



**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 THIRD QUARTER ENDED 30 SEPTEMBER 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			
	3rd Quarter				January - September			
	3Q 2019	% of	3Q 2018	+/(-)%	9M 2019	% of	9M 2018	+/(-)%
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	5,423,876	100%	5,366,685	1%	18,747,926	100%	18,293,445	2%
Cost of sales	(4,364,062)	-80%	(4,365,049)	-0.02%	(15,323,121)	-82%	(14,870,395)	3%
Gross profit	1,059,814	20%	1,001,636	6%	3,424,805	18%	3,423,050	0.05%
Other income	70,412	1%	109,099	-35%	252,735	1%	241,514	5%
Other (losses)/gains, net	(44,455)	-0.8%	284,491	n.m.	119,045	1%	454,484	-74%
Expenses								
- Administrative								
• Impairment loss	(63,474)	-1%	(332,967)	-81%	(179,485)	-1%	(651,779)	-72%
• Others	(88,265)	-2%	(87,411)	1%	(296,989)	-2%	(263,257)	13%
- Finance	(37,849)	-1%	(50,882)	-26%	(134,673)	-0.7%	(98,373)	37%
Share of (loss)/profit of associated companies and joint ventures <sup>#</sup>	(23,188)	-0.4%	(1,892)	1126%	27,173	0.1%	6,859	296%
Profit before income tax	872,995	16%	922,074	-5%	3,212,611	17%	3,112,498	3%
Income tax expense	(153,115)	-3%	(133,656)	15%	(675,874)	-4%	(556,949)	21%
<b>Net profit</b>	<b>719,880</b>	<b>13%</b>	<b>788,418</b>	<b>-9%</b>	<b>2,536,737</b>	<b>14%</b>	<b>2,555,549</b>	<b>-0.7%</b>
<b>Attributable to:</b>								
Equity holders of the Company	702,260	13%	778,629	-10%	2,462,746	13%	2,368,644	4%
Non-controlling interests	17,620	0.3%	9,789	80%	73,991	0.4%	186,905	-60%
	<b>719,880</b>		<b>788,418</b>	<b>-9%</b>	<b>2,536,737</b>		<b>2,555,549</b>	<b>-0.7%</b>

<sup>#</sup> Share of profit/(loss) of associated companies and joint ventures is after tax.  
n.m. denotes not meaningful.

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

	The Group		+ / (-) %
	3Q2019	3Q2018	Variance
	RMB'000	RMB'000	%
<b>After charging:</b>			
Depreciation and amortization	144,316	157,101	-8%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	37,849	50,882	-26%
Foreign exchange related losses/(gains), net	26,567	(54,340)	n.m.
Impairment loss of debt investment at amortised costs	62,853	333,142	-81%
Impairment loss of loans to non-related parties - microfinance	621	-	n.m.
Fair value loss on financial assets, at fair value through profit or loss	1,050	7,770	-86%
Fair value loss on derivative financial instruments	47,205	-	n.m.
<b>After crediting:</b>			
Interest income	67,738	81,004	-16%
Gain on disposal of financial assets, at fair value through profit or loss	-	160,652	n.m.
Reversal of allowance for losses recognised on onerous contracts, net of utilisation	155,028	152,064	2%
Sale of scrap materials	13,325	-	n.m.
Subsidy income	19,158	55,195	-65%
Dividend income	2,674	28,095	-90%

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 2019 RMB'000	As at 31 Dec 2018 RMB'000	As at 30 Sep 2019 RMB'000	As at 31 Dec 2018 RMB'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	9,222,646	6,594,143	139,991	488,556
Restricted cash	11,374	208,756	-	-
Financial assets, at fair value through profit or loss	775,738	804,384	-	-
Debt investments at amortised cost	11,081,026	11,216,892	-	-
Trade and other receivables	4,217,623	5,050,978	8,400,695	8,488,478
Inventories	2,043,215	2,605,707	-	-
Contract assets	2,975,310	4,669,468	-	-
	<u>30,326,932</u>	<u>31,150,328</u>	<u>8,540,686</u>	<u>8,977,034</u>
<b>Non-current assets</b>				
Debt investments at amortised cost	3,770,751	3,593,484	-	-
Trade and other receivables	1,581,937	1,405,103	2,710,095	2,834,232
Lease prepayments	975,457	970,610	-	-
Investment in subsidiaries	-	-	5,600,225	5,282,570
Investment in joint ventures	142,719	-	51,680	-
Investment in associated companies	1,409,729	1,454,006	134,062	134,062
Financial assets, at fair value through profit or loss	446,770	446,770	-	-
Property, plant and equipment	5,773,095	5,162,755	-	7
Goodwill	258,741	-	-	-
Intangible assets	17,958	17,527	-	-
Deferred income tax assets	620,920	710,901	-	-
	<u>14,998,077</u>	<u>13,761,156</u>	<u>8,496,062</u>	<u>8,250,871</u>
<b>Total assets</b>	<u>45,325,009</u>	<u>44,911,484</u>	<u>17,036,748</u>	<u>17,227,905</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payable	3,964,780	4,512,924	4,923,700	4,313,370
Derivative financial instruments	54,047	-	54,047	-
Contract liabilities	1,748,091	2,923,707	-	-
Borrowings	1,246,606	1,149,001	500,711	483,098
Provisions	1,028,395	1,420,799	-	-
Current income tax liabilities	1,146,735	1,343,444	-	4,740
	<u>9,188,654</u>	<u>11,349,875</u>	<u>5,478,458</u>	<u>4,801,208</u>
<b>Non-current liabilities</b>				
Borrowings	3,812,151	2,894,980	-	-
Deferred income tax liabilities	1,214,479	1,086,372	-	-
	<u>5,026,630</u>	<u>3,981,352</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>14,215,284</u>	<u>15,331,227</u>	<u>5,478,458</u>	<u>4,801,208</u>
<b>NET ASSETS</b>	<u>31,109,725</u>	<u>29,580,257</u>	<u>11,558,290</u>	<u>12,426,697</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	7,361,990	7,361,990	7,326,773	7,326,773
Treasury shares	(240,403)	(122,362)	(240,403)	(122,362)
Other reserves	1,289,047	938,173	(40,192)	(40,192)
Retained earnings	21,870,565	20,701,800	4,512,112	5,262,478
	<u>30,281,199</u>	<u>28,879,601</u>	<u>11,558,290</u>	<u>12,426,697</u>
<b>Non-controlling interests</b>	<u>828,526</u>	<u>700,656</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>	<u>31,109,725</u>	<u>29,580,257</u>	<u>11,558,290</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**

<b>As at 30 September 2019</b>		<b>As at 31 December 2018</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
150,894	1,095,712	29,218	1,119,783

**Amount repayable after one year**

<b>As at 30 September 2019</b>		<b>As at 31 December 2018</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
706,732	3,105,419	256,730	2,638,250

**Details of any collateral**

The secured borrowings from the bank are secured by legal mortgages over the vessels and certain land, and fixed assets 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.**

	<b>The Group</b>	
	<b>3Q 2019</b>	<b>3Q 2018</b>
	RMB '000	RMB '000
<b>Cash flows from operating activities</b>		
Net profit	719,880	788,418
Adjustments for:		
- Income tax expenses	153,115	133,656
- Depreciation on property, plant and equipment	138,515	141,179
- Amortisation of lease prepayment	5,173	4,976
- Amortisation of intangible assets	628	10,946
- Finance expenses	37,849	50,882
- Gain on:		
• Disposal of financial assets, at fair value through profit and loss	-	(160,652)
- Fair value change on:		
• Derivative financial instruments	47,205	-
• Financial assets at fair value, through profit and loss	1,050	7,770
- Bad debt recovery	(53)	-
- Interest income	(67,738)	(81,004)
- Dividend income	(2,674)	(28,095)
- Share of loss of associated companies and joint ventures	23,188	1,892
	<b>1,056,138</b>	<b>869,968</b>
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	149,743	(338,778)
- Contract balances	1,299,260	(1,037,257)
- Trade and other receivables	51,792	833,890
- Trade and other payables	109,442	3,367
- Debt investments at amortised cost	3,935,706	(1,343,588)
- Provisions	(146,724)	(53,562)
- Restricted cash	6,441	4,950
Cash generated from/(used in) operations	6,461,798	(1,061,010)
Interest paid	(32,410)	(32,267)
Interest received	67,738	81,004
Income tax paid	(206,023)	(130,194)
<b>Net cash provided by/(used in) operating activities</b>	<b>6,291,103</b>	<b>(1,142,467)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of financial assets, at fair value through profit or loss	-	1,041,054
Dividend received	2,674	28,095
Purchase of property, plant and equipment	(290,055)	(30,023)
Acquisition of intangible assets	(1,074)	-
Acquisition of subsidiaries, net of cash acquired	(313,360)	-
Acquisition/additions of investments in associated companies	-	(5,400)
Incorporation/additions of investments in joint ventures	(107,464)	-
Return of capital by associated companies	19,262	50,462
<b>Net cash (used in)/provided by investing activities</b>	<b>(690,017)</b>	<b>1,084,188</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	483,065
Repayments of borrowings	(368,813)	(528,982)
Purchase of treasury shares	(118,041)	(42,859)
Capital injection by non-controlling interests	-	59,742
Acquisition of equity interest in existing subsidiaries from non-controlling interests	-	(119,299)
Dividend paid to non-controlling interests	-	(12,086)
<b>Net cash used in financing activities</b>	<b>(486,854)</b>	<b>(160,419)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,114,232</b>	<b>(218,698)</b>
Cash and cash equivalents at the beginning of financial period	4,108,414	7,893,916
<b>Cash and cash equivalents at the end of financial period</b>	<b>9,222,646</b>	<b>7,675,218</b>

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

	The Group		The Group	
	3rd Quarter		January - September	
	3Q 2019	3Q 2018	9M 2019	9M 2018
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Net Profit</b>	719,880	788,418	2,536,737	2,555,549
<b>Other comprehensive income:</b>				
Currency translation difference arising from consolidation				
- Gain	38,319	35,248	50,872	48,682
<b>Total comprehensive income, net of tax</b>	<b>758,199</b>	<b>823,666</b>	<b>2,587,609</b>	<b>2,604,231</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	738,759	813,877	2,515,437	2,417,326
Non-controlling interests	19,440	9,789	72,172	186,905
	<b>758,199</b>	<b>823,666</b>	<b>2,587,609</b>	<b>2,604,231</b>

**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						Non-controlling interest	Total equity
	Share capital	Treasury shares	Other reserves	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 July 2019</b>	<b>7,361,990</b>	<b>(122,362)</b>	<b>1,200,137</b>	<b>21,229,106</b>	<b>29,668,871</b>	<b>754,782</b>	<b>30,423,653</b>	
Transfer <sup>(1)</sup>	-	-	60,801	(60,801)	-	-	-	
Purchase of treasury shares <sup>(2)</sup>	-	(118,041)	-	-	(118,041)	-	(118,041)	
Acquisition of subsidiaries <sup>(3)</sup>	-	-	(8,390)	-	(8,390)	54,304	45,914	
Total comprehensive income for the period	-	-	36,499	702,260	738,759	19,440	758,199	
<b>Balance at 30 September 2019</b>	<b>7,361,990</b>	<b>(240,403)</b>	<b>1,289,047</b>	<b>21,870,565</b>	<b>30,281,199</b>	<b>828,526</b>	<b>31,109,725</b>	
<b>Balance at 1 July 2018</b>	<b>7,361,990</b>	<b>(79,503)</b>	<b>753,737</b>	<b>18,862,380</b>	<b>26,898,604</b>	<b>940,709</b>	<b>27,839,313</b>	
Transfer	-	-	60,704	(60,704)	-	-	-	
Proceeds from non-controlling shareholders of subsidiaries	-	-	-	-	-	59,742	59,742	
Purchase of treasury shares	-	(42,859)	-	-	(42,859)	-	(42,859)	
Dividend paid to Non-controlling interests	-	-	-	-	-	(12,086)	(12,086)	
Acquisition of Non-controlling interests	-	-	(12,091)	-	(12,091)	(107,208)	(119,299)	
Total comprehensive income for the period	-	-	35,248	778,629	813,877	9,789	823,666	
<b>Balance at 30 September 2018</b>	<b>7,361,990</b>	<b>(122,362)</b>	<b>837,598</b>	<b>19,580,305</b>	<b>27,657,531</b>	<b>890,946</b>	<b>28,548,477</b>	

## 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
<b>Balance at 1 July 2019</b>	<b>7,326,773</b>	<b>(122,362)</b>	<b>(40,192)</b>	<b>4,286,435</b>	<b>11,450,654</b>
Purchase of treasury shares <sup>(2)</sup>	-	(118,041)	-	-	(118,041)
Total comprehensive income	-	-	-	225,677	225,677
<b>Balance at 30 September 2019</b>	<b>7,326,773</b>	<b>(240,403)</b>	<b>(40,192)</b>	<b>4,512,112</b>	<b>11,558,290</b>
<b>Balance at 1 July 2018</b>	<b>7,326,773</b>	<b>(79,503)</b>	<b>(40,192)</b>	<b>5,245,191</b>	<b>12,452,269</b>
Purchase of treasury shares	-	(42,859)	-	-	(42,859)
Total comprehensive income	-	-	-	35,632	35,632
<b>Balance at 30 September 2018</b>	<b>7,326,773</b>	<b>(122,362)</b>	<b>(40,192)</b>	<b>5,280,823</b>	<b>12,445,042</b>

- (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) In 3Q2019, the Company bought back 25,000,000 shares of the Company by way of market acquisition, which are held as treasury shares.
- (3) In 3Q2019, the Group acquired 100% equity interest in the capital of Odfjell Terminals China Holding Pte. Ltd., which is now renamed as Yangzijiang Terminals China Holding Pte. Ltd. and its 55%-owned subsidiary, Odfjell Terminal (Jiangyin) Company 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 September 2019 and 30 September 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 September 2019	%	As at 30 September 2018	%
Shares held as treasury shares	53,312	1.34%	28,312	0.71%
Issued shares excluding treasury shares	3,920,765	98.66%	3,945,765	99.29%
<b>Total number of shares</b>	<b>3,974,077</b>	<b>100%</b>	<b>3,974,077</b>	<b>100%</b>

The Company did not have subsidiary holdings as at 30 September 2019 and 30 September 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 September 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	(53,312)	(28,312)
Issued shares excluding treasury shares	<u>3,920,765</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 July 2019	28,312	122,362
Repurchased during 3Q2019	25,000	118,041
Balance as at 30 September 2019	<u>53,312</u>	<u>240,403</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	
	3Q 2019	3Q 2018
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	17.84	19.73
Weighted average number of Ordinary shares	3,936,138,826	3,946,848,139
(b) On fully diluted basis (RMB cents)	17.84	19.73

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 September 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	
	30/09/19	31/12/18	30/09/19	31/12/18
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	772.33	731.91	294.80	314.94

The Group's and the Company's net assets value per ordinary share as at 30 September 2019 and 31 December 2018 have been computed based on the share capital of 3,920,765,200 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	3Q 2019		3Q 2018	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	3,226,766	100%	2,705,406	100%
Cost	(2,789,811)	-86%	(2,158,874)	-80%
Margin	<b>436,955</b>	14%	<b>546,532</b>	20%
Trading				
Turnover	1,453,351	100%	2,124,042	100%
Cost	(1,433,044)	-99%	(2,090,844)	-98%
Margin	<b>20,307</b>	1.4%	<b>33,198</b>	2%
Others				
Turnover	186,208	100%	148,566	100%
Cost	(115,327)	-62%	(99,947)	-67%
Margin	<b>70,881</b>	38%	<b>48,619</b>	33%

Investment Segment	3Q 2019		3Q 2018	
	RMB'000	%	RMB'000	%
Interest Income	557,551	100%	388,671	100%
Sale taxes and levies	(25,880)	-5%	(15,384)	-4%
Net interest income	<b>531,671</b>	95%	<b>373,287</b>	96%

#### Revenue

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

13 vessels were delivered in 3Q2019, higher than 6 vessels delivered in 3Q2018. In line with higher ship deliveries, revenue contribution in 3Q2019 from shipbuilding business of RMB3,227 million is also higher than that of same quarter last year. Meanwhile, due to lower volume of trading activities in this quarter, trading business contributed towards a lower revenue of RMB1,453 million in 3Q2019 as compared to RMB2,124 million of 3Q2018. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was higher at RMB186 million in 3Q2019 when compared to RMB149 million of 3Q2018, mainly due to expanded fleet size and higher charter rate this quarter.

In line with increased size of investments in debt investment at amortised costs comparing to last year, our interest income derived from investment segment recorded at RMB558 million, higher than the RMB389 million recorded in the same quarter last year.

#### Operating cost

In line with higher shipbuilding revenue generated in 3Q2019, cost of sales of RMB2,790 million was also higher than RMB2,159 million recorded in 3Q2018. In 3Q2019, RMB155 million of loss provision for onerous contracts were utilised as a result of progressive construction of some of the contracts.

In 3Q2019, 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 3Q2019, a total cost of RMB26 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 14% in 3Q2019 as compared to 20% for the same quarter last year due to higher raw material and labour costs.

Trading business contributed a gross profit of RMB20 million in 3Q2019 with the typical low gross profit margin of around 1.5%.

Other shipbuilding related businesses such as shipping logistics & chartering and ship design services registered a gross profit margin of 38% in 3Q2019, higher than 33% of 3Q2018, mainly due to improved charter rate.

As compared to the same quarter last year, net interest income generated by investment segment increased to RMB532 million in 3Q2019 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, decreased from RMB109 million in 3Q2018 to RMB70 million in 3Q2019. This decrease was mainly due to lower interest income and dividend income as compared to same quarter last year.

#### Other gains - net

Other gains/losses mainly comprise foreign exchange related gains/losses, fair value change on derivative financial instruments and financial assets, at fair value through profit or loss and subsidy income etc. The Group recorded other losses of RMB44 million in 3Q2019 as compared to RMB284 million gain in 3Q2018. The losses mainly consist of a foreign exchange loss of RMB27 million and fair value loss of RMB47 million on derivative financial instruments which was partly offset by RMB19 million subsidy income, and gains of RMB13 million from the sale of scrap material.

#### Expenses

In 3Q2019, impairment loss of RMB63.5 million were made on debt investment at amortised costs and loans to non-related parties – microfinance, as compared to an impairment loss of RMB333 million on debt investment at amortised costs in 3Q2018. Other administrative expenses increased slightly to RMB88 million from RMB87 million in 3Q2018.

In 3Q2019, finance cost decreased to RMB38 million as compared to RMB51 million in 3Q2018, the decrease was mainly due to there was a lower revaluation loss on SGD borrowings in 3Q2019 as compared to same quarter last year.

#### Share of results of associated companies and joint ventures

This represents the share of results from the Group's associated companies and joint ventures. Share of loss of associated companies and joint ventures of RMB23 million mainly consists of the share of fair value loss of venture capital investments in 3Q2019 net of share of profits of around RMB3.4 million from Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC), Group's joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd, which started operation in August 2019.

#### Corporate Income Tax

Group's effective tax rate for 3Q2019 was 17.5%, higher than 14.5% of 3Q2018, higher tax rate than same quarter last year was due to lower non-taxable profits recorded this year. The taxation charge of RMB153 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 September 2019, cash and cash equivalents increased to RMB9,223 million from RMB4,108 million as at the end of last quarter, mainly due to the net cash provided by operating activities in 3Q2019. Restricted cash, which was held in designated bank accounts as deposits of performance guarantees and letter of credits, decreased slightly to RMB11 million from RMB18 million in 2Q2019, being net release of guarantees and letter of credits during the quarter.

As at 30 September 2019, investment in financial assets, at fair value through profit or loss had decreased slightly to RMB1,223 million from RMB1,224 million recorded at the end of last quarter, the movement was fair value movement during the quarter.

As at 30 September 2019, debt investment at amortised costs had decreased to RMB14.85 billion from RMB18.79 billion at the end of 2Q2019, as more investments in debt investments at amortised cost matured and redeemed in 3Q2019. The impairment provision for debt investment at amortised costs decreased from RMB1,650 million at the end of last quarter to RMB1,502 million as at the end of 3Q2019, the movement being utilisation and net release of impairment provision in this quarter.

Inventory reduced to RMB2,043 million from RMB2,318 million at the end of 2Q2019, as there was another unit of 82,000DWT bulk carrier delivered to our shipping group during 3Q2019, which was then reclassified from inventory to property, plant and equipment.

With progressive delivery of shipbuilding contracts, contract assets at the end of 3Q2019 had decreased to RMB2,975 million from RMB4,326 million as at the end of last quarter.

Investment in joint ventures represents the investment in United Wave Shipping S.A. ("UWS"), a joint venture with Mitsui & Co., Ltd, which increased from RMB32 million to RMB52 million as a result of additional capital injection in 3Q2019, and the investment of RMB88 million in Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC), Group's joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd, which was incorporated and started operation in 3Q2019.

The decrease of investment in associated companies from RMB1,456 million as at the end of last quarter to RMB1,410 million was mainly due to share of loss of RMB27 million and return of capital of RMB19 million received from our associated companies during the quarter.

Property, plant and equipment as at 30 September 2019 increased by RMB522 million to RMB5,773 million from RMB5,251 million as at 30 June 2019, the increase was mainly due to the consolidation of Odfjell Terminal (Jiangyin) Company Ltd., the self-built floating dock for ship launching at our Taicang Yard and one unit of 82,000DWT bulk carrier built and delivered to our shipping group in 3Q2019.

Goodwill of RMB259 million represents the excess of the consideration paid for the acquisition of 100% equity shares in Odfjell Terminals China Holding Pte. Ltd., which is now renamed as Yangzijiang Terminals China Holding Pte. Ltd. and its 55%-owned subsidiary, Odfjell Terminal (Jiangyin) Company Ltd. over the fair value of the identifiable net assets acquired at the acquisition date.

#### 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 3Q2019 had decreased to RMB1,748 million from RMB1,800 million at the end of last quarter.

Borrowings represented the Group's secured and unsecured borrowings of RMB5,059 million, decreased by RMB176 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 RMB8 million to RMB354 million as compared to 30 June 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 RMB674 million as at the end of 3Q2019, there was a utilisation of RMB155 million of allowance for losses recognised on onerous contracts in 3Q2019.

#### Equity

The change of "Total equity attributable to equity holders" to RMB30,281 million as at 30 September 2019 from RMB29,669 million as at 30 June 2019 was mainly a result of profits earned during the reporting period.

#### **Statements of cash flows review**

Cash and cash equivalents recorded at RMB9,223 million as at 30 September 2019, doubled that of at the end of 2Q2019.

Decrease in net working capital requirements (including restricted cash) of RMB5,235 million was primarily attributable to the decrease in debt investments at amortised costs of RMB3,936 million, and the decrease of contract balances of RMB1,299 million.

The net cash used in investing activities of RMB690 million in this quarter was mainly relating to the acquisition of 100% equity interest in the capital of Odfjell Terminals China Holding Pte. Ltd., which is now renamed as Yangzijiang Terminals China Holding Pte. Ltd. and its 55%-owned subsidiary, Odfjell Terminal (Jiangyin) Company Ltd. at a cash consideration of USD46 million, additional investment in joint ventures of RMB107 million including UWS and YAMIC in 3Q2019, and the purchase of property, plant and equipment of RMB290 million, which was predominantly attributed to the self-built floating dock for ship launching at our Taicang Yard.

Net cash used in financing activities of RMB487 million during 3Q2019 mainly consists of repayment of bank borrowings of RMB369 million and purchase of treasury share of RMB118 million in this quarter.

Overall liquidity remains healthy as evidenced by the current ratio of 3.30 as of 30 September 2019 as compared to 3.12 as of 30 June 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 by 44% in DWT terms in the first nine months in 2019 compared to the same period in 2018. The decline was primarily due to the uncertainties related to global trade, weak global economic outlook and shipowners taking time to firm up their plans to cope with the IMO 2020 rules on emission. At the same time, global shipbuilding delivery increased by 17% in the first nine months in 2019 compared to that of 2018. The slower pace of new order placement and higher delivery volume led to a marginally lower outstanding order book globally as of September 2019 compared to January 2019.

Further to the 5 new orders that the Group secured in the first half of 2019 amid an overall weak market, new order momentum picked up in recent months. In the second half year so far, the Group has further secured 11 new shipbuilding orders with a total contract value of USD487 million, which includes 3 units of 82,000DWT bulk carrier, 4 units of 31,800DWT Great Lakes bulk carriers and 4 units of 325,000DWT bulk carriers. Year to date, the Group secured new orders for 16 vessels with total contract value of USD696 million. As at 13 November 2019, with an outstanding order book of USD 3.18 billion for 83 vessels, Yangzijiang was ranked no.1 in China and no. 5 in the world. These orders will keep the Group's yard facilities at a healthy utilization rate up to 2021 and provide a stable revenue stream for the next 1.5 years.

The market conditions will continue to be determined by multiple factors. Shipowners will need to consider the cost of low-sulphur fuel, time taken to install scrubbers, age of old vessels, cost of new vessels, among other factors, before making a decision on order placement. Although the Group has noticed an increase in enquiries from shipowners recently, the IMO2020 rule will continue to weigh on the pace of order placement for some time.

In August 2019, Group's joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd., Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC) has been incorporated and started operation. YAMIC will capitalize on the joint venture partners' advanced design capabilities and extensive market network, as well as Yangzijiang's cost-effective, established production base, to grow its capabilities in high-tech, clean-energy vessels including LNG carriers, thereby providing impetus for the Group's long-term growth.

The Group's balance sheet remained strong. Its outstanding capabilities in building high-quality, high-energy-efficiency vessels and the delivery track record have earned it repeat customers globally, supporting a healthy order book throughout market cycles. 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 and the reason(s) for the decision.**

Not applicable. No dividend has been declared/recommended for 3Q2019 as it is the Company's practice to declare/recommend dividend to shareholders, if any, in the full year financial results announcement.

**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 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)
<b>Xu Wen Jiong</b>		
West Gold International Pte Ltd Procurement of marine equipment	RMB 29,357,000*	Nil^

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

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

**14. 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.

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

We, Ren Letian, alternate director to Mr Ren Yuanlin and Xu Wen Jiong, Director 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 2019 to be false or misleading, in all material respects.

On behalf of the Board of Directors

Ren Letian  
Chief Executive Office  
& Alternate director to Mr Ren Yuanlin

Xu Wen Jiong  
Non-Independent Non-executive Director