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MEDIA RELEASE

Yangzijiang reports profit attributable to equity holders of RMB1.7 billion in 1H2023, a 47% year-on-year growth

- 1H2023 revenue of RMB11.3 billion grew by 16% year-on-year.
- Core shipbuilding gross margin increased to 18%, compared to 13% in 1H2022.
- Total outstanding orderbook hit a new high of USD14.7 billion for 181 vessels.
- Clean energy ships account for 56% of the total contract value.

SINGAPORE – 3 August 2023 – Yangzijiang Shipbuilding (Holdings) Ltd. (“Yangzijiang”, together with its subsidiaries, the “Group”), a globally-leading shipbuilding group based in China, and a Straits Times Index component company listed on the SGX Main Board, reported its financial results for the six months ended 30 June 2023 (“1H2023”).

Robust Group Performance for 1H2023

Following a strong FY2022, the Group maintained its robust financial performance in 1H2023. Total revenue increased by 16% year-on-year (“yoy”) to RMB11.3 billion on the back of increased shipbuilding activities. Gross profit jumped 48% yoy to RMB2.1 billion, with gross profit margin improving 4 percentage points to 19%.

Other income, which comprised interest income from bank deposits, interest income from ship finance leases, and income from the sale of bunker stock, increased to RMB234 million in 1H2023 from RMB162 million in 1H2022. The growth was primarily attributable to higher interest income from bank deposits relating to a rise in cash and cash equivalents during the reporting period.

Financial Highlights	1H2023	1H2022	Change
	RMB'000	RMB'000	%
Revenue	11,321,043	9,741,127	16
Gross Profit	2,109,714	1,423,970	48
Gross Profit Margin	19%	15%	4 pts*

Financial Highlights	1H2023	1H2022	Change
	RMB'000	RMB'000	%
Finance Costs	(45,017)	(52,275)	(14)
Other Income	234,101	162,054	44
Other Gains, net	157,717	305,730	(48)
Profit attributable to Equity Holders from Continuing Operations	1,725,996	1,170,627	47
<i>PATMI Margin from Continuing Operations</i>	15%	12%	3 ppts
<i>Return on Equity</i> [^]	19%	14%	5 ppts

* ppts: Percentage points

[^] [Profit attributable to equity holders from continuing operations * 2] / [total equity – non-controlling interests]

Other gains came in at RMB158 million in 1H2023, mainly comprising the subsidy income of RMB94 million and a gain of RMB91 million from the disposal of two vessels from its fleet. The net gains were partially offset by foreign exchange-related losses, fair value losses on derivative financial instruments and financial assets at fair value through profit or loss of RMB21 million, RMB17 million, and RMB5 million respectively.

Finance costs decreased to RMB45 million in 1H2023 from RMB52 million in 1H2022 on the back of lower bank borrowings and borrowing costs during the reporting period.

Balance Sheet (RMB'000)	30 Jun 2023	31 Dec 2022
Property, Plant and Equipment	7,047,069	7,277,768
- Including Property, Plant and Equipment - Shipping	3,115,454	3,182,229
Cash & Cash Equivalents	10,726,594	10,778,393
Debt Investment at Amortised Costs	-	1,575,780
Total Borrowing	5,057,968	4,567,540
Total Equity	18,367,821	17,704,760
Gross Gearing (Borrowings / Equity)	27.5%	25.8%
Net gearing*	Net cash	Net cash

* Net gearing = [(cash & cash equivalents) – total borrowing] / total equity

The share of profits from associated companies and joint ventures was RMB50 million, which was mainly contributed by the joint venture company, Yangzi-Mitsui Shipbuilding Co., Ltd.

Consequently, the Group achieved profit attributable to equity holders (“PATMI”) from continuing operations of RMB1.7 billion, up 47% yoy. PATMI margin in 1H2023 was 15%, higher than 12% for 1H2022.

The Group continued to maintain the net cash position, with cash and cash equivalents standing at RMB10.7 billion as of 30 June 2023.

Segmental Performance Review for 1H2023

Revenue from the core shipbuilding business improved in line with the heightened progressive construction activities with top-line contributions reaching a record high of RMB10.7 billion in 1H2023, up 25% yoy. The gross profit margin for this segment rose to 18% in 1H2023 from 13% in 1H2022, mainly driven by the depreciation of the RMB against USD and the normalised raw material costs incurred during the period.

Revenue generated from the shipping business dropped by 5% yoy to RMB532 million, primarily due to lower charter rates secured in 1H2023. In line with the revenue decline, the gross margin for the shipping business decreased to 34% compared to 40% attained in 1H2022.

Revenue contributions from other businesses, such as terminal services, trading, and ship design services decreased significantly from RMB659 million in 1H2022 to RMB129 million in 1H2023, due mainly to the decline in the volume of low-margin trading business. Accordingly, the gross margin for other businesses doubled to 32% for 1H2023.

Review / Outlook / Future Plans

Following Yangzijiang's strategic inroads into green shipbuilding in recent years, its orderbook composition has been progressively transformed, with more weightage towards clean vessel types. As of 30 June 2023, the Group secured new contract wins of USD5.76 billion for 72 vessels. Notable new orders include 10 units of LNG dual-fuel containerships and 10 units of Methanol dual-fuel containerships. As of the end of 1H2023, Yangzijiang's total outstanding order book amounted to USD 14.70 billion for a total of 181 vessels. Clean energy vessel orders have experienced a significant increase, now representing 56% of the total contract value, compared to the 23% recorded 12 months ago.

In July 2023, the regulatory-driven fleet renewal trend has been further boosted following the International Maritime Organisation ("IMO")'s revised 2023 Strategy on Reduction of Greenhouse Gas Emissions from Ships. The new strategy entails enhanced targets and clear milestones for addressing emissions, as well as quantitative targets for the uptake of zero or net-zero GHG emission technologies, encouraging more shipowners to participate in the fleet decarbonisation trajectory.¹

In 1Q2023, Yangzijiang managed to renew short-term contracts for all of its available vessels. This allowed the Group to continue generating healthy cash flows during the period while giving it the flexibility to reassess the market condition in the near term. Looking at 2H2023, the global shipping market could potentially enter a stronger half of the year premised on recovery in consumer spending and normalization of spending patterns, reduced inventories, and wage growth.²

¹ International Maritime Organisation: 2023 IMO Strategy on Reduction of GHG Emissions from Ships

² ING: Global shipping outlook: It's all about capacity as the tide turns

“1H2023 has been a successful half for us, both with respect to financial performance and new order wins. With 181 vessels to be delivered, we are looking at multiple ways of improving our operational efficiency and overall project management.

Now with concrete targets and milestones laid out by the IMO, we will no doubt see an accelerated pace of fleet decarbonisation among global ship liners. Equipped with green technological know-how, Yangzijiang will continue to benefit from this paramount transition where we expect sustained demand for clean fuel vessels for the years ahead.”

---- Mr. Ren Letian (任乐天)

Executive Chairman and CEO, Yangzijiang Shipbuilding (Holdings) Ltd

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About Yangzijiang Shipbuilding

Established in 1956, Yangzijiang Shipbuilding (Holdings) Ltd. is one of the largest non-state-owned shipbuilding companies in China. The Group is listed on SGX Mainboard since April 2007 and is currently one of the Straits Times Index (“STI”) constituent stocks. With four shipyards in Jiangsu Province, China along the Yangtze River, the Group produces a broad range of commercial vessels including large containerships, bulk carriers and LNG carriers, serving the orders from a well-established customer network covering Northern America, Europe and other parts of the world. Since listing on SGX, it has delivered consistent growth in the past ten years. Find out more at www.yziship.com.

Issued for and on behalf of Yangzijiang Shipbuilding (Holdings) Ltd.

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