



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 FIRST QUARTER ENDED 31 MARCH 2021**

**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 2021	% of	1Q 2020	+ / (-)%
	RMB'000	Revenue	RMB'000	Variance
Revenue	2,624,831	100%	3,497,068	-25%
Cost of sales	(1,822,545)	-69%	(2,782,928)	-35%
Gross profit	<u>802,286</u>	31%	<u>714,140</u>	12%
Other income	91,013	3%	89,142	2%
Other gains, net	63,831	2.4%	107,039	-40%
Expenses				
- Administrative				
- Reversal of impairment loss/(impairment loss) on financial assets - net	154,319	5.9%	(176,080)	n.m.
- Others	(110,231)	-4%	(139,959)	-21%
- Finance	(5,853)	-0.2%	(14,419)	-59%
Share of profit of associated companies and joint ventures [#]	<u>59,020</u>	2.2%	<u>6,378</u>	825%
Profit before income tax	1,054,385	40%	586,241	80%
Income tax expense	<u>(274,054)</u>	-10%	<u>(172,112)</u>	59%
Net profit	<u>780,331</u>	30%	<u>414,129</u>	88%
Attributable to:				
Equity holders of the Company	761,725	29%	403,832	89%
Non-controlling interests	<u>18,606</u>	0.7%	<u>10,297</u>	81%
	<u>780,331</u>		<u>414,129</u>	88%

[#] Share of results 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		+ / (-) % Variance
	1Q2021	1Q2020	
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	136,150	126,450	8%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	5,853	14,419	-59%
Impairment loss of loans to non-related parties - microfinance	1,677	714	135%
Impairment loss on Advances to suppliers	-	52,350	n.m.
Bad debt written off	-	58,803	n.m.
Fair value loss on derivative financial instruments	170,384	4,548	3646%
After crediting:			
Reversal of impairment loss/(impairment loss) of debt investment at amortised costs	155,996	(128,198)	n.m.
Sale of materials	11,017	5,743	92%
Provision of service	24,719	-	n.m.
Interest income	54,148	88,991	-39%
Fair value gain on financial assets, at fair value through profit or loss	144	2,046	-93%
Foreign exchange related gains, net	212,344	105,187	102%
Subsidy income	21,182	2,798	657%
Dividend income	126	151	-17%
Reversal of allowance for losses recognised on onerous contracts, net of utilisation	21,972	21,069	4%

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 2021 RMB'000	As at 31 Dec 2020 RMB'000	As at 31 Mar 2021 RMB'000	As at 31 Dec 2020 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	13,424,622	6,633,416	419,647	15,311
Restricted cash	5,140	15,624	-	-
Financial assets, at fair value through profit or loss	1,737,221	1,722,118	-	-
Debt investments at amortised cost	11,977,007	13,555,320	-	-
Trade and other receivables	3,198,868	3,633,463	7,218,060	7,162,954
Inventories	1,758,757	1,677,846	-	-
Contract assets	2,470,032	3,126,632	-	-
Derivative financial instruments	41,239	89,589	41,239	55,277
	<u>34,612,886</u>	<u>30,454,008</u>	<u>7,678,946</u>	<u>7,233,542</u>
Non-current assets				
Financial assets, at fair value through profit or loss	916,921	916,921	-	-
Debt investments at amortised cost	2,880,179	3,402,369	-	-
Trade and other receivables	1,049,370	1,294,310	2,547,227	2,531,216
Derivative financial instruments	-	10,500	-	-
Lease prepayments	947,921	952,487	-	-
Investment in subsidiaries	-	-	5,954,915	5,954,915
Investment in joint ventures	552,298	362,332	372,554	221,300
Investment in associated companies	1,154,803	1,181,393	134,062	134,062
Investment properties	118,872	119,741	-	-
Property, plant and equipment	5,106,724	5,226,004	869	1,052
Intangible assets	21,313	22,154	-	-
Goodwill	258,979	258,979	-	-
Deferred income tax assets	620,122	709,463	-	-
	<u>13,627,502</u>	<u>14,456,653</u>	<u>9,009,627</u>	<u>8,842,545</u>
Total assets	<u>48,240,388</u>	<u>44,910,661</u>	<u>16,688,573</u>	<u>16,076,087</u>
LIABILITIES				
Current liabilities				
Trade and other payables	2,774,946	2,698,570	3,043,658	3,401,683
Derivative financial instruments	32,424	-	-	-
Contract liabilities	3,248,505	1,232,479	-	-
Borrowings	2,491,879	2,120,550	860,556	870,165
Provisions	922,928	938,254	-	-
Current income tax liabilities	991,381	972,982	4,549	4,549
	<u>10,462,063</u>	<u>7,962,835</u>	<u>3,908,763</u>	<u>4,276,397</u>
Non-current liabilities				
Derivative financial instruments	79,110	-	-	-
Borrowings	2,109,286	2,123,503	111	325
Deferred income tax liabilities	1,450,983	1,447,808	-	-
	<u>3,639,379</u>	<u>3,571,311</u>	<u>111</u>	<u>325</u>
Total liabilities	<u>14,101,442</u>	<u>11,534,146</u>	<u>3,908,874</u>	<u>4,276,722</u>
NET ASSETS	<u>34,138,946</u>	<u>33,376,515</u>	<u>12,779,699</u>	<u>11,799,365</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	(579,634)	(560,443)	(579,634)	(560,443)
Other reserves	1,522,603	1,494,732	(40,192)	(40,192)
Retained earnings	24,786,770	24,046,076	6,072,752	5,073,227
	<u>33,091,729</u>	<u>32,342,355</u>	<u>12,779,699</u>	<u>11,799,365</u>
Non-controlling interests	<u>1,047,217</u>	<u>1,034,160</u>	<u>-</u>	<u>-</u>
Total equity	<u>34,138,946</u>	<u>33,376,515</u>	<u>12,779,699</u>	<u>11,799,365</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 31 March 2021		As at 31 December 2020	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
151,323	2,340,556	98,185	2,022,365

Amount repayable after one year

As at 31 March 2021		As at 31 December 2020	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
589,175	1,520,111	566,318	1,557,185

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.

	The Group	
	1Q2021	1Q2020
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	780,331	414,129
Adjustments for:		
- Income tax expenses	274,054	172,112
- Depreciation on property, plant and equipment	129,874	120,526
- Depreciation of investment properties	869	-
- Amortisation of lease prepayment	4,566	5,236
- Amortisation of intangible assets	841	688
- Finance expenses	5,853	14,419
- Fair value change on:		
• Derivative financial instruments	170,384	4,548
• Financial assets at fair value, through profit and loss	(144)	(2,046)
- Interest income	(54,148)	(88,991)
- Dividend income	(126)	(151)
- Share of profits of associated companies and joint ventures	(59,020)	(6,378)
	1,253,334	634,092
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(80,911)	113,088
- Construction contract balances	2,672,626	409,660
- Trade and other receivables	679,535	(106,670)
- Trade and other payables	77,805	131,873
- Debt investments at amortised cost	2,100,503	(1,046,845)
- Provisions	(15,326)	(27,929)
- Restricted cash	10,484	(298,114)
Cash generated from operations	6,698,050	(190,845)
Interest paid	(15,479)	(34,065)
Interest received	54,148	88,991
Income tax paid	(163,140)	(336,917)
Net cash provided by/(used in) operating activities	6,573,579	(472,836)
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	60,718	-
Dividend received	5,504	151
Acquisition of financial assets, at fair value through profit and loss	(75,677)	(150,750)
Additions of investments in joint ventures	(135,115)	-
Return of capital by associated companies	25,380	17,535
Net cash (used in)/provided by investing activities	(119,190)	59,224
Cash flows from financing activities		
Purchase of treasury shares	(19,191)	-
Proceeds from borrowings	450,000	-
Repayments of borrowings	(87,830)	(134,987)
Principal payment of lease liabilities	(198)	-
Dividend paid to non-controlling interests	(5,964)	(6,483)
Net cash provided by/(used in) financing activities	336,817	(141,470)
Net increase/(decrease) in cash and cash equivalents	6,791,206	(555,082)
Cash and cash equivalents at the beginning of financial period	6,633,416	10,183,019
Cash and cash equivalents at the end of financial period	13,424,622	9,627,937

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 2021	1Q 2020
	RMB'000	RMB'000
Net Profit	780,331	414,129
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation (losses)/gains arising from consolidation	6,840	21,647
Items that will not be reclassified subsequently to profit or loss:		
Currency translation (losses)/gains arising from consolidation	415	991
Total comprehensive income, net of tax	787,586	436,767
Total comprehensive income attributable to:		
Equity holders of the Company	768,565	425,479
Non-controlling interests	19,021	11,288
	787,586	436,767

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 2021	7,361,990	(560,443)	1,494,732	24,046,076	32,342,355	1,034,160	33,376,515
Transfer ⁽¹⁾	-	-	21,031	(21,031)	-	-	-
Purchase of treasury shares ⁽²⁾	-	(19,191)	-	-	(19,191)	-	(19,191)
Dividend paid to non-controlling interests ⁽³⁾	-	-	-	-	-	(5,964)	(5,964)
Total comprehensive income for the period	-	-	6,840	761,725	768,565	19,021	787,586
Balance at 31 March 2021	7,361,990	(579,634)	1,522,603	24,786,770	33,091,729	1,047,217	34,138,946
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	-	-	64,595	(64,595)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	(6,483)	(6,483)
Total comprehensive income for the period	-	-	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

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 2021	7,326,773	(560,443)	(40,192)	5,073,227	11,799,365
Purchase of treasury shares ⁽²⁾	-	(19,191)	-	-	(19,191)
Total comprehensive income	-	-	-	999,525	999,525
Balance at 31 March 2021	7,326,773	(579,634)	(40,192)	6,072,752	12,779,699
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

- (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 1Q2021, the Company bought back 4,000,000 shares of the Company by way of market acquisition, which are held as treasury shares.
- (3) The RMB6.0 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 2021 and 31 March 2020.

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 2021	%	As at 31 March 2020	%
Shares held as treasury shares	125,561	3.16%	55,312	1.39%
Issued shares excluding treasury shares	3,848,516	96.84%	3,918,765	98.61%
Total number of shares	3,974,077	100%	3,974,077	100%

The Company did not have subsidiary holdings as at 31 March 2021 and 31 March 2020.

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 2021	As at 31 December 2020
Issued shares at the end of periods	3,974,077	3,974,077
Treasury shares at the end of periods	<u>(125,561)</u>	<u>(121,561)</u>
Issued shares excluding treasury shares	<u>3,848,516</u>	<u>3,852,516</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.

Treasury shares	Number of Shares ('000)	RMB '000
Balance as at 1 January 2021	121,561	560,443
Repurchased during 1Q2021	4,000	19,191
Treasury shares re-issued	-	-
Balance as at 31 March 2021	<u>125,561</u>	<u>579,634</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.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 2021	1Q 2020
(a) Based on weighted average number of ordinary shares in issue (RMB cents) – Basic EPS	19.79	10.31
Weighted average number of Ordinary shares	3,848,718,247	3,918,765,200
(b) On fully diluted basis (RMB cents)	19.79	10.31

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 2021 and 2020 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	
	31/03/21	31/12/20	31/03/21	31/12/20
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	859.86	839.51	332.07	306.28

The Group's and the Company's net assets value per ordinary share as at 31 March 2021 and 31 December 2020 have been computed based on the share capital of 3,848,516,000 shares and 3,852,516,000 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	1Q2021		1Q2020	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	1,835,203	100%	2,307,220	100%
Cost	(1,565,707)	-85%	(2,113,693)	-92%
Margin	269,496	15%	193,527	8%
Trading				
Turnover	115,901	100%	538,007	100%
Cost	(113,851)	-98%	(529,381)	-98%
Margin	2,050	2%	8,626	2%
Others				
Turnover	186,450	100%	145,108	100%
Cost	(118,388)	-63%	(114,017)	-79%
Margin	68,062	37%	31,091	21%

Investment Segment	1Q2021		1Q2020	
	RMB'000	%	RMB'000	%
Interest Income	487,277	100%	506,733	100%
Sale taxes and levies	(24,599)	-5%	(25,837)	-5%
Net interest income	462,678	95%	480,896	95%

Revenue

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

12 vessels were delivered in 1Q2021, same as 1Q2020. However, due to lower shipbuilding activities in this quarter, revenue from shipbuilding activities in 1Q2021 was RMB1,835 million, 20% 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 RMB116 million in 1Q2021 as compared to RMB538 million of 1Q2020. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was higher at RMB186 million in 1Q2021 when compared to RMB145 million of 1Q2020 due to an expanded charter fleet size and improved charter rates.

In line with decreased investment portfolio as compared to same quarter last year, interest income derived from investment segment decreased from RMB507 million in 1Q2020 to RMB487 million in 1Q2021.

Operating cost

In line with lower revenue from shipbuilding business, our cost of sales of RMB1,566 million in 1Q2021 was also lower than RMB2,114 million recorded in 1Q2020. In 1Q2021, a net reversal of loss provision of RMB22 million for onerous contracts was recorded as a result of progressive construction of some of the contracts.

In 1Q2021, in line with the increase in revenue from other shipbuilding related business, the operating costs for this segment was also slightly higher than same quarter last year.

In 1Q2021, total cost of RMB25 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 15% in 1Q2021, as compared to a lower gross profit margin of 8% recorded in 1Q2020, mainly due to construction of more containerships and larger size vessels in this quarter.

Trading business contributed a gross profit of RMB2 million in 1Q2021, with the typical low gross profit margin of around 1%.

Other shipbuilding related businesses such as shipping logistics & chartering and ship design services registered a gross profit margin of 37% in 1Q2021, significantly higher than 21% of 1Q2020, mainly due to improved charter rates for bulk carriers this year.

Other income

Due to interest rate cut of US dollar, a lower interest income from bank deposits was recorded this quarter. As a result, interest income for 1Q2021 was lower at RMB54 million, as compared to RMB89 million of 1Q2020. However, due to a

higher income from provision of services of RMB25 million in this quarter, other income in 1Q2021 increased slightly to RMB91 million from 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 RMB64 million in 1Q2021 as compared to RMB107 million in 1Q2020. The decrease was mainly due to a fair value loss of RMB170 million on derivative financial instruments, which mainly related to USD/CNY forward contracts acquired by the Group to manage its currency exposure to its future USD denominated income from the shipbuilding business.

Expenses

In 1Q2021, the group recorded a net reversal of impairment loss on financial assets of RMB154 million under administrative expenses as compared to a provision of impairment loss of RMB176 million in same quarter last year. Allowance for impairment loss on debt investment at amortised costs is measured by applying the expected credit loss ("ECL") impairment model in accordance to SFRS(I) 9 Financial Instrument. The Group applies general 3 stage approach to measure expected credit loss on debt investment at amortised costs. In measuring expected credit loss, the Group considers the probability of default upon initial recognition of investment and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The reversal in this quarter was mainly the reversal of impairment loss on debt investment at amortised costs in 1Q2021, being the net release of impairment provision following the repayment of debt investment at amortised costs during the quarter.

Other administrative expenses also decreased by 21% to RMB110 million in 1Q2021 from RMB140 million of 1Q2020, mainly due to lower shipbuilding activities and lower anti-pandemic costs incurred this year to ensure safe work environment and prevent the spread of COVID-19.

As a result of lower bank borrowings and borrowing costs in 1Q2021, finance cost decreased to RMB6 million as compared to RMB14 million in 1Q2020, meanwhile, there was a RMB9.6 million revaluation gain on SGD borrowings as a result of depreciation of SGD against RMB at the end of 1Q2021, as compared to a revaluation gain of RMB20 million in 1Q2020.

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 profits of associated companies and joint ventures of RMB59 million mainly related to share of profits from Yangzi-Mitsui Shipbuilding Co. Ltd ("YAMIC"), the Group's joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd.

Corporate Income Tax

Group's effective tax rate for 1Q2021 was 26.0%, lower than 29.4% of 1Q2020. The higher tax rate in 1Q2020 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. The tax rate on earning of New Yard for FY2020 had been revised to 15% in 4Q2020 after all the requirements are met for New Yard to be entitled to 15% preferential tax policy as a New High Technology Enterprise.

Statements of Financial Position Review

Assets

As at 31 March 2021, cash and cash equivalents increased to RMB13,425 million from RMB6,633 million as at the end of FY2020, mainly due to the net cash provided by operating activities in 1Q2021.

Restricted cash, which was held in designated bank accounts as deposits of performance guarantees and letter of credits, decreased from RMB16 million at the end of FY2020 to RMB5 million in 1Q2021, being net release of letter of credits during the quarter.

As at 31 March 2021, debt investment at amortised costs had decreased to RMB14.9 billion from RMB17.0 billion at the end of FY2020 as a result of net redemption in 1Q2021. Accordingly, the impairment provision for debt investment at amortised costs also decreased from RMB2,006 million at the end of last year to RMB1,850 million as at the end of 1Q2021, the movement being net reversal of impairment provision in 1Q2021.

Current trade and other receivables as at 31 March 2021 reduced from RMB3,633 million at the end of last year to RMB3,199 million, the decrease was mainly due to collection of trade receivable during the quarter.

Inventory increased slightly to RMB1,759 million from RMB1,678 million at the end of FY2020, mainly due to the accumulation of costs incurred for several self-built vessels, which will be held under inventory before being resold to external customers or transferred to the Group's shipping arm.

With progressive delivery of shipbuilding contracts, contract assets at the end of 1Q2021 had decreased to RMB2,470 million from RMB3,127 million as at the end of last financial year.

Derivative financial instruments of RMB41 million as at 31 March 2021 relate to the fair value of the outstanding USD/SGD cross currency swaps which were entered by the Company to mitigate its borrowing costs of its one-year SGD term loan. While current and non-current derivative financial instruments of RMB100 million as at 31 December 2020 also included the fair value of USD/CNY forward contracts acquired by the Group to manage its currency exposure to its future USD denominated income from shipbuilding business.

Non-current trade and other receivables decreased by RMB245 million since the end of last year, the decrease was mainly due to repayment of loans by YAMIC, a joint venture of the Group, and decrease of finance lease receivables as a result of the expiry of two ship finance lease agreements.

Investment in joint ventures represents the investments in United Wave Shipping S.A. (“UWS”) and Yangzi-Mitsui Shipbuilding Co., Ltd. (“YAMIC”), the movement from the end of last year mainly being the share of profit of RMB60 million from YAMIC and UWS for the period, and additional investment of RMB117 million in YAMIC and additional investment in UWS of RMB18 million during 1Q2021.

Deferred income tax assets decreased from RMB709 million as at the end of last year to RMB620 million, the movement being the release of tax benefit to profit or loss during the period.

Liabilities

The derivative financial instruments as at the 31 March 2021 related to the fair value of USD/CNY forward contracts acquired by the Group to manage its currency exposure to its future USD denominated income from shipbuilding business, the movement being the fair value losses during the period.

Due to higher advances received on construction contracts from new shipbuilding contracts entered in 1Q2021, contract liabilities as at the end of 1Q2021 had increased significantly to RMB3,249 million from RMB1,232 million as at the end of last year.

Borrowings represented the Group’s secured and unsecured borrowings of RMB4,601 million, higher than RMB4,244 million at the end of last year, the movement being net proceeds from borrowings during the period.

Equity

The change of “Total equity attributable to equity holders” to RMB33,092 million as at 31 March 2021 from RMB32,342 million as at 31 December 2020 was mainly a result of profits earned during the reporting period.

Statements of cash flows review for 1Q2021

The increase of cash and cash equivalents from RMB6,633 million at the end of last year to RMB13,425 million was mainly attributable to net cash provided by operating activities during the quarter.

Decrease in net working capital requirements (including restricted cash) of RMB5,320 million was primarily attributable to decrease of construction contract balances of RMB2,673 million and the decrease of RMB2,101 million of debt investments at amortised costs.

The net cash used in investing activities of RMB119 million mainly consists of the acquisition of financial assets, at fair value through profit or loss of RMB76 million and additional investment in joint ventures UWS and YAMIC of RMB135 million, which was partly offset by proceeds from sales of financial assets, at fair value through profit or loss of RMB61 million and a return of capital of RMB25 million by associated companies during the same quarter.

Net cash provided by financing activities of RMB337 million during 1Q2021 mainly consists of net proceeds of borrowings of RMB362 million, net of purchase of treasury shares of RMB19 million and dividend paid to non-controlling interest of RMB6 million in 1Q2021.

Overall liquidity remains at a healthy level as evidenced by the current ratio of 3.31 as of 31 March 2021.

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.

Following a robust fourth quarter for the shipbuilding industry in 2020, which recorded the highest quarterly orders since 2018 in DWT terms, global new shipbuilding orders in the first three months of 2021 continued to be strong, underpinned by strong demand for containerships.

According to BIMCO, new orders for containerships recorded 1.4 million TEUs in the first quarter of 2021, exceeding yearly orders placed since 2015. In comparison, orders placed for containerships in 2020 were 1.0 million TEUs. Consequently, the existing orderbook to fleet ratio for containerships jumped to more than 15% as compared to 8.8% six months ago. The Group's expertise and reputation in containership building have led to the securing of its largest order win since 2008.

Year-to-date 2021, the Group secured new orders for 75 vessels with a total contract value of USD 4.01 billion, Yangzijiang's largest order wins since 2008. These new orders include 4 units of 24,000TEU containerships, 10 units of 15,000TEU containerships, 5 units of 12,200TEU containerships, 4 units of 11,800TEU containerships, 10 units of 4,600TEU containerships, 4 units of 2,600TEU containerships, 2 units of 2,400TEU containerships, 12 units of 1,800TEU containerships, 14 units of 82,300DWT bulk carriers, 4 units of 66,000DWT bulk carriers, 4 units of 31,800DWT Great Lake bulk carriers and 2 units of 50,000DWT MR tankers.

The majority of new orders placed were for containerships (51 vessels worth about USD 3.36 billion) and as containerships demand a higher gross margin as compared to bulk carriers, it is expected to preserve the profit margins for the Group. As of the announcement date, the Group has an outstanding orderbook of USD 6.6 billion for 146 vessels. The current existing orderbook is at its highest level since 2007 and will provide the Group with a stable revenue stream for at least the next 2 years. To increase production capacity, the Group is expected to resume operations for Jiangsu Yangzi Changbo Shipbuilding ('Changbo yard') in the second quarter of 2021. The Changbo yard can deliver 6 to 7 mid-sized dry bulkers for the Group every year. As delivery slots at our yards begin to fill up, the Group is expected to be increasingly selective on future new orders.

The Group is also working towards expanding its market share for mid-sized LNG vessels to capitalize on the growth of the LNG market. According to McKinsey, demand for LNG is expected to grow by 3.4% per annum to 2035, requiring approximately 100 million metric tons of additional capacity. Through strategic partnerships with its joint venture partners Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. ("Mitsui"), the Group aims to strengthen its capabilities for the construction of LNG-related vessels.

The Suez Canal shutdown and the COVID-19 pandemic had revealed the vulnerabilities of an interdependent world and economy. Despite strong order wins and existing outstanding orderbook, the Group will continue to remain vigilant to cope with any potential issues. Yangzijiang remains backed by a strong balance sheet which would insulate us against downturns.

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.

It is the company's policy to declare dividend annually.

13. Interested Person Transactions

The following table sets out the current total of all transactions with the interested person for the third quarter ended 31 March 2021:

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 12,330,000 *	Nil [^]
<u>Ren Yuanlin</u> Jiangsu Jiangyin-Jingjiang Industrial Zone Tongyi Trading Pte Ltd - Provision of loan Jiangsu Suyang Property Management Co. Ltd. - Provision of service	RMB 107,000,000 * RMB 180,000 *	Nil [^]

*Aggregate value less than 3% of Group's NTA as at 31 March 2021, 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 and Xu Wen Jiong, being two 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 31 March 2021 to be false or misleading, in all material respects.

On Behalf of the Board of Directors

Ren Letian
Executive Chairman and Chief Executive Officer

Xu Wen Jiong
Non-Independent Non-Executive Director