



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 2015

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			
	2 nd Quarter		2 nd Quarter		January - June		January - June	
	2Q 2015	% of	2Q 2014	+ / (-) %	1H 2015	% of	1H 2014	+ / (-) %
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	5,709,976	100%	4,273,855	34%	8,753,534	100%	7,828,851	12%
Cost of sales	(4,680,152)	-82%	(3,090,322)	51%	(6,940,471)	-79%	(5,597,402)	24%
Gross profit	1,029,824	18%	1,183,533	-13%	1,813,063	21%	2,231,449	-19%
Other income	64,709	1%	214,981	-70%	191,753	2%	306,979	-38%
Other gains/(losses), net	412,102	7%	(29,766)	n.m.	540,918	6%	34,577	1464%
Expenses								
- Administrative	(91,327)	-2%	(103,442)	-12%	(160,098)	-2%	(193,071)	-17%
- Finance	(66,088)	-1%	(89,431)	-26%	(116,503)	-1%	(199,536)	-42%
Share of profit/(loss) of associated companies and a joint venture [#]	413	0.01%	(15,622)	n.m.	110	0.001%	(15,311)	n.m.
Profit before income tax	1,349,633	24%	1,160,253	16%	2,269,243	26%	2,165,087	5%
Income tax (expense)/credit	(310,247)	-5%	85,285	n.m.	(514,235)	-6%	(126,726)	306%
Net profit	1,039,386	18%	1,245,538	-17%	1,755,008	20%	2,038,361	-14%
Attributable to:								
Equity holders of the Company	1,030,603	18%	1,235,981	-17%	1,737,481	20%	2,035,166	-15%
Non-controlling interests	8,783	0.2%	9,557	-8%	17,527	0.2%	3,195	449%
	1,039,386		1,245,538	-17%	1,755,008		2,038,361	-14%

[#] Share of profit/(loss) 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		+ / (-) %
	2nd Quarter		
	2Q2015 RMB'000	2Q2014 RMB'000	
After charging:			
Depreciation and amortization	114,997	94,092	22%
Finance costs - Interest on borrowings	66,088	89,431	-26%
Impairment loss on financial assets, held-to-maturity	25,698	17,519	47%
After crediting:			
Interest income	64,709	214,981	-70%
Gain on disposal of financial assets, available-for-sale	157,475	-	n.m.
Foreign exchange related gains/(losses), net	155,337	(49,102)	n.m.
Gain on disposal of property, plant and equipment	16,381	-	n.m.
Dividend Income	21,915	33,097	-34%
Subsidy income	124,334	3,758	3209%

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 2015 RMB'000	As at 31 Dec 2014 RMB'000	As at 30 Jun 2015 RMB'000	As at 31 Dec 2014 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	3,731,763	2,652,565	59,060	422,096
Restricted cash	398,710	3,325,850	-	-
Derivative financial instruments	45,050	2,620	45,050	2,302
Financial assets, available-for-sale	1,417,328	788,437	-	-
Financial assets, held-to-maturity	5,399,915	5,278,932	-	-
Trade and other receivables	6,652,210	6,721,164	6,131,738	8,119,194
Inventories	1,404,215	2,015,098	-	-
Land held for development	112,396	112,396	-	-
Development properties	2,958,316	2,765,475	-	-
Due from customers on construction contracts	3,225,200	2,099,919	-	-
	25,345,103	25,762,456	6,235,848	8,543,592
Non-current assets				
Financial assets, held-to-maturity	5,354,220	5,512,268	-	-
Trade and other receivables	979,910	1,167,835	1,216,083	1,209,360
Derivative financial instruments	726	-	726	-
Lease prepayments	1,120,013	1,132,687	-	-
Investment in subsidiaries	-	-	5,333,707	5,358,707
Investment in a joint venture	345,483	345,483	349,249	349,249
Investment in associated companies	622,230	463,468	134,062	134,062
Property, plant and equipment	6,325,530	6,116,517	59	79
Intangible assets	2,444	2,402	-	-
Deferred income tax assets	272,645	274,866	-	-
	15,023,201	15,015,526	7,033,886	7,051,457
Total assets	40,368,304	40,777,982	13,269,734	15,595,049
LIABILITIES				
Current liabilities				
Trade and other payables	5,509,091	5,722,708	1,646,203	1,691,920
Derivative financial instruments	10,510	39,200	10,510	39,097
Due to customers on construction contracts	1,694,502	2,406,297	-	-
Advances received on construction contracts	335,659	703,369	-	-
Borrowings	3,927,710	5,414,188	1,729,370	3,079,608
Provisions	703,934	600,332	-	-
Current income tax liabilities	520,114	478,048	221,895	210,565
	12,701,520	15,364,142	3,607,978	5,021,190
Non-current liabilities				
Trade and other payables	367,640	506,983	-	-
Derivative financial instruments	10,234	50,784	10,234	50,784
Borrowings	4,295,430	2,636,167	1,222,720	1,223,800
Deferred income tax liabilities	1,223,988	1,143,895	525,172	525,172
	5,897,292	4,337,829	1,758,126	1,799,756
Total liabilities	18,598,812	19,701,971	5,366,104	6,820,946
NET ASSETS	21,769,492	21,076,011	7,903,630	8,774,103
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	6,263,016	6,263,016	6,227,799	6,227,799
Treasury shares	(20,979)	(20,979)	(20,979)	(20,979)
Other reserves	161,733	(6,514)	50,888	50,888
Retained earnings	14,773,893	14,237,871	1,645,922	2,516,395
	21,177,663	20,473,394	7,903,630	8,774,103
Non-controlling interests	591,829	602,617	-	-
Total equity	21,769,492	21,076,011	7,903,630	8,774,103

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 June 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,646,779	2,280,931	3,353,953	2,060,235

Amount repayable after one year

As at 30 June 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,249,990	3,045,440	1,126,367	1,509,800

Details of any collateral

The borrowings from the bank are secured by certain assets 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	
	2nd Quarter	
	2Q 2015	2Q 2014
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	1,039,386	1,245,538
Adjustments for:		
- Income tax expenses/(credit)	310,247	(85,285)
- Depreciation on property, plant and equipment	109,948	89,445
- Amortisation of lease prepayment	5,046	4,645
- Amortisation of intangible assets	3	2
- Interest expenses	66,088	89,431
- Fair value change on derivative financial instruments	(143,218)	(4,726)
- Gain on disposal of financial assets, available for sale	(157,475)	-
- Gain on disposal of property, plant and equipment	(16,381)	-
- (Gain)/Loss from disposal of subsidiaries	(2,232)	1,244
- Share of (profit)/loss of associated companies and a joint venture	(413)	15,622
	1,210,999	1,355,916
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(169,084)	(471,688)
- Development properties	(43,253)	(189,437)
- Land held for development	-	(564)
- Construction contract balances	(440,824)	768,290
- Trade and other receivables	(9,001)	160,498
- Trade and other payables	2,575	917,300
- Financial assets, held-to-maturity	939,796	(215,111)
- Provisions	51,870	58,883
- Restricted cash	1,258,392	1,827,310
Cash generated from operations	2,801,470	4,211,397
Interest paid	(72,964)	(104,631)
Income tax paid	(306,780)	(152,928)
Net cash provided by operating activities	2,421,726	3,953,838
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	165,366	-
Purchase of property, plant and equipment	(52,746)	(51,068)
Acquisition of financial assets, available-for-sale	(1,228,188)	(112,326)
Proceeds from sales of financial assets, available-for-sale	937,420	-
Acquisition of intangible assets	(82)	-
Incorporation / acquisition of additional shares in associated companies	(189,600)	(12,510)
Acquisition of land use rights	-	(61,876)
Return of capital by associated companies	19,994	39,773
Net cash inflow from sales of investment in subsidiaries	11,962	(91,460)
Net cash used in investing activities	(335,874)	(289,467)
Cash flows from financing activities		
Acquisition of equity interest in existing subsidiaries from non-controlling interests	(12,616)	-
Proceeds from borrowings	3,647,846	3,459,606
Repayments of borrowings	(3,527,294)	(6,436,461)
Dividend paid to non-controlling interests	(1,047)	-
Dividends paid to equity holders	(958,053)	(953,055)
Net cash used in financing activities	(851,164)	(3,929,910)
Net increase/(decrease) in cash and cash equivalents	1,234,688	(265,539)
Cash and cash equivalents at the beginning of financial period	2,497,075	2,908,962
Cash and cash equivalents at the end of financial period	3,731,763	2,643,423

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	
	2nd Quarter		1st Half	
	2Q2015	2Q2014	1H2015	1H2014
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	1,039,386	1,245,538	1,755,008	2,038,361
Other comprehensive income:				
Financial assets, available-for-sale				
- Transfers to income statement	(31,057)	-	(75,159)	-
Total comprehensive income, net of tax	1,008,329	1,245,538	1,679,849	2,038,361
Total comprehensive income attributable to:				
Equity holders of the Company	999,546	1,235,981	1,662,322	2,035,166
Non-controlling interests	8,783	9,557	17,527	3,195
	1,008,329	1,245,538	1,679,849	2,038,361

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.

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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 April 2015	6,263,016	(20,979)	16,179	14,877,954	21,136,170	611,361	21,747,531
Transfer between equity ⁽¹⁾	-	-	176,611	(176,611)	-	-	-
Dividend relating to 2014 paid ⁽²⁾	-	-	-	(958,053)	(958,053)	-	(958,053)
Dividend paid to Non-controlling interests ⁽³⁾	-	-	-	-	-	(1,047)	(1,047)
Acquisition of Non-controlling interests ⁽⁴⁾	-	-	-	-	-	(12,616)	(12,616)
Disposal of a subsidiary ⁽⁵⁾	-	-	-	-	-	(14,652)	(14,652)
Total comprehensive income	-	-	(31,057)	1,030,603	999,546	8,783	1,008,329
Balance at 30 June 2015	6,263,016	(20,979)	161,733	14,773,893	21,177,663	591,829	21,769,492
Balance at 1 April 2014	6,263,016	(20,979)	(715,434)	12,873,391	18,399,994	703,172	19,103,166
Transfer between equity	-	-	141,940	(141,940)	-	-	-
Dividend relating to 2013 paid	-	-	-	(953,055)	(953,055)	-	(953,055)
Disposal of a subsidiary	-	-	199,284	-	199,284	(200,000)	(716)
Total comprehensive income	-	-	-	1,235,981	1,235,981	9,557	1,245,538
Balance at 30 June 2014	6,263,016	(20,979)	(374,210)	13,014,377	18,882,204	512,729	19,394,933

THE COMPANY

	Attributable to equity holders of the Company				Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 1 April 2015	6,227,799	(20,979)	50,888	2,482,565	8,740,273
Dividend relating to 2014 paid ⁽²⁾	-	-	-	(958,053)	(958,053)
Total comprehensive income	-	-	-	121,410	121,410
Balance at 30 June 2015	6,227,799	(20,979)	50,888	1,645,922	7,903,630
Balance at 1 April 2014	6,227,799	(20,979)	50,888	1,252,360	7,510,068
Dividend relating to 2013 paid	-	-	-	(953,055)	(953,055)
Total comprehensive income	-	-	-	(59,263)	(59,263)
Balance at 30 June 2014	6,227,799	(20,979)	50,888	240,042	6,497,750

- (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 5.5 Singapore cents per ordinary share in respect of the financial year ended 31 December 2014. The Company paid the dividend on 28 May 2015.
- (3) In 2Q2015, the Company's subsidiary, CS Marine Technology Pte. Ltd. ("CMTPL") declared dividend to its shareholders. RMB1.05 million represents dividend paid to non-controlling interests, the company holds 60% of equity interest in CMTPL.
- (4) In 2Q2015, the Company through its wholly-owned subsidiary Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS") acquired additional 24% equity interest in the registered capital of Jiangsu New Yangzi Gas Co., Ltd.
- (5) In 2Q2015, the Company through JNYS disposed the entire 40% equity interest in Jiangsu Zhuoran Yangzijiang Energy Equipment Co., Ltd ("JZYEE"), the RMB14.7 million represents non-controlling interest of JZYEE.

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 2015.

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 2015	As at 30 June 2014
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 Jun 2015	As at 30 Jun 2014
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 2015	As at 31 December 2014
Issued shares at the end of periods	3,837,077	3,837,077
Treasury shares at the end of periods	<u>(5,239)</u>	<u>(5,239)</u>
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 2015	5,239	20,979
Repurchased during 2Q2015	-	-
Treasury shares re-issued	<u>-</u>	<u>-</u>
Balance as at 30 June 2015	<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?

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations to FRS ("INTFRS") that are mandatory for application for the financial year as follows:

- FRS 103 Business Combinations

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32, Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent

consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

- FRS 108 Operating Segments

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 24 Related Party Disclosures

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 113 Fair Value Measurement

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

This amendment is not expected to have any significant impact on the financial statements of the Group.

The adoption of these new FRS did not result in substantial changes to the accounting policies of the Group and had no material effect on the amounts reported for the current or prior financial periods.

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:-

	<u>The Group</u>	
	<u>2Q 2015</u>	<u>2Q 2014</u>
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	26.90	32.26
Weighted average number of Ordinary shares	3,831,838,000	3,831,838,000
(b) On fully diluted basis (RMB cents)	26.90	32.26

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	
	30/06/15	31/12/14	30/06/15	31/12/14
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	552.68	534.30	206.26	228.98

The Group's and the Company's net assets value per ordinary share as at 30 June 2015 and 31 December 2014 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	2Q2015		2Q2014	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	3,758,886	100%	3,343,944	100%
Cost	(3,203,946)	-85%	(2,528,022)	-76%
Margin	554,940	15%	815,922	24%
Trading				
Turnover	1,418,166	100%	484,970	100%
Cost	(1,390,673)	-98%	(475,852)	-98%
Margin	27,493	2%	9,118	2%
Others				
Turnover	51,755	100%	82,132	100%
Cost	(49,300)	-95%	(61,092)	-74%
Margin	2,455	5%	21,040	26%

Investment Segment	2Q2015		2Q2014	
	RMB'000	%	RMB'000	%
Held-to-Maturity Investment				
Interest Income	446,427	100%	339,931	100%
Sale taxes and levies	(34,258)	-8%	(24,586)	-7%
Net interest income	412,169	92%	315,345	93%
Micro Finance Business				
Interest Income	34,742	100%	22,878	100%
Sale taxes and levies	(1,975)	-6%	(770)	-3%
Net interest income	32,767	94%	22,108	97%

Revenue

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

11 vessels were delivered in 2Q2015 according to schedule, which was higher than 9 delivered in 2Q2014. As a result, revenue derived from shipbuilding business increased by 12% from RMB3,344 million in 2Q2014 to RMB3,759 million in 2Q2015. Meanwhile, as a result of higher volume of trading business in this quarter, revenue contribution from trading business increased significantly as compared to same quarter last year. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB52 million in 2Q2015.

Despite of reduced investment portfolio as compared to same quarter last year, interest income derived from HTM financial assets under the investment segment increased from RMB340 million in 2Q2014 to RMB446 million in 2Q2015 due mainly to several higher return investments having matured in this quarter.

Investment income derived from micro financing business in 2Q2015 increased to RMB35 million as compared to RMB23 million of 2Q2014.

Operating cost

In line with higher revenue derived from shipbuilding business in 2Q2015, cost of sales of RMB3,204 million was also higher than that of RMB2,528 million recorded in 2Q2014.

In 2Q2015, total cost of RMB36million was incurred for the Group's investment segment, which mainly consisting of sale taxes and levies on interest income.

Gross Profit

Gross profit margin of the Group's shipbuilding business registered at 15% in 2Q2015 as compared to 24% of 2Q2014, mainly due to higher revenue recognition from construction of vessels with lower profit margin contracted in recent years. Trading business contributed about 27% of revenue from shipbuilding related segment in 2Q2015 with typically low margins of 2%, which is significantly lower as compared to the shipbuilding business in general.

In line with higher interest income from investment segment, net interest income contributed by this segment in 2Q2015 was also higher than same quarter last year.

Other income

Other income, which includes interest income from bank deposits and interest income for ship finance lease business, decreased significantly from RMB215 million in 2Q2014 to RMB65 million in 2Q2015. The decrease was mainly due to lower interest income generated from restricted cash. The Group's restricted cash had decreased significantly as compared to last year as a result of its funding strategy to gradually repay bank borrowings backed by restricted cash deposit and shift to un-collateralized borrowings with longer tenors.

Other gains/ (losses) - net

The Group recorded other gains of RMB412 million in 2Q2015 as compared to loss of RMB30 million in 2Q2014, and it was mainly due to gain of RMB157 million on disposal of financial assets, available-for-sale, higher foreign exchange related gains of RMB155 million and governmental subsidy of RMB124 million received in this quarter as compared to 2Q2014,

Expenses

As a result of the Group's efforts to control overall administrative expenses, the Group's administrative expenses in 2Q2015 were maintained at similar levels as in 2Q2014.

Decrease in finance cost from RMB89 million in 2Q2014 to RMB66 million in 2Q2015 was in tandem with the reduced size of overall borrowings of the Group during the quarter under review as compared to the previous corresponding period.

Share of results of associated companies and a joint venture

It represents the share of results from the Group's associated companies, Jiangsu Huagong Venture Capital Co., Ltd, Everbright Venture Capital Jiangyin Co. Ltd, Jiangsu Hailan Marine Systems Technology Co., Ltd., Jiangnan Renhe New Energy Industrial Investment Centre (Limited Partnership), Jiangsu New Material Industrial Venture Capital Enterprise (Limited Partnership), Jiangsu Jingyuan Construction Technology Co., Ltd, YZJ Offshore Engineering Pte Ltd, Shanghai Chengding Yangzi Equity Investment Fund Management Partnership Enterprise ("Limited Partnership"), Shanghai Chengding Yangzi Investment Partnership Enterprise ("Limited Partnership"), Zhuhai Leading Power Asset Management Center ("Limited Partnership") and Zhuhai Interconnect Leading High-Tech Industrial Investment Center ("Limited Partnership") and share of results from the Group's joint venture PPL Holdings Pte Ltd.

Corporate Income Tax

Group's effective tax rate for 2Q2015 was 23.0%. The taxation charge of RMB310 million was arrived after accounting for 6% withholding tax on Chinese subsidiaries' distributable profits and average corporate tax rate of 17% in year 2015. The RMB85.3 million net tax credit balance recorded in 2Q2014 was mainly due to a one-off tax refund of RMB349 million to Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS") for its 25% standard income tax rate recorded over the earnings in FY2013. JNYS is now enjoying a preferential enterprise income tax rate of 15% for a period of 3 years starting from FY2013 by virtue of a preferential tax policy as a "High/New Technology Enterprise", while income tax rate of Jiangsu Yangzijiang Shipbuilding Co., Ltd had reverted to 25% after the expiry of the preferential tax rate of 15% as a "High/New Technology Enterprise" for 6 years since 2009. The Group is in the process of applying "High/New Technology Enterprise" for Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.

Statements of financial position review

At end of 2Q2015, restricted cash balance has further decreased to RMB399 million from end of last quarter. This is because most of these restricted cash balances were previously pledged as collaterals for the Group's borrowings. The group's funding strategy is to gradually repay bank borrowings backed by restricted cash deposit and shift to un-collateralized borrowings with longer tenors.

As the Group has commenced construction of contracts that have less favourable payment terms, due from customers for construction contracts at the end of this quarter increased to RMB3,225 million as compared to RMB2,100 million as at the end of last year.

Property under development and land held for development was RMB3.1 billion as a result of acquisition of Hengyuan property development group in 2014 and costs incurred for property development of the land which was previously occupied by Jiangsu Yangzijiang Shipbuilding Co., Ltd.

With the Group's strategy to control the size of investment in non-shipbuilding businesses, as at 30 June 2015, investments in HTM financial assets decreased to RMB10.8 billion from RMB11.7 billion as at end of last quarter.

Investment in a joint venture represents the Company's 45% beneficiary interest in PPL Holdings Pte Ltd.

The increase of investment in associated companies from RMB452 million as at the end of last quarter to RMB622 was mainly due to investment in Zhuhai Leading Power Asset Management Center ("Limited Partnership"), Zhuhai Interconnect Leading High-Tech Industrial Investment Center ("Limited Partnership"), Shanghai Laurel Ocean Systems Limited and Nanjing Saining Equity Investment Enterprise (Limited Partnership) of total RMB189.6 million and partially offset by capital return of RMB20 million from Jiangsu Huagong Venture Capital Co., Ltd and Everbright Venture Capital Jiangyin Co. Ltd in 2Q2015.

Liabilities

As more contracts with less favourable payment terms have started construction and the new orders come with less advance payment, due to customers on construction contracts and advances received on construction contracts at the end of 2Q2015 had decreased significantly to RMB1,695 million and RMB336 million respectively as compared to the end of last year.

Warranty provisions for completed and delivered vessels were up by RMB52 million as compared to 31 March 2015, due to vessels being delivered during the reporting period.

Borrowings represented the Group's secured and unsecured borrowings of RMB8,223 million at the end of 2Q2015, increasing marginally from RMB8,109 million as of 31 March 2015. The group's funding strategy is to gradually repay bank borrowings backed by restricted cash deposit and shift to un-collateralized borrowings with longer tenors.

Non-current trade and other payables mainly represented deposits received from the charterers of 5 vessels that the Group acquired in 3Q2012 through its fully owned subsidiary – Yangzijiang Shipping Pte Ltd. The deposit accounted for 30% of initial vessel price. The decrease of RMB186 million as compared to the end of previous quarter was mainly due to termination of the lease of 2 of the above-mentioned 5 vessels in 2Q2015.

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

Derivative financial instruments

This relates to the fair value of the outstanding derivative financial instruments held for hedging purposes.

Equity

The change of "Total equity attributable to equity holders" to RMB21,769 million as at 30 June 2015 from RMB21,748 million as at 31 March 2015 was mainly a result of a result of profits earned during the reporting period net of dividend payment for FY2014.

Statements of cash flows review

Cash and cash equivalents increased to RMB3,732 million from RMB2,497 million as at 31 March 2015, mainly due to the net cash of RMB2,422 million provided by operating activities.

Operating profit before working capital changes of RMB1,211 million consist mainly of profit generated during 2Q2015, net of non-cash items such as interest expenses, depreciation and amortization.

Decrease in net working capital requirements (including restricted cash) of RMB1,211 million was primarily attributable to the release of restricted cash of RMB1,258 million and decrease of financial assets, held-to-maturity of RMB940 million, which was partially offset by the increase of construction contract balances of RMB441 million and the increase of inventory of RMB169 million.

The net cash used in investing activities of RMB336 million was mainly attributable to the acquisition of financial assets, available for sale of RMB1,228 million and investments in associated companies of RMB190 million, partially offset by proceeds of RMB937 million from sale of financial assets, available for sale.

Net cash used in financing activities of RMB851 million during 2Q2015 was mainly due to dividends paid to equity holders relating to 2014, partially offset by proceeds from borrowings net of repayment of borrowings as a result of the Group's funding strategy to repay bank borrowings backed by restricted cash deposit and gradually shift to un-collateralized borrowings with longer tenors. Overall liquidity improved further as evidenced by the current ratio of 2.00 as of 30 June 2015 as compare to 1.86 as of 31 March 2015.

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.

According to Clarkson Research, new shipbuilding orders around the globe was 13.28 million CGT for 1H2015, accounting for only 49.2% of that for 1H2014.¹ While the Group was not immune from the overall downturn of the industry, it received a healthy flow of new orders in year 2015.

As of the end of June 2015, the Group had an outstanding order book of USD 4.14 billion, comprising 102 vessels. The outstanding order book will keep the Group's yard facilities highly utilized until mid-2017. In July to August 2015, the Group secured new orders for four (4) 9,700 TEU and four (4) 3,800 TEU containerships with a total contract value of USD510 million; there are four options attached to each type of containership worth another USD510 million. In addition, a total of nine existing orders, primarily for dry bulk carriers, were changed to containerships. By providing the flexibility to our customers, we effectively reduce cancellation risk of the existing orders. Most of the order conversions were accompanied by increases in contract value, and the total increment in outstanding order book for the second quarter was USD 25.4 million. The Group is also in talks with clients on several pipeline new orders, which it will announce as appropriate.

¹ <http://www.businesskorea.co.kr/article/11292/talking-ship-south-korea-keeps-top-spot-shipbuilding-orders-5-months>

With increasing concerns on environmental protection, the demand for clean energy vessels, such as LNG-fuelled vessels is expected to grow substantially in the medium-to-long term. The Group has added clean energy vessels to the product range as part of its growth strategy. It has made necessary investments and the dedicated team has been working on the R&D of clean energy vessels; marketing and other relevant preparation for such vessels have also started last year. Clean energy vessels will represent an important addition to our existing, already diversified product portfolio, and will cater to the broader trend on the global shipbuilding market.

As part of the strategy to reduce the exposure to the real estate industry, and redirect resources to the core shipbuilding and related businesses, the Group has recently disposed of the entire 100% equity interest in Jiangsu Hengyuan Real Estate Development Co., Ltd. After the disposal, the Group is left with only one real estate project, which is the land development of the residential buildings on the former shipyard land vacated by the Group's wholly-owned subsidiary, Jiangsu Yangzijiang Shipbuilding Co., Ltd in Jiangyin city. The one-off compensation of RMB 715 million received from the government for the former yard relocation is recorded under "trade and other payables". It will be recognized as a gain in next 12 months after the risk from any potential government claim is removed.

The Group will continue implementing its strategy to control the size of the Held-to-Maturity assets. At the same time, it will evaluate investment opportunities along its industry's value chain and make investment through various vehicles. The Group will confine the investment within the area where it has in-depth knowledge in, and it has a dedicated team and a stringent risk-control system in place.

The strong financial position has helped the Group retain great flexibility in clinching orders, keep a consistent delivery record and weather well in the challenging market environment. This has been an important factor for the Group to build a reputation among customers, maintain long-term business relationships and gradually form a virtuous circle. The management will continue to take a proactive and pragmatic approach in driving the growth in shipbuilding business, and stay prudent in managing its financial assets.

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 2015:

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	RMB14,711,000 *	Nil^

*Aggregate value less than 3% of Group's NTA as at 30 June 2015, shareholder mandate not applicable.

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

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

We, Ren Yuanlin and Teo Yi-dar, 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 2015 to be false or misleading, in all material respects.

On behalf of the Board of Directors

Ren Yuanlin
Executive Chairman

Teo Yi-dar
Independent Director