease receivables are disclosed in Note 19. The credit risk of the finance lease receivables are disclosed in Note 37(b)(v).

27. INTANGIBLE ASSETS

	The Group		
	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Composition:			
Customer relations [Note (a)]	**6,863**	–	–
Computer software licenses [Note (b)]	**19,064**	17,527	9,864
Customer contract [Note (c)]	**–**	–	–
	25,927	17,527	9,864

27. INTANGIBLE ASSETS (CONTINUED)

(a) Customer relations

	The Group	
	2019 RMB'000	2018 RMB'000
Cost		
Beginning of financial year	**–**	–
Acquisition of subsidiaries (Note 40)	**7,321**	–
End of financial year	**7,321**	–
Accumulated amortisation		
Beginning of financial year	**–**	–
Amortisation charge (Note 7)	**(458)**	–
End of financial year	**(458)**	–
Net book value as at 31 December	**6,863**	–
Net book value as at 1 January	**–**	–

(b) Computer software licenses

	The Group	
	2019 RMB'000	2018 RMB'000
Cost		
Beginning of financial year	**21,603**	12,075
Acquisition of subsidiaries (Note 40)	**11**	–
Additions	**3,866**	9,528
End of financial year	**25,480**	21,603
Accumulated amortisation		
Beginning of financial year	**(4,076)**	(2,211)
Amortisation charge (Note 7)	**(2,340)**	(1,865)
End of financial year	**(6,416)**	(4,076)
Net book value as at 31 December	**19,064**	17,527
Net book value as at 1 January	**17,527**	9,864

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. INTANGIBLE ASSETS (CONTINUED)

(c) Customer contract

	The Group 2019 RMB'000	The Group 2018 RMB'000
Cost		
Beginning of financial year	**34,698**	–
Acquisition of subsidiaries	**–**	34,698
End of financial year	**34,698**	34,698
Accumulated amortisation		
Beginning of financial year	**(34,698)**	–
Amortisation charge (Note 7)	**–**	(34,698)
End of financial year	**(34,698)**	(34,698)
Net book value as at 31 December	**–**	–
Net book value as at 1 January	**–**	–

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

28. GOODWILL

	The Group 2019 RMB'000	The Group 2018 RMB'000
Cost		
Beginning of financial year	**–**	–
Acquisition of subsidiaries (Note 40)	**258,979**	–
End of financial year	**258,979**	–

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

The recoverable amount of the CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period and discount rate of 11.5% per annum. Cash flows beyond the five-year period were extrapolated using the estimated growth rate of 1.5%.

The goodwill has been measured at a provisional basis as disclosed in Note 40.

29. TRADE AND OTHER PAYABLES

	The Group			The Company	
	31 December		1 January	31 December	
	2019	2018	2018	2019	2018
		(Restated)	(Restated)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current					
Trade payables					
– Suppliers	**1,922,604**	2,951,578	3,090,507	**–**	–
– Notes payables [Note (a)]	**–**	28,073	45,800	**–**	–
– Amount due to a joint venture	**114,258**	–	–	**–**	–
Other payables					
– Subsidiaries [Note (b)]	**–**	–	–	**4,921,490**	4,307,290
– Amount due to a joint venture [Note (b)]	**26,547**	–	–	**–**	–
– Non-related parties	**903,817**	619,816	1,583,394	**15,634**	1,989
Deferred compensation income [Note (c)]	**157,482**	157,482	157,482	**–**	–
Other operating accruals	**389,621**	438,452	130,414	**4,565**	4,091
	3,514,329	4,195,401	5,007,597	**4,941,689**	4,313,370

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

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

(c) 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	
	2019	2018	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current					
Bank borrowings (secured) [Note (a)]	**103,113**	29,218	100,243	**–**	–
Bank borrowings (unsecured)	**2,678,431**	1,119,783	2,431,730	**504,456**	483,098
Lease liabilities [Note (c)]	**766**	–	–	**766**	–
	2,782,310	1,149,001	2,531,973	**505,222**	483,098
Non-current					
Bank borrowings (secured) [Note (a)]	**532,882**	256,730	560,002	**–**	–
Bank borrowings (unsecured)	**1,716,602**	2,619,621	1,781,035	**–**	–
Lease liabilities [Note (c)]	**1,138**	–	–	**1,138**	–
Non-related parties	**–**	18,629	17,736	**–**	–
	2,250,622	2,894,980	2,358,773	**1,138**	–
	5,032,932	4,043,981	4,890,746	**506,360**	483,098

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. BORROWINGS (CONTINUED)

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

	The Group			The Company	
	31 December		1 January	31 December	
	2019	2018	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Floating rate:					
– Within six months	**1,822,207**	765,974	2,327,037	**504,456**	483,098
– Between six months to 12 months	**864,337**	288,027	194,988	**–**	–
– Over one year	**2,230,549**	2,876,351	2,341,037	**–**	–
Fixed rate:					
– Within one year	**95,766**	95,000	9,948	**766**	–
– Over one year	**20,073**	18,629	17,736	**1,138**	–
	5,032,932	4,043,981	4,890,746	**506,360**	483,098

(a) These bank borrowings are secured by restricted cash (Note 13), and legal mortgages over certain land use rights (Note 21), buildings and vessels of the Group (Note 25).

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

	The Group			The Company	
	31 December		1 January	31 December	
	2019	2018	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings					
– USD	**18,242**	17,931	16,631	**–**	–

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	
	2019	2018	2018	2019	2018
Borrowings					
– USD	**4.75%**	3.89%	3.27%	**–**	–

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

30. BORROWINGS (CONTINUED)

(c) Lease liabilities

	The Group and the Company	
	2019	**2018**
	RMB'000	**RMB'000**
Gross lease payment due		
– Not later than one year	**827**	–
– Later than one year but not later than five years	**1,172**	–
	1,999	–
Less: Unearned finance expense	**(95)**	–
Net payment in lease liabilities	**1,904**	–

The net payment in lease liabilities are analysed as follows:

	The Group and the Company	
	2019	**2018**
	RMB'000	**RMB'000**
– Not later than one year	**766**	–
– Later than one year but not later than five years	**1,138**	–
	1,904	–

30. BORROWINGS (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

The Group	1 January 2019 RMB'000	Acquisition of subsidiaries (Note 40) RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes: Adoption of SFRS(I) 16 RMB'000	Non-cash changes: Interest expense RMB'000	Non-cash changes: Foreign exchange movement RMB'000	31 December 2019 RMB'000
Bank borrowings	4,043,981	126,200	2,392,405	(1,766,836)	–	183,231	52,047	5,031,028
Lease liabilities	–	–	–	(808)	2,556	88	68	1,904

The Group	1 January 2018 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes: Interest expense RMB'000	Non-cash changes: Foreign exchange movement RMB'000	31 December 2018 RMB'000
Bank borrowings	4,890,746	1,819,137	(2,723,486)	122,605	(65,021)	4,043,981

31. PROVISIONS

	The Group		
	31 December		1 January
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Onerous contracts	**587,837**	1,099,307	1,218,345
Warranty	**382,289**	321,492	371,993
	970,126	1,420,799	1,590,338

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.

Movement in provision is as follows:

	The Group Warranty		The Group Onerous contracts	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	**321,492**	371,993	**1,099,307**	1,218,345
Write back of provision	**(75,848)**	(180,989)	**(565,000)**	(449,431)
Provision made	**146,241**	149,439	**330,330**	484,166
Provision utilised	**(9,596)**	(18,951)	**(276,800)**	(153,773)
As at 31 December	**382,289**	321,492	**587,837**	1,099,307

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group		
	31 December		1 January
	2019	2018 (Restated)	2018 (Restated)
	RMB'000	RMB'000	RMB'000
Deferred income tax assets	**(647,328)**	(710,901)	(660,291)
Deferred income tax liabilities	**1,260,191**	1,165,753	1,131,801
Net deferred tax liabilities	**612,863**	454,852	471,510

Movements in net deferred income tax accounts are as follows:

	The Group	
	2019	2018 (Restated)
	RMB'000	RMB'000
As at 1 January	**454,852**	471,510
Acquisition of subsidiaries	**(4,727)**	(3,060)
Charged to profit or loss [Note 10(a)]	**162,738**	(13,598)
As at 31 December	**612,863**	454,852

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 RMB1,158,669,000 (31.12.2018: RMB1,404,416,000, 1.1.2018: RMB1,400,752,000) 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. During the year, tax losses of the Group amounting to RMB247,643,000 has expired.

The expiry date of tax losses of the Group are summarised as follows:

	The Group	
	2019	2018
	RMB'000	RMB'000
Within one year	**321,222**	247,644
Between one year to two years	**339,714**	321,221
Between three years to five years	**22,755**	360,584
No expiry date	**474,978**	474,967
	1,158,669	1,404,416

Tax losses arising from Singapore and Hong Kong incorporated entities have no expiry date.

32. DEFERRED INCOME TAX (CONTINUED)

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

The Group

Deferred income tax assets

	Impairment losses RMB'000	Fair value losses – net RMB'000	Warranty provision RMB'000	Onerous contracts provision RMB'000	Total RMB'000
2019					
As at 1 January	**(499,977)**	**–**	**(46,027)**	**(164,897)**	**(710,901)**
Acquisition of subsidiaries (Note 40)	**(6,557)**	**–**	**–**	**–**	**(6,557)**
Charged/(credited) to profit or loss	**4,494**	**–**	**(11,085)**	**76,721**	**70,130**
As at 31 December	**(502,040)**	**–**	**(57,112)**	**(88,176)**	**(647,328)**
2018					
As at 1 January	(428,569)	(954)	(48,015)	(182,753)	(660,291)
Acquisition of subsidiaries	(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)

Deferred income tax liabilities

	Undistributed profits of subsidiaries RMB'000 (Restated)	Fair value gain – net RMB'000 (Restated)	Others RMB'000 (Restated)	Total RMB'000 (Restated)
2019				
As at 1 January	**1,053,925**	**18,694**	**93,134**	**1,165,753**
Acquisition of subsidiaries (Note 40)	**–**	**–**	**1,830**	**1,830**
Charged/(credited) to profit or loss	**173,647**	**–**	**(81,039)**	**92,608**
As at 31 December	**1,227,572**	**18,694**	**13,925**	**1,260,191**
2018				
As at 1 January	906,252	19,764	205,785	1,131,801
Acquisition of subsidiaries	–	–	8,674	8,674
Charged/(credited) to profit or loss	147,673	(1,070)	(121,325)	25,278
As at 31 December	1,053,925	18,694	93,134	1,165,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. SHARE CAPITAL

	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital RMB'000	Treasury shares RMB'000
The Group				
2019				
As at 1 January	3,974,077	(28,312)	7,361,990	(122,362)
Share buy back [Note(a)]	–	(27,000)	–	(127,759)
As at 31 December	**3,974,077**	**(55,312)**	**7,361,990**	**(250,121)**
2018				
As at 1 January	3,974,077	(5,239)	7,361,990	(20,979)
Share buy back [Note(a)]	–	(23,073)	–	(101,383)
As at 31 December	3,974,077	(28,312)	7,361,990	(122,362)
Company				
2019				
As at 1 January	3,974,077	(28,312)	7,326,773	(122,362)
Share buy back [Note(a)]	–	(27,000)	–	(127,759)
As at 31 December	**3,974,077**	**(55,312)**	**7,326,773**	**(250,121)**
2018				
As at 1 January	3,974,077	(5,239)	7,326,773	(20,979)
Share buy back [Note(a)]	–	(23,073)	–	(101,383)
As at 31 December	3,974,077	(28,312)	7,326,773	(122,362)

(a) The Company bought back 27,000,000 (2018: 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	
	2019 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Composition:					
Statutory reserves [Note (a)]	**4,323,151**	3,916,855	3,566,028	**–**	–
Capital reserve [Note (b)]	**(2,934,998)**	(2,934,998)	(2,928,270)	**(40,192)**	(40,192)
Currency translation reserve [Note (c)]	**(40,357)**	(43,684)	(63,673)	**–**	–
	1,347,796	938,173	574,085	**(40,192)**	(40,192)

34. OTHER RESERVES (CONTINUED)

(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".

The Group's subsidiaries have appropriated RMB406,296,000 (2018: RMB350,827,000) from their profits to statutory reserves.

(b) Capital reserve

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

(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.

35. DIVIDENDS

	The Group	
	2019	2018
	RMB'000	RMB'000
Ordinary dividends		
Final exempt dividend paid in respect of the previous financial year of SGD5.0 cents (2018: SGD4.5 cents) per share	**986,593**	857,090

A final exempt (one-tier) dividend of SGD4.5 cents per share amounting to approximately SGD176,344,000 (equivalent of RMB907,653,000) has been recommended for the shareholders' approval at the Annual General Meeting on 30 April 2020. 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 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 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
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	**–**	5,006	7,308

(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.

As at 31 December 2018 and 1 January 2018, 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	2018
	RMB'000	RMB'000
Not later than one year	**327**	943
Between one year to two years	**–**	327
	327	1,270

As disclosed in Note 2.1, the Group has adopted SFSR(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short -term and low value leases.

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.

37. FINANCIAL RISK MANAGEMENT (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
The Group					
At 31 December 2019					
Financial assets					
Cash and cash equivalents	4,177,961	5,947,921	51,924	5,213	10,183,019
Restricted cash	6,722	10,327	–	–	17,049
Financial assets at fair value through profit or loss	1,249,048	–	–	–	1,249,048
Debt investments at amortised cost	14,428,382	–	–	–	14,428,382
Trade and other receivables excluding prepayment	880,244	1,629,600	–	–	2,509,844
	20,742,357	7,587,848	51,924	5,213	28,387,342
Financial liabilities					
Trade and other payables	(2,894,581)	(461,841)	–	(425)	(3,356,847)
Borrowings	(2,448,600)	(2,077,972)	–	(506,360)	(5,032,932)
	(5,343,181)	(2,539,813)	–	(506,785)	(8,389,779)
Net financial assets/ (liabilities)	15,399,176	5,048,035	51,924	(501,572)	19,997,563
Less: Net financial assets denominated in the respective entities' functional currency	(15,399,176)	(1,044,127)	–	–	
Less: Forward foreign exchange contracts	–	(2,092,860)	–	–	
Add: Contract assets	–	3,420,943	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	8,251,298	–	–	
Currency exposure	–	13,583,289	51,924	(501,572)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
The Group					
At 31 December 2018 (Restated)					
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	1,078,080	1,683,548	90,477	–	2,852,105
	19,220,055	6,359,589	122,543	14,347	25,716,534
Financial liabilities					
Trade and other payables	(2,285,746)	(1,747,198)	–	(4,975)	(4,037,919)
Borrowings	(1,555,000)	(2,005,882)	–	(483,099)	(4,043,981)
	(3,840,746)	(3,753,080)	–	(488,074)	(8,081,900)
Net financial assets/ (liabilities)	15,379,309	2,606,509	122,543	(473,727)	**17,634,634**
Less: Net financial assets denominated in the respective entities' functional currency	(15,379,309)	(643,086)	–	–	
Add: Contract assets	–	4,669,468	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	9,076,114	–	–	
Currency exposure	**–**	**15,709,005**	**122,543**	**(473,727)**	

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
The Group					
At 1 January 2018 (Restated)					
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 at fair value through profit or loss	1,538,218	958,902	–	–	2,497,120
Debt investments at amortised cost	11,978,869	–	–	–	11,978,869
Trade and other receivables excluding prepayment	1,196,386	1,332,064	–	77	2,528,527
	15,142,172	7,265,304	64,406	757,470	23,229,352
Financial liabilities					
Trade and other payables	(2,530,036)	(2,314,919)	–	(5,160)	(4,850,115)
Borrowings	(1,791,879)	(2,610,557)	–	(488,310)	(4,890,746)
	(4,321,915)	(4,925,476)	–	(493,470)	(9,740,861)
Net financial assets	10,820,257	2,339,828	64,406	264,000	**13,488,491**
Less: Net financial assets denominated in the respective entities' functional currency	(10,820,257)	(87,100)	–	–	
Add: Contract assets	–	5,960,320	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	9,549,512	–	–	
Currency exposure	**–**	**17,762,560**	**64,406**	**264,000**	

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) *Currency risk* (Continued)

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
The Company				
At 31 December 2019				
Financial assets				
Cash and cash equivalents	–	11,951	2,839	14,790
Trade and other receivables	11,210,566	36	24,564	11,235,166
	11,210,566	11,987	27,403	11,249,956
Financial liabilities				
Other payables	(2,746,152)	(2,190,088)	(5,449)	(4,941,689)
Borrowings	–	–	(506,360)	(506,360)
	(2,746,152)	(2,190,088)	(511,809)	(5,448,049)
Net financial assets/(liabilities)	8,464,414	(2,178,101)	(484,406)	5,801,907
Less: Net financial assets denominated in the company's functional currency	(8,464,414)	–	–	
Less: Forward foreign exchange contracts	–	(2,092,860)	–	
Currency exposure	–	(4,270,961)	(484,406)	
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)	

37. FINANCIAL RISK MANAGEMENT (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
	2019	2018 (Restated)	2018 (Restated)	2019	2018	2018
	RMB'000	RMB'000	RMB'000			
The Group						
USD against RMB:						
– strengthened	**751,156**	1,365,113	1,106,607	**7%**	11%	7%
– weakened	**(751,156)**	(1,365,113)	(1,106,607)	**7%**	11%	7%
EUR against RMB:						
– strengthened	**1,641**	4,840	5,732	**4%**	5%	10%
– weakened	**(1,641)**	(4,840)	(5,732)	**4%**	5%	10%
SGD against RMB:						
– strengthened	**(19,812)**	(26,197)	9,398	**5%**	7%	4%
– weakened	**19,812**	26,197	(9,398)	**5%**	7%	4%
The Company						
USD against RMB:						
– strengthened	**(248,143)**	(109,330)		**7%**	11%	
– weakened	**248,143**	109,330		**7%**	11%	
SGD against RMB:						
– strengthened	**(20,103)**	(26,143)		**5%**	7%	
– weakened	**20,103**	26,143		**5%**	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

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

As at balance sheet date, the Group's investments in debt investments at amortised cost, 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% (31.12.2018: 1%, 1.1.2018:1%) 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
	2019 RMB'000	2018 RMB'000	2018 RMB'000
The Group			
RMB interest rate			
– Increase	**(18,511)**	(12,107)	(3,082)
– Decrease	**18,511**	12,107	3,082
USD interest rate			
– Increase	**(18,452)**	(17,902)	(25,877)
– Decrease	**18,452**	17,902	25,877
SGD interest rate			
– Increase	**(4,605)**	(4,411)	(4,880)
– Decrease	**4,605**	4,411	4,880

(iii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified as financial assets, at FVPL. To manage its price risk arising from these investments, the Group ensures that the investments are within authorised mandate based on its approved financial risk management and operating guidelines.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Price risk (Continued)

If prices for equity security listed in PRC had increased/decreased by 10% (31.12.2018: 10%, 1.1.2018: 10%) with all other variables including tax rate being held constant, the net of tax effects on profit after tax ("PAT") would have been:

	Increase/(Decrease)		
	31 December		1 January
	2019	2018	2018
	PAT	PAT	PAT
	RMB'000	RMB'000	RMB'000
The Group			
Increased by	**13,647**	14,249	24,641
Decreased by	**(13,647)**	(14,249)	(24,641)

(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 cost and contract assets under SFRS(I) 9 as at 31 December 2019 are set out in the as follows:

(i) Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash are considered to have low credit risk as the Group and the Company adopt the policy of dealing only with major banks of high credit standing throughout the world.

To mitigate credit risk, the Company adopts the policy of dealing only with financial institutions and other counterparties with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

In 2019, credit risk exposure relating to shipbuilding activities is RMB3,821,819,000 (2018: RMB4,940,468,000), which comprises of RMB400,876,000 (2018: RMB271,000,000) included in trade and other receivables and contract assets of RMB3,420,943,000 (2018: 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

In 2019, credit risk exposure relating to trading activities is RMB123,306,000 (2018: 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 (31.12.2018: 3 debtors, 1.1.2018: 3 debtors) that represented 60% (31.12.2018: 68%, 1.1.2018: 59%) 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.

37. FINANCIAL RISK MANAGEMENT (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 a 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
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Collateralised by:			
– Listed shares in PRC	**4,204**	10,078	156,039
– Unlisted shares in PRC	**24,876**	21,212	25,686
– Properties and land use rights	**120,520**	214,152	198,955
– Guaranteed by non-related individuals	**43,665**	–	330
– Guaranteed by non-related corporations	**114,150**	129,000	174,645
	307,415	374,442	555,655

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

As at 31 December 2019, the Group measures loss allowance based on the following basis:

Basis of recognition of expected credit loss	12-month expected credit losses RMB'000	Lifetime expected credit losses RMB'000	Total RMB'000
Gross carrying amount as at:			
31 December 2019	**271,615**	**35,800**	**307,415**
31 December 2018	355,096	19,346	374,442

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

The Group	2019 RMB'000	2018 RMB'000
As at 1 January	**11,082**	122,495
Loss allowance recognised in profit or loss during the year on:		
– Assets acquired/originated	**38,473**	7,221
– Reversal of unutilised amounts	**(17,931)**	(99,133)
	20,542	(91,912)
Receivables written off as uncollectible	**(26,319)**	(19,501)
As at 31 December	**5,305**	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) *Finance lease receivables, other receivables and other financial assets*

Finance lease receivables of RMB1,172,281,000 (2018: RMB1,369,050,000) are subject to immaterial credit loss as the Group entered into lease arrangements of vessels with customer of appropriate credit history. The Group also has contractual safeguards in place to minimise credit risk where the Group has the right over collateral (vessels) in the event of default in scheduled payment by customers.

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(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.

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

The Group uses internal credit risk grading for its debt investments and these internal credit risk grading is established by reference to industry practice.

The summary of impairment assessment are presented as follows:

Category	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Write-off
Definition of category	Borrowers have a low risk of default or a strong capacity to meet contractual cash flows	Borrowers for which there is a significant increase in credit risk; significant increase in credit risk is presumed if there is a decline in internal credit risk grading	Principal payments past due; Borrowers facing litigations; or 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

Over the term of the investment, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward looking macroeconomic data. The Group provides for credit losses against debt investments as follows:

Category	Performing RMB'000	Under-performing RMB'000	Non-performing RMB'000	Total RMB'000
2019				
Expected credit loss rates	5.60%	–	–*	
Gross carrying amount	13,530,740	–	2,363,915	15,894,655
Credit loss allowance	(758,231)	–	(708,042)	(1,466,273)
Net carrying amount	12,772,509	–	1,655,873	14,428,382

Category	Performing RMB'000	Under-performing RMB'000	Non-performing RMB'000	Total RMB'000
2018				
Expected credit loss rates	6.74%	8.45%	–*	
Gross carrying amount	14,796,354	20,000	1,540,200	16,356,554
Credit loss allowance	(996,863)	(1,689)	(547,626)	(1,546,178)
Net carrying amount	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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(vi) Debt investments at amortised cost (Continued)

The loss allowance for debt investments as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
The Group				
2019				
Balance at 1 January 2019	**996,863**	**1,689**	**547,626**	**1,546,178**
Transfer to Stage 3	**(68,947)**	**–**	**68,947**	**–**
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/originated	**421,238**	**–**	**90,000**	**511,238**
– Reversal of unutilised amount	**(420,126)**	**(1,689)**	**(240,336)**	**(662,151)**
– Changes in risk parameters*	**(170,797)**	**–**	**449,827**	**279,030**
	(169,685)	**(1,689)**	**299,491**	**128,117**
Utilisation	**–**	**–**	**(208,022)**	**(208,022)**
Balance at 31 December 2019	**758,231**	**–**	**708,042**	**1,466,273**
2018				
Balance at 1 January 2018	860,007	6,454	356,350	1,222,811
Transfer to Stage 3	(82,432)	–	82,432	–
Loss allowance recognised in profit or loss during the year on:				
– Asset acquired/originated	688,887	–	116,638	805,525
– Reversal of unutilised amount	(462,628)	(4,303)	(356,350)	(823,281)
– Changes in risk parameters*	(6,971)	(462)	348,556	341,123
	219,288	(4,765)	108,844	323,367
Balance at 31 December 2018	996,863	1,689	547,626	1,546,178

* For the performing debt investments, the change in the loss allowance is due to change in the probability of default used or estimated loss given default to calculate the 12-months expected credit loss.

For the non-performing debt investments, the change in the loss allowance is due to change in the estimated loss given default to calculate the lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (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
	2019	2018	2018
	RMB'000	RMB'000	RMB'000
Collateralised by:			
– Listed shares in PRC*	**3,255,200**	4,807,200	2,568,750
– Unlisted shares in PRC	**1,025,000**	1,310,000	2,195,000
– Properties and land use rights	**5,392,869**	6,330,984	1,943,560
– Guaranteed by government corporations and non-related corporations	**6,221,586**	3,908,370	6,494,370
	15,894,655	16,356,554	13,201,680

* Included in the listed shares in PRC is an amount of RMB629,000,000 (2018: RMB629,000,000) of shares which will only be available for trading after the expiry of their restriction period.

(vii) Loans to subsidiaries

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual obligation of RMB2,742,736,000 (2018: RMB2,834,232,000) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

(viii) Financial guarantees

As at balance sheet date, 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	
	2019	2018
	RMB'000	RMB'000
For borrowings incurred by subsidiaries	**2,168,764**	1,952,783

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(viii) Financial guarantees (Continued)

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.

(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
The Group				
As at 31 December 2019				
Trade and other payables	**(3,356,847)**	**–**	**–**	**–**
Lease liabilities	**(827)**	**(827)**	**(345)**	**–**
Bank borrowings	**(2,931,083)**	**(1,297,391)**	**(966,757)**	**(42,553)**
	(6,288,757)	**(1,298,218)**	**(967,102)**	**(42,553)**
As at 31 December 2018				
Trade and other payables	(4,037,919)	–	–	–
Bank borrowings	(1,364,755)	(2,457,721)	(483,918)	(35,623)
	(5,402,674)	(2,457,721)	(483,918)	(35,623)
As at 1 January 2018				
Trade and other payables	(4,850,115)	–	–	–
Bank borrowings	(2,724,962)	(1,965,090)	(473,998)	–
	(7,575,077)	(1,965,090)	(473,998)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
The Company				
As at 31 December 2019				
Trade and other payables	**(4,941,689)**	**–**	**–**	**–**
Lease liabilities	**(827)**	**(827)**	**(345)**	**–**
Bank borrowings	**(508,529)**	**–**	**–**	**–**
	(5,451,045)	**(827)**	**(345)**	**–**
Financial guarantees*	**(2,168,764)**	**–**	**–**	**–**
As at 31 December 2018				
Trade and other payables	(4,313,370)	–	–	–
Bank borrowings	(485,355)	–	–	–
	(4,798,725)	–	–	–
Financial guarantees*	(1,952,783)	–	–	–

* 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 balance sheet date were as follows:

	The Group		
	31 December		1 January
	2019	2018 (Restated)	2018 (Restated)
	RMB'000	RMB'000	RMB'000
Total liabilities	**13,701,597**	15,093,085	16,304,258
Total assets	**45,756,122**	44,911,484	43,928,851
Liability-to-asset ratio	**29.94%**	33.61%	37.12%

The Group and the Company do not have any external imposed capital requirements for the financial years ended 31 December 2019, 31 December 2018 and 1 January 2018.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group				
31 December 2019				
Assets				
Financial assets, at fair value through profit or loss	**160,552**	**–**	**1,088,496**	**1,249,048**
Non-hedging derivatives	**–**	**1,317**	**–**	**1,317**
Liabilities				
Non-hedging derivatives	**–**	**(8,479)**	**–**	**(8,479)**
31 December 2018				
Assets				
Financial assets, at fair value through profit or loss	167,641	–	1,083,513	1,251,154
1 January 2018 (Restated)				
Assets				
Financial assets, at fair value through profit or loss	289,889	–	2,207,231	2,497,120
The Company				
31 December 2019				
Assets				
Non-hedging derivatives	**–**	**1,317**	**–**	**1,317**
Liabilities				
Non-hedging derivatives	**–**	**(8,479)**	**–**	**(8,479)**
31 December 2018				
Assets				
Non-hedging derivatives	–	–	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (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 of the fair value hierarchy.

The fair values of unlisted equity securities, classified as financial assets at fair value through profit or loss have been determined by reference to the Company's share in attributable net assets in the investee companies. The investee companies have measured their own investments at fair value. The fair values are within level 3 of the fair value hierarchy.

As at 1 January 2018, the fair value of preference shares classified as financial assets, at fair value through profit or loss, is determined by using the Binomial model. At 1 January 2018, the significant inputs into the model are the stock price, risk-free rate, credit spread, stock volatility, dividend yields, strike price and term based on redemption option exercise period assumption. These instruments are included in Level 3 of the fair value hierarchy.

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 of the fair value hierarchy.

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

The following table presents the changes in Level 3 instruments:

	Unlisted equity securities RMB'000
The Group	
2019	
Beginning of the financial year	**1,083,513**
Purchases	**80,400**
Disposal	**(95,465)**
Total gains for the period included in:	
– Profit and loss [Note (a)]	**20,048**
End of financial year	**1,088,496**
Change in unrealised gains for the period included in profit or loss for financial assets held at the end of the financial year [Note (a)]	**20,048**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (Continued)

	Unlisted preference shares RMB'000	Unlisted equity securities RMB'000
The Group		
2018		
Beginning of the financial year	958,902	1,248,329
Purchases	–	30,100
Acquisition of subsidiaries	–	2,000
Disposal	(946,302)	(139,595)
Total losses for the period included in:		
– Profit and loss [Note (a)]	(12,600)	(57,321)
End of financial year	–	1,083,513
Change in unrealised losses for the period included in profit or loss for financial assets held at the end of the financial year [Note (a)]	–	(57,321)

(a) The gains/(losses) are presented in "other gains – net" in the consolidated statement of comprehensive income.

Inputs used in Level 3 fair value measurements and sensitivity analysis

The Group have the following financial instruments classified under Level 3 Fair Value Hierarchy, as follows:

	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity securities	Share of attributable net assets in the investee companies per 100 shares invested	RMB0 – RMB780 (2018: RMB0 – RMB540)	There is a positive relationship between unobservable inputs and estimated fair value.
Unlisted preference shares	Term based on redemption option exercise period assumption	2019: Nil (2018: 1 year)	There is an inverse relationship between all these key unobservable inputs and estimated fair value.
	Credit spread	2019: Nil (2018: 15.34%)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 14 and Note 20 to the financial statements, except for the following:

	The Group RMB'000	The Company RMB'000
31 December 2019		
Financial assets, at amortised cost	**27,138,294**	**11,249,956**
Financial liabilities, at amortised cost	**(8,389,779)**	**(5,448,049)**
31 December 2018 (restated)		
Financial assets, at amortised cost	24,465,380	11,811,266
Financial liabilities, at amortised cost	(8,081,900)	(4,796,468)
1 January 2018 (restated)		
Financial assets, at amortised cost	20,732,232	
Financial liabilities, at amortised cost	(9,740,861)	

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	
	2019 RMB'000	2018 RMB'000
Sales of goods to a joint venture	**680,415**	–
Purchase of materials from a joint venture	**3,902**	–
Purchase of materials from other related party	**100,264**	96,158

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

Outstanding balances at 31 December 2019 are disclosed in Notes 16 and 29 respectively.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2019	2018
	RMB'000	RMB'000
Directors		
Basic salaries	**209**	211
Directors' fees	**706**	683
Contributions to defined contribution plans	**16**	15
Discretionary bonuses	**–**	34
Senior management		
Basic salaries	**1,682**	1,721
Contributions to defined contribution plans	**259**	222
Discretionary bonuses	**1,000**	1,030
	3,872	3,916

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, debt investments at amortised cost 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".

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Management Team for the reportable segments for the years ended 31 December 2019 and 2018 are as follows:

	Shipbuilding RMB'000	Investments RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
The Group					
For the financial year ended 31 December 2019					
Total segment sales	13,018,951	2,098,963	8,604,227	748,525	24,470,666
Inter-segment sales	–	–	(873,491)	–	(873,491)
Sales to external parties	13,018,951	2,098,963	7,730,736	748,525	23,597,175
Segment result	2,011,277	1,995,487	78,546	265,774	4,351,084
Included within segment result:					
Finance expenses	(52,466)	–	(71,112)	(38,224)	(161,802)
Fair value (loss)/gain on					
• Derivatives financial instruments	–	(7,162)	–	–	(7,162)
• Financial assets, at fair value through profit or loss	–	18,669	–	–	18,669
Reversal of impairment loss/ (impairment loss) on:					
• Loans to non-related parties – microfinance	–	(20,542)	–	–	(20,542)
• Debt investments at amortised cost	–	(128,118)	–	–	(128,118)
• Reversal of provision for onerous contracts – net	511,470	–	–	–	511,470
Depreciation	(403,862)	(360)	–	(67,910)	(472,132)
Dividend income	–	138,633	–	–	138,633
Share of profits of associated companies	112,691	–	–	537	113,228
Share of profits of joint venture	–	–	–	3,893	3,893
Sales of bunker stock	–	–	–	33,860	33,860
Bad debt written off	–	–	–	(34,805)	(34,805)
(Loss)/gain on disposal of:					
• Property, plant and equipment	–	–	–	(4,598)	(4,598)
• Financial assets at fair value through profit or loss	–	100	–	–	100
Business tax on interest income from debt investments at amortised cost and loans to non-related parties – microfinance	–	(100,889)	–	–	(100,889)
Interest income – finance lease	–	–	–	73,006	73,006
Inventories write-down	(54,005)	–	–	–	(54,005)
Segment assets	21,987,664	18,219,760	676,029	4,225,341	45,108,794
Segment assets includes:					
Investment in associated companies	–	1,354,802	–	34,716	1,389,518
Investments in joint ventures	–	–	–	143,200	143,200
Additions to property, plant and equipment	27,589	–	–	501,292	528,881
Segment liabilities	(7,491,803)	(13,697)	(1,557,924)	(2,088,599)	(11,152,023)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENT INFORMATION (CONTINUED)

	Shipbuilding RMB'000 (Restated)	Investments RMB'000 (Restated)	Trading RMB'000 (Restated)	Others RMB'000 (Restated)	Total RMB'000 (Restated)
The 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	1,729,645	1,600,874	47,067	281,781	3,659,367
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	–	(87,409)	–	–	(87,409)
Reversal of impairment loss/ (impairment loss) on:					
• Loans to non-related parties – microfinance	–	91,912	–	–	91,912
• Debt investments at amortised cost	–	(323,367)	–	–	(323,367)
• Advance to a supplier	(232,748)	–	–		(232,748)
• 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)
Bad debt recovery	–	–	–	19,650	19,650
Gain/(loss) on disposal of:					
• Property, plant and equipment	–	–	–	43,265	43,265
• Financial assets at fair value through profit or loss	–	(16,543)	–	–	(16,543)
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)
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	(8,816,246)	(8,483)	(1,842,819)	(1,916,340)	(12,583,888)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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:

	2019 RMB'000	2018 (Restated) RMB'000
Segment results for reportable segments	**4,085,310**	3,377,586
Segment results for other segments	**265,774**	281,781
Unallocated:		
Other income	**196,289**	142,100
Other gains – net	**118,909**	584,381
Administrative expenses	**(454,501)**	(454,489)
Finance expenses	**(25,292)**	(21,163)
Profit before tax	**4,186,489**	3,910,196

(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.

	2019 RMB'000	2018 RMB'000
Segment assets for reportable segments	**40,883,453**	40,055,938
Other segment assets	**4,225,341**	4,144,645
Unallocated:		
Deferred income tax assets	**647,328**	710,901
Total assets	**45,756,122**	44,911,484

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:

	2019 RMB'000	2018 (Restated) RMB'000
Segment liabilities for reportable segments	**9,063,424**	10,667,548
Other segment liabilities	**2,088,599**	1,916,340
Unallocated:		
Current income tax liabilities	**1,289,383**	1,343,444
Deferred income tax liabilities	**1,260,191**	1,165,753
Total liabilities	**13,701,597**	15,093,085

(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, 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 management services. Breakdown of the revenue by major product types is as follows:

	2019 RMB'000	2018 RMB'000
Construction of container ships	**3,369,777**	3,858,138
Construction of multiple purpose cargo ships	**8,364,462**	8,909,823
Sales of other completed vessels	**1,284,711**	1,255,375
Sales of metal and chemical products	**7,730,736**	7,021,366
Interest income from loans to non-related parties – microfinance	**49,896**	62,881
Interest income from debt investments at amortised cost	**2,049,067**	1,549,279
Rendering of ship design services	**4,915**	1,219
Charter hire income	**689,419**	570,331
Others	**54,192**	9,877
	23,597,175	23,238,289

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

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

	2019 RMB'000	2018 RMB'000
PRC and Taiwan	**13,340,227**	14,128,345
Germany	**523,960**	94,079
Greece	**2,242,247**	2,326,538
Other European countries	**4,757,562**	2,330,443
Other Asian countries	**1,232,848**	3,581,192
Canada	**68,396**	101,434
Norway	**895,860**	594,798
Korea	**404,811**	–
Bahamas	**–**	81,460
Others	**131,264**	–
	23,597,175	23,238,289

Revenues of approximately RMB3,003,000,000 (2018: RMB10,483,536,000) are derived from three (2018: three) major customers. These revenues are attributable to the shipbuilding segment. Revenue of approximately RMB1,005,100,000 (2018: RMB2,371,921,000) is derived from one (2018: one) customer from the trading business included in the trading segment.

The Group's non-current assets amounting to RMB12,576,000,000 (2018: RMB11,806,235,000) are mainly located in the PRC.

40. BUSINESS COMBINATION

In February 2019, the Group acquired 51% of equity interest in Shanghai Econovo Marine Engineering Co., Ltd. ("Econovo") for a cash consideration of RMB11,241,000.

In July 2019, the Group and the Company acquired 100% of equity interest in Odfjell Terminals China Holding Pte. Ltd. ("Odfjell") and its 55% owned subsididary, Odfjell Terminals (Jiangyin) Company Ltd for a total cash consideration of RMB317,655,000.

The Group has engaged an independent firm to perform purchase price allocation ("PPA") exercise which is currently in progress. Pending the finalisation of the PPA report on the valuation of property, plant and equipment, the purchase consideration has been provisionally allocated. The residual excess of consideration paid over the fair values of identifiable assets and liabilities have been recorded as provisional goodwill amounting to RMB258,979,000 as disclosed in Note 28.

40. BUSINESS COMBINATION (CONTINUED)

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

	Total RMB'000
Cash paid	328,896
Consideration transferred for the business	328,896

(b) Effect on cash flows of the Group

Cash paid (as above)	328,896
Less: Cash and cash equivalents in subsidiary acquired	(15,925)
Cash outflow on acquisition	312,971

(c) Identifiable assets acquired and liabilities assumed

	At fair value RMB'000
Cash and cash equivalents	15,925
Inventories	330
Trade and other receivables	12,075
Property, plant and equipment	196,391
Lease prepayments	23,412
Intangible assets	7,332
Deferred tax assets	6,557
Total assets	262,022
Trade and other payables	(10,614)
Borrowings	(126,200)
Deferred tax liabilities	(1,830)
Total liabilities	(138,644)
Total identifiable net assets	123,378
Less: Non-controlling interest at fair value	(53,461)
Add: Goodwill (Note 28)	258,979
Consideration transferred for the business	328,896

(d) Non-controlling interests

The Group recognised the non-controlling interests of RMB53,461,000, at the non-controlling interests' proportionate share of the fair value of the identifiable net assets of the acquiree.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. BUSINESS COMBINATION (CONTINUED)

(e) Goodwill

The goodwill of RMB258,979,000 arising from the two acquisitions is attributable to the following: synergies from the acquisition of Econovo with regards to its vessel design and offshore projects, and from the acquisition of Odfjell with regards to its tank terminal operations, which provides complete terminal services for petrochemical distribution in the upstream Yangtze River region. The goodwill is not deductible for tax purposes.

(f) Revenue and profit contribution

The acquired business Econovo contributed revenue of RMB2,160,000 and net loss of RMB6,867,000 to the Group from the period from 1 March 2019 to 31 December 2019. Had Econovo been acquired from 1 January 2019, consolidated revenue and consolidated loss for the year ended 31 December 2019 would have been RMB2,651,000 and RMB7,905,000.

The acquired business Odfjell contributed revenue of RMB23,195,000 and net profit of RMB14,382,000 to the Group from the period from 1 July 2019 to 31 December 2019. Had Odfjell been acquired from 1 January 2019, consolidated revenue and consolidated profit for the year ended 31 December 2019 would have been RMB45,730,000 and RMB16,993,000.

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a ‘concentration test’ that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

42. PRIOR YEAR ADJUSTMENTS

Certain figures in the consolidated statement of comprehensive income of the Group for the year ended 31 December 2018, the balance sheets of the Group as at 31 December 2018 and 1 January 2018, and the consolidated statement of changes in equity of the Group for the year ended 31 December 2018 have been restated pursuant to the findings communicated by the Accounting and Corporate Regulatory Authority ("ACRA") on 10 December 2019 following the completion of its review of the Group's financial statements for the year ended 31 December 2016 under its Financial Reporting Surveillance Programme. The details of the prior year adjustments are as follows:

Consolidated statement of comprehensive income

For the financial year ended 31 December 2018	**Note**	**As previously stated RMB'000**	**Prior year adjustments RMB'000**	**As restated RMB'000**
Other income	(a)	840,455	(444,427)	396,028
Other gains – net	(b)	501,325	(210,379)	290,946
Income tax expense	(a)	(941,206)	111,107	(830,099)
Profit attributable to:				
Equity holders of the Company		3,614,044	(543,699)	3,070,345
Non-controlling interests		9,752	–	9,752
		3,623,796	(543,699)	3,080,097
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)				
– Basic and diluted		91.34	(13.74)	77.60

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. PRIOR YEAR ADJUSTMENTS (CONTINUED)

Balance sheet – The Group

	Note	As previously stated RMB'000	Prior year adjustments RMB'000	As restated RMB'000
As at 31 December 2018				
Liabilities				
Current liabilities				
Trade and other payables	(a)	4,512,924	(317,523)	4,195,401
Non-current liabilities				
Deferred income tax liabilities	(a)	1,086,372	79,381	1,165,753
Equity				
Retained earnings	(a), (b)	20,701,800	221,986	20,923,786
Non-controlling interests	(a)	700,656	16,156	716,812
As at 1 January 2018				
Assets				
Current assets				
Financial assets, at fair value through profit or loss	(b)	1,855,490	210,379	2,065,869
Liabilities				
Current liabilities				
Trade and other payables	(a)	5,769,547	(761,950)	5,007,597
Non-current liabilities				
Deferred income tax liabilities	(a)	941,313	190,488	1,131,801
Equity				
Retained earnings	(a), (b)	18,295,673	765,685	19,061,358
Non-controlling interests	(a)	631,983	16,156	648,139

42. PRIOR YEAR ADJUSTMENTS (CONTINUED)

(a) Recognition of income from forfeiture

In previous financial years, the Group encountered several instances of default in payments by customers in relation to certain shipbuilding contracts and finance lease agreements (collectively, the "Contracts"). As a result, the Group exercised its right to terminate the Contracts and forfeited all advances and security guarantees received from customers on the Contracts.

Further to ACRA's findings, the Group revised its accounting policies of recognition of forfeiture income for advances and security guarantees retrospectively as follows:

The Group would de-recognise the liabilities for forfeited customer advances and security guarantees and recognise forfeiture income in the period when the Group exercised its contractual right to terminate the Contracts. At the same time, the Group would separately assess whether a separate provision is required to be recognised, by evaluating whether the customer or counterparty will file a claim for the return of the forfeiture income and whether their claim will be successful. This evaluation takes into account the specific facts and circumstances of each Contract which includes, but not limited to, the Group's historical experience in dealing with similar disputes, the success rate of claims for forfeited advances and security guarantees, and actual Contracts status of the forfeited Contract (including delays and quality of work delivered by the Group).

Previously, the Group did not de-recognise the liabilities for forfeited customer advances and security guarantees and recognise forfeiture income in the period when the Group exercised its contractual right to terminate the Contracts, as there exists uncertainty as to whether the customers or counterparties would succeed in claiming the advances and security guarantees paid to the Group on these Contracts. The Group instead had established an internal policy to de-recognise the liabilities for forfeited customer advances and security guarantees and recognise the forfeiture income only when the Contracts were effectively terminated and the payments received from customer is non-refundable, taking into consideration that the probability of customers that would initiate for refund and succeed in claiming the payments would diminish through the passage of time.

The Group revised its forfeiture income policy retrospectively and has restated its financial position and performance for the previous financial years. The effect of the revision only affects the timing of recognition of forfeiture income and there is no impact to the cumulative retained earnings of the Group. The impact of prior year adjustments to financial statements are as follows:

– The Group's other income and income tax expense for the year ended 31 December 2018 was decreased by RMB444,427,000 and RMB111,107,000 respectively due to forfeiture income being recognised upon termination of the Contracts in prior years;

– the Group's trade and other payables were decreased by RMB317,523,000 as at 31 December 2018 (1 January 2018: decreased by RMB761,950,000) and deferred tax liabilities were increased by RMB79,381,000 (1 January 2018: increased by RMB190,488,000) due to forfeited customer advances and security deposits which were de-recognised upon termination of the Contracts in prior years into opening retained earnings; and

– the Group's retained earnings and non-controlling interests were correspondingly restated, with an increase of RMB221,986,000 (1 January 2018: increase of RMB555,306,000) and increase of RMB16,156,000 (1 January 2018: increase of RMB16,156,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Valuation of unlisted preference shares

On 17 May 2016, the Group subscribed for unlisted preference shares which was classified as financial assets at fair value through profit or loss ("FVTPL") as disclosed in Note 14.

Pursuant to ACRA's findings, the Group revised its valuation model of unlisted preference shares to the Binomial model, which takes into account characteristics of the unlisted preference shares such as the possibility of the issuer exercising the redemption option. The fair values are classified within Level 3 of the fair value hierarchy. The significant unobservable inputs used in the fair value measurement are disclosed in Note 37(e).

Previously, the Group had determined the fair value of the preference shares using the Black Scholes model and its fair value was classified within Level 2 of the fair value hierarchy.

Applying the revised Binomial model, the fair value of the unlisted preference shares as at 1 January 2018 increased by RMB210,379,000, resulting in:

– the Group's financial assets, at fair value through profit or loss being restated and increased by RMB210,379,000 as at 1 January 2018 due to the increase in fair value of the unlisted preference shares;

– the Group's other gains for the year ended 31 December 2018 being restated and decreased by RMB210,379,000 upon the disposal of the unlisted preference shares during the year; and

– the Group's retained earnings as at 1 January 2018 being correspondingly restated, with an increase of RMB210,379,000.

The effect of the revision mainly affects the timing of recognition of fair value changes in profit or loss in previous financial years and there is no impact to the cumulative retained earnings of the Group.

43. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak has been and continues to be implemented in countries where the Group operates. The Group is closely monitoring the development of the COVID-19 outbreak and its related impact on the Group's businesses. As at the date of these financial statements, the Group is not aware of any material impact on the financial statements arising from the COVID-19 outbreak.

44. 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 26 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

45. 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	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Jiangsu New Yangzi Shipbuilding Co., Ltd.(1)	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**48.9**	48.9	**100**	100	**–**	–
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.(1)	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**12.5**	12.5	**80**	80	**20**	20
Jiangsu Yangzijiang Shipbuilding Co., Ltd.(2)	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**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	**–**	–
Jiangsu Tianchen Marine Import and Export Co., Ltd.(1)	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Yangchuan Equipment and Materials Co., Ltd.(2)	Supply of marine equipment and materials	PRC	**–**	–	**100**	100	**–**	–
Jingjiang Runyuan Rural Micro-finance Co., Ltd.(2)	Provide microcredit to enterprise and individual	PRC	**–**	–	**100**	100	**–**	–
Yangzijiang International Trading Pte. Ltd.(3)	Trading of shipbuilding related materials/supplies	Singapore	**100**	100	**100**	100	**–**	–
Jiangsu Yanghong Marine Import and Export Co., Ltd.(1)	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**96.8**	96.8	**100**	100	**–**	–
Yangzijiang Shipping Pte. Ltd.(3)	Investment holding and shipping related businesses	Singapore	**100**	100	**100**	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

45. 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 31 December		Proportion of ordinary shares directly held by the Group 31 December		Proportion of ordinary shares held by non-controlling interest 31 December	
			2019	2018	**2019**	2018	**2019**	2018
			%	%	**%**	%	**%**	%
Jiangsu Yangzijiang Offshore Engineering Co.,Ltd.(1)	Shipbuilding, production and processing of large scale steel structures	PRC	**–**	–	**79.6**	79.6	**20.4**	20.4
Shanghai Econovo Marine Engineering Co., Ltd.(2)	Naval architecture and marine engineering field	PRC	**–**	–	**51**	–	**49**	–
Odfjell Terminals (Jiangyin) Company Ltd(2)	Owns and operates a tank terminal	PRC	**–**	–	**55**	–	**45**	–
Yangzijiang Terminals China Holding Pte. Ltd.(3)	Investment holding	Singapore	**100**	–	**100**	–	**–**	–

Name of associated companies	Principal activities	Place of business/ country of incorporation	Effective equity holding 31 December	
			2019	**2018**
			%	**%**
Everbright Venture Capital Jiangyin Co., Ltd.(2)	Engaging in venture capital investment and providing seed capital	PRC	**21.36**	21.36
Jiangsu New Material Industrial Venture Capital Enterprise(2)	Engaging in venture capital investment and providing seed capital	PRC	**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
Shanghai Chengding New Yangzi Investment Partnership Enterprise ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**29.85**	29.85
Zhuhai Interconnect Leading High-Tech Industrial Investment Center ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**30**	30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

45. 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 2019 %	2018 %
Wuxi Jinrui Zhonghe Investment Enterprise ("Limited Partnership")[2]	Engaging in venture capital investment and providing seed capital	PRC	**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 13 MARCH 2020

Issued and fully paid-up shares capital	:	S$1,451,903,280.38 (RMB7,326,773,000)
Number of shares (excluding treasury share)	:	3,918,765,200
Class of shares	:	Ordinary Shares
Voting per share	:	One vote per share
Treasury Share	:	55,311,800
Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	17	0.08	180	0.00
100 – 1,000	1,822	8.42	1,664,559	0.04
1,001 – 10,000	12,637	58.43	75,130,331	1.92
10,001 – 1,000,000	7,119	32.92	311,365,190	7.95
1,000,001 AND ABOVE	32	0.15	3,530,604,940	90.09
TOTAL	**21,627**	**100.00**	**3,918,765,200**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	1,331,711,172	33.98
2	HSBC (SINGAPORE) NOMINEES PTE LTD	1,063,723,136	27.14
3	DBS NOMINEES (PRIVATE) LIMITED	434,068,941	11.08
4	DBSN SERVICES PTE. LTD.	313,154,112	7.99
5	RAFFLES NOMINEES (PTE.) LIMITED	213,377,449	5.45
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	20,377,300	0.52
7	PHILLIP SECURITIES PTE LTD	17,465,257	0.45
8	BPSS NOMINEES SINGAPORE (PTE.) LTD.	16,206,225	0.41
9	UOB KAY HIAN PRIVATE LIMITED	16,165,000	0.41
10	LEON LEE SHUNG-FEI	12,076,100	0.31
11	OCBC SECURITIES PRIVATE LIMITED	11,722,400	0.30
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	11,559,200	0.29
13	MERRILL LYNCH (SINGAPORE) PTE. LTD.	9,725,648	0.25
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	8,066,322	0.21
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,758,597	0.17
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,076,600	0.13
17	IFAST FINANCIAL PTE. LTD.	4,449,500	0.11
18	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	4,153,492	0.11
19	ABN AMRO CLEARING BANK N.V.	4,138,047	0.11
20	KENYON PTE LTD	4,000,000	0.10
	TOTAL	**3,507,974,498**	**89.52**

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 MARCH 2020

Substantial Shareholders	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%	Total Interest Number of Shares	%
Ren Yuanlin[(1)]	3,200,000	0.0817	852,845,825	21.7631	856,045,825	21.8448
Yangzi International Holdings Limited	852,845,825	21.7631	–	–	852,845,825	21.7631
Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement	–	–	852,845,825	21.7631	852,845,825	21.7631
Lido Point Investments Ltd	394,134,000	10.0576	–	–	394,134,000	10.0576
Wang Dong[(2)]	–	–	394,134,000	10.0576	394,134,000	10.0576

(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.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 60.04% of the shareholding of the Company is held in the hands of the public as at 13 March 2020 and Rule 723 of the Listing Manual is complied with.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company ("**AGM**") will be held at 16 Raffles Quay, #41-02 Hong Leong Building, Singapore 048581 on Thursday, 30 April 2020 at 3.00 p.m. (of which there will be a live webcast) to transact the following business: –

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2019 and the Directors' Statements and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of S$0.045 per ordinary share in respect of the financial year ended 31 December 2019. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$136,500 for the financial year ended 31 December 2019. (2018: S$136,500). **(Resolution 3)**

4. To note the retirement of Mr Ren Yuanlin as Executive Chairman and Director pursuant to Regulation 94 of the Company's Constitution, who will not be seeking re-election.

5. To re-elect Mr Xu Wen Jiong who is retiring by rotation pursuant to Regulation 94 of the Company's Constitution. *[See Explanatory Note (a)]* **(Resolution 4)**

6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary resolutions, with or without modifications:

7. **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
FOURTEENTH 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 are not given the opportunity to participate in the same on a 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 or the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(b) 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 (b)]* **(Resolution 6)**

NOTICE OF
FOURTEENTH ANNUAL GENERAL MEETING

8. **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 ("**Market Purchase**"); 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 ("**Off-Market Purchase**"),

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 ("**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 the Ordinary Shares held in treasury and subsidiary holdings 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
FOURTEENTH ANNUAL GENERAL MEETING

"**Average Closing Price**" means the average of the closing market prices of a Share for the five (5) 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 (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; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(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 (c)]* **(Resolution 7)**

9. To transact any other business which may be properly transacted at an annual general meeting.

By Order of the Board

Pan Mi Keay
Company Secretary
7 April 2020
Singapore

NOTICE OF
FOURTEENTH ANNUAL GENERAL MEETING

Measures To Minimize Risk Of Community Spread Of 2019 Novel Coronavirus ("COVID-19")

1. In view of the constantly evolving COVID-19 situation, the Company reserves the right to take such precautionary measures as may be appropriate at the AGM, including any precautionary measures as may be required or recommended by government agencies or the Singapore Exchange Regulation from time to time, in order to minimize the risk of community spread of COVID-19. The Company may also be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check the Company's website for updates on the AGM.

2. The Ministry of Health of Singapore (the "**MOH**") had on 24 March 2020 issued an advisory requiring events and mass gatherings (e.g. conferences, exhibitions, festivals, concerts, sporting events and trade fairs) to be deferred or cancelled, regardless of size and for any other social events and gatherings to involve 10 or less persons at any one time (the "**MOH Advisory**").

3. Further to the MOH Advisory, the Singapore Exchange Regulation had on 25 March 2020 announced that it is working with other relevant government agencies to propose legislative amendments with a view to introducing the amendments for the Parliament sitting in April 2020, in relation to the conduct of meetings (the "**SGX Announcement**"). The proposed legislation will allow issuers the flexibility to hold meetings solely by virtual means, notwithstanding any contrary provisions in their constitutive documents. Issuers are to put in place arrangements for participants to cast their votes remotely.

4. The Securities Investors Association (Singapore) had also on 25 March 2020 issued a press statement (the "**SIAS Press Release**") acknowledging that companies will now have to restrict the number of attendees at their annual general meetings to less than 10 attendees and encouraging shareholders to participate at annual general meetings via other means, namely (a) sending questions ahead of the meeting; (b) exercising their right to vote through the submission of proxy forms and (c) watching the webcast of the meeting.

5. In light of the MOH Advisory, the SGX Announcement and the SIAS Press Release, the Company has decided to hold the AGM by virtual means as well to minimize the risk of community spread of COVID-19. Shareholders will be able to participate at the AGM in the following manner set out in the paragraphs below.

   Participate in the AGM via live webcast

6. To comply with the MOH Advisory, the Company will be restricting attendance in-person at the venue of the AGM. The shareholder attendees will be limited to two pre-selected shareholders in order to ensure compliance with the minimum quorum requirement under the Company's Constitution. No other shareholders or their corporate representatives will be admitted.

7. All other shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to watch the AGM proceedings through a live webcast via their mobile phones, tablets or computers. To do so, they will need to complete the attached pre-registration form and mail the completed pre-registration form to the Company Secretary for verification of their status as shareholders (or the corporate representatives of such shareholders). All completed pre-registration forms must be received by the Company no later than 3.00 p.m. on 27 April 2020.

8. Upon successful pre-registration, each such shareholder or its corporate representative will receive an email by 29 April 2020. The email will contain a link to access the webcast of the AGM proceedings, together with the relevant log in details and instructions. Shareholders (or corporate representatives) who do not receive an email by 29 April 2020, but have pre-registered in accordance with paragraph 7 above should contact the Company Secretary at 65-6236 3459.

NOTICE OF
FOURTEENTH ANNUAL GENERAL MEETING

9. Shareholders will not be able to vote through the live webcast and can only vote with their proxy forms which are required to be submitted in advance (see paragraph 12 below).

10. Shareholders are reminded not to congregate to watch the live webcast and ensure that safe distancing measures are practiced and MOH advisories are adhered to.

11. After the AGM, the Company will also publish minutes of the AGM on its website including its responses from the Company's Board of Directors and management to the important and substantial queries (that were received prior to the date of the AGM).

Voting by proxy

12. The only way for Shareholders to exercise their voting rights at the AGM is via proxy voting. Shareholders would have to submit the attached proxy form to the Company Secretary in accordance with the instructions set out in such proxy form and appoint "Chairman of the Meeting" as their proxy. All votes in the AGM will be taken on a poll.

Submission of questions prior to AGM

13. Shareholders may submit any questions they wish for the Company to consider addressing during the live webcast of the AGM proceedings by mailing or emailing such questions to the following addresses:

    Mailing address: 4 Robinson Rd, #04-01 The House of Eden, Singapore 048543

    Email Address: romil@financialpr.com.sg / reyna@financialpr.com.sg

    Attention to: Romil SINGH/Reyna MEI

    All questions must be received by the Company no later than 5.00 p.m. on 23 April 2020. Shareholders are also reminded to provide their full names and identification numbers when writing in, along with their email addresses and mobile contact numbers.

14. Due to the time limit of the AGM, the Company's Board of Directors shall only address important and substantial questions (as may be determined by the Company in its sole discretion) received from shareholders prior to the date of the AGM.

15. The Company seeks the understanding and cooperation of all shareholders to minimize the risk of community spread of COVID-19.

NOTICE OF
FOURTEENTH ANNUAL GENERAL MEETING

Explanatory Notes:

(a) Detailed information of Mr Xu Wen Jiong, who is seeking re-election as a Director of the Company, is found under "Board of Directors" section on page 15 and "Disclosure of information on seeking re-election pursuant to Rule 720(6) of the Listing Rules of the SGX-ST" on pages 36 to 40 of the Annual Report. Mr Xu Wen Jiong is considered a Non-Independent Non-Executive Director.

(b) The proposed ordinary resolution 6, 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.

(c) The proposed ordinary resolution 7, 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 of the Company to purchase or acquire up to 10% of the issued ordinary share capital of the Company (excluding the shares held in treasury and subsidiary holdings) 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 Annual Report which is available online for information.

   (i) As at the date of this Notice of the AGM, the Company has, since the date of the last annual general meeting, purchased a total of 27,000,000 shares by way of market purchase at an aggregate consideration of S$25,027,234.23.

   (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 of the AGM 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 2019 are set out in the Appendix to the Annual Report and are for illustration only.

NOTICE OF
FOURTEENTH ANNUAL GENERAL MEETING

Notes:

(1) A member of the Company who is entitled to attend and vote at the AGM is entitled to appoint the "Chairman of the Meeting" as a proxy to vote in his/her stead.

(2) The instrument appointing the "Chairman of the Meeting" as 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 AGM.

PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing the "Chairman of the Meeting" as proxy to vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to the AGM in accordance with paragraph 13 of the section "Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus" (the "**COVID-19 Notice**") or (c) submitting the pre-registration form in accordance with paragraph 7 of the COVID-19 Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purposes of:

(i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the "Chairman of the Meeting" as proxy for the AGM (including any adjournment thereof);

(ii) processing the pre-registration forms for purposes of granting access to members (or their corporate representatives in the case of members who are legal entities) to view the live webcast of the AGM proceedings and providing viewers with any technical assistance where necessary;

(iii) addressing selected questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;

(iv) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof); and

(v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

APPENDIX

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. Introduction

1.1 Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") proposes to seek the approval of Shareholders of the Company (the "**Shareholders**") at the Fourteenth Annual General Meeting of the Company to be held at 16 Raffles Quay #41-02, Hong Leong Building, Singapore 048681 on Thursday, 30 April 2020 at 3.00 p.m. (of which there will be a live webcast) (the "**14th AGM**") for the proposed renewal of the share purchase mandate to authorise the Company's directors (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 Ordinary 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 (the "**Constitution**") and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as set out in the SGX-ST Listing Manual (the "**Listing Manual**") (the "**Share Purchase Mandate**").

1.2 The Companies Act, Chapter 50 of Singapore (the "**Companies Act**") allows a Singapore incorporated company to purchase or otherwise acquire its issued ordinary shares, stocks and preference shares if the purchase or acquisition is permitted under the company's constitution. Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by, the Companies Act, the Constitution for the time being and such other laws and regulations as may, for the time being, be applicable. As the Company is listed on the Mainboard of the SGX-ST, it is also required to comply with Part XIII of Chapter 8 of the Listing Manual, which relates to the purchase or acquisition by an issuer of its own shares. Article 50(2) of the Constitution expressly permits the Company to purchase or otherwise acquire its issued Shares.

It is a requirement under the Companies Act and the Listing Manual for a company that wishes to purchase or otherwise acquire its own shares to obtain the approval of its shareholders.

1.3 The Shareholders of the Company had at the EGM held on 25 April 2008, approved the Share Purchase Mandate (the "**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 AGM held on 30 April 2019 and such mandate being to take effect until the conclusion of the Company's forthcoming 14th AGM.

1.4 If the proposed resolution for the renewal of the Share Purchase Mandate is approved at the 14th AGM (the "**Share Purchase Mandate Renewal Resolution**"), 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.

1.5 The purpose of this appendix ("**this Appendix**") is to provide information relating to and explain the rationale for the proposed renewal of the Share Purchase Mandate.

1.6 Shareholders who are in doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers at the earliest opportunity.

APPENDIX

2. Rationale for the Proposed Renewal of 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 (the "**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 Company and its subsidiaries (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.

(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.

APPENDIX

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 (excluding treasury shares and subsidiary holdings) ascertained as at the date of the 14^{th} AGM at which the Share Purchase Mandate Renewal Resolution is passed, 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 the Share Purchase Mandate Renewal Resolution 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 13 March 2020 (the "**Latest Practicable Date**"), the Company is holding 55,311,800 Shares in treasury and does not have subsidiary holdings.

For illustrative purposes only, on the basis of 3,918,765,200 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings), and assuming on or prior to the 14^{th} AGM:

(a) no further Shares are issued;

(b) 55,311,800 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 391,876,520 Shares, representing 10% of the total number of Shares (excluding the Shares held in treasury and subsidiary holdings) 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 14^{th} AGM, at which the renewal of the 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.

APPENDIX

The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM (after the 14th 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.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual 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 Manual, 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 Singapore Code on Take-over and Mergers (the "**Take-over Code**") or other applicable take-over rules;

APPENDIX

(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 through 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 Maximum Purchase Price

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.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share for the five (5) 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 Manual 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.

"**Market Day**" means a day on which the SGX-ST is open for trading in securities.

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.

APPENDIX

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. In the event that the Company holds more than 10% of the total number of its issued Shares as treasury shares, the Company shall dispose of or cancel the excess treasury shares in the manner set out under paragraph 3.6.3 of this Appendix below within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies appointed under the Companies Act may allow.

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.

3.6.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(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.

APPENDIX

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 to 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 comprise such details that the SGX-ST may prescribe, including, *inter alia*, details of the date of the purchase, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such Shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the Shares, the number of Shares purchased as at the date of announcement (on a cumulative basis), the number of issued Shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase. 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.

5. Source of Funds

The Company may only apply funds for the purchase or acquisition of the Shares as provided in the Constitution 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.

APPENDIX

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 net tangible assets ("**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 affected 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 earnings per share (the "**EPS**") and/or the NTA value per Share.

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 2019 are based on the assumptions set out below:

(a) based on 3,918,765,200 Shares in issue as at the Latest Practicable Date (excluding treasury shares and subsidiary holdings), and assuming no further Shares are issued, 55,311,800 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 14th AGM, not more than 391,876,520 Shares, representing 10% of the total number of issued Shares (excluding Shares held in treasury and subsidiary holdings) 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 391,876,520 Shares at the Maximum Price of S$0.996 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) 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 391,876,520 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB1,953,949,685.00; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 391,876,520 Shares at the Maximum Price of S$1.139 for one (1) Share (being the price equivalent to 20% above the Average Closing Price of the Shares on the five (5) 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 391,876,520 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB2,233,085,354.00.

APPENDIX

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 2019; and (iii) the Company had purchased or acquired 391,876,520 Shares, representing 10% of its total number of issued Shares (excluding Shares held in treasury and subsidiary holdings) at the Latest Practicable Date, on 31 December 2019, the financial effects of the purchase or acquisition of 391,876,520 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,

on the financial statements of the Company and the Group for the financial period ended 31 December 2019 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 2019				
Issued capital and reserves	31,345,752	31,287,134	12,177,742	12,119,124
Treasury shares	(250,121)	(2,204,071)	(250,121)	(2,204,071)
Total shareholders' equity	31,095,631	29,083,063	11,927,621	9,915,053
NTA (excl. non-controlling interests)	31,095,631	29,083,063	11,927,621	9,915,053
Profit after taxation and minority interest	3,105,069	3,046,451	615,276	556,658
Net debt	Net Cash	Net Cash	490,432	2,444,382
Number of Shares ('000)	3,918,765	3,526,889[(1)]	3,918,765	3,526,889
Financial Ratios				
NTA per share (cents)	793.51	824.61	304.37	281.13
Gross debt gearing (%)	16.19	24.02	4.24	24.80
Net debt gearing (%)	Net Cash	Net Cash	4.11	24.65
Current ratio (times)	3.07	2.57	1.56	1.14
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	25.93	19.74	26.82	8.08
Basic EPS (cents)				
(before exceptional items)	78.88	85.95	15.63	15.70
(after exceptional items)	78.88	85.95	15.63	15.70
Return on equity (%)	9.99	10.47	5.16	5.61

Note:

Based on 3,918,765,200 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 55,311,800 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 2019				
Issued capital and reserves	31,345,752	31,278,759	12,177,742	12,110,749
Treasury shares	(250,121)	(2,483,206)	(250,121)	(2,483,206)
Total shareholders' equity	31,095,631	28,795,553	11,927,621	9,627,543
NTA (excl. non-controlling interests)	31,095,631	28,795,553	11,927,621	9,627,543
Profit after taxation and minority interest	3,105,069	3,038,076	615,276	548,283
Net debt	Net Cash	Net Cash	490,432	2,723,517
Number of Shares ('000)	3,918,765	3,526,889[1]	3,918,765	3,526,889
Financial Ratios				
NTA per share (cents)	793.51	816.46	304.37	272.98
Gross debt gearing (%)	16.19	25.23	4.24	28.44
Net debt gearing (%)	Net Cash	Net Cash	4.11	28.29
Current ratio (times)	3.07	2.51	1.56	1.10
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	25.93	19.09	26.82	7.35
Basic EPS (cents)				
(before exceptional items)	78.88	85.22	15.63	15.38
(after exceptional items)	78.88	85.22	15.63	15.38
Return on equity (%)	9.99	10.55	5.16	5.69

Note:

Based on 3,918,765,200 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 55,311,800 Shares that are held in treasury as at the Latest Practicable Date.

(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 2019				
Issued capital and reserves/Total shareholders' equity	31,095,631	29,083,063	11,927,621	9,915,053
NTA (excl. non-controlling interests)	31,095,631	29,083,063	11,927,621	9,915,053
Profit after taxation and minority interest	3,105,069	3,046,451	615,276	556,658
Net debt	Net Cash	Net Cash	490,432	2,444,382
Number of Shares ('000)	3,918,765	3,526,889	3,918,765	3,526,889
Financial Ratios				
NTA per share (cents)	793.51	824.61	304.37	281.13
Gross debt gearing (%)	16.19	24.02	4.24	24.80
Net debt gearing (%)	Net Cash	Net Cash	4.11	24.65
Current ratio (times)	3.07	2.57	1.56	1.14
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	25.93	19.74	26.82	8.08
Basic EPS (cents)				
(before exceptional items)	78.88	85.46	15.63	15.61
(after exceptional items)	78.88	85.46	15.63	15.61
Return on equity (%)	9.99	10.47	5.16	5.61

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 2019				
Issued capital and reserves/Total shareholders' equity	31,095,631	28,795,553	11,927,621	9,627,543
NTA (excl. non-controlling interests)	31,095,631	28,795,553	11,927,621	9,627,543
Profit after taxation and minority interest	3,105,069	3,038,076	615,276	548,283
Net debt	Net Cash	Net Cash	490,432	2,723,517
Number of Shares ('000)	3,918,765	3,526,889	3,918,765	3,526,889
Financial Ratios				
NTA per share (cents)	793.51	816.46	304.37	272.98
Gross debt gearing (%)	16.19	25.23	4.24	28.44
Net debt gearing (%)	Net Cash	Net Cash	4.11	28.29
Current ratio (times)	3.07	2.51	1.56	1.10
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	25.93	19.09	26.82	7.35
Basic EPS (cents)				
(before exceptional items)	78.88	85.22	15.63	15.38
(after exceptional items)	78.88	85.22	15.63	15.38
Return on equity (%)	9.99	10.55	5.16	5.69

Shareholders should note that the financial effects set out above are purely for illustrative purposes only and are based on the assumptions set out above. 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 holdings), 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 holdings). 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 at the earliest opportunity.

7. Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buyback 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.

7.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and person(s) acting in concert with him increases to 30% or more, or, if the Shareholder and person(s) acting in concert with him holds between 30% and 50% of the Company's voting capital, would increase by more than 1% in any six (6) months' period, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

APPENDIX

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 such company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert with each other:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any companies 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. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(b) a company with any of its directors (together with their close relatives, related trusts as well as 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 whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, 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 shareholding 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 such directors, their close relatives and related trusts) 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.

The circumstances under which the Shareholders (including the 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.

APPENDIX

7.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

(a) the voting rights of such Directors and their concert parties would increase to 30% or more; or

(b) if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares and subsidiary holdings 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, the voting rights of such Shareholder in the Company would increase to 30% or more, or, 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 (6) months. Such Shareholder need not abstain from voting in respect of the Share Purchase Mandate Renewal Resolution.

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.

8. Listing Rules

While the Listing Manual does 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, in line with the Principles of Best Practice issued by SGX-ST in December 2017 and in order to comply with Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one (1) month immediately preceding the announcement of the Company's annual financial results; and

(b) two (2) weeks immediately preceding the announcement of the Company's financial results for each of the first three (3) quarters of its financial year.

APPENDIX

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 holdings) 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 (as defined in the Securities and Futures Act, Chapter 289 of Singapore) (the "**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 2,352,638,005 Shares, representing approximately 60.04% of the issued Shares (excluding Shares held in treasury and subsidiary holdings), 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 1,960,761,485 Shares, representing approximately 55.60% of the total number of issued Shares (excluding Shares held in treasury and subsidiary holdings). Accordingly, the Company is of the view that there is a sufficient number of issued Shares (excluding Shares held in treasury and subsidiary holdings) 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.

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 27,000,000. All such Shares were acquired by way of Market Purchases;

(b) the highest and lowest price paid for such Shares purchases were S$0.99 and S$0.85 respectively; and

(c) the total consideration paid by the Company for such Share purchases was S$25,027,234.23.

APPENDIX

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:

Director	Number of Shares Direct Interest	Number of Shares Deemed Interest
Ren Yuanlin	3,200,000	852,845,825[1]
Teo Yi-Dar	150,000	–
Chen Timothy Teck Leng @ Chen Teck Leng	–	–
Xu Wen Jiong	–	–
Ren Letian (Alternate Director to Ren Yuanlin)	2,100,000	165,797,370[4]

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:

Substantial Shareholders	Number of Shares Direct Interest	Number of Shares Deemed Interest	Total Percentage Interest (%)[2]
Ren Yuanlin	3,200,000	852,845,825	21.8448
Yangzi International Holdings Limited	852,845,825	–	21.7631
Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement	–	852,845,825	21.7631
Lido Point Investments Ltd	394,134,000	–	10.0576
Wang Dong	–	394,134,000[3]	10.0576

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 3,918,765,200 Shares in issue as at the Latest Practicable Date, excluding subsidiary holdings and 55,311,800 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, by virtue of Section 7 of the Companies Act.

4 Mr Ren Letian is deemed to be intrerested in total 165,797,370 ordinary shares of Yangzijiang Shipbuilding (Holdings) Ltd. held by Hengyuan Asset Investment Limited ("Hengyuan") (163,697,370 ordinary shares) and Vela Wealth Limited ("Vela") (2,100,000 ordinary shares) through his interests in Hengyuan and Vela by virtue of Section 7 of the Companies Act, Chapter 50.

11. Directors' Recommendations

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interest of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Share Purchase Mandate Renewal Resolution as set out in the Notice of the 14th AGM.

12. Annual General Meeting

The 14th AGM, notice of which is set out on pages 164 to 171 of the Notice of 14th AGM attached to the Annual Report 2019 of the Company, will be held at 16 Raffles Quay #41-02 Hong Leong Building, Singapore 048581 on Thursday, 30 April 2020 at 3.00 p.m. (of which there will be a live webcast) for the purpose of, *inter alia*, considering and, if thought fit, passing the Share Purchase Mandate Renewal Resolution as set out in the Notice of the 14th AGM.

APPENDIX

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 14^{th} AGM:

(a) the Constitution; and

(b) the audited consolidated financial statements of the Company for FY2019.

Yours faithfully,
For and on behalf of the Board of Directors of
YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Ren Yuanlin
Executive Chairman

This page has been intentionally left blank

Proxy Form

Yangzijiang Shipbuilding (Holdings) Ltd.

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200517636Z)

IMPORTANT

1. 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 have any queries regarding the appointment of the "Chairman of the Meeting" as proxy.
2. 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 AGM dated 7 April 2020.

I/We ________________________________ (name) ____________________ (NRIC/ FIN/ Passport No.)

of ____ (address)

being a member/ members of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**"), hereby appoint:–

Name	Proportion of shareholdings to be represented by proxy (%)
Chairman of the Meeting	

as *my/our proxy to attend and vote for or against or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM to be held at 16 Raffles Quay, #41-02, Hong Leong Building, Singapore 048581 on Thursday, 30 April 2020 at 3.00 p.m. (of which there will be a live webcast) and at any adjournment thereof.

No.	Resolutions	**For	**Against	**Abstain
ORDINARY BUSINESS				
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Independent Auditors' Report for the financial year ended 31 December 2019.			
2.	Declaration of tax exempt (one-tier) final dividend in respect of the financial year ended 31 December 2019.			
3.	Approval for payment of Directors' fees for the financial year ended 31 December 2019.			
4.	Re-election of Mr Xu Wen Jiong.			
5.	Re-appointment of Messrs PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration.			
SPECIAL BUSINESS				
6.	To authorise Directors to allot and issue shares.			
7.	To renew the Share Purchase Mandate.			

* *Delete accordingly*

** *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "✓" in the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you mark "✓" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.*

Dated this ________ day of ______________________, 2020

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. The instrument appointing a proxy 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.

2. The instrument appointing a proxy (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.

3. 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.

4. The Company shall be entitled to reject an instrument appointing a proxy 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. 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 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.

5. Please take note of the section "Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus" in the Notice of AGM.

DO NOT STAPLE. GLUE ALL SIDES FIRMLY

AFFIX POSTAGE STAMP

The Company Secretary
Yangzijiang Shipbuilding (Holdings) Ltd.
80 Robinson Road
#02-00
Singapore 068898

This page has been intentionally left blank

This page has been intentionally left blank

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

PAN MI KEAY
SEE KAI LI

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