



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 2016

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				January - June			
	2Q 2016	% of	2Q 2015	+ / (-) %	1H 2016	% of	1H 2015	+ / (-) %
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	2,993,551	100%	5,709,976	-48%	5,700,836	100%	8,753,534	-35%
Cost of sales	(2,309,316)	-77%	(4,680,152)	-51%	(4,368,119)	-77%	(6,940,471)	-37%
Gross profit	684,235	23%	1,029,824	-34%	1,332,717	23%	1,813,063	-26%
Other income	51,084	2%	64,709	-21%	96,237	2%	191,753	-50%
Other gains, net	94,277	3%	412,102	-77%	234,868	4%	540,918	-57%
Expenses								
- Administrative	(113,910)	-4%	(91,327)	25%	(182,957)	-3%	(160,098)	14%
- Finance	(126,151)	-4%	(66,088)	91%	(195,971)	-3%	(116,503)	68%
Share of (loss)/profit of associated companies and a joint venture [#]	(2,796)	-0.1%	413	n.m.	(69,962)	-1%	110	n.m.
Profit before income tax	586,739	20%	1,349,633	-57%	1,214,932	21%	2,269,243	-46%
Income tax expense	(151,125)	-5%	(310,247)	-51%	(319,707)	-6%	(514,235)	-38%
Net profit	435,614	15%	1,039,386	-58%	895,225	16%	1,755,008	-49%
Attributable to:								
Equity holders of the Company	415,400	14%	1,030,603	-60%	863,377	15%	1,737,481	-50%
Non-controlling interests	20,214	0.7%	8,783	130%	31,848	0.6%	17,527	82%
	435,614		1,039,386	-58%	895,225		1,755,008	-49%

[#] 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		
	2Q2016	2Q2015	
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	127,139	114,997	11%
Finance costs - Interest on borrowings	126,151	66,088	91%
Loss from disposal of subsidiaries	9,941	-	n.m.
Impairment loss on financial assets, held-to-maturity	52,795	25,698	105%
After crediting:			
Interest income	51,084	64,709	-21%
Gain on disposal of financial assets, available-for-sale	4,875	157,475	-97%
Foreign exchange related gains, net	122,217	155,337	-21%
Subsidy income	30,135	124,334	-76%
Gain on disposal of property, plant and equipment	-	16,381	n.m.
Dividend Income	-	21,915	n.m.

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 2016 RMB'000	As at 31 Dec 2015 RMB'000	As at 30 Jun 2016 RMB'000	As at 31 Dec 2015 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	6,372,995	5,992,935	624,221	776,537
Restricted cash	507,492	1,028,550	-	-
Derivative financial instruments	19,843	60,603	7,297	35,749
Financial assets, available-for-sale	380,020	275,255	-	-
Financial assets, held-to-maturity	6,068,675	4,944,342	-	-
Trade and other receivables	5,226,851	6,196,534	7,024,631	6,422,454
Inventories	2,001,402	1,612,875	-	-
Land held for development	-	54,899	-	-
Development properties	-	1,782,336	-	-
Due from customers on construction contracts	3,473,224	3,858,445	-	-
	24,050,502	25,806,774	7,656,149	7,234,740
Non-current assets				
Financial assets, held-to-maturity	5,592,942	5,028,064	-	-
Trade and other receivables	1,060,158	1,138,704	1,849,319	2,017,416
Derivative financial instruments	5,824	-	5,824	-
Lease prepayments	1,097,195	1,111,368	-	-
Investment in subsidiaries	-	-	5,609,570	5,638,707
Investment in a joint venture	336,513	336,513	349,249	349,249
Investment in associated companies	886,562	1,086,638	134,062	134,062
Financial assets, available-for-sale	1,104,106	-	-	-
Property, plant and equipment	6,510,922	6,401,967	44	52
Intangible assets	2,122	2,260	-	-
Deferred income tax assets	333,774	333,774	-	-
	16,930,118	15,439,288	7,948,068	8,139,486
Total assets	40,980,620	41,246,062	15,604,217	15,374,226
LIABILITIES				
Current liabilities				
Trade and other payables	5,061,257	5,042,007	3,690,636	4,002,887
Derivative financial instruments	139,159	78,297	132,561	76,812
Due to customers on construction contracts	1,075,861	1,702,063	-	-
Advances received on construction contracts	1,658,019	567,550	-	-
Borrowings	1,747,318	2,208,565	-	194,808
Provisions	536,428	577,862	-	-
Current income tax liabilities	786,767	762,927	403,663	403,752
	11,004,809	10,939,271	4,226,860	4,678,259
Non-current liabilities				
Trade and other payables	597,050	493,866	-	-
Derivative financial instruments	109,450	382,495	109,450	382,495
Borrowings	6,059,200	6,073,856	2,652,480	2,597,440
Deferred income tax liabilities	912,254	997,593	224,784	343,418
	7,677,954	7,947,810	2,986,714	3,323,353
Total liabilities	18,682,763	18,887,081	7,213,574	8,001,612
NET ASSETS	22,297,857	22,358,981	8,390,643	7,372,614
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	6,354,096	6,263,016	6,318,879	6,227,799
Treasury shares	(20,979)	(20,979)	(20,979)	(20,979)
Other reserves	205,026	195,862	(40,192)	50,888
Retained earnings	15,308,325	15,361,490	2,132,935	1,114,906
	21,846,468	21,799,389	8,390,643	7,372,614
Non-controlling interests	451,389	559,592	-	-
Total equity	22,297,857	22,358,981	8,390,643	7,372,614

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 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
233,518	1,513,800	371,639	1,836,926

Amount repayable after one year

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,050,480	5,008,720	3,773,087	2,300,769

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.

	<u>The Group</u>	
	2nd Quarter	
	2Q 2016	2Q 2015
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	435,614	1,039,386
Adjustments for:		
- Income tax expenses	151,125	310,247
- Depreciation on property, plant and equipment	121,796	109,948
- Amortisation of lease prepayment	5,274	5,046
- Amortisation of intangible assets	69	3
- Interest expenses	126,151	66,088
- Fair value change on derivative financial instruments	29,694	(143,218)
- Gain on disposal of financial assets, available-for-sale	(4,875)	(157,475)
- Gain on disposal of property, plant and equipment	-	(16,381)
- Loss/(Gain) from disposal of subsidiaries	9,941	(2,232)
- Interest income	(51,084)	(64,709)
- Share of loss/(profit) of associated companies and a joint venture	2,796	(413)
	826,501	1,146,290
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(392,771)	(169,084)
- Development properties	-	(43,253)
- Construction contract balances	889,232	(440,824)
- Trade and other receivables	(174,718)	(9,001)
- Trade and other payables	152,252	2,575
- Financial assets, held-to-maturity	(187,495)	939,796
- Provisions	(33,762)	51,870
- Restricted cash	1,072,685	1,258,392
Cash generated from operations	2,151,924	2,736,761
Interest paid	(58,151)	(72,964)
Interest received	51,084	64,709
Income tax paid	(318,283)	(306,780)
Net cash provided by operating activities	1,826,574	2,421,726
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	-	165,366
Purchase of property, plant and equipment	(285,262)	(52,746)
Acquisition of financial assets, available-for-sale	(1,234,106)	(1,228,188)
Proceeds from sales of financial assets, available-for-sale	29,875	937,420
Acquisition of intangible assets	-	(82)
Incorporation / acquisition of additional shares in associated companies	-	(189,600)
Return of capital by associated companies	121,006	19,994
Net cash (outflow)/inflow from sales of investment in subsidiaries	(17,366)	11,962
Net cash used in investing activities	(1,385,853)	(335,874)
Cash flows from financing activities		
Acquisition of equity interest in existing subsidiaries from non-controlling interests	-	(12,616)
Proceeds from borrowings	600,000	3,647,846
Repayments of borrowings	(1,071,633)	(3,527,294)
Dividend paid to non-controlling interests	-	(1,047)
Dividends paid to equity holders	(818,469)	(958,053)
Net cash used in financing activities	(1,290,102)	(851,164)
Net (decrease)/increase in cash and cash equivalents	(849,381)	1,234,688
Cash and cash equivalents at the beginning of financial period	7,222,376	2,497,075
Cash and cash equivalents at the end of financial period	6,372,995	3,731,763

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	
	2Q2016	2Q2015	1H2016	1H2015
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	435,614	1,039,386	895,225	1,755,008
Other comprehensive income:				
Financial assets, available-for-sale				
- Transfers to income statement	-	(31,057)	-	(75,159)
Total comprehensive income, net of tax	435,614	1,008,329	895,225	1,679,849
Total comprehensive income attributable to:				
Equity holders of the Company	415,400	999,546	863,377	1,662,322
Non-controlling interests	20,214	8,783	31,848	17,527
	435,614	1,008,329	895,225	1,679,849

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

THE GROUP

Attributable to equity holders of the Group

	Share	Treasury	Other	Retained	Total	Non-controlling	Total
	capital	shares	reserves	earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interest	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2016	6,263,016	(20,979)	238,645	15,766,684	22,247,366	571,226	22,818,592
Transfer between equity ⁽¹⁾	-	-	55,290	(55,290)	-	-	-
Transfer between equity ⁽²⁾	91,080	-	(91,080)	-	-	-	-
Dividend relating to 2015 paid ⁽³⁾	-	-	-	(818,469)	(818,469)	-	(818,469)
Acquisition of Non-controlling interests ⁽⁴⁾	-	-	2,171	-	2,171	(2,171)	-
Disposal of a subsidiary ⁽⁵⁾	-	-	-	-	-	(137,880)	(137,880)
Total comprehensive income	-	-	-	415,400	415,400	20,214	435,614
Balance at 30 June 2016	6,354,096	(20,979)	205,026	15,308,325	21,846,468	451,389	22,297,857
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	-	-	176,611	(176,611)	-	-	-
Dividend relating to 2014 paid	-	-	-	(958,053)	(958,053)	-	(958,053)
Dividend paid to Non-controlling interests	-	-	-	-	-	(1,047)	(1,047)
Acquisition of Non-controlling interests	-	-	-	-	-	(12,616)	(12,616)
Disposal of a subsidiary	-	-	-	-	-	(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

THE COMPANY

	Attributable to equity holders of the Company				
	<u>Share capital</u>	<u>Treasury shares</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2016	6,227,799	(20,979)	50,888	2,989,580	9,247,288
Transfer between equity ⁽²⁾	91,080	-	(91,080)	-	-
Dividend relating to 2015 paid ⁽³⁾	-	-	-	(818,469)	(818,469)
Total comprehensive income	-	-	-	(38,176)	(38,176)
Balance at 30 June 2016	6,318,879	(20,979)	(40,192)	2,132,935	8,390,643
Balance at 1 April 2015	6,227,799	(20,979)	50,888	2,482,565	8,740,273
Dividend relating to 2014 paid	-	-	-	(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

- (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 net proceeds of RMB91.08 million received in 1Q2013 from issue of 330,000,000 warrants at an issue price of RMB0.3072 (S\$0.0605) for each warrant, transferred from warrant reserve to share capital on expiry of the warrant in 2Q2016.
- (3) This represents the final dividend of 4.5 Singapore cents per ordinary share in respect of the financial year ended 31 December 2015. The Company paid the dividend on 13 May 2016.
- (4) In 2Q2016, the Company acquired remaining 40% equity interest in CS Marine Technology Pte. Ltd. ("CMTPL"). Following the acquisition, the Company holds 100% of equity interest in CMTPL.
- (5) In 2Q2016, the Company through its wholly-owned subsidiary Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS"), disposed the entire 50% equity interest in the registered capital of Jiangsu Huaxi Yangzi Property Development Co., 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 has been no change in Company's share capital since 31 March 2016.

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 2016	As at 30 June 2015
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 2016	As at 30 June 2015
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 2016	As at 31 December 2015
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 2016	5,239	20,979
Repurchased during 2Q2016	-	-
Treasury shares re-issued	<u>-</u>	<u>-</u>
Balance as at 30 June 2016	<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 2016, 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 16 Property plant and equipment and FRS 38 Intangible assets (effective for annual periods beginning on or after 1 January 2016)

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

- FRS 111 Joint Arrangements
(effective for annual periods beginning on or after 1 January 2016)

This amendment provides new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

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

- FRS 110 Consolidated financial statements and FRS 28 Investments in associates and joint ventures
(effective date is yet to be determined, early adoption continues to be permitted)

These amendments address an inconsistency between FRS 110 and FRS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

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

- FRS 1 Presentation of financial statements
(effective for annual periods beginning on or after 1 January 2016)

This amendment clarifies guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

- FRS 115 Revenue from contracts with customers
(effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

This standard may have an impact on the financial statements when it becomes effective. The Group is in the process of evaluating the impact of this standard.

- FRS 109 Financial instruments
(effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised costs, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 39.

This standard may have an impact on the financial statements when it becomes effective. The Group is in the process of evaluating the impact of this standard.

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>2Q2016</u>	<u>2Q 2015</u>
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	10.84	26.90
Weighted average number of Ordinary shares	3,831,838,000	3,831,838,000
(b) On fully diluted basis (RMB cents)	10.84	26.90

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.

	<u>The Group</u>		<u>The Company</u>	
	<u>30/06/2016</u>	<u>31/12/15</u>	<u>30/06/15</u>	<u>31/12/15</u>
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	570.13	568.90	218.97	192.40

The Group's and the Company's net assets value per ordinary share as at 30 June 2016 and 31 December 2015 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	2Q2016		2Q2015	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	1,811,326	100%	3,758,886	100%
Cost	(1,376,063)	-76%	(3,203,946)	-85%
Margin	435,263	24%	554,940	15%
Trading				
Turnover	883,924	100%	1,418,166	100%
Cost	(866,195)	-98%	(1,390,673)	-98%
Margin	17,729	2%	27,493	2%
Others				
Turnover	32,493	100%	51,755	100%
Cost	(51,683)	-159%	(49,300)	-95%
Margin	(19,190)	-59%	2,455	5%

Investment Segment	2Q2016		2Q2015	
	RMB'000	%	RMB'000	%
Held-to-Maturity Investment				
Interest Income	257,590	100%	446,427	100%
Sales taxes and levies	(15,058)	-6%	(34,258)	-8%
Net interest income	242,532	94%	412,169	92%
Micro Finance Business				
Interest Income	8,218	100%	34,742	100%
Sales taxes and levies	(317)	-4%	(1,975)	-6%
Net interest income	7,901	96%	32,767	94%

Revenue

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

7 vessels were delivered in 2Q2016 according to schedule, which was lesser than the 11 vessels delivered in 2Q2015. Revenue derived from shipbuilding business decreased by 52% from RMB3,759 million in 2Q2015 to RMB1,811 million in 2Q2016. Meanwhile, revenue contribution from trading business also decreased as compared to 2Q2015 as a result of lower volume of trading business in this quarter. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB32 million in 2Q2016, compared to RMB52 million in 2Q2015. The decrease was mainly due to the lower contribution from the Group's shipping logistics & chartering business as a result of weaker shipping market and lower charter rates this year.

Interest income derived from Held-to-maturity ("HTM") financial assets under the investment segment decreased from RMB446 million in 2Q2015 to RMB258 million in 2Q2016, were mainly due to lower interest rate charged for the current period as compared to 2Q2015.

Investment income derived from micro finance business decreased in 2Q2016 to RMB8 million as compared to RMB35 million in 2Q2015. The decrease was mainly due to smaller loan balance in 2Q2016 as compared to the same quarter last year.

Operating cost

In line with lower revenue derived from shipbuilding business in 2Q2016, cost of sales of RMB1,376 million was also lower than that of RMB3,204 million recorded in 2Q2015.

In 2Q2016, total cost of RMB15.4 million was incurred for the Group's investment segment, which mainly consist of sales taxes and levies on interest income.

Gross Profit

In 2Q2016, gross profit margin of the Group's shipbuilding business registered at 24%, higher than the 15% achieved in 2Q2015. Higher margin was mainly due to the reversal of warranty provision of RMB63 million in this quarter upon expiry of warranty for vessels delivered in previous period as well as the appreciation of USD against RMB as compared to same quarter last year as majority of our shipbuilding contracts are denominated in USD.

Trading business contributed about 32% of revenue from shipbuilding related segment in 2Q2016 with typically low gross profit margin of 2%.

A gross loss of RMB19 million recorded for other shipbuilding related business was mainly due to operating losses of our shipping logistics & chartering business as a result of decreased charter rate.

In line with lower interest income from investment segment, net interest income contributed by this segment in 2Q2016 was also lower than the same quarter last year.

Other income

Other income, which mainly comprises interest income from bank deposits and ship finance lease business, decreased marginally from RMB65 million to RMB51 million in 2Q2016.

Other gains – net

The Group recorded other gains of RMB94 million in 2Q2016, significantly lower than that of 2Q2015. The RMB94 million gain mainly comprises of a foreign exchange related gain of RMB122 million and subsidy income of RMB30 million, which was partly offset by an additional impairment provision of RMB53 million made for HTM investments. The foreign exchange related gain was mainly related to exchange related gain arising from currency appreciation of USD bank balances held as at 30 June 2016 and a fair value loss of RMB30 million recognised at the end of 2Q2016 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.

Expenses

The Group's administrative expenses in 2Q2016 was RMB114 million, which was 25% higher than that of 2Q2015. The increase was mainly due to higher R&D expenses as a result of enhanced research and development activities by the Group during this quarter.

Finance cost in 2Q2016 increased to RMB126 million from RMB66 million in 2Q2015, the increase was mainly due to a revaluation loss on USD borrowings as a result of further appreciation of USD against RMB at the end of 2Q2016 as compared to previous quarter.

Share of results of associated companies and a joint venture

It represents the share of results from the Group's associated companies and the Group's joint venture, PPL Holdings Pte Ltd. Share of loss of associated companies of RMB2.8 million mainly consists of the share of fair value loss of venture capital investments in 2Q2016 from the Group's associated companies.

Corporate Income Tax

Group's effective tax rate for 2Q2016 was 25.8%. The taxation charge of RMB151 million was arrived after accounting for 6% withholding tax on Chinese subsidiaries' distributable profits and an average corporate tax rate of 20% in year 2016. Higher effective tax rate as compared to 2Q2015 as the tax rate for Jiangsu New Yangzi Shipbuilding Co., Ltd had reverted to 25% in 2016 after it enjoyed 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". We are currently in the process of applying for a renewal of the preferential tax status for another 3-year period.

Statements of financial position review

Assets

As a result of the disposal in 2Q2016 of Jiangsu Huaxi Yangzi Property Development Co., Ltd, the last real estate company held by the Group, both the development properties and Land held for development had reduced from RMB1,784 million and RMB55 million as at 31 March 2016 to zero at the end of this quarter.

The balance of due from customers for construction contracts at as 30 June 2016 had increased marginally to RMB3,473 million from RMB3,347 million as at the end of last quarter.

Investment in financial assets, available-for-sale had increased to RMB1,484 million as at 30 June 2016 from RMB275 million recorded at the end of last quarter as a result of additional investment in financial assets, available-for-sale of RMB1,234 million during this quarter. Investments in HTM financial assets had also increased to RMB11.66 billion from RMB10.57 billion at end of 1Q2016. As at 30 June 2016, impairment provision for HTM investments stood at RMB1,037 million.

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

The decrease of investment in associated companies from RMB1,010 million as at the end of last quarter to RMB887 million was mainly due to the return of capital of RMB121 million from several associated companies.

Liabilities

Advances received on construction contracts increased significantly from RMB560 million as at the end of the last quarter to RMB1,658 million. The increase was mainly due to the receipt of down-payment for new shipbuilding orders in 2Q2016.

Warranty provisions for completed and delivered vessels decreased by RMB33.8 million as compared to 31 March 2016, 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.

Borrowings represented the Group's secured and unsecured borrowings of RMB7,807 million at the end of 2Q2016, this represents a decrease of RMB403 million from RMB8,210 million as of 31 March 2016.

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 RMB21,846 million as at 30 June 2016 from RMB22,247 million as at 31 March 2016 was mainly a result of profits earned during the reporting period, net of dividend payment for FY2015.

Statements of cash flows review

Cash and cash equivalents decreased to RMB6,373 million from RMB7,222 million as at 31 March 2016, mainly due to the net cash used in investing and financing activities of RMB1,386 million and RMB 1,290 million respectively.

Operating profit before working capital changes of RMB827 million consists mainly of profit generated during 2Q2016, net of non-cash non-operating items such as interest income, interest expenses, depreciation and amortization.

Decrease in net working capital (including restricted cash) of RMB1,000 million was primarily attributable to the increase of construction contract balance of RMB889 million and decrease in restricted cash of RMB1,073 million, which was partly offset by the increase in financial assets, held-to-maturity and inventory of RMB187 million and RMB393 million respectively.

Net cash used in investing activities of RMB1,386 million was mainly related to acquisition of financial assets, available-for-sale of RMB1,234 million and capital expenditure of RMB 285 million which was mainly incurred for the development of Taicang Yard of the Group.

Net cash used in financing activities of RMB1,290 million during 2Q2016 related to dividend payment for FY2015 of RMB818 million and net repayment of borrowings of RMB472 million. Overall liquidity remains at a healthy level as evidenced by the current ratio of 2.19 as at 30 June 2016.

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 sentiments for the shipbuilding industry remain weak, total new shipbuilding orders around the world decreased by 67% year-on-year (“yoy”) to 17.7 million DWT in the first half of 2016¹. Not considering the 30 Valemax orders placed by the Chinese ship owners, total new shipbuilding orders would have decreased by 89% yoy². As a result, according to Clarksons’ report, global outstanding shipbuilding orders continued to decline, by 12% over the first half of 2016 to 100 million CGT, the lowest level since June 2013. Of the outstanding orders, Chinese shipbuilders held 37% of the global total³.

In addition to the orders for the six units of 400,000 DWT VLCCs announced in April 2016, the Group secured new orders for 4 units of 1800 TEU container ships with additional options for 8 similar vessels in July 2016. Year to date, the Group had secured a total of 10 shipbuilding orders with an aggregate contract value of approximately USD600 million. As at the end of June 2016, Jiangsu New Yangzi Shipbuilding Co., Ltd, a major yard of the Group, ranked no.1 in China and no. 4 in the world in terms of outstanding order book⁴. As at 30 June 2016, the Group had an outstanding order book of USD4.7 billion, comprising 89 vessels. The delivery date of the outstanding order book is scheduled to optimize the use of yard’s facility up till 2018 - 2019.

Major ship owners are still suffering from the challenging market conditions and have indicated limited financial means to place orders for new ship builds. Investors will continue to act cautiously before the implication of the Brexit on the shipping industry becomes clearer. The industry will continue to face challenges of order cancellation, alteration, delay, and resale.

During 2Q2016, three more shipbuilding orders were terminated; the production of all these three vessels has not started yet. On a positive note, seven out of the eight orders terminated in 1Q2016, and one out of the two orders terminated in 2015, have found new buyers in this quarter. For the remaining two orders, the construction has not started yet.

In line with its strategy to focus on the long-term development of our core shipbuilding business, the Group disposed our last real estate development assets, a 50% equity interest in Jiangsu Huaxi Yangzi Real Estate Co., Ltd, in 2Q2016. After the disposal, the Group has no business exposure in real estate sector.

During the industry downturn, the Group will continue to (1) seek new shipbuilding orders and build up our order book to ensure optimal use of Group’s yards’ facilities; (2) smooth production and successful delivery of vessels, especially clean-energy vessels including the LNG carriers; (3) consistent effort in R&D and introducing more high-technology, specialized and tailored vessels; (4) optimizing profit through further cost rationalization. The Group will also evaluate M&A opportunities that offer favourable returns and have strategic fit with our core shipbuilding business, especially in an environment where the industry is going through a restructuring/consolidation phase.

The Board remains confident of the Group’s outstanding shipbuilding capabilities and strong financial position, which will help the Group deliver the best possible financial performance for 2016.

¹ http://www.eworldship.com/html/2016/ship_market_observation_0722/117790.html

² http://www.eworldship.com/html/2016/ship_market_observation_0722/117790.html

³ http://www.eworldship.com/html/2016/ShipbuildingAbroad_0722/117798.html

⁴ <http://news.hsdhw.com/365100>

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 2016:

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	RMB14,602,000 *	Nil [^]

*Aggregate value less than 3% of Group's NTA as at 30 June 2016, 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 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 2016 to be false or misleading, in all material respects.

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

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

On behalf of the Board of Directors

Ren Yuanlin
Executive Chairman

Xu Wen Jiong
Non-independent Non-executive Director