



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 2018**

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 2018	% of	3Q 2017	+/(-)%	9M 2018	% of	9M 2017	+/(-)%
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	5,366,685	100%	4,378,165	23%	18,293,445	100%	12,850,984	42%
Cost of sales	(4,365,049)	-81%	(3,704,581)	18%	(14,870,395)	-81%	(10,483,224)	42%
Gross profit	1,001,636	19%	673,584	49%	3,423,050	19%	2,367,760	45%
Other income	109,099	2%	57,697	89%	241,514	1%	165,121	46%
Other gains, net	284,491	5%	309,302	-8%	454,484	2%	588,984	-23%
Expenses								
- Administrative								
• Impairment loss	(332,967)	-6%	(7,076)	4606%	(651,779)	-4%	(59,845)	989%
• Others	(87,411)	-2%	(87,022)	0.4%	(263,257)	-1%	(264,944)	-1%
- Finance	(50,882)	-1%	(19,851)	156%	(98,373)	-0.5%	(74,052)	33%
Share of (loss)/profit of associated companies and a joint venture [#]	(1,892)	-0.04%	31,313	n.m.	6,859	0.04%	4,487	53%
Profit before income tax	922,074	17%	957,947	-3.7%	3,112,498	17%	2,727,511	14%
Income tax expense	(133,656)	-2%	(38,621)	246%	(556,949)	-3%	(361,467)	54%
Net profit	788,418	15%	919,326	-14%	2,555,549	14%	2,366,044	8%
Attributable to:								
Equity holders of the Company	778,629	15%	865,996	-10%	2,368,644	13%	2,253,582	5%
Non-controlling interests	9,789	0.2%	53,330	-82%	186,905	1%	112,462	66%
	788,418		919,326	-14%	2,555,549		2,366,044	8%

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

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

	The Group		+ / (-) %
	3Q 2018	3Q 2017	Variance
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	157,101	135,895	16%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	50,882	19,851	156%
Impairment loss of financial assets, held-to-maturity	-	7,076	n.m.
Impairment loss of financial assets, at amortised costs	333,142	-	n.m.
Fair value change on financial assets, at fair value through profit or loss	7,770	(82,348)	n.m.
After crediting:			
Interest income	81,004	41,628	95%
Foreign exchange related gains/(losses), net	54,340	(102,141)	n.m.
Gain on disposal of financial assets, at fair value through profit or loss	160,652	-	n.m.
Gain from dissolution/disposal of subsidiaries	-	94,523	n.m.
Fair value change on derivative financial instruments	-	9,072	n.m.
Reversal of allowance for expected losses recognised on construction contracts	152,064	-	n.m.
Subsidy income	55,195	147,821	-63%
Gain from disposal of property, plant and equipment	-	60,707	n.m.
Dividend income	28,095	16,069	75%

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 2018 RMB'000	As at 31 Dec 2017 RMB'000 (Restated)	As at 30 Sep 2018 RMB'000	As at 31 Dec 2017 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	7,675,218	6,195,431	706,705	832,021
Restricted cash	11,068	29,405	-	-
Financial assets, at fair value through profit or loss	777,817	748,523	-	-
Financial assets, available-for-sale	-	1,027,293	-	-
Financial assets, at amortised costs	9,172,021	-	-	-
Financial assets, held-to-maturity	-	7,573,617	-	-
Trade and other receivables	4,605,594	5,290,056	8,253,931	10,075,526
Inventories	2,370,619	2,628,201	-	-
Contract assets	4,524,830	5,960,320	-	-
	<u>29,137,167</u>	<u>29,452,846</u>	<u>8,960,636</u>	<u>10,907,547</u>
Non-current assets				
Financial assets, at amortised costs	4,115,515	-	-	-
Financial assets, held-to-maturity	-	4,405,252	-	-
Trade and other receivables	1,436,679	1,238,174	2,505,181	2,345,870
Lease prepayments	973,141	990,795	-	-
Investment in subsidiaries	-	-	5,282,570	5,282,570
Investment in associated companies	1,358,959	1,394,702	134,062	134,062
Financial assets, at fair value through profit or loss	400,000	-	-	-
Financial assets, available-for-sale	-	400,000	-	-
Property, plant and equipment	5,160,503	4,820,729	15	22
Intangible assets	27,245	9,864	-	-
Deferred income tax assets	672,057	660,291	-	-
	<u>14,144,099</u>	<u>13,919,807</u>	<u>7,921,828</u>	<u>7,762,524</u>
Total assets	<u>43,281,266</u>	<u>43,372,653</u>	<u>16,882,464</u>	<u>18,670,071</u>
LIABILITIES				
Current liabilities				
Trade and other payables	4,724,984	5,859,041	3,947,791	4,192,887
Contract liabilities	3,437,902	3,607,332	-	-
Advances received on construction contracts	535,806	1,919	-	-
Borrowings	1,308,610	2,531,973	485,540	1,141,730
Provisions	309,721	371,993	-	-
Current income tax liabilities	1,180,355	1,203,376	4,091	-
	<u>11,497,378</u>	<u>13,575,634</u>	<u>4,437,422</u>	<u>5,334,617</u>
Non-current liabilities				
Borrowings	2,515,162	2,358,773	-	-
Deferred income tax liabilities	1,037,626	921,549	-	-
	<u>3,552,788</u>	<u>3,280,322</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>15,050,166</u>	<u>16,855,956</u>	<u>4,437,422</u>	<u>5,334,617</u>
NET ASSETS	<u>28,231,100</u>	<u>26,516,697</u>	<u>12,445,042</u>	<u>13,335,454</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	7,361,990	7,361,990	7,326,773	7,326,773
Treasury shares	(122,362)	(20,979)	(122,362)	(20,979)
Other reserves	837,598	568,680	(40,192)	(40,192)
Retained earnings	19,262,928	17,975,023	5,280,823	6,069,852
	<u>27,340,154</u>	<u>25,884,714</u>	<u>12,445,042</u>	<u>13,335,454</u>
Non-controlling interests	890,946	631,983	-	-
Total equity	<u>28,231,100</u>	<u>26,516,697</u>	<u>12,445,042</u>	<u>13,335,454</u>

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

Amount repayable in one year or less, or on demand

As at 30 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
84,319	1,224,291	100,243	2,431,730

Amount repayable after one year

As at 30 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
639,322	1,875,840	560,002	1,798,771

Details of any collateral

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

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

	<u>The Group</u>	
	3Q 2018	3Q 2017
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	788,418	919,326
Adjustments for:		
- Income tax expenses	133,656	38,621
- Depreciation on property, plant and equipment	141,179	130,828
- Amortisation of lease prepayment	4,976	5,043
- Amortisation of intangible assets	10,946	24
- Finance expenses	50,882	19,851
- Gain from disposal/dissolution of subsidiaries	-	(94,523)
- Fair value change on financial assets, at fair value through profit or loss	7,770	(82,348)
- Gain from disposal of property, plant and equipment	-	(60,707)
- Fair value change on derivative financial instruments	-	(9,072)
- Gain on disposal of financial assets, at fair value through profit or loss	(160,652)	-
- Interest income	(81,004)	(41,628)
- Dividend income	(28,095)	(16,069)
- Share of loss/(profit) of associated companies and a joint venture	1,892	(31,313)
	869,968	778,033
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(338,778)	(36,318)
- Construction contract balances	(1,037,257)	(974,036)
- Trade and other receivables	833,890	(344,349)
- Trade and other payables	3,367	(272,591)
- Financial assets, at amortised costs	(1,343,588)	-
- Financial assets, held-to-maturity	-	(97,934)
- Provisions	(53,562)	(18,220)
- Restricted cash	4,950	331,351
Cash generated from operations	(1,061,010)	(634,064)
Interest paid	(32,267)	(35,751)
Interest received	81,004	41,628
Income tax paid	(130,194)	(58,004)
Net cash used in operating activities	(1,142,467)	(686,191)
Cash flows from investing activities		
Purchases of property, plant and equipment	(30,023)	(1,602)
Proceeds from sales of financial assets, at fair value through profit and loss	1,041,054	206,876
Dividend received	28,095	16,069
Acquisition of financial assets, available-for-sale	-	(537,220)
Acquisition/additions of investment in associated companies	(5,400)	(1,000)
Return of capital by associated companies	50,462	13,338
Net cash inflow from sales of investment in subsidiaries	-	91,958
Capital injection by non-controlling interest	59,742	-
Acquisition of equity interest in existing subsidiaries from non-controlling interests	(119,299)	-
Net cash provided by/(used in) investing activities	1,024,631	(211,581)
Cash flows from financing activities		
Proceeds from issuance of shares	-	1,007,893
Proceeds from borrowings	483,065	511,393
Repayments of borrowings	(528,982)	(1,566,907)
Purchase of treasury shares	(42,859)	-
Dividend paid to non-controlling interests	(12,086)	(511)
Net cash used in financing activities	(100,862)	(48,132)
Net decrease in cash and cash equivalents	(218,698)	(945,904)
Cash and cash equivalents at the beginning of financial period	7,893,916	6,299,733
Cash and cash equivalents at the end of financial period	7,675,218	5,353,829

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		9 months	
	3Q 2018	3Q 2017	9M 2018	9M 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	788,418	919,326	2,555,549	2,366,044
Other comprehensive income:				
Financial assets, available-for-sale				
- Fair value gains/(losses), net of tax	-	3,566	-	(31,012)
Currency translation difference arising from consolidation				
- Gain	35,248	-	48,682	-
Total comprehensive income, net of tax	823,666	922,892	2,604,231	2,335,032
Total comprehensive income attributable to:				
Equity holders of the Company	813,877	869,562	2,417,326	2,222,570
Non-controlling interests	9,789	53,330	186,905	112,462
	823,666	922,892	2,604,231	2,335,032

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

THE GROUP

Attributable to equity holders of the Group

	Share	Treasury	Other	Retained	Total	Non-controlling	Total
	capital	shares	reserves	earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2017 as previously reported	7,361,990	(20,979)	568,680	17,975,023	25,884,714	631,983	26,516,697
Adoption of SFRS(I) 9	-	-	5,405	3,273	8,678	-	8,678
Balance as restated at 1 January 2018	7,361,990	(20,979)	574,085	17,978,296	25,893,392	631,983	26,525,375
Transfer	-	-	166,218	(166,218)	-	-	-
Dividend relating to 2017 paid	-	-	-	(857,090)	(857,090)	(900)	(857,990)
Share buy back	-	(58,524)	-	-	(58,524)	-	(58,524)
Acquisition of subsidiaries	-	-	-	-	-	112,507	112,507
Proceeds from non-controlling shareholders of subsidiaries	-	-	-	-	-	20,003	20,003
Total comprehensive income for the period	-	-	13,434	1,590,015	1,603,449	177,116	1,780,565
Balance at 30 June 2018	7,361,990	(79,503)	753,737	18,545,003	26,581,227	940,709	27,521,936
Transfer ⁽¹⁾	-	-	60,704	(60,704)	-	-	-
Proceeds from non-controlling shareholders of subsidiaries ⁽²⁾	-	-	-	-	-	59,742	59,742
Share buy back ⁽³⁾	-	(42,859)	-	-	(42,859)	-	(42,859)
Dividend paid to Non-controlling interests ⁽⁴⁾	-	-	-	-	-	(12,086)	(12,086)
Acquisition of Non-controlling interests ⁽⁴⁾	-	-	(12,091)	-	(12,091)	(107,208)	(119,299)
Total comprehensive income for the period	-	-	35,248	778,629	813,877	9,789	823,666
Balance at 30 September 2018	7,361,990	(122,362)	837,598	19,262,928	27,340,154	890,946	28,231,100
Balance at 1 July 2017	6,354,096	(20,979)	458,867	16,522,077	23,314,061	566,275	23,880,336
Transfer	-	-	43,483	(43,483)	-	-	-
Shares issue	1,007,893	-	-	-	1,007,893	-	1,007,893
Dividend paid to Non-controlling interests	-	-	-	-	-	(511)	(511)
Disposal of subsidiaries	-	-	60	-	60	(33,881)	(33,821)
Total comprehensive income for the period	-	-	3,566	865,996	869,562	53,330	922,892
Balance at 30 September 2017	7,361,989	(20,979)	505,976	17,344,590	25,191,576	585,213	25,776,789

THE COMPANY

Attributable to equity holders of the Company

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2018	7,326,773	(79,503)	(40,192)	5,245,191	12,452,269
Share buy back ⁽³⁾	-	(42,859)	-	-	(42,859)
Total comprehensive income for the period	-	-	-	35,632	35,632
Balance at 30 September 2018	7,326,773	(122,362)	(40,192)	5,280,823	12,445,042
Balance at 1 July 2017	6,318,879	(20,979)	(40,192)	2,093,765	8,351,473
Total comprehensive income	-	-	-	(21,393)	(21,393)
Share Issue	1,007,893	-	-	-	1,007,893
Balance at 30 September 2017	7,326,772	(20,979)	(40,192)	2,072,372	9,337,973

- (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 RMB59.7 million represents capital injection from non-controlling shareholders of Yangzijiang Taihua Shipping Pte. Ltd. and Yangzijiang Express Shipping Pte. Ltd., in 3Q2018, both are 49.48% owned subsidiaries of the Group.
- (3) In 3Q2018, the Company bought back 9,914,400 shares of the Company by way of market acquisition, which are held as treasury shares.
- (4) The RMB12 million represents the dividend paid to non-controlling interest of Jiangsu Huayuan Logistics Co., Ltd. which was 60%-owned subsidiary of the Group. And later in 3Q2018, the Group acquired the remaining 40% equity interest in Jiangsu Huayuan Logistics Co., Ltd, thus making it a 100% 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 30 September 2018 and 30 September 2017.

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 2018	%	As at 30 September 2017	%
Shares held as treasury shares	28,312	0.71%	5,239	0.13%
Issued shares excluding treasury shares	3,945,765	99.29%	3,968,838	99.87%
Total number of shares	3,974,077	100%	3,974,077	100%

The Company did not have subsidiary holdings as at 30 September 2018 and 30 September 2017.

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 2018	As at 31 December 2017
Issued shares at the end of periods	3,974,077	3,974,077
Treasury shares at the end of periods	(28,312)	(5,239)
Issued shares excluding treasury shares	<u>3,945,765</u>	<u>3,968,838</u>

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

	Number of Shares ('000)	RMB '000
Total number of treasury shares		
Balance as at 1 July 2018	18,397	79,503
Repurchased during 3Q2018	9,915	42,859
Balance as at 30 September 2018	<u>28,312</u>	<u>122,362</u>

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

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

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

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

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

Not applicable.

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

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

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

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its financial information under SFRS(I)s for the third quarter and 9 months ended 30 September 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

a) Application of SFRS(I) 1

The Group has decided not to elect any of the optional exemptions provided by IFRS(I).

b) Adoption of SFRS(I)s

The following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) 9 Financial Instruments
- SFRS(I) 16 Leases
- Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

i) Adoption of SFRS(I) 15

SFRS(I) 15 is effective for financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively.

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Following the presentation requirements in SFRS(I) 15, the Group has presented due from customers on construction contracts as contract assets and due to customers on construction contract as contract liabilities.

ii) Adoption of SFRS(I) 9

SFRS(I) 9 is effective for financial years beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

1) Classification and measurement

The Group has assessed the business models for managing the financial assets and the contractual cash flow characteristics of the financial assets to determine the appropriate classification for each financial asset under SFRS(I) 9.

As a result, certain balance sheet items and reserves were adjusted as at 1 January 2018.

2) Impairment of financial assets

Financial assets are subject to expected credit loss impairment model under SFRS(I) 9. As a result, the Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost.

Impact on the comparative for the Third Quarter and 9 months ended 30 September 2018 Financial Statements

The following reconciliations summarise the impacts on initial application of SFRS(I) 15 and SFRS(I) 9 on the Group's financial statements.

Group Balance Sheet

	Effect of SFRS(I) 15 31.12.2017 RMB'000	Effect of SFRS(I) 9 01.01.2018 RMB'000
Decrease in due from customers on construction contracts	(5,960,320)	-
Increase in contract assets	5,960,320	-
Decrease in due to customers on construction contracts	(3,607,332)	-
Increase in contract liabilities	3,607,332	-
Decrease in financial assets, available-for-sale	-	(1,427,293)
Increase in financial assets, at fair value through profit or loss	-	1,427,293
Decrease in financial assets, held-to-maturity	-	(11,978,869)
Increase in financial assets, at amortised cost	-	11,989,753
Increase in current income tax liabilities	-	(1,633)
Increase in deferred income tax liabilities	-	(573)
Movement in net assets	-	8,678
Increase in other reserves	-	5,405
Decrease in retained earnings	-	3,273
Movement in total equity	-	8,678

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 2018	3Q 2017
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	19.73	22.33
Weighted average number of Ordinary shares	3,946,848,139	3,877,504,667
(b) On fully diluted basis (RMB cents)	19.73	22.33

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 2018 and 2017 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	
	30/09/18	31/12/17	30/09/18	31/12/17
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	692.90	652.20	315.40	336.00

The Group's and the Company's net assets value per ordinary share as at 30 September 2018 and 31 December 2017 have been computed based on the share capital of 3,945,765,200 and 3,968,838,000 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	3Q 2018		3Q 2017	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,705,406	100%	2,808,857	100%
Cost	(2,158,874)	-80%	(2,387,591)	-85%
Margin	546,532	20%	421,266	15%
Trading				
Turnover	2,124,042	100%	1,270,425	100%
Cost	(2,090,844)	-98%	(1,252,272)	-99%
Margin	33,198	1.6%	18,153	1.4%
Others				
Turnover	148,566	100%	64,689	100%
Cost	(99,947)	-67%	(54,205)	-84%
Margin	48,619	33%	10,484	16%

Investment Segment	3Q 2018		3Q 2017	
	RMB'000	%	RMB'000	%
Financial assets, at amortized cost/held-to-maturity				
Interest Income	379,370	100%	228,343	100%
Sale taxes and levies	(15,311)	-4%	(10,485)	-5%
Net interest income	364,059	96%	217,858	95%
Micro Finance Business				
Interest Income	9,301	100%	5,851	100%
Sale taxes and levies	(73)	-1%	(28)	-0.5%
Net interest income	9,228	99%	5,823	100%

Revenue

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

6 vessels were delivered in 3Q2018, lower than the 9 vessels delivered in 3Q2017. In line with lower ship deliveries, revenue contribution in 3Q2018 by shipbuilding business of RMB2,705 million is also slightly lower than that of same quarter last year. Meanwhile, due to higher volume of trading activities in this quarter, trading business contributed towards a higher revenue of RMB2,124 million in 3Q2018 as compared to RMB1,270 million of 3Q2017. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB149 million in 3Q2018, compared to RMB65 million of 3Q2017 due to higher charter income in this quarter and shipping revenue of RMB52 million contributed by our newly acquired subsidiary, Shanghai Huayuan Shipping Co., Ltd, which owns 4 units of 47,350DWT vessels providing domestic shipping services.

In line with the increased size of investments in financial assets, at amortised costs, our interest income derived from financial assets, at amortised costs under investment segment recorded at RMB379 million, higher than same quarter last year.

Investment income derived from micro finance business in 3Q2018 increased to RMB9.3 million as compared to RMB5.9 million of 3Q2017. The increase was mainly due to higher loan balance in 3Q2018 as compared to the same quarter last year.

Operating cost

In line with lower shipbuilding revenue generated in 3Q2018, cost of sales of RMB2,159 million was also lower than RMB2,388 million recorded in 3Q2017. In 3Q2018, a reversal of RMB152 million of expected losses on construction contracts was recorded as a result of progressive construction of some of the contracts on which we had provided provisions for expected losses in FY2017.

In 3Q2018, in line with the increase in revenue from other shipbuilding related business, the operating costs for this segment was also significantly higher than same quarter last year, the increase was mainly because of the acquisition of Huayuan Group in 2Q2018, leading to an additional operating costs of RMB38 million in 3Q2018, of which RMB10 million was a result of the amortisation of intangible assets on a one-year chartering contract recognised upon the acquisition of Huayuan Group.

In 3Q2018, a total cost of RMB15 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 20% in 3Q2018 as compared to 15% of same quarter last year. The increase in gross profit margin was mainly a result of the strengthened USD against RMB and a reversal of RMB152 million of previously provided expected losses on construction contracts in this quarter.

Trading business contributed gross profit of RMB33 million in 3Q2018 with typically low gross profit margin of around 1%.

As compared to the same quarter last year, net interest income generated by investment segment increased to RMB373 million in 3Q2018 as a result of increased investment volume this quarter.

Other income

Other income, which generally includes interest income from bank deposits, interest income for ship finance leases and dividend income, increased from RMB58 million in 3Q2017 to RMB109 million in 3Q2018. This increase was mainly due to higher dividend income from financial assets, at fair value through profit or loss in this quarter and higher interest income as a result of higher bank balance as compared to same quarter last year.

Other gains - net

Other gains mainly comprise foreign exchange related gains/losses, and fair value change on financial assets, at fair value through profit or loss and subsidy income etc. The Group recorded other gains of RMB284 million in 3Q2018 as compared to a gain of RMB309 million in 3Q2017. The gain mainly consists of a gain of RMB161 million from disposal of financial assets, at fair value through profit or loss, a foreign exchange gain of RMB54 million, and a subsidy income of RMB55 million recorded in 3Q2018.

Expenses

In 3Q2018, administrative expenses increased to RMB420 million from RMB94 million in 3Q2017, the significant increase was due to an additional impairment loss of RMB333 million made on financial assets, at amortised costs in 3Q2018.

In 3Q2018, finance cost increased to RMB51 million as compared to RMB20 million in 3Q2017, mainly due to a revaluation loss of RMB18.6 million on SGD borrowings as a result of appreciation of SGD against RMB at the end of 3Q2018 as compared to a revaluation gain of RMB16 million recorded in same quarter last year.

Share of results of associated companies

This represents the share of results from the Group's associated companies.

Corporate Income Tax

Group's effective tax rate for 3Q2018 was 14.5%, higher than 4.0% of 3Q2017. The significant lower tax rate recorded in 3Q2017 was a combined result of non-taxable gain and a one-time tax credit of RMB78 million. The taxation charge of RMB134 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

Contract assets at the end of 3Q2018 had increased slightly to RMB4,525 million from RMB3,818 million as at the end of last quarter, with more vessels started construction after the delivery of several large containerships in last quarter.

Following the adoption of SFRS(I) 9 on 1 January 2018, investment in financial assets, available-for-sale had been re-classed to investment in financial assets, at fair value through profit or loss. As at 30 September 2018, investment in financial assets, at fair value through profit or loss had decreased to RMB1,178 million from RMB2,066 million recorded at the end of last quarter as a result of several disposals during the period. As at 30 September 2018, financial assets, at amortised costs had increased slightly to RMB13.29 billion from RMB11.94 billion at end of 2Q2018, and impairment provision for financial assets, at amortised costs stood at RMB1,634 million as at the end of 3Q2018.

The decrease of investment in associated companies from RMB1,406 million as at the end of last quarter to RMB1,359 million was mainly due to return of capital of RMB50 million received from our associated companies during the quarter.

Intangible assets decreased to RMB27 million from last quarter, the decrease was mainly the amortization on the one-year chartering contract of vessels under Huayuan Group recognized upon the acquisition of Huayuan Group at the beginning of 2Q2018.

Liabilities

Warranty provisions for completed and delivered vessels increased by RMB54 million to RMB310 million as compared to 30 June 2018, 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.

Borrowings represented the Group's secured and unsecured borrowings of RMB3,824 million, which was maintained at a similar level as last quarter.

With more contracts started construction, contract liabilities and advances received on construction contracts as at the end of 3Q2018 had decreased to RMB3,974 million as compared to RMB4,304 million at the end of last quarter. As of 30 September 2018, the remaining provision for expected losses on construction contracts stood at RMB984 million.

Equity

The change of "Total equity attributable to equity holders" to RMB27,340 million as at 30 September 2018 from RMB26,581 million as at 30 June 2018 was mainly a result of profits earned, net of share purchase during the reporting period.

Statements of cash flows review

Cash and cash equivalents recorded at RMB7,675 million as at 30 September 2018, a similar level as at the end of last quarter.

Increase in net working capital requirements (including restricted cash) of RMB2,012 million was primarily attributable to the increase in construction contract balances of RMB1,037 million as more new contracts started construction in this quarter and increase in financial assets, at amortised costs of RMB1,344 million.

The net cash provided by investing activities of RMB1,025 million were mainly the proceeds of RMB1,041 million received from sales of financial assets, at fair value through profit or loss. This has been partly offset by the cash flow utilised in the acquisition of remaining 40% equity interest in Jianguo Huayuan Logistics Co., Ltd. from its non-controlling interests.

Net cash used in financing activities of RMB101 million during 3Q2018 was the net repayment of borrowings of RMB46 million and share purchase during the quarter of RMB43 million. Overall liquidity improved further as evidenced by the current ratio of 2.53 as of 30 September 2018 as compared to 2.44 as of 30 June 2018.

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.

The shipbuilding market is still in the recovery phase post the recession experienced in the last few years. In the first nine months in 2018, 796 new shipbuilding orders (57.9 million DWT) were placed globally, 13.6% lower in terms of number of vessels (6.6% higher by DWT) compared to the new orders in the first nine months in 2017. China, Korea and Japan received 32.2%, 44.3% and 11.5% of the new orders respectively.¹

There are growing uncertainties in global shipping volume and economic growth due to the trade tensions between US and China, which will weigh on the pace of new shipbuilding order placement. On the positive side, the outstanding orderbook to fleet ratio is still in the bottom range historically, implying fundamental catch-up in shipping demand². In the longer term, seaborne trade will remain a dominant part in international trade. The growth of e-commerce, China's Belt and Road initiative, and International Maritime Organization rules and regulations on vessel emission standards are all expected to support the shipbuilding demand for high-tech, environmentally-friendly and energy-efficient vessels.

In October, the Group announced the establishment of the shipbuilding joint venture with prominent Japanese enterprises, Mitsui E&S Shipbuilding Co., Ltd. ("MES-SC") and Mitsui & Co., Ltd. ("Mitsui") to expand customer base with diversified vessel types and new areas of shipbuilding business, primarily in LNG related vessels. The joint venture is expected to further enhance Yangzijiang's shipbuilding capabilities, upgrade its product portfolio and create potential for order book growth.

Year to date, the Group secured new orders for 28 vessels with total contract value of USD1.2 billion. New orders received since our last order update include 2 units of 82,000DWT bulk carriers, 1 unit of 83,500DWT combination carrier and 3 units of 2,700TEU containerships. As at 7 November 2018, with an outstanding order book of USD4.1 billion for 114 vessels, Yangzijiang was ranked no.1 in China and no. 4 in the world in terms of order book size. These orders will keep the Group's yard facilities maintains a healthy utilization rate up to 2020 and provide a stable revenue stream for at least the next 2.5 years.

In view of the Group's robust financial position, stringent risk management, strong delivery track record and reputation as a leading shipbuilder in the world, Yangzijiang commands a favourable position in a recovering market. The Board remains confident of the Group's stable operational and financial performance for financial year 2018.

¹ http://www.eworldship.com/html/2018/NewShipMarket_1025/143936.html

² http://www.eworldship.com/html/2018/ship_market_observation_0918/143090.html

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

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

Not applicable.

(d) Date payable

Not applicable.

(e) Books closure date

Not applicable.

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

No dividend has been declared for the period under review.

13. Interested Person Transactions

The following table sets out the current total of all transactions with the interested person for the third quarter ended 30 September 2018:

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 26,934,000 *	Nil [^]

*Aggregate value less than 3% of Group's NTA as at 30 September 2018, shareholder mandate not applicable.

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

14. Use of Proceeds Update

A total of S\$165.8 million of S\$208.8 million raised from the issuance of 137,000,000 ordinary shares on 31 August 2017 has been utilised as follows:

	Use of new placement proceed from the issuance of 137,000,000 ordinary shares	Planned use of Net Proceeds (S\$' million)	Net Proceeds utilised (S\$' million)	Balance of Net Proceeds (S\$' million)
a	Fund new investments and business expansion through acquisitions, joint ventures and/or strategic alliances	Up to 104.4	61.4*	43.0
b	Working capital and general corporate purposes	104.4	104.4	-
	(a+b)	208.8	165.8	43.0
	Net proceeds received			208.8
	Remaining balance of proceeds			43.0

The above utilisations are in accordance with the intended use of proceeds of Placement as disclosed in the Announcement dated 31 August 2017. The Company will continue to make further announcement(s) via SGXNet when the remaining net proceeds are materially disbursed.

*The proceeds of RMB180 million (equivalent to S\$37.5 million) was utilised in 2Q2018 for the acquisition of 60% equity interest in Huayuan Group, an additional RMB119 million (equivalent to S\$23.9 million) was utilised in the acquisition of the remaining 40% equity interest in Huayuan Group in 3Q2018.

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

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

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

We, Ren Yuanlin and Xu Wen Jiong, being two of the Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company (the "Board") that, to the best of their knowledge, nothing has come to the attention of the Board which may render the financial statements for the period ended 30 September 2018 to be false or misleading, in all material respects.

On behalf of the Board of Directors

Ren Yuanlin
Executive Chairman

Xu Wen Jiong
Non-independent Non-executive Director