



YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.
 (Company Registration No. 200517636Z)
 (Incorporated in the Republic of Singapore)

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

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

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

	The Group				The Group			
	3rd Quarter				January - September			
	3Q 2017	% of	3Q 2016	+ / (-) %	9M 2017	% of	9M 2016	+ / (-) %
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	4,378,165	100%	3,880,364	13%	12,850,984	100%	9,581,200	34%
Cost of sales	(3,704,581)	-85%	(3,010,952)	23%	(10,483,224)	-82%	(7,379,071)	42%
Gross profit	673,584	15%	869,412	-23%	2,367,760	18%	2,202,129	8%
Other income	57,697	1%	501,078	-88%	165,121	1%	597,315	-72%
Other gains, net	309,302	7%	240,268	29%	588,984	5%	550,714	7%
Expenses								
- Administrative								
• Impairment loss	(7,076)	-0.2%	(750,081)	-99%	(59,845)	-0.5%	(825,660)	-93%
• Others	(87,022)	-2%	(115,371)	-25%	(264,944)	-2%	(298,328)	-11%
- Finance	(19,851)	-0.5%	(100,184)	-80%	(74,052)	-1%	(296,155)	-75%
Share of results of associated companies and a joint venture [#]	31,313	0.7%	(95,802)	n.m.	4,487	0.03%	(165,764)	n.m.
Profit before income tax	957,947	22%	549,320	74%	2,727,511	21%	1,764,251	55%
Income tax expense	(38,621)	-1%	(235,936)	-84%	(361,467)	-3%	(555,643)	-35%
Net profit	919,326	21%	313,384	193%	2,366,044	18%	1,208,608	96%
Attributable to:								
Equity holders of the Company	865,996	20%	281,219	208%	2,253,582	18%	1,144,595	97%
Non-controlling interests	53,330	1%	32,165	66%	112,462	1%	64,013	76%
	<u>919,326</u>		<u>313,384</u>	<u>193%</u>	<u>2,366,044</u>		<u>1,208,608</u>	<u>96%</u>

[#] Share of results of associated companies and a joint venture is after tax.

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

	The Group		+ / (-) % Variance %
	3rd Quarter		
	3Q2017 RMB'000	3Q2016 RMB'000	
After charging:			
Depreciation and amortization	135,895	139,732	-3%
Finance costs - Interest on borrowings	19,851	100,184	-80%
Foreign exchange related loss/(gain), net	102,141	(9,621)	n.m.
Impairment loss on property, plant and equipment	-	531,367	n.m.
Impairment loss on financial assets, held-to-maturity	7,076	218,714	-97%
After crediting:			
Interest income	41,628	67,285	-38%
Subsidy income	147,821	106,565	39%
Income from forfeiture of advances received	-	433,793	n.m.
Fair value gain on financial assets, at fair value through profit or loss	82,348	-	n.m.
Fair value change on derivative financial instruments	9,072	73,901	-88%
Dividend Income	16,069	18,960	-15%
Gain from disposal of associated companies	-	6,570	n.m.
Gain from disposal of subsidiaries	94,523	-	n.m.
Gain on disposal of property, plant and equipment	60,707	-	n.m.

n.m. denotes not meaningful.

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

	<u>The Group</u>		<u>The Company</u>	
	As at 30 Sep 2017 RMB'000	As at 31 Dec 2016 RMB'000	As at 30 Sep 2017 RMB'000	As at 31 Dec 2016 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	5,353,829	7,085,796	1,033,017	1,422,015
Restricted cash	4,066	1,219,695	-	-
Derivative financial instruments	-	36,371	-	36,371
Financial assets, at fair value through profit or loss	805,946	605,429	-	-
Financial assets, available-for-sale	1,607,078	648,843	-	-
Financial assets, held-to-maturity	8,242,624	5,296,709	-	-
Trade and other receivables	4,460,084	5,346,997	6,403,993	6,736,769
Inventories	1,874,446	2,032,459	-	-
Due from customers on construction contracts	5,613,150	3,929,478	-	-
	<u>27,961,223</u>	<u>26,201,777</u>	<u>7,437,010</u>	<u>8,195,155</u>
Non-current assets				
Financial assets, held-to-maturity	2,464,925	5,609,925	-	-
Trade and other receivables	1,158,204	1,258,379	2,208,530	2,347,406
Derivative financial instruments	-	23,002	-	23,002
Lease prepayments	993,300	1,080,656	-	-
Investment in subsidiaries	-	-	5,199,570	5,199,570
Investment in a joint venture	-	4,796	-	4,796
Investment in associated companies	1,182,973	882,622	134,062	134,062
Financial assets, available-for-sale	200,000	200,000	-	-
Property, plant and equipment	4,902,036	5,476,950	30	37
Intangible assets	7,455	7,906	-	-
Deferred income tax assets	485,840	488,170	-	-
	<u>11,394,733</u>	<u>15,032,406</u>	<u>7,542,192</u>	<u>7,708,873</u>
Total assets	<u>39,355,956</u>	<u>41,234,183</u>	<u>14,979,202</u>	<u>15,904,028</u>
LIABILITIES				
Current liabilities				
Trade and other payables	4,688,331	5,605,757	3,885,981	3,869,948
Derivative financial instruments	5,045	281,166	5,045	281,166
Due to customers on construction contracts	800,021	1,808,605	-	-
Advances received on construction contracts	813,945	457,021	-	-
Borrowings	3,886,024	2,579,435	1,152,890	1,387,400
Provisions	402,766	488,633	-	-
Current income tax liabilities	803,530	1,130,020	372,529	406,529
	<u>11,399,662</u>	<u>12,350,637</u>	<u>5,416,445</u>	<u>5,945,043</u>
Non-current liabilities				
Derivative financial instruments	-	1,416	-	1,416
Borrowings	1,039,366	4,645,022	-	1,387,400
Deferred income tax liabilities	1,140,139	1,037,999	224,784	224,784
	<u>2,179,505</u>	<u>5,684,437</u>	<u>224,784</u>	<u>1,613,600</u>
Total liabilities	<u>13,579,167</u>	<u>18,035,074</u>	<u>5,641,229</u>	<u>7,558,643</u>
NET ASSETS	<u>25,776,789</u>	<u>23,199,109</u>	<u>9,337,973</u>	<u>8,345,385</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	7,361,989	6,354,096	7,326,772	6,318,879
Treasury shares	(20,979)	(20,979)	(20,979)	(20,979)
Other reserves	505,976	324,938	(40,192)	(40,192)
Retained earnings	17,344,590	16,033,911	2,072,372	2,087,677
	<u>25,191,576</u>	<u>22,691,966</u>	<u>9,337,973</u>	<u>8,345,385</u>
Non-controlling interests	585,213	507,143	-	-
Total equity	<u>25,776,789</u>	<u>23,199,109</u>	<u>9,337,973</u>	<u>8,345,385</u>

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

Amount repayable in one year or less, or on demand

As at 30 September 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
91,714	3,794,310	507,185	2,072,250

Amount repayable after one year

As at 30 September 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
593,533	445,833	898,243	3,746,779

Details of any collateral

The borrowings from the bank are secured by restricted cash and legal mortgages over the vessels.

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

	The Group	
	3rd quarter	
	3Q2017	3Q2016
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	919,326	313,384
Adjustments for:		
- Income tax expenses	38,621	235,936
- Depreciation on property, plant and equipment	130,828	134,268
- Amortisation of lease prepayment	5,043	5,274
- Amortisation of intangible assets	24	190
- Interest expenses	19,851	100,184
- Fair value change on derivative financial instruments	(9,072)	(73,901)
- Fair value change on financial assets, at fair value through profit or loss	(82,348)	-
- Gain from disposal of property, plant and equipment	(60,707)	-
- Gain from disposal of subsidiaries	(94,523)	-
- Gain from disposal of associated companies	-	(6,570)
- Impairment loss on property, plant and equipment	-	531,367
- Dividend income	(16,069)	(18,960)
- Interest income	(41,628)	(67,285)
- Share of (Gains)/losses of associated companies and a joint venture	(31,313)	95,802
	778,033	1,249,689
Change in working capital		
- Inventories	(36,318)	(127,904)
- Construction contract balances	(974,036)	(1,107,063)
- Trade and other receivables	(344,349)	606,593
- Trade and other payables	(272,591)	(729,181)
- Financial assets, held-to-maturity	(97,934)	707,439
- Provisions	(18,220)	(32,808)
- Restricted cash	331,351	(932,488)
Cash generated from operations	(634,064)	(365,723)
Interest paid	(35,751)	(81,544)
Interest received	41,628	67,285
Income tax paid	(58,004)	(126,347)
Net cash used in operating activities	(686,191)	(506,329)
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	206,876	-
Purchase of property, plant and equipment	(1,602)	(11,494)
Acquisition of financial assets, available-for-sale	(537,220)	(56,467)
Incorporation/acquisition of additional shares in associated companies	(1,000)	(40,000)
Dividend income	16,069	18,960
Dividend received from associated companies/a joint venture	-	340,738
Return of capital by associated companies	13,338	105,083
Net cash inflow from sales of investment in subsidiaries	91,958	-
Proceeds from sales of investment in an associated company	-	29,500
Net cash (used in)/provided by investing activities	(211,581)	386,320
Cash flows from financing activities		
Proceeds from issuance of shares	1,007,893	-
Proceeds from borrowings	511,393	394,500
Repayments of borrowings	(1,566,907)	(892,600)
Dividend paid to non-controlling interests	(511)	-
Net cash used in financing activities	(48,132)	(498,100)
Net decrease in cash and cash equivalents	(945,904)	(618,109)
Cash and cash equivalents at the beginning of financial period	6,299,733	6,372,995
Cash and cash equivalents at the end of financial period	5,353,829	5,754,886

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

	<u>The Group</u>		<u>The Group</u>	
	3rd Quarter		9 months	
	3Q2017	3Q2016	9M2017	9M2016
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	919,326	313,384	2,366,044	1,208,608
Other comprehensive income:				
Financial assets, available-for-sale				
- Fair value gains/(loss)	3,566	9,008	(31,012)	9,008
- Transfers to income statement	-	(9,386)	-	(9,386)
Total comprehensive income, net of tax	922,892	313,006	2,335,032	1,208,230
Total comprehensive income attributable to:				
Equity holders of the Company	869,562	280,841	2,222,570	1,144,217
Non-controlling interests	53,330	32,165	112,462	64,013
	922,892	313,006	2,335,032	1,208,230

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

THE GROUP

Attributable to equity holders of the Group

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2017	6,354,096	(20,979)	458,867	16,522,077	23,314,061	566,275	23,880,336
Transfer between equity ⁽¹⁾	-	-	43,483	(43,483)	-	-	-
Shares issue ⁽²⁾	1,007,893	-	-	-	1,007,893	-	1,007,893
Dividend paid to Non-controlling interests ⁽³⁾	-	-	-	-	-	(511)	(511)
Disposal of subsidiaries ⁽⁴⁾	-	-	60	-	60	(33,881)	(33,821)
Total comprehensive income	-	-	3,566	865,996	869,562	53,330	922,892
Balance at 30 September 2017	7,361,989	(20,979)	505,976	17,344,590	25,191,576	585,213	25,776,789
Balance at 1 July 2016	6,354,096	(20,979)	205,026	15,308,325	21,846,468	451,389	22,297,857
Transfer between equity ⁽¹⁾	-	-	57,111	(57,111)	-	-	-
Total comprehensive income	-	-	(378)	281,219	280,841	32,165	313,006
Balance at 30 September 2016	6,354,096	(20,979)	261,759	15,532,433	22,127,309	483,554	22,610,863

THE COMPANY

	Attributable to equity holders of the Company				Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 1 July 2017	6,318,879	(20,979)	(40,192)	2,168,585	8,426,293
Total comprehensive income	-	-	-	(96,213)	(96,213)
Share Issue ⁽²⁾	1,007,893	-	-	-	1,007,893
Balance at 30 September 2017	7,326,772	(20,979)	(40,192)	2,072,372	9,337,973
Balance at 1 July 2016	6,318,879	(20,979)	(40,192)	2,132,935	8,390,643
Total comprehensive income	-	-	-	47,810	47,810
Balance at 30 September 2016	6,318,879	(20,979)	(40,192)	2,180,745	8,438,453

- (1) This represent amounts set aside for reserve fund and enterprise expansion fund in compliance with the local laws in the PRC where subsidiaries of the Group operate. The reserve fund can only be used, upon approval by the relevant authority, to offset prior year's losses or to increase capital while the enterprise expansion fund can only be used to increase capital upon approval by the relevant authority.
- (2) On 31 August 2017, the Company issued 137,000,000 ordinary shares in the capital of the Company at the placement price of S\$1.53 per share by way of a private placement to institutional investors and other investors in accordance with Sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore.
- (3) The RMB511,000 represents the dividend paid to non-controlling interest of Jiangsu New Yangzi Gas Co., Ltd, who holds 25% equity interest in the share capital of Jiangsu New Yangzi Gas Co., Ltd, a 75%-owned subsidiary of Jiangsu New Yangzi Shipbuilding Co., Ltd.
- (4) In 3Q2017, the Group had disposed of its entire 50% equity interest in the registered capital of Jiangsu Huayuan Metal Processing Co., Ltd. ("Huayuan"), 100% equity interest in the registered capital of Jiangsu Zhongzhou Vessel Component Manufacturing Co., Ltd. ("Zhongzhou Vessel") and 100% equity interest in the registered capital of Taixing Tongzhou Warehousing Co., Ltd.

1(d)(ii)(a) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

On 31 August 2017, the Company issued 137,000,000 ordinary shares in the capital of the Company ("**New Shares**") at the placement price of S\$1.53 per share by way of a private placement to institutional investors and other investors in accordance with Sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore.

Subsequent to the allotment and issue of the New Shares, the existing issued and paid-up share capital of the Company (excluding treasury shares) had increased from 3,831,838,000 Shares to 3,968,838,000 Shares.

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

There were no outstanding convertible securities as at 30 September 2017 and 30 September 2016.

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

	Number of Shares ('000)			
	As at 30 September 2017	%	As at 30 September 2016	%
Shares held as treasury shares	5,239	0.13%	5,239	0.14%
Issued shares excluding treasury shares	3,968,838	99.87%	3,831,838	99.86%
Total number of shares	<u>3,974,077</u>	100%	<u>3,837,077</u>	100%

The Company did not have subsidiary holdings as at 30 September 2017 and 30 September 2016.

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

	Number of Shares ('000)	
	As at 30 September 2017	As at 31 December 2016
Issued shares at the end of periods	3,974,077	3,837,077
Treasury shares at the end of periods	<u>(5,239)</u>	<u>(5,239)</u>
Issued shares excluding treasury shares	<u>3,968,838</u>	<u>3,831,838</u>

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

	Number of Shares ('000)	RMB '000
Total number of treasury shares		
Balance as at 1 July 2017	5,239	20,979
Repurchased during 3Q2017	-	-
Treasury shares re-issued	-	-
Balance as at 30 September 2017	<u>5,239</u>	<u>20,979</u>

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

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

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

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

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

Not applicable.

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

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

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

The Group adopted the new/revised FRS that are effective for annual periods beginning on or after 1 January 2017. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. The following are the new or amended FRS that are relevant to the Group:

- Improvements to Financial Reporting Standards (December 2016)
- Amendments to FRS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The adoption of the above amended FRS did not have any significant impact on the financial statements of the Group.

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

	The Group	
	3Q2017	3Q2016
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	22.33	7.34
Weighted average number of Ordinary shares	3,877,504,667	3,831,838,000
(b) On fully diluted basis (RMB cents)	22.33	7.34

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

	The Group		The Company	
	30/09/17	31/12/16	30/09/17	31/12/16
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	634.73	592.20	235.28	217.79

The Group's and the Company's net assets value per ordinary share as at 30 September 2017 have been computed based on the share capital of 3,968,838,000 shares while net assets value per ordinary share as at 31 December 2016 have been computed based on the share capital of 3,831,838,000 shares.

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

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

Income statement review

Shipbuilding Related Segment	3Q2017		3Q2016	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,808,857	100%	2,700,047	100%
Cost	(2,387,591)	-85%	(2,051,242)	-76%
Margin	421,266	15%	648,805	24%
Trading				
Turnover	1,270,425	100%	874,340	100%
Cost	(1,252,272)	-99%	(858,089)	-98%
Margin	18,153	1%	16,251	2%
Others				
Turnover	64,689	100%	81,219	100%
Cost	(54,205)	-84%	(85,044)	-105%
Margin	10,484	16%	(3,825)	-5%

Investment Segment	3Q2017		3Q2016	
	RMB'000	%	RMB'000	%
Held-to-Maturity Investment				
Interest Income	228,343	100%	214,184	100%
Value added taxes and levies	(10,485)	-5%	(16,482)	-8%
Net interest income	217,858	95%	197,702	92%
Micro Finance Business				
Interest Income	5,851	100%	10,574	100%
Value added taxes and levies	(28)	-0.5%	(95)	-1%
Net interest income	5,823	99.5%	10,479	99%

Revenue

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

9 vessels were delivered in 3Q2017, higher than the 8 vessels delivered in 3Q2016. Revenue derived from shipbuilding business increased slightly by 4% from RMB2,700 million in 3Q2016 to RMB2,809 million in 3Q2017. Due to higher volume of trading activities in this quarter, trading business also contributed towards a higher revenue of RMB1,270 million as compared to RMB874 million of 3Q2016. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering, ship design services and ship demolition business was RMB65 million in 3Q2017, lower than RMB81 million of 3Q2016, and the decrease was mainly due higher revenue contribution from ship demolition business in same quarter last year. The Group had recently disposed its entire 50% equity investment in Jiangsu Huayuan Metal Processing Co., Ltd. and its subsidiary Jingjiang City Dunfeng Ship Dismantle Co., Ltd. ("Dunfeng"), which was the Group's subsidiary involved in ship demolition business.

Although investment portfolio had decreased marginally as compared to same quarter last year, interest income derived from HTM financial assets under the investment segment increased from RMB214 million in 3Q2016 to RMB228 million in 3Q2017, as result of a higher proportion of the portfolio in this quarter having a higher average interest rate as compared to same quarter last year.

Investment income derived from micro finance business in 3Q2017 decreased further to RMB6 million as compared to RMB11 million of 3Q2016. The decrease was mainly due to lower loan balance in 3Q2017 as compared to the same quarter last year.

Operating cost

In line with higher revenue derived from shipbuilding business in 3Q2017, cost of sales of RMB2,388 million was also higher than the RMB2,051 million recorded in 3Q2016.

In 3Q2017, total cost of RMB10 million was incurred for the Group's investment segment, which mainly consist of value added taxes and levies on interest income.

Gross Profit

In 3Q2017, gross profit margin of the Group's shipbuilding business registered at 15%, lower than 24% of 3Q2016. The lower margin was mainly due to the appreciation of RMB against USD since the beginning of this year, and increase in raw material costs.

Trading business which contributed to about 31% of revenue from shipbuilding related segment in 3Q2017 has a low gross profit margin of 1%.

A higher gross profit of RMB10.5 million recorded in 3Q2017 for other shipbuilding related business compared to a gross loss of RMB4 million in 3Q2016 was mainly due to improved charter rate of our shipping logistics & chartering business in this quarter.

In line with higher interest income from investment segment, net interest income contributed by this segment in 3Q2017 was also higher than the same quarter last year.

Other income

Other income, which includes interest income from bank deposits, interest income for ship finance lease and dividend income, was about RMB58 million in 3Q2017 as compared to RMB501 million in 3Q2016. The reduction was mainly due to the one-off income of RMB434 million from forfeiture of advances received on terminated shipbuilding contracts recorded in 3Q2016.

Other gains - net

Other gains mainly comprise foreign exchange related gains/losses, fair value change on derivative financial instrument and financial assets, at fair value through profit or loss and subsidy income etc. The Group recorded other gains of RMB309 million in 3Q2017 which was mainly related to a fair value gain of RMB82 million recognised at the end of 3Q2017 on the financial assets, at fair value through profit or loss, a subsidy income of RMB148 million, a gain of RMB61 million on disposal of two vessels under our shipping arm and a gain of RMB95 million from disposal of entire 50% equity interest in the registered capital of Jiangsu Huayuan Metal Processing Co., Ltd, which was partly offset by an exchange related loss of RMB102 million.

Expenses

The Group's administrative expenses in 3Q2017 was RMB94 million, which was significantly lower than RMB865 million of 3Q2016. Lower expenses was mainly due to lower impairment provision of RMB7 million made for HTM investments in 3Q2017 than a total of RMB750 million provisions made for property, plant and equipment and HTM investments in 3Q2016.

In 3Q2017, finance cost of RMB20 million was also lower than RMB100 million of 3Q2016 due to lower bank borrowings in 3Q2017 than same quarter last year, and a revaluation gain of RMB16 million on USD borrowings as a result of appreciation of RMB against USD at the end of 3Q2017 as compared to end of previous quarter.

Share of results of associated companies and a joint venture

Share of profit of associated companies and a joint venture of RMB31 million mainly consists of the share of fair value gain of venture capital investments in 3Q2017 from the Group's associated companies.

Corporate Income Tax

Group's effective tax rate for 3Q2017 was 4%, lower than the 43% effective rate that was incurred in 3Q2016. Lower effective tax rate in 3Q2017 was mainly a result of non-taxable fair value gain on financial assets, at fair value through profit or loss and gain on disposal of vessels under our shipping arm being recognized this quarter, reduced income tax rate of 15% for Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd (the "Xinfu Yard") and a tax credit of RMB78 million received by Xinfu Yard in this quarter. Xinfu Yard had started to enjoy a preferential enterprise income tax rate of 15% for a period of 3 years from FY2016 by virtue of a preferential tax policy as a "High/New Technology Enterprise". The related tax refund for FY2016 of RMB78 million has been recorded as tax credit in this quarter. The taxation charge of RMB39 million includes 6% deferred tax on Chinese subsidiaries' undistributed profits in 3Q2017.

Statements of financial position review

Assets

Financial assets, at fair value through profit or loss at end of 3Q2017 increased to RMB806 million from RMB724 million at the end of last quarter, as a result of a fair value gain of RMB82 million.

There was a decline of RMB309 million in Property, plant and equipment as compared to the end of last quarter. The decline was mainly due to the depreciation on property, plant and equipment of RMB131 million and the disposal of two vessels under the shipping arms during the quarter when the resale price of second hand vessels improved.

At end of 3Q2017, Financial assets, available-for-sale increased by RMB541 million from end of last quarter, as the Group acquired additional Financial assets, available-for-sale of RMB537 million in this quarter and a fair value gain of RMB4 million in 3Q2017.

Investments in HTM financial assets had increased marginally to RMB10.71 billion from RMB10.61 billion at end of 2Q2017. As at 30 September 2017, impairment provision for HTM investments stood at RMB1,085 million.

With progressive construction of contracts with less favourable payment terms, due from customers on construction contracts at the end of 3Q2017 had further increased to RMB5,613 million as compared to RMB4,774 million at the end of last quarter.

The increase of investment in associated companies from RMB1,164 million as at the end of last quarter to RMB1,183 million was mainly due to share of results of associated companies of RMB 31 million net of return of capital of RMB13 million in 3Q2017.

Liabilities

As more contracts with less favourable payment terms have started construction, due to customers on construction contracts at the end of 3Q2017 had further decreased to RMB800 million as compared to RMB1,167 million at the end of last quarter.

Warranty provisions for completed and delivered vessels decreased by RMB18 million as compared to 30 June 2017, being the net movement of provisions made for vessels delivered during the reporting period and reversal of provision after the expiry of warranty of vessels delivered in the previous period. There was a reversal of warranty provisions of RMB47 million recorded in 3Q2017.

Borrowings represented by the Group's secured and unsecured borrowings stood at RMB4,925 million at the end of 3Q2017, this represents a decrease of RMB1,071 million from RMB5,997 million as of 30 June 2017.

Derivative financial instruments

This relates to the fair value of the outstanding derivative financial instruments which were acquired to mitigate the currency exposure of the group's future USD denominated income from shipbuilding business.

Equity

The change of "Total equity attributable to equity holders" to RMB25,192 million as at 30 September 2017 from RMB23,314 million as at 30 June 2017 was mainly a result of profits earned during the reporting period and the issuance of 137,000,000 new shares at a cash consideration of S\$1.53 per share on 31 August 2017.

Statements of cash flows review

As the end of this quarter, cash and cash equivalents decreased to RMB5,354 million from RMB6,300 million as at 30 June 2017, mainly due to the net cash used in operating activities of RMB686 million.

Operating profit before working capital changes of RMB778 million consists mainly of profit generated during 3Q2017, net of non-cash non-operating items such as interest income, interest expenses, depreciation and amortization.

Increase in net working capital (including restricted cash) of RMB1,464 million was primarily attributable to the increase of construction contract balances of RMB974 million, which was partly offset by the decrease in restricted cash of RMB331 million.

Net cash used in investing activities of RMB212 million was mainly related to acquisition of financial assets, available-for-sale of RMB537 million which was partly offset by the proceeds from sales of property, plant and equipment of RMB207 million. The Group had disposed two vessels under the shipping arms during this quarter.

Net cash used in financing activities of RMB48 million during 3Q2017 related to net repayment of borrowings of RMB1,056 million, which was largely offset by proceeds from issuance of shares of RMB1,008 million. Overall liquidity remains at a healthy level as evidenced by the current ratio of 2.45 as at 30 September 2017.

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

Not applicable.

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

With the Baltic Dry Index¹ recovering to a 3-year high, the market conditions for shipbuilding industry have continued to improve in the third quarter, especially for dry bulkers. This was supported by the economic recovery in China and other major economies in the world, higher demand for commodities and higher volume of international trade. In the first nine months of 2017, China shipbuilding companies received new orders of 20.13 million DWT, an increase of 8.7% compared to the same period last year².

In July 2017, the Group had 14 shipbuilding contracts that came into effect, comprising 6 units of 82,000DWT bulk carriers, 3 units of 180,000DWT bulk carriers, 4 units of 45,000DWT bulk carriers and 1 unit of 29,800DWT Great Lakes Self Unloading bulk carrier. The aggregate value for these contracts was USD381 million. In addition to these, new shipbuilding orders since our 2Q 2017 results announcement on 7 August 2017 include: 13 units of 82,000DWT bulk carriers, 1 unit of 180,000DWT bulk carrier, 2 units of 45,000DWT bulk carriers, 2 units of 1,668TEU containerships, 5 units of 208,000DWT bulk carriers and 3 units of 2,200TEU containerships, with an aggregate value of USD754 million. Year to date, the Group has secured new orders for 59 vessels with total contract value of USD 1.59 billion. This is almost double of the total contract value for the new orders received in 2016.

As at 30 September 2017, with an outstanding order book of USD 4.3 billion for 103 vessels, Yangzijiang was ranked no.1 in China and no. 4 in the world. This is confirmed order book excluding the occasional order terminations. For terminated orders where construction has not started yet, certain down payments of the contract value had been collected and the Group will recognise according to its accounting policy.

Despite the recovery in economic growth and international trade, it'll still take time for the overcapacity in the shipping industry to be resolved. On a positive note, seaborne trade remains a dominant part in international trade. Growth of e-commerce, China's Belt and Road initiative, and International Maritime Organization rules and regulations on vessel emission standards are all expected to support the long-term demand for containership and dry bulkers.

Yangzijiang's steady performance in a volatile market is attributable to its persistent efforts in building up core capabilities in shipbuilding, its achievements in introducing new vessel products, established management structure, and use of technology that constantly improves its operational efficiency. In view of its robust financial position, stringent risk management, strong delivery track record and reputation as a leading shipbuilder in the world, Yangzijiang commands a favourable position in a recovering market, and the Board remains confident of the Group's stable operation and performance for financial year 2017.

¹ http://www.eworldship.com/html/2017/bulk_market_1027/133083.html

² http://www.eworldship.com/html/2017/ship_market_observation_1019/132819.html

11. Dividend

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

None

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

None

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

Not applicable.

(d) **Date payable**

Not applicable.

(e) **Books closure date**

Not applicable.

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

No dividend has been declared for the period under review.

13. Interested Person Transactions

The following table sets out the current total of all transactions with the interested person for the third quarter ended 30 September 2017:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
<u>Xu Wen Jiong</u> West Gold International Pte Ltd Procurement of marine equipment	RMB12,688,000 *	Nil^

*Aggregate value less than 3% of Group's NTA as at 30 September 2017, shareholder mandate not applicable.

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

14. Use of Proceeds Update

The Company wishes to provide an update on the use of the Net Proceeds from the issuance of 137,000,000 ordinary shares on 31 August 2017:

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

15. Confirmation Pursuant To Rule 720 (1) Of the Listing Manual

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

16. Confirmation by the Board Pursuant To Rule 705(5) of the Listing Manual

We, Ren Yuanlin and Xu Wen Jiong, being two of the Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company (the "Board") that, to the best of their knowledge, nothing has come to the attention of the Board which may render the financial statements for the period ended 30 September 2017 to be false or misleading, in all material respects.

On behalf of the Board of Directors

Ren Yuanlin
Executive Chairman

Xu Wen Jiong
Non-independent Non-executive Director