



YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

(Company Registration No. 200517636Z)

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

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

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

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

	The Group				The Group			
	2nd Quarter		2nd Quarter		1st Half		1st Half	
	2Q 2019	% of	2Q 2018	+ / (-)%	1H 2019	% of	1H 2018	+ / (-)%
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	7,032,934	100%	7,963,505	-12%	13,324,050	100%	12,926,760	3%
Cost of sales	(5,834,191)	-83%	(6,401,722)	-9%	(10,959,059)	-82%	(10,505,346)	4%
Gross profit	1,198,743	17%	1,561,783	-23%	2,364,991	18%	2,421,414	-2%
Other income	117,081	2%	84,521	39%	182,323	1%	132,415	38%
Other gains, net	245,884	3%	212,181	16%	163,500	1%	169,993	-4%
Expenses								
- Administrative								
• Impairment loss	(105,724)	-2%	(362,367)	-71%	(116,011)	-1%	(318,812)	-64%
• Others	(103,822)	-1%	(101,652)	2%	(208,724)	-2%	(175,846)	19%
- Finance	(55,267)	-1%	(32,067)	72%	(96,824)	-0.7%	(47,491)	104%
Share of (loss)/profit of associated companies [#]	(22,739)	-0.3%	14,263	n.m.	50,361	0.38%	8,751	475%
Profit before income tax	1,274,156	18%	1,376,662	-7%	2,339,616	18%	2,190,424	7%
Income tax expense	(298,275)	-4%	(240,863)	24%	(522,759)	-4%	(423,293)	23%
Net profit	975,881	14%	1,135,799	-14%	1,816,857	14%	1,767,131	3%
Attributable to:								
Equity holders of the Company	936,432	13%	994,916	-6%	1,760,486	13%	1,590,015	11%
Non-controlling interests	39,449	0.6%	140,883	-72%	56,371	0.4%	177,116	-68%
	975,881		1,135,799	-14%	1,816,857		1,767,131	3%

[#] Share of profit/(loss) of associated companies is after tax.
n.m. denotes not meaningful.

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

	The Group		+ / (-) %
	2Q2019	2Q2018	Variance
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	142,726	149,627	-4.6%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	55,267	32,067	72%
Impairment loss of debt investment at amortised costs	93,449	132,944	-30%
Impairment loss of loans to non-related parties - microfinance	12,275	-	n.m.
Fair value loss/(gain) on financial assets, at fair value through profit or loss	10,516	(54,136)	n.m.
Fair value loss on derivative financial instruments	6,166	-	n.m.
Write off trade and other receivables	-	229,423	n.m.
After crediting:			
Foreign exchange related gains, net	90,832	101,019	-10%
Interest income	78,750	36,987	113%
Reversal of allowance for losses recognised on onerous contracts, net of utilisation	253,500	13,873	1727%
Sale of scrap materials	20,781	-	n.m.
Subsidy income	139,722	20,347	587%
Bad debt recovery	5,139	-	n.m.
Dividend income	38,331	47,534	-19%

n.m. denotes not meaningful.

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

	<u>The Group</u>		<u>The Company</u>	
	As at 30 Jun 2019 RMB'000	As at 31 Dec 2018 RMB'000	As at 30 Jun 2019 RMB'000	As at 31 Dec 2018 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	4,108,414	6,594,143	4,630	488,556
Restricted cash	17,815	208,756	-	-
Derivative financial instruments	3,934	-	3,934	-
Financial assets, at fair value through profit or loss	776,788	804,384	-	-
Debt investments at amortised cost	14,520,602	11,216,892	-	-
Trade and other receivables	4,222,516	5,050,978	8,405,202	8,488,478
Inventories	2,317,615	2,605,707	-	-
Contract assets	4,326,299	4,669,468	-	-
	<u>30,293,983</u>	<u>31,150,328</u>	<u>8,413,766</u>	<u>8,977,034</u>
Non-current assets				
Debt investments at amortised cost	4,266,881	3,593,484	-	-
Trade and other receivables	1,619,273	1,405,103	2,668,540	2,834,232
Lease prepayments	957,969	970,610	-	-
Investment in subsidiaries	-	-	5,282,570	5,282,570
Investment in a joint venture	31,843	-	31,843	-
Investment in associated companies	1,455,591	1,454,006	134,062	134,062
Financial assets, at fair value through profit or loss	446,770	446,770	-	-
Property, plant and equipment	5,251,193	5,162,755	-	7
Goodwill	5,997	-	-	-
Intangible assets	17,501	17,527	-	-
Deferred income tax assets	646,753	710,901	-	-
	<u>14,699,771</u>	<u>13,761,156</u>	<u>8,117,015</u>	<u>8,250,871</u>
Total assets	<u>44,993,754</u>	<u>44,911,484</u>	<u>16,530,781</u>	<u>17,227,905</u>
LIABILITIES				
Current liabilities				
Trade and other payable	3,910,103	4,512,924	4,556,774	4,313,370
Derivative financial instruments	10,776	-	10,776	-
Contract liabilities	1,799,820	2,923,707	-	-
Borrowings	1,552,185	1,149,001	502,970	483,098
Provisions	1,175,119	1,420,799	-	-
Current income tax liabilities	1,253,328	1,343,444	9,607	4,740
	<u>9,701,331</u>	<u>11,349,875</u>	<u>5,080,127</u>	<u>4,801,208</u>
Non-current liabilities				
Borrowings	3,682,547	2,894,980	-	-
Deferred income tax liabilities	1,186,223	1,086,372	-	-
	<u>4,868,770</u>	<u>3,981,352</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>14,570,101</u>	<u>15,331,227</u>	<u>5,080,127</u>	<u>4,801,208</u>
NET ASSETS	<u>30,423,653</u>	<u>29,580,257</u>	<u>11,450,654</u>	<u>12,426,697</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	7,361,990	7,361,990	7,326,773	7,326,773
Treasury shares	(122,362)	(122,362)	(122,362)	(122,362)
Other reserves	1,200,137	938,173	(40,192)	(40,192)
Retained earnings	21,229,106	20,701,800	4,286,435	5,262,478
	<u>29,668,871</u>	<u>28,879,601</u>	<u>11,450,654</u>	<u>12,426,697</u>
Non-controlling interests	<u>754,782</u>	<u>700,656</u>	<u>-</u>	<u>-</u>
Total equity	<u>30,423,653</u>	<u>29,580,257</u>	<u>11,450,654</u>	<u>12,426,697</u>

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

Amount repayable in one year or less, or on demand

As at 30 June 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
131,017	1,421,168	29,218	1,119,783

Amount repayable after one year

As at 30 June 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
616,768	3,065,779	256,730	2,638,250

Details of any collateral

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

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

	<u>The Group</u>	
	2Q 2019	2Q 2018
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	975,881	1,135,799
Adjustments for:		
- Income tax expenses	298,275	240,863
- Depreciation on property, plant and equipment	137,144	133,650
- Amortisation of lease prepayment	5,096	5,040
- Amortisation of intangible assets	486	10,937
- Finance expenses	55,267	32,067
- Gain on:		
• Bargain purchase	-	(19,888)
- Fair value change on:		
• Derivative financial instruments	6,166	-
• Financial assets at fair value, through profit and loss	10,516	(54,136)
- Bad debt recovery	(5,139)	-
- Interest income	(78,750)	(36,987)
- Dividend income	(38,331)	(47,534)
- Share of loss/(profits) of associated companies and a joint venture	22,739	(14,263)
	1,389,350	1,385,548
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	141,622	595,809
- Contract balances	(1,350,508)	2,075,503
- Trade and other receivables	430,279	(86,821)
- Trade and other payables	299,751	(253,195)
- Debt investments at amortised cost	(2,434,067)	228,586
- Provisions	(238,135)	10,771
- Restricted cash	(5,910)	(14,804)
Cash (used in)/generated from operations	(1,767,618)	3,941,397
Interest paid	(47,783)	(28,257)
Interest received	78,750	36,987
Income tax paid	(256,206)	(106,658)
Net cash provided by/(used in) operating activities	(1,992,857)	3,843,469
Cash flows from investing activities		
Proceeds from sales of financial assets, at fair value through profit or loss	96,290	96,634
Dividend received	38,331	47,534
Purchase of property, plant and equipment	(73,579)	(83,579)
Disposal of subsidiaries, net of cash disposed	-	(386)
Acquisition of financial assets, at fair value through profit or loss	-	(67,500)
Acquisition of intangible assets	(624)	(500)
Acquisition of subsidiaries, net of cash acquired	-	(169,432)
Acquisition/additions of investments in associated companies	-	(177,600)
Incorporation of a joint venture	(31,843)	-
Return of capital by associated companies	22,219	4,438
Net cash provided by/(used in) investing activities	50,794	(350,391)
Cash flows from financing activities		
Proceeds from borrowings	1,190,486	922,680
Repayments of borrowings	(754,212)	(1,156,740)
Purchase of treasury shares	-	(58,524)
Dividends paid to equity holders	(987,408)	(857,090)
Dividend paid to non-controlling interests	(1,687)	(900)
Net cash used in financing activities	(552,821)	(1,150,574)
Net (decrease)/increase in cash and cash equivalents	(2,494,884)	2,342,504
Cash and cash equivalents at the beginning of financial period	6,603,298	5,551,412
Cash and cash equivalents at the end of financial period	4,108,414	7,893,916

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.

	2Q 2019	2Q 2018	1H 2019	1H 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	975,881	1,135,799	1,816,857	1,767,131
Other comprehensive income:				
Share of other comprehensive income of associated companies and a joint venture				
- Currency translation losses	(3,639)	-	(3,639)	-
Currency translation difference arising from consolidation				
- Gain/Loss	28,185	42,081	16,192	13,434
Total comprehensive income, net of tax	1,000,427	1,177,880	1,829,410	1,780,565
Total comprehensive income attributable to:				
Equity holders of the Company	964,617	1,036,997	1,776,678	1,603,449
Non-controlling interests	35,810	140,883	52,732	177,116
	1,000,427	1,177,880	1,829,410	1,780,565

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

THE GROUP

Attributable to equity holders of the Group

	Share capital	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 April 2019	7,361,990	(122,362)	1,059,095	21,392,939	29,691,662	720,659	30,412,321
Transfer ⁽¹⁾	-	-	112,857	(112,857)	-	-	-
Dividend relating to 2018 paid ⁽²⁾	-	-	-	(987,408)	(987,408)	-	(987,408)
Dividend paid to Non-controlling interests ⁽³⁾	-	-	-	-	-	(1,687)	(1,687)
Total comprehensive income for the period	-	-	28,185	936,432	964,617	35,810	1,000,427
Balance at 30 June 2019	7,361,990	(122,362)	1,200,137	21,229,106	29,668,871	754,782	30,423,653
Balance at 1 April 2018	7,361,990	(20,979)	621,223	18,814,987	26,777,221	688,219	27,465,440
Transfer	-	-	90,433	(90,433)	-	-	-
Dividend relating to 2017 paid	-	-	-	(857,090)	(857,090)	(900)	(857,990)
Purchase of treasury shares	-	(58,524)	-	-	(58,524)	-	(58,524)
Acquisition of a subsidiary	-	-	-	-	-	112,507	112,507
Total comprehensive income for the period	-	-	42,081	994,916	1,036,997	140,883	1,177,880
Balance at 30 June 2018	7,361,990	(79,503)	753,737	18,862,380	26,898,604	940,709	27,839,313

THE COMPANY

Attributable to equity holders of the Company

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2019	7,326,773	(122,362)	(40,192)	5,237,919	12,402,138
Dividend relating to 2018 paid ⁽²⁾	-	-	-	(987,408)	(987,408)
Total comprehensive income	-	-	-	35,924	35,924
Balance at 30 June 2019	7,326,773	(122,362)	(40,192)	4,286,435	11,450,654
Balance at 1 April 2018	7,326,773	(20,979)	(40,192)	6,024,157	13,289,759
Dividend relating to 2017 paid	-	-	-	(857,090)	(857,090)
Purchase of treasury shares	-	(58,524)	-	-	(58,524)
Total comprehensive income	-	-	-	78,124	78,124
Balance at 30 June 2018	7,326,773	(79,503)	(40,192)	5,245,191	12,452,269

- (1) This represents amounts set aside for reserve fund and enterprise expansion fund in compliance with local laws in the PRC where subsidiaries of the Group operate. The reserve fund can only be used, upon approval by the relevant authority, to offset prior year's losses or to increase capital while the enterprise expansion fund can only be used to increase capital upon approval by the relevant authority.
- (2) This represents the final dividend of 5 Singapore cents per ordinary share in respect of the financial year ended 31 December 2018. The Company paid the dividend on 7 June 2019.
- (3) The RMB1.69 million 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.

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

There were no outstanding convertible securities as at 30 June 2019 and 30 June 2018.

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

	Number of Shares ('000)			
	As at 30 June 2019	%	As at 30 June 2018	%
Shares held as treasury shares	28,312	0.71%	18,397	0.46%
Issued shares excluding treasury shares	3,945,765	99.29%	3,955,680	99.54%
Total number of shares	3,974,077	100%	3,974,077	100%

The Company did not have subsidiary holdings as at 30 June 2019 and 30 June 2018.

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

	Number of Shares ('000)	
	As at 30 June 2019	As at 31 December 2018
Issued shares at the end of periods	3,974,077	3,974,077
Treasury shares at the end of periods	(28,312)	(28,312)
Issued shares excluding treasury shares	<u>3,945,765</u>	<u>3,945,765</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.

Total number of treasury shares	Number of Shares ('000)	RMB '000
Balance as at 1 April 2019	28,312	122,362
Repurchased during 2Q2019	-	-
Balance as at 30 June 2019	<u>28,312</u>	<u>122,362</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 SFRS that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS. The following are the new or amended SFRS that are relevant to the Group:

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

SFRS(I) INT 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions.

The Group anticipates that the adoption of those standards will not have material impact on the financial statements of the Group in the period of its initial adoption.

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

		The Group	
		2Q 2019	2Q 2018
(a)	Based on weighted average number of ordinary shares in issue (RMB cents)	23.73	25.08
	Weighted average number of Ordinary shares	3,945,765,200	3,966,291,925
(b)	On fully diluted basis (RMB cents)	23.73	25.08

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is equal to basic earnings per share as at the period ended 30 June 2019 and 2018 as the Company has no potential dilutive ordinary shares.

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

	The Group		The Company	
	30/06/19	31/12/18	30/06/19	31/12/18
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	751.92	731.91	290.20	314.94

The Group's and the Company's net assets value per ordinary share as at 30 June 2019 and 31 December 2018 have been computed based on the share capital of 3,945,765,200 and 3,945,765,200 shares respectively.

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

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

Income statement review

Shipbuilding Related Segment	2Q 2019		2Q 2018	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	3,076,988	100%	5,236,634	100%
Cost	(2,514,111)	-82%	(4,113,247)	-79%
Margin	562,877	18%	1,123,387	21%
Trading				
Turnover	3,248,529	100%	2,199,702	100%
Cost	(3,166,954)	-97%	(2,176,566)	-99%
Margin	81,575	2.5%	23,136	1%
Others				
Turnover	179,395	100%	133,453	100%
Cost	(128,814)	-72%	(94,629)	-71%
Margin	50,581	28%	38,824	29%

Investment Segment	2Q 2019		2Q 2018	
	RMB'000	%	RMB'000	%
Interest Income	528,022	100%	393,716	100%
Sale taxes and levies	(24,312)	-5%	(17,280)	-4%
Net interest income	503,710	95%	376,436	96%

Revenue

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

18 vessels were delivered in 2Q2019, slightly lower than 20 vessels delivered in 2Q2018. In line with lesser ship deliveries, revenue contribution in 2Q2019 from shipbuilding business of RMB3,077 million is also lower than that of same quarter last year. Meanwhile, due to higher volume of trading activities in this quarter, trading business contributed towards a higher revenue of RMB3,249 million in 2Q2019 as compared to RMB2,200 million of 2Q2018. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB179 million in 2Q2019, compared to RMB133 million of 2Q2018 due to higher charter rate this quarter.

In line with increased size of investments in debt investment at amortised costs, our interest income derived from investment segment recorded at RMB528 million, higher than same quarter last year.

Operating cost

In line with lower shipbuilding revenue generated in 2Q2019, cost of sales of RMB2,514 million was also lower than RMB4,113 million recorded in 2Q2018. In 2Q2019, RMB254 million of loss provision for onerous contracts were utilised as a result of progressive construction of some of the contracts.

In 2Q2019, in line with the increase in revenue from other shipbuilding related business, the operating costs for this segment was also higher than the same quarter last year.

In 2Q2019, a total cost of RMB24 million was incurred for the Group's investment segment, which mainly consists of value added taxes and levies on interest income.

Gross Profit

The Group's shipbuilding business registered a gross profit margin of 18% in 2Q2019 as compared to 21% for the same quarter last year due to rising raw material and labour costs.

Trading business contributed gross profit of RMB82 million in 2Q2019 with the typical low gross profit margin of around 2%.

As compared to the same quarter last year, net interest income generated by investment segment increased to RMB504 million in 2Q2019 as a result of increased investment volume.

Other income

Other income, which generally includes interest income from bank deposits, interest income for ship finance leases and dividend income, increased from RMB85 million in 2Q2018 to RMB117 million in 2Q2019. This increase was mainly due to higher interest income for ship finance leases and bank deposits as compared to same quarter last year.

Other gains - net

Other gains/losses mainly comprise foreign exchange related gains/losses, fair value change on financial assets, at fair value through profit or loss and subsidy income etc. The Group recorded other gains of RMB246 million in 2Q2019 as compared to RMB212 million in 2Q2018. The gains mainly consist of a foreign exchange gain of RMB91 million and RMB140 million subsidy income which was partly offset by fair value loss of RMB17 million on derivative financial instruments and financial assets, at fair value through profit or loss in 2Q2019.

Expenses

In 2Q2019, an additional provision of impairment loss of RMB93 million and RMB12 million were made on debt investment at amortised costs and loans to non-related parties – microfinance respectively, as compared to an impairment loss of RMB133 million on debt investment at amortised costs and another RMB229 million on trade and other receivables recorded in 2Q2018. Other administrative expenses increased slightly to RMB104 million from RMB102 million in 2Q2018.

In 2Q2019, finance cost increased to RMB55 million as compared to RMB32 million in 2Q2018, mainly due to higher bank borrowings as compared to same quarter last year.

Share of results of associated companies

This represents the share of results from the Group's associated companies. Share of loss of associated companies of RMB23 million mainly consists of the share of fair value loss of venture capital investments in 2Q2019.

Corporate Income Tax

Group's effective tax rate for 2Q2019 was 23.4%, higher than 17.5% of 2Q2018, as there were higher non-taxable profits recorded in 2Q2018. The taxation charge of RMB298 million was arrived after accounting for an average of 6% withholding tax on Chinese subsidiaries' distributable profits in addition to the normal corporate income tax.

Statements of Financial Position Review

Assets

As at 30 June 2019, cash and cash equivalents decreased to RMB4,108 million from RMB6,603 million as at the end of last quarter, mainly due to the net cash used in operating activities in 2Q2019. Restricted cash, which was held in designated bank accounts as deposits of performance guarantees and letter of credits, increased slightly to RMB18 million from RMB12 million in 2Q2019, as more guarantees and letter of credits issued.

The derivative financial instruments relate 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. The movement was the fair value change of derivative financial instruments during the financial period.

As at 30 June 2019, investment in financial assets, at fair value through profit or loss had decreased to RMB1,224 million from RMB1,330 million recorded at the end of last quarter, the movement was mainly due to a sale of RMB96 million worth of investments in financial assets, at fair value through profit or loss, and fair value movement during the quarter.

As at 30 June 2019, debt investment at amortised costs had increased to RMB18.79 billion from RMB16.35 billion at the end of 1Q2019, as the Group increased its investment in debt investments at amortised cost in 2Q2019, and the impairment provision for debt investment at amortised costs stood at RMB1,650 million as at the end of 2Q2019.

As at 30 June 2019, current trade and other receivables decreased to RMB4,223 million from RMB4,726 million at the end of last quarter, mainly due to the decrease of the value added tax (“VAT”) receivable after Chinese tax reform to adjust the value added tax rate from 16% to 13% with effect from 1 April 2019.

Inventory reduced slightly to RMB2,318 million from RMB2,584 million at the end of 1Q2019, as there was one unit of 82,000DWT bulk carrier delivered to our shipping group during 2Q2019, which was transferred from inventory to property, plant and equipment upon its delivery.

With progressive construction of shipbuilding contracts, contract assets at the end of 2Q2019 had increased to RMB4,326 million from RMB3,711 million as at the end of last quarter.

The decrease of investment in associated companies from RMB1,501 million as at the end of last quarter to RMB1,456 million was mainly due to share of loss of RMB23 million and return of capital of RMB22 million received from our associated companies during the quarter.

Investment in a joint venture of RMB32 million represents the initial capital contribution to United Wave Shipping S.A., a joint venture with Mitsui & Co., Ltd.

Liabilities

The derivative financial instruments relate 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. The movement was the fair value change of derivative financial instruments during the financial period.

With more contracts started construction, contract liabilities as at the end of 2Q2019 had decreased to RMB1,800 million from RMB2,535 million at the end of last quarter.

Borrowings represented the Group’s secured and unsecured borrowings of RMB5,235 million, increased by RMB485 million comparing to last quarter, which was the result of the Group’s effort to optimize our financing structure.

Provisions include warranty provisions for delivered vessels and provisions for onerous contracts. Warranty provisions increased by RMB15 million to RMB346 million as compared to 31 March 2019, being the net movement of provisions made for vessels delivered during the reporting period and reversal of provisions after the expiry of warranty of vessels delivered in the previous year. Provisions for onerous contract stood at RMB829 million as at the end of 2Q2019, there was a utilisation of RMB254 million of allowance for losses recognised on onerous contracts in 2Q2019.

Equity

The change of “Total equity attributable to equity holders” to RMB29,669 million as at 30 June 2019 from RMB29,692 million as at 31 March 2019 was mainly a result of profits earned during the reporting period, net of dividend paid for FY2018.

Statements of cash flows review

Cash and cash equivalents recorded at RMB4,108 million as at 30 June 2019, lower than the end of 1Q2019.

Increase in net working capital requirements (including restricted cash) of RMB3,382 million was primarily attributable to the increase in debt investments at amortised costs of RMB2,434 million, and the increase of contract balances of RMB1,351 million.

The net cash provided by investing activities of RMB51 million was mainly a result of sale of RMB96 million worth of investments in financial assets, at fair value through profit or loss, dividend received of RMB38 million, and return of capital by associated companies of RMB22 million, which was partly offset by the purchase of property, plant and equipment of RMB74 million in this quarter, and incorporation of a joint venture of RMB32 million.

Net cash used in financing activities of RMB553 million during 2Q2019 mainly consists of payment of dividend for FY2018 of RMB987 million, net of additional bank borrowings of RMB436 million in this quarter.

Overall liquidity remains healthy as evidenced by the current ratio of 3.12 as of 30 June 2019 as compared to 3.15 as of 31 March 2019.

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.

Global new shipbuilding orders declined substantially in the first half of 2019 (1H2019) by 50% in DWT terms compared to the first half of 2018 (1H2018). Shipowners' sentiments fell due to multiple factors, including less-bullish outlook on economic and trade growth, and uncertainties associated with the forthcoming IMO rules on emissions.

While new orders slowed down, global shipbuilding delivery still increased by 12% in 1H2019 compared to that of 1H2018, as a result, the industry-wide outstanding order book declined.

In 1H2019, the Group secured new orders for 5 vessels with total contract value of USD209 million. These new orders included 1 unit of 157,000DWT oil tanker, 1 unit of 29,800DWT self-unloading vessel, 1 unit of 82,000DWT bulk carrier and 2 units of 83,500DWT combination carrier. As at 30 June 2019, with an outstanding order book of USD3.1 billion for 85 vessels, Yangzijiang was ranked no.1 in China and no. 5 in the world. These orders will keep the Group's yard facilities at a healthy utilization rate up to the end of 2020 and provide a stable revenue stream for at least the next 1.5 years.

In 2Q2019, BDI staged a strong rebound to a healthier level as fundamentals improved. The off-service time required to install scrubbers on the vessels to meet the IMO 2020 rule will reduce the effective available fleet size on the market, providing further support to charter rate. As ship owners rebuild their confidence, the new order drought in 1H2019 is expected to ease.

Yangzijiang's innovative product portfolio, recently represented by the 11,800TEU containerships, the 83,500DWT combination carriers and the 400,000DWT VLOCs, has helped the Group insulate against market volatilities. On top of traditional vessel types, Yangzijiang's announcement on 16 July 2019 on the acquisition of the 55% stake in Odfjell Terminal (Jiangyin) Company Ltd ("OTJ") further emphasized its strategic focus on establishing integrated LNG capabilities. So far, the Group has made some good progress in carrying out the business strategy, through joint venture or acquisition, for it to grow the capabilities in the design and construction of LNG carriers, LNG shipping and LNG terminal services once the OTJ terminal is upgraded.

International Energy Agency (IEA) forecasts that world LNG demand will grow about 4% a year through 2024 and that China will be the biggest LNG exporter in 2024. Yangzijiang's strategic investment in this field will lay a foundation for the Group's long-term growth.

Despite the market uncertainties in the near term, the Group remains positive on the demand for innovative, energy-efficient and green vessels. In view of the Group's robust financial position, its stringent risk management, strong delivery track record and a stable, sizable outstanding order book, the Board remains confident of the Group's stable operational and financial performance for the financial year 2019.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

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

Not applicable.

(d) Date payable

Not applicable.

(e) Books closure date

Not applicable.

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

No dividend has been declared for the period under review.

13. Interested Person Transactions

The following table sets out the current total of all transactions with the interested person for the second quarter ended 30 June 2019:

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)
Xu Wen Jiong West Gold International Pte Ltd Procurement of marine equipment	RMB 28,169,000*	Nil^

*Aggregate value less than 3% of Group's NTA as at 30 June 2019, shareholder mandate not applicable.

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

14. Use of Proceeds Update

The S\$208.8 million raised from the issuance of 137,000,000 ordinary shares on 31 August 2017 has been fully utilised as of the announcement day as follows:

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

The above utilisations are in accordance with the intended use of proceeds of Placement as disclosed in the Announcement dated 31 August 2017.

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

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

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

We, Ren Yuanlin and Xu Wen Jiong, being two of the Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company (the "Board") that, to the best of their knowledge, nothing has come to the attention of the Board which may render the financial statements for the period ended 30 June 2019 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