



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 THE FIRST QUARTER ENDED 31 MARCH 2020

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			
	1st Quarter			
	1Q 2020	% of	1Q 2019	+/(-)%
	RMB'000	Revenue	RMB'000	Variance
Revenue	3,497,068	100%	6,291,116	-44%
Cost of sales	(2,782,928)	-80%	(5,124,868)	-46%
Gross profit	714,140	20%	1,166,248	-39%
Other income	89,142	3%	65,242	37%
Other gains/(losses), net	7,521	0.2%	(82,384)	n.m.
Expenses				
- Administrative				
-Impairment loss	(128,912)	-3.7%	(10,287)	1153%
-Others	(87,609)	-3%	(104,902)	-16%
- Finance	(14,419)	-0.4%	(41,557)	-65%
Share of profit of associated companies and joint ventures [#]	6,378	0.2%	73,100	-91%
Profit before income tax	586,241	17%	1,065,460	-45%
Income tax expense	(172,112)	-5%	(224,484)	-23%
Net profit	414,129	12%	840,976	-51%
Attributable to:				
Equity holders of the Company	403,832	12%	824,054	-51%
Non-controlling interests	10,297	0.3%	16,922	-39%
	414,129		840,976	-51%

[#] Share of profit 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		+ / (-) %
	1Q 2020	1Q 2019	Variance
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	126,450	144,311	-12%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	14,419	41,557	-65%
Impairment loss of debt investment at amortised costs	128,198	10,287	1146%
Impairment loss of loans to non-related parties - microfinance	714	-	n.m.
Fair value loss on derivative financial instruments	4,548	676	573%
Loss on disposal of financial assets, at fair value through profit or loss	-	2,999	n.m.
Provision of impairment loss on trade and other receivable	111,153	-	n.m.
After crediting:			
Foreign exchange related gains/(losses), net	105,187	(110,161)	n.m.
Fair value gain on financial assets, at fair value through profit or loss	2,046	7,650	-73%
Sale of materials	5,743	13,785	-58%
Interest income	88,991	65,242	36%
Subsidy income	2,798	1,673	67%
Bad debt recovery	-	1,122	n.m.
Dividend income	151	-	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 31 Mar 2020 RMB'000	As at 31 Dec 2019 RMB'000 (Restated)	As at 31 Mar 2020 RMB'000	As at 31 Dec 2019 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	9,627,937	10,183,019	703,086	14,790
Restricted cash	315,163	17,049	-	-
Derivative financial instruments	-	1,317	-	1,317
Financial assets, at fair value through profit or loss	976,579	823,783	-	-
Debt investments at amortised cost	12,530,420	10,527,661	-	-
Trade and other receivables	4,632,311	4,680,344	8,068,010	8,492,430
Inventories	1,484,862	1,597,950	-	-
Contract assets	3,139,385	3,420,943	-	-
	32,706,657	31,252,066	8,771,096	8,508,537
Non-current assets				
Debt investments at amortised cost	2,944,807	3,900,721	-	-
Trade and other receivable	1,097,207	1,061,537	2,781,179	2,742,736
Lease prepayments	968,282	973,518	-	-
Investment in subsidiaries	-	-	5,954,915	5,954,915
Investment in joint ventures	160,356	143,200	51,680	51,680
Investment in associated companies	1,161,205	1,389,518	134,062	134,062
Financial assets, at fair value through profit or loss	425,265	425,265	-	-
Property, plant and equipment	5,709,138	5,678,063	1,612	1,800
Provisional goodwill	258,979	258,979	-	-
Intangible assets	25,239	25,927	-	-
Deferred income tax assets	637,578	647,328	-	-
	13,388,056	14,504,056	8,923,448	8,885,193
Total assets	46,094,713	45,756,122	17,694,544	17,393,730
LIABILITIES				
Current liabilities				
Trade and other payable	3,616,467	3,514,329	4,611,263	4,941,689
Derivative financial instruments	11,710	8,479	11,710	8,479
Contract liabilities	1,754,259	1,626,157	-	-
Borrowings	3,983,925	2,782,310	485,553	505,222
Provisions	942,197	970,126	-	-
Current income tax liabilities	1,128,771	1,289,383	9,592	9,581
	11,437,329	10,190,784	5,118,118	5,464,971
Non-current liabilities				
Borrowings	926,327	2,250,622	905	1,138
Deferred income tax liabilities	1,246,248	1,260,191	-	-
	2,172,575	3,510,813	905	1,138
Total liabilities	13,609,904	13,701,597	5,119,023	5,466,109
NET ASSETS	32,484,809	32,054,525	12,575,521	11,927,621
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	(250,121)	(250,121)	(250,121)	(250,121)
Other reserves	1,434,038	1,347,796	(40,192)	(40,192)
Retained earnings	22,975,203	22,635,966	5,539,061	4,891,161
	31,521,110	31,095,631	12,575,521	11,927,621
Non-controlling interests	963,699	958,894	-	-
Total equity	32,484,809	32,054,525	12,575,521	11,927,621

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

Amount repayable in one year or less, or on demand

<u>As at 31 March 2020</u>		<u>As at 31 December 2019</u>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
153,427	3,830,498	103,113	2,679,197

Amount repayable after one year

<u>As at 31 March 2020</u>		<u>As at 31 December 2019</u>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
526,822	399,505	532,882	1,717,740

Details of any collateral

The secured borrowings from the bank are secured by restricted cash, legal mortgages over certain land use rights, buildings and 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>	
	1Q2020	1Q2019
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	414,129	840,976
Adjustments for:		
- Income tax expenses	172,112	224,484
- Depreciation on property, plant and equipment	120,526	136,222
- Amortisation of lease prepayment	5,236	7,545
- Amortisation of intangible assets	688	544
- Finance expenses	14,419	41,557
- Loss on disposal of financial assets, at fair value through profit and loss	-	2,999
- Fair value change on derivative financial instruments	4,548	676
- Fair value change on financial assets, at fair value through profit and loss	(2,046)	(7,650)
- Bad debt/(bad debt recovery)	111,153	(1,122)
- Interest income	(88,991)	(65,242)
- Dividend income	(151)	-
- Share of profit of associated companies and joint ventures	(6,378)	(73,100)
	745,245	1,107,889
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	113,088	(111,209)
- Construction contract balances	409,660	569,790
- Trade and other receivables	(217,823)	191,022
- Trade and other payables	131,873	(718,778)
- Debt investments at amortised cost	(1,046,845)	(1,543,040)
- Provisions	(27,929)	(7,545)
- Restricted cash	(298,114)	196,851
Cash used in operations	(190,845)	(315,020)
Interest paid	(34,065)	(45,600)
Interest received	88,991	65,242
Income tax paid	(336,917)	(192,670)
Net cash used in operating activities	(472,836)	(488,048)
Cash flows from investing activities		
Proceeds from sales of investment in an associated company	200,000	-
Proceeds from sales of financial assets, at fair value through profit and loss	-	5,840
Dividend received	151	-
Acquisition of financial assets, at fair value through profit and loss	(150,750)	(80,400)
Purchase of property, plant and equipment	(7,712)	(28,611)
Disposal of subsidiaries, net of cash disposed	-	390
Acquisition of intangible assets	-	(380)
Acquisition/additions of investment in associated companies	-	(10,000)
Return of capital by associated companies	17,535	36,557
Net cash provided by/(used in) investing activities	59,224	(76,604)
Cash flows from financing activities		
Proceeds from borrowings	-	600,000
Repayments of borrowings	(134,987)	(24,235)
Dividend paid to non-controlling interests	(6,483)	(1,958)
Net cash (used in)/provided by financing activities	(141,470)	573,807
Net (decrease)/increase in cash and cash equivalents	(555,082)	9,155
Cash and cash equivalents at the beginning of financial period	10,183,019	6,594,143
Cash and cash equivalents at the end of financial period	9,627,937	6,603,298

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	
	1st Quarter	
	1Q 2020	1Q 2019
	RMB'000	RMB'000
Net Profit	414,129	840,976
Other comprehensive income:		
Share of other comprehensive income of associated companies and joint ventures		
- Currency translation gains	991	-
Currency translation difference arising from consolidation		
- Gains/(Losses)	21,647	(11,993)
Total comprehensive income, net of tax	436,767	828,983
Total comprehensive income attributable to:		
Equity holders of the Company	425,479	812,061
Non-controlling interests	11,288	16,922
	436,767	828,983

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 January 2020	7,361,990	(250,121)	1,347,796	22,635,966	31,095,631	958,894	32,054,525
Transfer ⁽¹⁾	-	-	64,595	(64,595)	-	-	-
Dividend paid to Non-controlling interests ⁽²⁾	-	-	-	-	-	(6,483)	(6,483)
Total comprehensive income for the year	-	-	21,647	403,832	425,479	11,288	436,767
Balance at 31 March 2020	7,361,990	(250,121)	1,434,038	22,975,203	31,521,110	963,699	32,484,809
Balance as restated at 1 January 2019	7,361,990	(122,362)	938,173	20,923,786	29,101,587	716,812	29,818,399
Transfer ⁽¹⁾	-	-	132,915	(132,915)	-	-	-
Dividend paid to Non-controlling interests ⁽²⁾	-	-	-	-	-	(1,958)	(1,958)
Acquisition of a subsidiary	-	-	-	-	-	5,039	5,039
Total comprehensive income for the period	-	-	(11,993)	824,054	812,061	16,922	828,983
Balance at 31 March 2019	7,361,990	(122,362)	1,059,095	21,614,925	29,913,648	736,815	30,650,463

THE COMPANY

	Attributable to equity holders of the Company				
	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	7,326,773	(250,121)	(40,192)	4,891,161	11,927,621
Total comprehensive income	-	-	-	647,900	647,900
Balance at 31 March 2020	7,326,773	(250,121)	(40,192)	5,539,061	12,575,521
Balance at 1 January 2019	7,326,773	(122,362)	(40,192)	5,262,478	12,426,697
Total comprehensive income	-	-	-	615,276	615,276
Balance at 31 March 2019	7,326,773	(250,121)	(40,192)	4,891,161	11,927,621

- (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) The RMB6.48 million represents dividend paid to non-controlling shareholders of Yangzijiang Taihua Shipping Pte. Ltd., a 49.48% owned subsidiary of the Group and Yangzijiang Express Shipping Pte. Ltd., also a 49.48%-owned subsidiary of the Group.

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 31 March 2020 and 31 March 2019.

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 31 March 2020	%	As at 31 March 2019	%
Shares held as treasury shares	55,312	1.39%	28,312	0.71%
Issued shares excluding treasury shares	3,918,765	98.61%	3,945,765	99.29%
Total number of shares	3,974,077	100%	3,974,077	100%

The Company did not have subsidiary holdings as at 31 March 2020 and 31 March 2019.

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 31 March 2020	As at 31 December 2019
Issued shares at the end of periods	3,974,077	3,974,077
Treasury shares at the end of periods	(55,312)	(55,312)
Issued shares excluding treasury shares	<u>3,918,765</u>	<u>3,918,765</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 January 2020	55,312	250,121
Repurchased during 2020	-	-
Treasury shares re-issued	-	-
Balance as at 31 March 2020	<u>55,312</u>	<u>250,121</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(I)s 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(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s, and SFRS(I) Interpretations, that are relevant to the Group:

- Amendments to SFRS(I) 10 Consolidated financial statements
- Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures

The adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s 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:-

Earnings per share	The Group	
	1Q 2020	1Q 2019
(a) Based on weighted average number of ordinary shares in issue (RMB cents) – Basic EPS	10.31	20.88
Weighted average number of Ordinary shares	3,918,765,200	3,945,765,200
(b) On fully diluted basis (RMB cents)	10.31	20.88

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

Diluted earnings per share is equal to basic earnings per share as at the period ended 31 March 2020 and 2019 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	
	31/03/20	31/12/19	31/03/20	31/12/19
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	804.36	793.51	320.91	304.37

The Group's and the Company's net assets value per ordinary share as at 31 March 2020 and 31 December 2019 have been computed based on the share capital of 3,918,765,200 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	1Q2020		1Q2019	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,307,220	100%	3,423,461	100%
Cost	(2,113,693)	-92%	(2,884,566)	-84%
Margin	193,527	8%	538,895	16%
Trading				
Turnover	538,007	100%	2,156,357	100%
Cost	(529,381)	-98%	(2,120,272)	-98%
Margin	8,626	2%	36,085	2%
Others				
Turnover	145,108	100%	122,233	100%
Cost	(114,017)	-79%	(91,843)	-75%
Margin	31,091	21%	30,390	25%

Investment Segment	1Q2020		1Q2019	
	RMB'000	%	RMB'000	%
Interest Income	506,733	100%	589,065	100%
Sale taxes and levies	(25,837)	-5%	(28,187)	-5%
Net interest income	480,896	95%	560,878	95%

Revenue

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

12 vessels were delivered in 1Q2020, lower than the 15 vessels delivered in 1Q2019. Out of 12 vessels delivered in this quarter, 2 were delivered from Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC), our joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. Due to the outbreak of COVID-19 in China in February and March 2020, revenue from the shipbuilding activities in 1Q2020 was lower at RMB 2,307 million, 33% lower than same quarter last year. Meanwhile, due to lower volume of trading activities in this quarter, trading business contributed towards a lower revenue of RMB538 million in 1Q2020 comparing to RMB2,156 million of 1Q2019. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was higher at RMB145 million in 1Q2020 when compared to RMB122 million of 1Q2019, mainly due to an expanded fleet size.

In line with the decreased size of financial investments compared to same quarter last year, our interest income derived from investment segment recorded at RMB507 million, lower than same quarter last year.

Operating cost

In line with lower revenue from shipbuilding business, our cost of sales of RMB2,114 million in 1Q2020 was lower than RMB2,885 million recorded in 1Q2019. In 1Q2020, a net reversal of RMB21 million loss provision for onerous contracts were recorded as a result of progressive construction of some of the contracts.

In 1Q2020, in line with the increase in revenue from other shipbuilding related business, the operating costs for this segment was also higher than same quarter last year.

In 1Q2020, total cost of RMB26 million was incurred for the Group's investment segment, which mainly consist of value added taxes and levies on interest income.

Gross Profit

The Group's shipbuilding business registered a gross profit margin of 8% in 1Q2020, significantly lower than 16% of 1Q2019, mainly due to the higher allocation of fixed depreciation costs as a result of lower volume of shipbuilding activities in this quarter.

Trading business contributed a gross profit of RMB9 million in 1Q2020 with the typical low gross profit margin of around 1.5%.

In line with the decreased size of investments, net interest income generated by investment segment decreased to RMB481 million in 1Q2020 from RMB561 million of the same quarter last year.

Other income

Due to higher interest income from bank deposits than same quarter last year, other income increased from RMB65 million in 1Q2019 to RMB89 million in 1Q2020.

Other gains/losses - net

Other gains/losses normally comprise foreign exchange related gains/losses, and fair value change on financial assets, at fair value through profit or loss and derivative financial instruments and subsidy income etc. The Group recorded other gain of RMB7.5 million in 1Q2020 as compared to RMB82 million loss in 1Q2019, the reversal was mainly due to a foreign exchange related gain of RMB105 million that was recorded this quarter as a result of the appreciation of USD against RMB at the end of the quarter, whereas a foreign exchange related loss of RMB110 million was recorded in the same quarter last year, however, this gain was largely offset by a provision of impairment on trade and other receivable of RMB111 million in 1Q2020. The impairment provision was made by a subsidiary mainly involved in trading business on its trade and other receivable from debtors who were facing financial difficulties.

Expenses

In 1Q2020, total administrative expenses increased to RMB217 million from RMB115 million in 1Q2019, the increase was mainly due to the higher impairment loss of debt investment at amortised costs of RMB128 million in 1Q2020 comparing to RMB10 million of 1Q2019 which is in line with higher amount invested in 1Q2020 as compare to the end of FY2019. In line with lower volume of shipbuilding activities in this quarter, other administrative expenses declined by 16% to RMB88 million from RMB105 million of 1Q2019.

In 1Q2020, finance cost decreased to RMB14 million as compared to RMB42 million in 1Q2019, the lower finance costs in this quarter was mainly due to a RMB20 million revaluation gain on SGD borrowings as a result of depreciation of SGD against RMB at the end of 1Q2020, and lower borrowing costs this quarter.

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 profit of associated companies and joint ventures of RMB6 million mainly consists of share of profits of around RMB16 million from YAMIC, Group's joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd, which started operation in August 2019, which was partly offset by the share of fair value loss of venture capital investments in 1Q2020.

Corporate Income Tax

Group's effective tax rate for 1Q2020 was 29.4%, higher than 21.1% of 1Q2019. The higher tax rate was mainly because the Group adopted the 25% standard income tax rate instead of 15% preferential tax rate over the earnings of Jiangsu New Yangzi Shipbuilding Co., Ltd ("**New Yard**") in 1Q2020. There are certain parameters to be met in order to enjoy the 15% preferential tax policy as a New High Technology Enterprise, upon all the conditions are met, the tax rate will then be revised to 15%.

Statements of Financial Position Review

Assets

As at 31 March 2020, cash and cash equivalents decreased to RMB9,628 million from RMB10,183 million as at the end of FY2019, mainly due to the net cash used in operating activities in 1Q2020. Restricted cash, which was held in designated bank accounts as deposits of performance guarantees and letter of credits, increased from RMB17 million at the end of FY2019 to RMB315 million in 1Q2020, being addition of letter of credits during the quarter.

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 31 March 2020, investment in financial assets, at fair value through profit or loss had increased slightly to RMB1,402 million from RMB1,249 million recorded at the end of last year, the movement was mainly a result of acquisition of financial assets, at fair value through profit or loss of RMB 151 million in 1Q2020, and fair value gain of RMB2 million during the quarter.

As at 31 March 2020, debt investment at amortised costs had increased slightly to RMB15.48 billion from RMB14.43 billion at the end of FY2019. The impairment provision for debt investment at amortised costs increased from RMB1,466 million at the end of last year to RMB1,594 million as at the end of 1Q2020, the movement being addition and net release of impairment provision in this quarter.

Inventory reduced to RMB1,485 million from RMB1,598 million at the end of 1Q2019, mainly due to the decrease of trading goods inventories.

With progressive delivery of shipbuilding contracts, contract assets at the end of 1Q2020 had decreased to RMB3,139 million from RMB3,421 million as at the end of last year.

Investment in joint ventures represents the investment in United Wave Shipping S.A. (“UWS”) and Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC), the movement from the end of FY2019 mainly being share of profit of RMB16 million from YAMIC for the quarter.

The decrease of investment in associated companies from RMB1,390 million as at the end of last year to RMB1,161 million, the movement being disposal of RMB200 million, return of capital of RMB18 million, and share of loss of RMB11 million during the period.

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 progressive payment received from construction contracts, contract liabilities, contract liabilities as at the end of 1Q2020 had increased to RMB1,754 million from RMB1,626 million at the end of last year.

Borrowings represented the Group’s secured and unsecured borrowings of RMB4,910 million, slightly lower than 31 December 2019, the movement being the repayment during the period.

Provisions include warranty provisions for delivered vessels and provisions for onerous contracts. Warranty provisions for completed and delivered vessels decreased by RMB7 million to RMB375 million as compared to 31 December 2019, 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 year. Provisions for onerous contract stood at RMB567 million as at the end of 1Q2020, there was a net utilisation of RMB21 million of allowance for losses recognised on onerous contracts in 1Q2020.

At the end of 1Q2020, current income tax liabilities decreased to RMB1,129 million from RMB1,289 million as at 31 December 2019, movement being the net repayment of tax liability during the period.

Equity

The change of “Total equity attributable to equity holders” to RMB31,521 million as at 31 March 2020 from RMB31,096 million as at 31 December 2019 was mainly a result of profits earned during the reporting period.

Statements of cash flows review

The decrease of cash and cash equivalents from RMB10,183 million to RMB9,628 million was mainly attributable to net cash used in operating activities of RMB473 million during the quarter.

Increase in net working capital requirements (including restricted cash) of RMB1,218 million was primarily attributable to the increase of RMB1,047 million of debt investments at amortised costs.

The net cash provided by investing activities of RMB59 million mainly consists of proceeds from sale of investment in an associate of RMB200 million, which was partly offset by the acquisition of financial assets, at fair value through profit or loss of RMB151 million during the quarter.

Net cash used in financing activities of RMB141 million during 1Q2020 was mainly consists of repayment of borrowings of RMB135 million and dividend of RMB6 million paid to non-controlling interest. Overall liquidity remains at a healthy level as

evidenced by the current ratio of 2.86 as of 31 March 2020.

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.

As the COVID-19 pandemic spreads around the world and has impacted commercial and manufacturing activities in many economies, it is widely expected that the global economy could enter the worst recession since the 1930s. Global shipping has seen decreased demand so far in 2020, and the situation is unlikely to improve significantly in the second half of 2020. This has caused significant disruption to the rebalancing of the shipping demand and supply (new ships) that had been taking place in the past few years. According to Clarksons Research, the global fleet is expected to grow by 2.7%, while seaborne trade tonnage could decline by 5.1%¹ in 2020. The weak sentiment globally and lack of visibility also make it very challenging for shipowners to plan their new order placement.

In 1Q2020, the Group secured new orders for 7 vessels with a total contract value of USD 360 million. These new orders include 3 units of 82,000DWT bulk carriers, 2 units of 40,000DWT bulk carriers and 2 units of 14,000TEU containerships². There was a termination of one shipbuilding order for one (1) unit of 157,000DWT oil tanker in 1Q2020, for which Group had received a total of USD12 million from the original buyer, and this 157,000DWT oil tanker had been resold to a new buyer earlier this month. After taking into account of the abovementioned termination, as at 31 March 2020, the Group had an outstanding order book of USD 2.9 billion for 69 vessels. These orders will keep the Group's yard facilities at a healthy utilization rate up to 2021 and provide a stable revenue stream for at least the next 1.5 years.

The Group's operations have become increasingly efficient over the past few years, represented by the steady increase in vessel deliveries, and it has become more resilient and ready in dealing with unforeseen situations like the COVID-19 pandemic. After a short disruption due to an extended lockdown period as required by the Chinese government after the Chinese New Year, the Group has taken proactive measures to resume production. By the end of March, almost 100% of the workers have resumed working. The company has also activated longer shifts and hired additional workers wherever needed since March to make up for the lost time. Construction of vessels is in good progress and the delivery schedule is within control. The Group has also utilised cloud-based technologies to facilitate the exchange of paperwork for vessel deliveries, thereby solving the problem of travel restrictions.

Since YAMIC started operation in August 2019, it has made steady progress in the construction and delivery of vessels. As it continues to ramp up the production and play out the synergies on cost and technology, YAMIC is expected to play an increasingly instrumental role in leading the Group's effort in achieving sustainable growth, while building itself into the best shipyard in the world for mid-sized clean energy vessels, LNG carriers and dry bulkers.

With so many uncertainties to both the COVID-19 situation and global economy, the Group will remain vigilant and work closely with its customers to weather this challenging time together, to minimise any potential negative impact on its financial performance as much as possible.

11. Dividend

(a) Current Financial Period Reported On

None

¹ http://www.eworldship.com/html/2020/ship_market_observation_0415/158673.html

² These include the new shipbuilding contracts for 2 units of 40,000DWT bulk carriers and 2 units of 82,000DWT bulk carriers with an aggregate contract value of USD104 million that was announced in the Group's FY2019 financial results in February 2020.

(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.

Not applicable.

13. Interested Person Transactions

The following table sets out the current total of all transactions with the interested person for the first quarter ended 31 March 2020:

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	RMB 10,752,000 *	Nil [^]

*Aggregate value less than 3% of Group's NTA as at 31 March 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.

On behalf of the Board of Directors
Ren Yuanlin
Executive Chairman