



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 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				The Group			
	3rd Quarter		3rd Quarter		January - September		January - September	
	3Q 2020	% of	3Q 2019	+/(-)%	9M 2020	% of	9M 2019	+/(-)%
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	3,583,326	100%	5,423,876	-34%	11,848,647	100%	18,747,926	-37%
Cost of sales	(2,318,905)	-65%	(4,364,062)	-47%	(8,600,316)	-73%	(15,323,121)	-44%
Gross profit	1,264,421	35%	1,059,814	19%	3,248,331	27%	3,424,805	-5%
Other income	104,762	3%	70,412	49%	267,429	2%	252,735	6%
Other (losses)/gains, net	(290,880)	-8%	(44,455)	554%	(262,088)	-2%	119,045	n.m.
Expenses								
- Administrative								
• Impairment loss	(183,257)	-5%	(63,474)	189%	(454,463)	-4%	(179,485)	153%
• Others	(95,255)	-3%	(88,265)	8%	(295,078)	-2%	(296,989)	-1%
- Finance	(9,534)	-0.3%	(37,849)	-75%	(67,252)	-1%	(134,673)	-50%
Share of results of associated companies and joint ventures [#]	24,374	1%	(23,188)	n.m.	73,672	1%	27,173	171%
Profit before income tax	814,631	23%	872,995	-7%	2,510,551	21%	3,212,611	-22%
Income tax expense	(201,624)	-6%	(153,115)	32%	(690,763)	-6%	(675,874)	2%
Net profit	613,007	17%	719,880	-15%	1,819,788	15%	2,536,737	-28%
Attributable to:								
Equity holders of the Company	585,190	16%	702,260	-17%	1,762,942	15%	2,462,746	-28%
Non-controlling interests	27,817	1%	17,620	58%	56,846	0.5%	73,991	-23%
	613,007		719,880	-15%	1,819,788		2,536,737	-28%

[#] 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 %
	3Q 2020 RMB'000	3Q 2019 RMB'000	
After charging:			
Depreciation and amortization	142,756	144,316	-1%
Finance costs - Interest on borrowings and net foreign currency translation on bank borrowings	9,534	37,849	-75%
Foreign exchange related losses, net	367,237	26,567	1282%
Impairment loss of debt investment at amortised costs	189,564	62,853	202%
Fair value loss on financial assets, at fair value through profit or loss	1,547	1,050	47%
After crediting:			
Fair value gain/(loss) on derivative financial instruments	17,333	(47,205)	n.m.
Reversal of impairment loss/(impairment loss) of loans to non-related parties - microfinance	6,307	(621)	n.m.
Sale of materials	15,034	13,325	13%
Interest income	59,993	67,738	-11%
Subsidy income	54,620	19,158	185%
Dividend income	36,822	2,674	1277%
Income from forfeiture of advances received	7,947	-	n.m.
Bad debt recovery	3,836	-	n.m.
Reversal of allowance for losses recognised on onerous contracts, net of utilisation	93,568	155,028	-40%

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 2020 RMB'000	As at 31 Dec 2019 RMB'000	As at 30 Sep 2020 RMB'000	As at 31 Dec 2019 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	9,938,865	10,183,019	1,318,179	14,790
Restricted cash	17,048	17,049	-	-
Derivative financial instruments	25,600	1,317	25,600	1,317
Financial assets, at fair value through profit or loss	1,159,541	823,783	-	-
Debt investments at amortised cost	13,558,843	10,527,661	-	-
Trade and other receivables	3,497,610	4,680,344	6,704,441	8,492,430
Inventories	1,468,691	1,597,950	-	-
Contract assets	2,458,867	3,420,943	-	-
	32,125,065	31,252,066	8,048,220	8,508,537
Non-current assets				
Debt investments at amortised cost	2,640,488	3,900,721	-	-
Trade and other receivables	1,165,622	1,061,537	2,697,718	2,742,736
Lease prepayments	957,811	973,518	-	-
Investment in subsidiaries	-	-	5,954,915	5,954,915
Investment in joint ventures	349,543	143,200	203,469	51,680
Investment in associated companies	1,063,543	1,389,518	134,062	134,062
Investment property	111,140	-	-	-
Financial assets, at fair value through profit or loss	925,265	425,265	-	-
Property, plant and equipment	5,583,150	5,678,063	1,235	1,800
Provisional goodwill	258,979	258,979	-	-
Intangible assets	29,204	25,927	-	-
Deferred income tax assets	635,144	647,328	-	-
	13,719,889	14,504,056	8,991,399	8,885,193
Total assets	45,844,954	45,756,122	17,039,619	17,393,730
LIABILITIES				
Current liabilities				
Trade and other payables	3,121,101	3,514,329	4,035,851	4,941,689
Derivative financial instruments	-	8,479	-	8,479
Contract liabilities	1,110,392	1,626,157	-	-
Borrowings	3,934,910	2,782,310	878,202	505,222
Provisions	795,436	970,126	-	-
Current income tax liabilities	1,043,862	1,289,383	9,586	9,581
	10,005,701	10,190,784	4,923,639	5,464,971
Non-current liabilities				
Borrowings	1,593,672	2,250,622	534	1,138
Deferred income tax liabilities	1,391,560	1,260,191	-	-
	2,985,232	3,510,813	534	1,138
Total liabilities	12,990,933	13,701,597	4,924,173	5,466,109
NET ASSETS	32,854,021	32,054,525	12,115,446	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	(326,578)	(250,121)	(326,578)	(250,121)
Other reserves	1,476,360	1,347,796	(40,192)	(40,192)
Retained earnings	23,350,316	22,635,966	5,155,443	4,891,161
	31,862,088	31,095,631	12,115,446	11,927,621
Non-controlling interests	991,933	958,894	-	-
Total equity	32,854,021	32,054,525	12,115,446	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

As at 30 September 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
148,762	3,786,148	103,113	2,679,197

Amount repayable after one year

As at 30 September 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
693,139	900,533	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.

	The Group	
	3Q2020	3Q2019
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	613,007	719,880
Adjustments for:		
- Income tax expenses	201,624	153,115
- Depreciation on property, plant and equipment	136,696	138,515
- Amortisation of lease prepayment	5,236	5,173
- Amortisation of intangible assets	824	628
- Finance expenses	9,534	37,849
- Fair value change on:		
• Derivative financial instruments	(17,333)	47,205
• Financial assets at fair value, through profit and loss	1,547	1,050
- Bad debt recovery	(3,836)	(53)
- Interest income	(59,993)	(67,738)
- Dividend income	(36,822)	(2,674)
- Share of (profits)/losses of associated companies and joint ventures	(24,374)	23,188
	826,110	1,056,138
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(232,528)	149,743
- Construction contract balances	137,823	1,299,260
- Trade and other receivables	299,429	51,792
- Trade and other payables	(463,230)	109,442
- Debt investments at amortised cost	(297,461)	3,935,706
- Provisions	(73,316)	(146,724)
- Restricted cash	9,273	6,441
Cash generated from operations	206,100	6,461,798
Interest paid	(27,940)	(32,410)
Interest received	59,993	67,738
Income tax paid	(132,272)	(206,023)
Net cash provided by operating activities	105,881	6,291,103
Cash flows from investing activities		
Proceeds from sales of financial assets, at fair value through profit and loss	74,691	-
Dividend received	36,822	2,674
Purchase of property, plant and equipment	(13,842)	(290,055)
Disposal of subsidiaries, net of cash disposed	-	(313,360)
Acquisition of financial assets, at fair value through profit and loss	(264,404)	-
Acquisition of intangible assets	(5,113)	(1,074)
Acquisition/additions of investments in joint ventures	(19,117)	(107,464)
Return of capital by associated companies	92,518	19,262
Net cash used in investing activities	(98,445)	(690,017)
Cash flows from financing activities		
Purchase of treasury shares	(76,457)	(118,041)
Proceeds from borrowings	336,954	-
Repayments of borrowings	(359,508)	(368,813)
Return of capital to non-controlling interests	(11,250)	-
Dividend paid to non-controlling interests	(4,386)	-
Net cash used in financing activities	(114,647)	(486,854)
Net (decrease)/increase in cash and cash equivalents	(107,211)	5,114,232
Cash and cash equivalents at the beginning of financial period	10,046,076	4,108,414
Cash and cash equivalents at the end of financial period	9,938,865	9,222,646

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

	The Group		The Group	
	3rd Quarter		January - September	
	3Q 2020	3Q 2019	9M 2020	9M 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	613,007	719,880	1,819,788	2,536,737
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation (losses)/gains arising from consolidation	(57,711)	36,499	(36,985)	52,691
Items that will not be reclassified subsequently to profit or loss:				
Currency translation (losses)/gains arising from consolidation	(2,656)	1,820	(1,688)	(1,819)
Total comprehensive income, net of tax	552,640	758,199	1,781,115	2,587,609
Total comprehensive income attributable to:				
Equity holders of the Company	527,479	738,759	1,725,957	2,515,437
Non-controlling interests	25,161	19,440	55,158	72,172
	552,640	758,199	1,781,115	2,587,609

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

THE GROUP

Attributable to equity holders of the Group

	Share capital	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2020	7,361,990	(250,121)	1,503,413	22,793,984	31,409,266	982,408	32,391,674
Transfer ⁽¹⁾	-	-	28,858	(28,858)	-	-	-
Purchase of treasury shares ⁽²⁾	-	(76,457)	-	-	(76,457)	-	(76,457)
Dividend paid to non-controlling interests ⁽³⁾	-	-	-	-	-	(4,386)	(4,386)
Dissolution of subsidiaries ⁽³⁾	-	-	1,800	-	1,800	(11,250)	(9,450)
Total comprehensive income for the period	-	-	(57,711)	585,190	527,479	25,161	552,640
Balance at 30 September 2020	7,361,990	(326,578)	1,476,360	23,350,316	31,862,088	991,933	32,854,021
Balance at 1 July 2019	7,361,990	(122,362)	1,200,137	21,451,092	29,890,857	770,938	30,661,795
Transfer ⁽¹⁾	-	-	60,801	(60,801)	-	-	-
Purchase of treasury shares	-	(118,041)	-	-	(118,041)	-	(118,041)
Acquisition of subsidiaries	-	-	(8,390)	-	(8,390)	54,304	45,914
Total comprehensive income for the period	-	-	36,499	702,260	738,759	19,440	758,199
Balance at 30 September 2019	7,361,990	(240,403)	1,289,047	22,092,551	30,503,185	844,682	31,347,867

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 July 2020	7,326,773	(250,121)	(40,192)	4,795,461	11,831,921
Purchase of treasury shares ⁽²⁾	-	(76,457)	-	-	(76,457)
Total comprehensive income	-	-	-	359,982	359,982
Balance at 30 September 2020	7,326,773	(326,578)	(40,192)	5,155,443	12,115,446
Balance at 1 July 2019	7,326,773	(122,362)	(40,192)	4,286,435	11,450,654
Purchase of treasury shares	-	-	-	(987,408)	(987,408)
Total comprehensive income	-	-	-	35,924	35,924
Balance at 30 September 2019	7,326,773	(122,362)	(40,192)	3,334,951	10,499,170

- (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 3Q2020, the Company bought back 17,277,700 shares of the Company by way of market acquisition, which are held as treasury shares.
- (3) The RMB4.39 million represents the dividend paid to non-controlling interest of Jiangsu New Yangzi Gas Co., Ltd, who holds 25% equity interest in the share capital of Jiangsu New Yangzi Gas Co., Ltd, a 75%-owned subsidiary of Jiangsu New Yangzi Shipbuilding Co., Ltd.

The Group later dissolved Jiangsu New Yangzi Gas Co., Ltd. and its 100% held subsidiary Jiangsu Xinfu Gas Co., Ltd. The RMB 11.25 million represent the share capital returned to the non-controlling shareholder after the dissolution.

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 2020 and 30 September 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 30 September 2020	%	As at 30 September 2019	%
Shares held as treasury shares	72,590	1.83%	53,312	1.34%
Issued shares excluding treasury shares	3,901,488	98.17%	3,920,765	98.66%
Total number of shares	3,974,077	100%	3,974,077	100%

The Company did not have subsidiary holdings as at 30 September 2020 and 30 September 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 30 September 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	<u>(72,590)</u>	<u>(55,312)</u>
Issued shares excluding treasury shares	<u>3,901,488</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.

Treasury shares	Number of Shares ('000)	RMB '000
Balance as at 1 July 2020	55,312	250,121
Repurchased during 3Q2020	17,278	76,457
Treasury shares re-issued	<u>-</u>	<u>-</u>
Balance as at 30 September 2020	<u>72,590</u>	<u>326,578</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 2020. 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	
	3Q 2020	3Q 2019
(a) Based on weighted average number of ordinary shares in issue (RMB cents) – Basic EPS	14.95	17.84
Weighted average number of Ordinary shares	3,915,149,095	3,936,138,826
(b) On fully diluted basis (RMB cents)	14.95	17.84

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 30 September 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	
	30/09/20	31/12/19	30/09/20	31/12/19
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	816.67	793.51	310.53	304.37

The Group's and the Company's net assets value per ordinary share as at 30 September 2020 and 31 December 2019 have been computed based on the share capital of 3,901,487,500 shares and 3,918,765,200 shares respectively.

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

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

Income statement review

Shipbuilding Related Segment	3Q2020		3Q2019	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,552,653	100%	3,226,766	100%
Cost	(1,857,787)	-73%	(2,789,811)	-86%
Margin	694,866	27%	436,955	14%
Trading				
Turnover	312,026	100%	1,453,351	100%
Cost	(307,955)	-99%	(1,433,044)	-99%
Margin	4,071	1%	20,307	1%
Others				
Turnover	193,516	100%	186,208	100%
Cost	(129,898)	-67%	(115,327)	-62%
Margin	63,618	33%	70,881	38%

Investment Segment	3Q2020		3Q2019	
	RMB'000	%	RMB'000	%
Interest Income	525,131	100%	557,551	100%
Sale taxes and levies	(23,265)	-4%	(25,880)	-5%
Net interest income	501,866	96%	531,671	95%

Revenue

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

9 vessels were delivered in 3Q2020, lower than the 13 vessels delivered in 3Q2019. As a result, revenue from shipbuilding activities in 3Q2020 was RMB2,553 million, also 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 RMB312 million in 3Q2020 comparing to RMB1,453 million of 3Q2019. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was slightly higher at RMB194 million in 3Q2020 when compared to RMB186 million of 3Q2019 due to an expanded fleet size.

Although investment portfolio had increased as compared to same quarter last year, interest income derived from investment segment decreased from RMB558 million in 3Q2019 to RMB525 million in 3Q2020, mainly due to lower average interest rate earned from new investments than same quarter last year.

Operating cost

In line with lower revenue from shipbuilding business, our cost of sales of RMB1,858 million in 3Q2020 was also lower than RMB2,790 million recorded in 3Q2019. In 3Q2020, a net reversal of RMB94 million loss provision for onerous contracts was recorded as a result of progressive construction of some of the contracts.

In 3Q2020, 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 3Q2020, total cost of RMB23 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 27% in 3Q2020, significantly higher than 14% of

3Q2019, mainly due to construction and delivery of several large size containerships which carry higher profit margin during the quarter and the net reversal of RMB94 million loss provision for onerous contracts in 3Q2020.

Trading business contributed a gross profit of RMB4 million in 3Q2020, 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 33% in 3Q2020, lower than 38% of 3Q2019, mainly due to lower charter rates this year.

Other income

Due to interest rate cut of USD this year, a lower interest income from bank deposit was recorded this quarter. As a result, interest income for 3Q2020 was RMB60 million, lower than RMB68 million in 3Q2019. However, due to a higher dividend income of RMB37 million from financial assets, at fair value through profit or loss and income from forfeiture of advances received of RMB8 million, other income in 3Q2020 increased to RMB105 million from RMB70 million in 3Q2019.

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 losses of RMB291 million in 3Q2020 as compared to RMB44 million in 3Q2019. The losses in 3Q2020 were mainly due to a higher foreign exchange related losses of RMB367 million, which mainly arose from translation losses on USD bank deposit and USD denominated shipbuilding construction contract assets, at USD/CNY closing rate on 30 September 2020, which was substantially lower than that of 30 June 2020, while higher subsidy income of RMB55 million and fair value gain on derivative financial instruments of RMB17 million partly offset the losses.

Expenses

In 3Q2020, total administrative expenses increased to RMB279 million from RMB152 million in 3Q2019, the increase was mainly due to the higher impairment loss on debt investment at amortised costs of RMB190 million in 3Q2020, as compared to RMB63 million in 3Q2019. The impairment losses in 3Q2020 were mainly from higher provision made for non-performing category investments. Other administrative expenses also increased by 8% to RMB95 million in 3Q2020 from RMB88 million of 3Q2019, due to extra anti-pandemic costs incurred to ensure safe work environment and prevent the spread of COVID-19.

In 3Q2020, finance cost decreased to RMB10 million as compared to RMB38 million in 3Q2019. The lower finance costs in this quarter was mainly due to lower borrowing costs compared to last year and a RMB18.4 million revaluation gain on SGD borrowings as a result of depreciation of SGD against RMB at the end of 3Q2020, while in 3Q2019, there was a revaluation loss of RMB5 million.

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 RMB24 million mainly consists of share of profits of around RMB12 million 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 3Q2020 was 24.8%, higher than 17.5% of 3Q2019. 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 3Q2020. There are certain parameters to be met in order to enjoy the 15% preferential tax policy as a New High Technology Enterprise and the tax rate will only be revised to 15% when all relevant conditions are met.

9M2020 vs. 9M2019

Shipbuilding Related Segment	9M2020		9M2019	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	7,847,134	100%	9,727,215	100%
Cost	(6,292,771)	-80%	(8,188,488)	-84%
Margin	1,554,363	20%	1,538,727	16%
Trading				
Turnover	1,872,790	100%	6,858,237	100%
Cost	(1,846,578)	-99%	(6,720,270)	-98%
Margin	26,212	1%	137,967	2%
Others				
Turnover	518,661	100%	487,835	100%
Cost	(387,831)	-75%	(335,984)	-69%
Margin	130,830	25%	151,851	31%
Investment Segment				
Interest Income	1,610,062	100%	1,674,638	100%
Sale taxes and levies	(73,136)	-5%	(78,379)	-5%
Net interest income	1,536,926	95%	1,596,259	95%

Revenue

In 9M2020, 37 vessels were delivered according to schedule as compared to 46 vessels delivered in 9M2019. In line with less vessels delivered this year, the Group recorded a lower shipbuilding revenue of RMB7,847 million in 9M2020. Revenue contribution from trading business decreased from last year as a result of lower volume of trading business in 2020. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was higher at RMB519 million in 9M2020, compared to RMB488 million in 9M2019, mainly due to an expanded fleet size.

Due to lower average interest rates for new investments made in 2020, our interest income derived from investment segment was slightly lower at RMB1,610 million in 9M2020, compared to RMB1,675 million in 9M2019.

Operating cost

In line with lower shipbuilding revenue this year, cost of sales of shipbuilding business of RMB6,293 million was also lower than RMB8,188 million recorded in 9M2019. In 9M2020, a net reversal of RMB190 million loss provision for onerous contracts were recorded as a result of progressive construction of some of the contracts, while a reversal of RMB425 million was recognised in same period last year.

In 9M2020, total cost of RMB73 million was incurred for the Group's investment segment, which mainly consists of value added taxes and levies on interest income.

Gross Profit

In 9M2020, gross profit margin of the Group's shipbuilding business was 20%, higher than 16% attained in 9M2019, mainly due to construction of large containerships with higher margins and a unit of 157,000DWT oil tanker resold which registered a higher gross profit margin in this year.

Trading business contributed revenue of RMB1,873 million, which accounted for about 18% of total revenue from shipbuilding related segment in 9M2020, with typically low gross profit margin of 1%.

Despite higher revenue recorded in 9M2020 for other shipbuilding related business, gross profit was lower at RMB131 million compared to RMB152 million in 9M2019. A lower gross profit margin of 25% was registered in 9M2020, which was lower than 31% in 9M2019, mainly due to lower charter rates this year.

In line with lower interest income from investment segment, net interest income contributed by this segment in 9M2020 was also lower than 9M2019.

Other income

Other income, which includes interest income from bank deposits, interest income for ship finance leases and dividend income, increased slightly from RMB253 million in 9M2019 to RMB267 million in 9M2020. This increase was mainly due to RMB8 million income recognised in 3Q2020 from forfeiture of advances.

Other gains/losses - net

Other gains/losses mainly comprise foreign exchange related gains/losses, fair value change on financial assets, at fair value through profit or loss and subsidy income etc. Other losses of RMB262 million was recorded in 9M2020 as compared to a gain of RMB119 million in 9M2019. The variance was mainly due to RMB303 million foreign exchange related losses recorded in 9M2020, as compared to RMB46 million foreign exchange related loss recorded in 9M2019. Subsidy income for 9M2020 was also lower at RMB93 million as compared to RMB161 million in same period last year due to certain local incentive programmes which had lapsed in 2020.

Expenses

In 9M2020, total administrative expenses increased to RMB749 million from RMB476 million in 9M2019. These expenses had included a net impairment loss on financial assets of RMB454 million, mainly made on our debt investment at amortised costs.

In 9M2020, finance cost decreased to RMB67 million from RMB135 million in 9M2019, mainly due to lower borrowing costs compared to last year and a RMB25 million revaluation gain on SGD borrowings as a result of depreciation of SGD against RMB in 9M2020 as compared to RMB9 million revaluation loss in 9M2019.

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 RMB74 million mainly consists of share of profits of around RMB55 million from YAMIC, the Group's joint venture with Mitsui E&S Shipbuilding Co., Ltd. and Mitsui & Co., Ltd.

Corporate Income Tax

The taxation charge in 9M2020 was RMB691 million, representing a higher effective tax rate of 27.5% as compared to 21.0% in 9M2019. 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 3Q2020. There are certain parameters to be met in order to enjoy the 15% preferential tax policy as a New High Technology Enterprise, and the tax rate will only be revised to 15% when all relevant conditions are met.

Statements of Financial Position Review

Assets

Derivative financial instruments of RM26 million as at 30 September 2020 relate to the fair value of the outstanding USD/SGD cross currency swap which was entered by the Company to mitigate its borrowing costs of its one-year SGD term loan. Derivative financial instruments as at 31 December 2019 relate to the fair value of derivative financial instruments which were acquired to mitigate the currency exposure risks of the Group's future USD denominated income from shipbuilding business, and all of those instruments had expired during 1H2020.

As at 30 September 2020, investment in financial assets, at fair value through profit or loss had increased to RMB2,085 million from RMB1,249 million as at 31 December 2019, the movement was mainly a result of acquisition of financial assets, at fair value through profit or loss amounting to RMB915 million in 9M2020, and a disposal of RMB75 million during the same period.

As at 30 September 2020, debt investment at amortised costs had increased to RMB16.2 billion from RMB14.4 billion at the end of FY2019 as a result of additional investments made in 2020. The impairment provision for debt investment at amortised costs increased from RMB1,466 million at the end of last year to RMB1,930 million as at the end of 3Q2020, the movement being net addition of impairment provision made in 9M2020.

Current trade and other receivables as at 30 September 2020 reduced significantly from RMB4,680 million at the end of last year to RMB3,498 million, mainly due to lower prepayment pertaining to trading businesses, which is in line with lower volume of trading business.

With progressive delivery of shipbuilding contracts, contract assets at the end of 3Q2020 had decreased to RMB2,459 million from RMB3,421 million as at the end of last year.

Non-current trade and other receivables increased by RMB104 million since the end of last year, the increase was mainly finance lease receivables arising from a few new finance lease agreements entered by the Group during the period.

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 RMB55 million from YAMIC for the period, and additional investment of RMB125 million in YAMIC and net additional investment in UWS of RMB25 million during 9M2020.

The decrease of investment in associated companies from RMB1,390 million as at the end of last year to RMB1,064 million, the movement being return of capital of RMB143 million and sale of an associated company of RMB200 million, which was partly offset by a share of fair value gain of RMB17 million during the period.

Investment property of RMB111 million represents a property located in Jiangyin city, which was awarded to the Group in accordance to court judgement, following a borrower's default on an overdue debt investments at amortised cost.

Intangible assets increased by RMB3.3 million since the end of last year, mainly due to acquisition of software of RMB5.5 million by the Group during the period.

Liabilities

Trade and other payable decreased to RMB3,121 million as compared to RMB3,514 million as at 31 December 2019, the decrease was mainly due to lower trading related trade payables as a result of decrease of trading volume in 2020.

The derivative financial instruments as at the 31 December 2019 related 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, and all of those instruments had expired during 1H2020.

As more shipbuilding contracts commenced construction, contract liabilities as at the end of 3Q2020 had further decreased to RMB1,110 million from RMB1,626 million at the end of last year.

Borrowings represented the Group's secured and unsecured borrowings of RMB5,529 million, higher than RMB5,033 million at the end of last year, the movement being net proceeds from borrowings during the period.

Provisions include warranty provisions for delivered vessels and provisions for onerous contracts. Warranty provisions for completed and delivered vessels increased by RMB16 million to RMB398 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 previous year. Provisions for onerous contracts stood at RMB397 million as at the end of 3Q2020, and a net utilisation of RMB190 million of allowance for losses was recognised on onerous contracts in 9M2020.

At the end of 3Q2020, current income tax liabilities decreased to RMB1,044 million from RMB1,289 million was recorded as at 31 December 2019, the movement being the net repayment of tax liability during the period.

The increase in deferred income tax liabilities is mainly due to withholding tax provided for the distributable profits of our subsidiaries in China during the period.

Equity

The change of “Total equity attributable to equity holders” to RMB31,862 million as at 30 September 2020 from RMB31,096 million as at 31 December 2019 was mainly a result of profits earned during the reporting period, which was partly offset by a dividend payment for FY2019 in 2Q2020.

Statements of cash flows review for 3Q2020

The decrease of cash and cash equivalents from RMB10,046 million at the end of last quarter to RMB9,939 million was mainly attributable to net cash used in investing and financing activities during the quarter.

Increase in net working capital requirements (including restricted cash) of RMB722 million was primarily attributable to decrease of trade and other payables of RMB463 million and the increase of RMB297 million of debt investments at amortised costs, which was largely offset by the decrease of trade and other receivables of RMB299 million during 3Q2020.

The net cash used in investing activities of RMB98 million mainly consists of the acquisition of financial assets, at fair value through profit or loss of RMB264 million and additional investment in joint ventures UWS of RMB19 million, which was partly offset by a return of capital of RMB93 million by associated companies, proceeds from sales of financial assets, at fair value through profit or loss of RMB75 million and dividend of RMB37 million received from financial assets, at fair value through profit or loss during the same quarter.

Net cash used in financing activities of RMB115 million during 3Q2020 mainly consists of net repayment of borrowings of RMB23 million, purchase of treasury shares of RMB76 million and return of capital to non-controlling interest of RMB11 million after the dissolution of Jiangsu New Yangzi Gas Co., Ltd. and its 100% held subsidiary Jiangsu Xinfu Gas Co., Ltd. in 3Q2020.

Overall liquidity remains at a healthy level as evidenced by the current ratio of 3.21 as of 30 September 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.

The ongoing uncertainties in the shipping market amid the COVID-19 pandemic have further hampered the new order recovery for major vessel types in 3Q2020. According to Danish Shipping, global new shipbuilding orderbook to fleet ratio dropped to 7% in DWT terms in October 2020, the lowest level since 1989. This compares to 2009 when the ratio reached a high of 52% before it trended down over the decade. According to Clarksons, global new shipbuilding orders of 9.75 million CGT for the first nine months of 2020 was only about half of that for the same period in 2019.

Despite the decline in new orders, certain encouraging signs emerged in the shipping market in the past few months. Major shipping companies reported better-than-expected financial performance, as the reduced available shipping capacity stabilized charter rates. According to a recent report by Fitch Ratings, there has been “increased shipping volumes since June 2020, driven by re-stocking, increased demand for personal protective equipment, and the growth in inventories ahead of the holiday season to cover potential disruptions.” The heightened demand for containers on major shipping routes sent spot container freight rates to a multi-year high. In the dry bulk market, the BDI index recovered strongly since July and hit a new 2020-high in October, as stimulus measures in China led to record-high steel production and iron ore imports. The Group also noticed rising demand for smaller vessels, especially small containerships, as global shipping evolves to focus more on intra-regional routes and prefer flexible services.

Since the Group’s recent order book update on the six 1,800TEU containerships and two 82,000DWT bulk carriers worth a total of USD178 million (announced on 31 August 2020), the Group has further secured new shipbuilding orders for 6 vessels worth a total of USD 139 million. These new orders consisted of two (2) units of 82,000DWT bulk carriers, two (2) units of 40,000DWT bulk carriers, one (1) unit of 38,500DWT bulk carrier and one (1) unit of 9,150DWT chemical tanker. Year to date in 2020, the Group has secured new orders for 29 vessels worth approximately USD834 million. As of 30 September 2020, the Group has an outstanding order book of USD 2.4 billion for 67 vessels. These orders will provide the Group with a stable revenue stream for at least the next 1.5 years.

The Group’s new order inflow in a depressed market was attributable to its loyal, extensive customer base, its track record in building innovative, high-quality vessels, and a strong financial position. The Group remains optimistic about its financial performance for FY2020, based on the progress of vessel construction and delivery. As the shipping industry adapts to the emerging demand patterns with an increased focus on the efficiency, reliability and flexibility of vessels, the Group is in an advantageous position to capture the opportunities amid and post the COVID-19 era. The Group will also remain vigilant and work closely with its customers to deal with any potential issues arising from the COVID-19 disruptions.

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 30 September 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	RMB14,896,000 *	Nil [^]

*Aggregate value less than 3% of Group's NTA as at 30 September 2020, 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 30 September 2020 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