



**YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.**  
 (Company Registration No. 200517636Z)  
 (Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**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			
	2nd Quarter		January - June		2nd Quarter		January - June	
	2Q 2017	% of	2Q 2016	+/(-)%	1H 2017	% of	1H 2016	+/(-)%
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	3,791,261	100%	2,993,551	27%	8,472,819	100%	5,700,836	49%
Cost of sales	(2,986,426)	-79%	(2,309,316)	29%	(6,778,643)	-80%	(4,368,119)	55%
Gross profit	804,835	21%	684,235	18%	1,694,176	20%	1,332,717	27%
Other income	49,992	1%	51,084	-2%	107,425	1%	96,237	12%
Other gains, net	188,608	5%	147,072	28%	279,681	3%	310,447	-10%
Expenses								
- Administrative								
• Impairment loss	(7,734)	-0.2%	(52,795)	-85%	(52,769)	-1%	(75,579)	-30%
• Others	(93,893)	-2%	(113,910)	-18%	(177,922)	-2%	(182,957)	-3%
- Finance	(13,712)	-0.4%	(126,151)	-89%	(54,201)	-1%	(195,971)	-72%
Share of loss of associated companies and a joint venture <sup>#</sup>	(25,860)	-0.7%	(2,796)	825%	(26,826)	-0.3%	(69,962)	-62%
Profit before income tax	902,236	24%	586,739	54%	1,769,564	21%	1,214,932	46%
Income tax expense	(148,097)	-4%	(151,125)	-2%	(322,846)	-4%	(319,707)	1%
<b>Net profit</b>	<b>754,139</b>	<b>20%</b>	<b>435,614</b>	<b>73%</b>	<b>1,446,718</b>	<b>17%</b>	<b>895,225</b>	<b>62%</b>
<b>Attributable to:</b>								
Equity holders of the Company	719,916	19%	415,400	73%	1,387,586	16%	863,377	61%
Non-controlling interests	34,223	0.9%	20,214	69%	59,132	0.7%	31,848	86%
	<b>754,139</b>		<b>435,614</b>	<b>73%</b>	<b>1,446,718</b>		<b>895,225</b>	<b>62%</b>

<sup>#</sup> Share of loss of associated companies and a joint venture is after tax.

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

	<b>The Group</b>		<b>+ / (-) % Variance %</b>
	<b>2nd Quarter</b>		
	<b>2Q2017 RMB'000</b>	<b>2Q2016 RMB'000</b>	
<b>After charging:</b>			
Depreciation and amortization	137,908	127,139	8%
Finance costs - Interest on borrowings	13,712	126,151	-89%
Foreign exchange related loss/(gain), net	147,861	(151,911)	n.m.
Impairment loss on financial assets, held-to-maturity	7,734	52,795	-85%
Impairment loss on inventory	35,137	-	n.m.
<b>After crediting:</b>			
Interest income	33,127	51,084	-35%
Subsidy income	2,970	30,135	-90%
Gain on disposal of financial assets, available-for-sale	-	4,875	n.m.
Fair value gain on financial assets, at fair value through profit or loss	121,459	-	n.m.
Fair value change on derivative financial instruments	64,984	(29,694)	n.m.
Dividend Income	16,865	-	n.m.
Gain/(loss) from dissolution/disposal of subsidiaries	133,538	(9,941)	n.m.

n.m. denotes not meaningful.

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<u>The Group</u>		<u>The Company</u>	
	As at 30 Jun 2017 RMB'000	As at 31 Dec 2016 RMB'000	As at 30 Jun 2017 RMB'000	As at 31 Dec 2016 RMB'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6,299,733	7,085,796	835,471	1,422,015
Restricted cash	335,417	1,219,695	-	-
Derivative financial instruments	25	36,371	25	36,371
Financial assets, at fair value through profit or loss	723,598	605,429	-	-
Financial assets, available-for-sale	1,065,663	648,843	-	-
Financial assets, held-to-maturity	5,976,850	5,296,709	-	-
Trade and other receivables	4,301,920	5,346,997	6,760,341	6,736,769
Inventories	1,861,755	2,032,459	-	-
Due from customers on construction contracts	4,773,835	3,929,478	-	-
	<u>25,338,796</u>	<u>26,201,777</u>	<u>7,595,837</u>	<u>8,195,155</u>
<b>Non-current assets</b>				
Financial assets, held-to-maturity	4,632,765	5,609,925	-	-
Trade and other receivables	1,199,865	1,258,379	2,515,596	2,347,406
Derivative financial instruments	-	23,002	-	23,002
Lease prepayments	1,067,999	1,080,656	-	-
Investment in subsidiaries	-	-	5,199,570	5,199,570
Investment in a joint venture	-	4,796	-	4,796
Investment in associated companies	1,163,997	882,622	134,062	134,062
Financial assets, available-for-sale	200,000	200,000	-	-
Property, plant and equipment	5,210,998	5,476,950	30	37
Intangible assets	7,479	7,906	-	-
Deferred income tax assets	486,470	488,170	-	-
	<u>13,969,573</u>	<u>15,032,406</u>	<u>7,849,258</u>	<u>7,708,873</u>
<b>Total assets</b>	<u>39,308,369</u>	<u>41,234,183</u>	<u>15,445,095</u>	<u>15,904,028</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	5,284,361	5,605,757	4,635,937	3,869,948
Derivative financial instruments	14,142	281,166	14,142	281,166
Due to customers on construction contracts	1,167,195	1,808,605	-	-
Advances received on construction contracts	581,492	457,021	-	-
Borrowings	5,196,063	2,579,435	1,846,230	1,387,400
Provisions	420,986	488,633	-	-
Current income tax liabilities	859,065	1,130,020	372,529	406,529
	<u>13,523,304</u>	<u>12,350,637</u>	<u>6,868,838</u>	<u>5,945,043</u>
<b>Non-current liabilities</b>				
Derivative financial instruments	-	1,416	-	1,416
Borrowings	800,741	4,645,022	-	1,387,400
Deferred income tax liabilities	1,103,988	1,037,999	224,784	224,784
	<u>1,904,729</u>	<u>5,684,437</u>	<u>224,784</u>	<u>1,613,600</u>
<b>Total liabilities</b>	<u>15,428,033</u>	<u>18,035,074</u>	<u>7,093,622</u>	<u>7,558,643</u>
<b>NET ASSETS</b>	<u>23,880,336</u>	<u>23,199,109</u>	<u>8,351,473</u>	<u>8,345,385</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	6,354,096	6,354,096	6,318,879	6,318,879
Treasury shares	(20,979)	(20,979)	(20,979)	(20,979)
Other reserves	458,867	324,938	(40,192)	(40,192)
Retained earnings	16,522,077	16,033,911	2,093,765	2,087,677
	<u>23,314,061</u>	<u>22,691,966</u>	<u>8,351,473</u>	<u>8,345,385</u>
<b>Non-controlling interests</b>	566,275	507,143	-	-
<b>Total equity</b>	<u>23,880,336</u>	<u>23,199,109</u>	<u>8,351,473</u>	<u>8,345,385</u>

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

**Amount repayable in one year or less, or on demand**

<b>As at 30 June 2017</b>		<b>As at 31 December 2016</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
407,759	4,788,304	507,185	2,072,250

**Amount repayable after one year**

<b>As at 30 June 2017</b>		<b>As at 31 December 2016</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
400,741	400,000	898,243	3,746,779

**Details of any collateral**

The borrowings from the bank are secured by restricted cash and legal mortgages over the vessels.

**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.**

	<b>The Group</b>	
	2nd quarter	
	<b>2Q2017</b>	<b>2Q2016</b>
	RMB '000	RMB '000
<b>Cash flows from operating activities</b>		
Net profit	754,139	435,614
Adjustments for:		
- Income tax expenses	148,097	151,125
- Depreciation on property, plant and equipment	132,646	121,796
- Amortisation of lease prepayment	5,042	5,274
- Amortisation of intangible assets	220	69
- Interest expenses	13,712	126,151
- Fair value change on derivative financial instruments	(64,984)	29,694
- Fair value change on financial assets, at fair value through profit or loss	(121,459)	-
- Gain on disposal of financial assets, available for sale	-	(4,875)
- (Gain)/Loss from dissolution/disposal of subsidiaries	(133,538)	9,941
- Gain from dissolution of a joint venture	172	-
- Dividend income	(16,865)	-
- Interest income	(33,127)	(51,084)
- Share of losses of associated companies and a joint venture	25,860	2,796
	<b>709,915</b>	<b>826,501</b>
Change in working capital		
- Inventories	(202,557)	(392,771)
- Construction contract balances	(1,082,773)	889,232
- Trade and other receivables	799,061	(174,718)
- Trade and other payables	199,773	152,252
- Financial assets, held-to-maturity	(22,526)	(187,495)
- Provisions	(54,367)	(33,762)
- Restricted cash	212,836	1,072,685
Cash generated from operations	559,362	2,151,924
Interest paid	(39,262)	(58,151)
Interest received	33,127	51,084
Income tax paid	(207,325)	(318,283)
<b>Net cash provided by operating activities</b>	<b>345,902</b>	<b>1,826,574</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,961)	(285,262)
Acquisition of financial assets, available-for-sale	(307,500)	(1,234,106)
Proceeds from sales of financial assets, available-for-sale	-	29,875
Additional capital injection in associated companies	(241,000)	-
Dividend income	16,865	-
Return of capital by associated companies	7,500	121,006
Net cash outflow from sales of investment in subsidiaries	-	(17,366)
<b>Net cash used in investing activities</b>	<b>(528,096)</b>	<b>(1,385,853)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,024,134	600,000
Repayments of borrowings	(459,575)	(1,071,633)
Dividends paid to equity holders	(753,983)	(818,469)
<b>Net cash used in financing activities</b>	<b>(189,424)</b>	<b>(1,290,102)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(371,618)</b>	<b>(849,381)</b>
Cash and cash equivalents at the beginning of financial period	6,671,351	7,222,376
<b>Cash and cash equivalents at the end of financial period</b>	<b>6,299,733</b>	<b>6,372,995</b>

**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.**

	<u>The Group</u>		<u>The Group</u>	
	2nd Quarter		1st Half Year	
	<b>2Q2017</b>	<b>2Q2016</b>	<b>1H2017</b>	<b>1H2016</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Net Profit</b>	754,139	435,614	1,446,718	895,225
<b>Other comprehensive income:</b>				
Financial assets, available-for-sale				
- Fair value losses	(34,578)	-	(34,578)	-
<b>Total comprehensive income, net of tax</b>	<b>719,561</b>	435,614	<b>1,412,140</b>	895,225
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	<b>685,338</b>	415,400	<b>1,353,008</b>	863,377
Non-controlling interests	<b>34,223</b>	20,214	<b>59,132</b>	31,848
	<b>719,561</b>	435,614	<b>1,412,140</b>	895,225

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

**THE GROUP**

Attributable to equity holders of the Group

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 April 2017</b>	6,354,096	(20,979)	406,286	16,620,233	23,359,636	532,052	23,891,688
Transfer between equity <sup>(1)</sup>	-	-	64,089	(64,089)	-	-	-
Dividend relating to 2016 paid <sup>(2)</sup>	-	-	-	(753,983)	(753,983)	-	(753,983)
Dissolution of subsidiaries <sup>(3)</sup>	-	-	23,070	-	23,070	-	23,070
Total comprehensive income	-	-	(34,578)	719,916	685,338	34,223	719,561
<b>Balance at 30 June 2017</b>	<b>6,354,096</b>	<b>(20,979)</b>	<b>458,867</b>	<b>16,522,077</b>	<b>23,314,061</b>	<b>566,275</b>	<b>23,880,336</b>
<b>Balance at 1 April 2016</b>	6,263,016	(20,979)	238,645	15,766,684	22,247,366	571,226	22,818,592
Transfer between equity <sup>(1)</sup>	-	-	55,290	(55,290)	-	-	-
Transfer between equity	91,080	-	(91,080)	-	-	-	-
Dividend relating to 2015 paid	-	-	-	(818,469)	(818,469)	-	(818,469)
Acquisition of Non-controlling interests	-	-	2,171	-	2,171	(2,171)	-
Disposal of a subsidiary	-	-	-	-	-	(137,880)	(137,880)
Total comprehensive income	-	-	-	415,400	415,400	20,214	435,614
<b>Balance at 30 June 2016</b>	<b>6,354,096</b>	<b>(20,979)</b>	<b>205,026</b>	<b>15,308,325</b>	<b>21,846,468</b>	<b>451,389</b>	<b>22,297,857</b>

## THE COMPANY

	Attributable to equity holders of the Company				Total equity RMB'000
	Share capital	Treasury shares	Other reserves	Retained earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 April 2017</b>	6,318,879	(20,979)	(40,192)	2,168,585	8,426,293
Total comprehensive income	-	-	-	679,163	679,163
Dividend relating to 2016 paid <sup>(2)</sup>	-	-	-	(753,983)	(753,983)
<b>Balance at 30 June 2017</b>	<b>6,318,879</b>	<b>(20,979)</b>	<b>(40,192)</b>	<b>2,093,765</b>	<b>8,351,473</b>
<b>Balance at 1 April 2016</b>	6,227,799	(20,979)	50,888	2,989,580	9,247,288
Transfer between equity	91,080	-	(91,080)	-	-
Dividend relating to 2015 paid	-	-	-	(818,469)	(818,469)
Total comprehensive income	-	-	-	(38,176)	(38,176)
<b>Balance at 30 June 2016</b>	<b>6,318,879</b>	<b>(20,979)</b>	<b>(40,192)</b>	<b>2,132,935</b>	<b>8,390,643</b>

(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) This represents the final dividend of 4 Singapore cents per ordinary share in respect of the financial year ended 31 December 2016. The Company paid the dividend on 7 June 2017.

(3) In 2Q2017, the Company had dissolved four shipping companies incorporated in Isle of Man under our shipping arm, namely MV TW Hamburg Shipping Company Ltd., MV TW Jiangsu Shipping Company Ltd., MV TW Manila Shipping Company Ltd., and MV TW Beijing Shipping Company Ltd.

**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

There was no change in Company's share capital since 31 March 2017.

**1(d)(iii) Number of shares that may be issued on conversion of all outstanding convertibles as at the end of the current financial period and as at the end of corresponding period of immediately preceding year.**

	Number of Shares ('000)	
	As at 30 June 2017	As at 30 June 2016
Shares may be issued on conversion	-	-

**1(d)(iv) Number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer as at the end of the current financial period and as at the end of the corresponding period of immediately preceding year.**

	Number of Shares ('000)	
	As at 30 June 2017	As at 30 June 2016
Shares held as treasury shares	5,239	5,239
Issued shares excluding treasury shares	3,831,838	3,831,838

**1(d)(v) 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 June 2017	As at 31 December 2016
Issued shares at the end of periods	3,837,077	3,837,077
Treasury shares at the end of periods	(5,239)	(5,239)
Issued shares excluding treasury shares	<u>3,831,838</u>	<u>3,831,838</u>

**1(d)(vi) 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 April 2017	5,239	20,979
Repurchased during 2Q2017	-	-
Treasury shares re-issued	-	-
Balance as at 30 June 2017	<u>5,239</u>	<u>20,979</u>

**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 FRS that are effective for annual periods beginning on or after 1 January 2017. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. The following are the new or amended FRS that are relevant to the Group:

- Improvements to Financial Reporting Standards (December 2016)
- Amendments to FRS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The adoption of the above amended FRS 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:-**

	<b>The Group</b>	
	<b>2Q2017</b>	<b>2Q2016</b>
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	18.79	10.84
Weighted average number of Ordinary shares	3,831,838,000	3,831,838,000
(b) On fully diluted basis (RMB cents)	18.79	10.84

**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.**

	<b>The Group</b>		<b>The Company</b>	
	<b>30/06/17</b>	<b>31/12/16</b>	<b>30/06/17</b>	<b>31/12/16</b>
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	608.43	592.20	217.95	217.79

The Group's and the Company's net assets value per ordinary share as at 30 June 2017 and 31 December 2016 have been computed based on the share capital of 3,831,838,000 shares.

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

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

## Income statement review

Shipbuilding Related Segment	2Q2017		2Q2016	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,262,863	100%	1,811,326	100%
Cost	(1,817,273)	-80%	(1,376,063)	-76%
Margin	<b>445,590</b>	20%	<b>435,263</b>	24%
Trading				
Turnover	1,111,434	100%	883,924	100%
Cost	(1,095,151)	-99%	(866,195)	-98%
Margin	<b>16,283</b>	1%	<b>17,729</b>	2%
Others				
Turnover	68,848	100%	32,493	100%
Cost	(57,289)	-83%	(51,683)	-159%
Margin	<b>11,559</b>	17%	<b>(19,190)</b>	-59%

  

Investment Segment	2Q2017		2Q2016	
	RMB'000	%	RMB'000	%
Held-to-Maturity Investment				
Interest Income	341,288	100%	257,590	100%
Value added taxes and levies	(16,650)	-5%	(15,058)	-6%
Net interest income	<b>324,638</b>	95%	<b>242,532</b>	94%
Micro Finance Business				
Interest Income	6,828	100%	8,218	100%
Value added taxes and levies	(63)	-1%	(317)	-4%
Net interest income	<b>6,765</b>	99%	<b>7,901</b>	96%

### Revenue

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

4 vessels were delivered in 2Q2017, lower than 7 delivered in 2Q2016. Revenue derived from shipbuilding business increased by 25% from RMB1,811 million in 2Q2016 to RMB2,263 million in 2Q2017. Higher revenue contribution from shipbuilding business was mainly due to higher volume of shipbuilding activities with construction of vessels of larger size in this quarter. Due to higher volume of trading activities in this quarter, trading business also contributed towards a higher revenue of RMB1,111 million as compared to RMB884 million of 2Q2016. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB69 million in 2Q2017, compared to RMB32 million of 2Q2016 due to higher charter rate in this quarter.

Although investment portfolio had decreased as compared to same quarter last year, interest income derived from HTM financial assets under the investment segment increased from RMB258 million in 2Q2016 to RMB341 million in 2Q2017, which mainly due to higher average interest rate as a result of more long term investments made as compared to same quarter last year.

Investment income derived from micro finance business in 2Q2017 decreased further to RMB7 million as compared to RMB8 million of 2Q2016. The decrease was mainly due to lower loan balance in 2Q2017 as compared to the same quarter last year.

### Operating cost

In line with higher revenue derived from shipbuilding business in 2Q2017, cost of sales of RMB1,817 million was also higher than RMB1,376 million recorded in 2Q2016.

In 2Q2017, total cost of RMB16.7 million was incurred for the Group's investment segment, which mainly consist of value added taxes and levies on interest income.

### Gross Profit

In 2Q2017, gross profit margin of the Group's shipbuilding business registered at 20%, lower than 24% of 2Q2016. The lower margin was mainly due to lower contract price of vessels under construction.

Trading business which contributed to about 32% of revenue from shipbuilding related segment in 2Q2017 has a low gross profit margin of 1%.

A higher margin of RMB12 million recorded in 2Q2017 for other shipbuilding related business compared to a gross loss of RMB19 million in 2Q2016 was mainly due to improved charter rate of our shipping logistics & chartering business in this quarter.

In line with higher interest income from investment segment, net interest income contributed by this segment in 2Q2017 was also higher than the same quarter last year.

#### Other income

Other income, which generally includes interest income from bank deposits, interest income for ship finance lease and dividend income, maintained at a similar level of about RMB 50 million as compared to 2Q2016.

#### Other gains - net

Other gains mainly comprise foreign exchange related losses and fair value change on derivative financial instrument and financial assets, at fair value through profit or loss. The Group recorded other gains of RMB189 million in 2Q2017 which was mainly related to a fair value gain of RMB121 million recognised at the end of 2Q2017 on the financial assets, at fair value through profit or loss and fair value gain of RMB65 million on the outstanding derivative financial instruments that the Group plan to hold till maturity to mitigate the currency exposure of the Group's future USD denominated income from shipbuilding business, and an exchange related loss of RMB148 million, and gain of RMB134 million from dissolution of four shipping companies incorporated in Isle of Man under our shipping arm, namely MV TW Hamburg Shipping Company Ltd., MV TW Jiangsu Shipping Company Ltd., MV TW Manila Shipping Company Ltd., and MV TW Beijing Shipping Company Ltd., these companies were dormant for more than 12 months.

#### Expenses

The Group's administrative expenses in 2Q2017 was RMB102 million, which was lower than RMB167 million of 2Q2016. Lower expenses was mainly due to lower impairment provision of RMB8 million made for HTM investments than the provisions of RMB53 million made in 2Q2016.

In 2Q2017, finance cost of RMB14 million was lower than RMB126 million of 2Q2016 due to lower bank borrowings in 2Q2017 and a revaluation gain of RMB25.6 million on USD borrowings as a result of appreciation of RMB against USD at the end of 2Q2017 as compared to end of previous quarter.

#### Share of results of associated companies and a joint venture

Share of loss of associated companies and a joint venture of RMB26 million mainly consists of the share of fair value loss of venture capital investments in 2Q2017 from the Group's associated companies.

#### Corporate Income Tax

Group's effective tax rate for 2Q2017 was 16.4%, lower than 25.8% of 2Q2016. Lower effective tax rate in 2Q2017 was mainly a result of fair value gain on financial assets, at fair value through profit or loss and gain from dissolution of subsidiaries which are non-taxable being recognized this quarter and reduced income tax rate of 15% for Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. Currently, both Jiangsu New Yangzi Shipbuilding Co., Ltd and Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd, are entitled to a preferential enterprise income tax rate of 15% by virtue of a preferential tax policy as a "High/New Technology Enterprise". The taxation charge of RMB148 million includes 6% deferred tax on Chinese subsidiaries' undistributed profits in 2Q2017.

### **Statements of financial position review**

#### Assets

Financial assets, at fair value through profit or loss at end of 2Q2017 increased to RMB724 million from RMB602 million at the end of last quarter, as a result of a fair value gain of RMB122 million.

At end of 2Q2017, Financial assets, available-for-sale increased by RMB267 million from end of last quarter, as the Group acquired additional Financial assets, available-for-sale of RMB308 million in this quarter, which was partly offset by an fair value loss of RMB41 million in 2Q2017.

Investments in HTM financial assets had increased marginally to RMB10.61 billion from RMB10.59 billion at end of 1Q2017. As at 30 June 2017, impairment provision for HTM investments stood at RMB1,073 million.

The decrease of current trade and other receivables to RMB4.3 billion at end of 2Q2017 by RMB813 million from last quarter was mainly due to decrease of value added tax receivable on delivered vessels as less vessels were delivered in this quarter.

With progressive construction of contracts with less favourable payment terms, due from customers on construction contracts at the end of 2Q2017 had further increased to RMB4,774 million as compared to RMB3,802 million at the end of last quarter.

The increase of investment in associated companies from RMB956 million as at the end of last quarter to RMB1,164 million was mainly due to additional capital injection of RMB241 million in associated companies in 2Q2017.

#### Liabilities

As more contracts with less favourable payment terms have started construction, due to customers on construction contracts at the end of 2Q2017 had further decreased to RMB1,167 million as compared to RMB1,275 million at the end of last quarter.

Warranty provisions for completed and delivered vessels decreased by RMB54 million as compared to 31 March 2017, 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 period. There was a reversal of warranty provisions of RMB65 million recorded in 2Q2017.

Borrowings represented by the Group's secured and unsecured borrowings stood at RMB5,997 million at the end of 2Q2017, this represents an increase of RMB539 million from RMB5,458 million as of 31 March 2017.

#### Derivative financial instruments

This relates 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.

#### Equity

The change of "Total equity attributable to equity holders" to RMB23,314 million as at 30 June 2017 from RMB23,360 million as at 31 March 2017 was mainly a result of profits earned during the reporting period, net of dividend payment for FY2016.

#### **Statements of cash flows review**

Cash and cash equivalents decreased to RMB6,300 million from RMB6,671 million as at 31 March 2017, mainly due to the net cash used in investing activities of RMB528 million.

Operating profit before working capital changes of RMB710 million consists mainly of profit generated during 2Q2017, net of non-cash non-operating items such as interest income, interest expenses, depreciation and amortization.

Increase in net working capital (including restricted cash) of RMB364 million was primarily attributable to the increase of construction contract balances of RMB1,083 million, which was partly offset by the decrease in trade and other receivable of RMB799 million.

Net cash used in investing activities of RMB528 million was mainly related to acquisition of financial assets, available-for-sale of RMB308 million and additional capital injection of RMB241 million in associated companies.

Net cash used in financing activities of RMB189 million during 2Q2017 related to dividend payment for FY2016 of RMB754 million, which was partly offset by net proceeds from borrowings of RMB565 million. Overall liquidity remains at a healthy level as evidenced by the current ratio of 1.87 as at 30 June 2017.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

As global shipbuilding market continued to recover in the first half of 2017, global new shipbuilding orders amounted to 9.2 million CGT in the first six months of 2017, compared to 11.2 million CGT for full year 2016. Dry bulk carrier market showed stronger recovery compared to containership market, supported by the higher volume of iron ore transportation and the ease of overcapacity. New shipbuilding demand for containership remained weak.

In 2Q2017, the Group secured three (3) 1,800TEU containerships (exercise of options), and three (3) 82,000DWT bulk carriers (new shipbuilding orders). In 1H2017, the Group secured a total of nineteen (19) effective shipbuilding contracts with an aggregate value of US\$450 million.

As at 30 June 2017, the Group had an outstanding order book of USD 4.0 billion, comprising 85 vessels. This is after taking into account the termination of one shipbuilding order for one (1) unit of 82000DWT bulk carrier in 2Q2017. The abovementioned terminated vessel has not started construction, and the group will recognise the down payment according to its accounting policy.

In July 2017, there were additional fourteen (14) shipbuilding contracts come into effect, which comprise of six (6) units of 82,000DWT bulk carriers, three (3) units of 180,000DWT bulk carriers, four (4) units of 45,000DWT bulk carriers and one (1) unit of 29,800DWT Great Lakes Self Unloading bulk carrier with aggregated contract value of USD381 million. Year to date, the Group had secured thirty-three (33) new shipbuilding orders worth a total of USD832 million.

Despite the gradual recovery of the global economy and international trade, it will take some time for the overcapacity in the shipping industry to be resolved. On a positive note, seaborne trade remains a dominant part in international trade. Growth of e-commerce will help accelerate global shipping demand. As China's Belt and Road initiative gains momentum, it will further stimulate international trade. These factors are expected to support the long-term demand for containership and dry bulkers, despite the current mismatch of the shipping supply and demand cycles. Market remains promising for specialized vessels, including LNG carriers and oil tankers. The rules and regulations enforced by the International Maritime Organization are expected to have profound impact to the shipbuilding and shipping industries, both in terms of triggering demand for green vessels, and changing the landscape of the industry.

Yangzijiang's steady performance in a volatile market is attributable to its persistent efforts in building up core capabilities in shipbuilding, its achievements in innovation and introducing new vessel products, and its established management structure and use of technology that constantly improve its operational efficiency. In view of its robust financial position, stringent risk management, strong delivery track record, the reputation as a leading shipbuilder in the world, Yangzijiang commands a favourable position in a recovering market, and the Board remains confident of the Group's stable operation and performance for financial year 2017.

**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 second quarter ended 30 June 2017:

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	RMB12,679,000 *	Nil <sup>^</sup>

\*Aggregate value less than 3% of Group's NTA as at 30 June 2017, shareholder mandate not applicable.

<sup>^</sup>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 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 June 2017 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