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

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 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			
	1st Quarter			
	1Q 2016	% of	**1Q 2015**	+/(-)%
	RMB'000	Revenue	RMB'000	Variance
Revenue	2,707,285	100%	3,043,558	-11%
Cost of sales	(2,058,803)	-76%	(2,260,319)	-9%
Gross profit	648,482	24%	783,239	-17%
Other income	45,153	2%	127,044	-64%
Other gains, net	140,591	5%	128,816	9%
Expenses				
- Administrative	(69,047)	-2.6%	(68,771)	0.4%
- Finance	(69,820)	-2.6%	(50,415)	38%
Share of loss of associated companies and a joint venture#	(67,166)	-2.5%	(303)	22067%
Profit before income tax	628,193	23%	919,610	-32%
Income tax expense	(168,582)	-6%	(203,988)	-17%
Net profit	459,611	17%	715,622	-36%
Attributable to:				
Equity holders of the Company	447,977	17%	706,878	-37%
Non-controlling interests	11,634	0.4%	8,744	33%
	459,611		715,622	-36%

Share of 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		
	1st quarter		+ / (-) %
	1Q2016	1Q2015	Variance
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	127,775	118,547	8%
Finance costs - Interest on borrowings	69,820	50,415	38%
Impairment loss on financial assets, held-to-maturity	22,784	-	n.m.
After crediting:			
Interest income	45,153	39,057	16%
Income from forfeiture of advances received	-	87,987	n.m.
Foreign exchange related gains, net	103,016	6,807	1413%
Gain on disposal of financial assets, available-for-sale	-	55,090	n.m.
Subsidy income	46,982	15,308	207%

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.

	The Group		The Company	
	As at 31 Mar 2016 RMB'000	As at 31 Dec 2015 RMB'000	As at 31 Mar 2016 RMB'000	As at 31 Dec 2015 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	7,222,376	5,992,935	2,395,195	776,537
Restricted cash	1,580,177	1,028,550	-	-
Derivative financial instruments	29,076	60,603	26,671	35,749
Financial assets, available-for-sale	275,020	275,255	-	-
Financial assets, held-to-maturity	5,803,442	4,944,342	-	-
Trade and other receivables	5,324,636	6,196,534	6,058,796	6,422,454
Inventories	1,608,631	1,612,875	-	-
Land held for development	54,899	54,899	-	-
Development properties	1,783,671	1,782,336	-	-
Due from customers on construction contracts	3,347,242	3,858,445	-	-
	27,029,170	25,806,774	8,480,662	7,234,740
Non-current assets				
Financial assets, held-to-maturity	4,770,680	5,028,064	-	-
Trade and other receivables	1,039,328	1,138,704	1,728,797	2,017,416
Lease prepayments	1,102,469	1,111,368	-	-
Investment in subsidiaries	-	-	5,638,707	5,638,707
Investment in a joint venture	336,513	336,513	349,249	349,249
Investment in associated companies	1,010,364	1,086,638	134,062	134,062
Property, plant and equipment	6,293,247	6,401,967	52	52
Intangible assets	2,191	2,260	-	-
Deferred income tax assets	333,774	333,774	-	-
	14,888,566	15,439,288	7,850,867	8,139,486
Total assets	41,917,736	41,246,062	16,331,529	15,374,226
LIABILITIES				
Current liabilities				
Trade and other payables	5,929,835	5,042,007	3,675,572	4,002,887
Derivative financial instruments	47,079	78,297	20,408	76,812
Due to customers on construction contracts	1,158,346	1,702,063	-	-
Advances received on construction contracts	560,320	567,550	-	-
Borrowings	2,579,600	2,208,565	-	194,808
Provisions	570,190	577,862	-	-
Current income tax liabilities	967,132	762,927	403,752	403,752
	11,812,502	10,939,271	4,099,732	4,678,259
Non-current liabilities				
Trade and other payables	581,799	493,866	-	-
Derivative financial instruments	175,245	382,495	175,245	382,495
Borrowings	5,630,551	6,073,856	2,584,480	2,597,440
Deferred income tax liabilities	899,047	997,593	224,784	343,418
	7,286,642	7,947,810	2,984,509	3,323,353
Total liabilities	19,099,144	18,887,081	7,084,241	8,001,612
NET ASSETS	22,818,592	22,358,981	9,247,288	7,372,614
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	238,645	195,862	50,888	50,888
Retained earnings	15,766,684	15,361,490	2,989,580	1,114,906
	22,247,366	21,799,389	9,247,288	7,372,614
Non-controlling interests	571,226	559,592	-	-
Total equity	22,818,592	22,358,981	9,247,288	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 31 March 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
210,800	2,368,800	371,639	1,836,926

Amount repayable after one year

As at 31 March 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,123,831	4,506,720	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.

	The Group	
	1st Quarter	
	1Q2016	**1Q2015**
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	459,611	715,622
Adjustments for:		
- Income tax expenses	168,582	203,988
- Depreciation on property, plant and equipment	118,807	110,882
- Amortisation of lease prepayment	8,899	7,628
- Amortisation of intangible assets	69	37
- Interest expenses	69,820	50,415
- Fair value change on derivative financial instruments	(206,941)	30,822
- Gain on disposal of financial assests, avialable for sale	-	(55,090)
- Interest income	(45,153)	(39,057)
- Share of loss of associated companies and a joint venture	67,166	303
	640,860	**1,025,550**
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	4,244	479,684
- Development properties	(1,335)	(149,588)
- Construction contract balances	(39,744)	(1,763,962)
- Trade and other receivables	971,273	99,305
- Trade and other payables	975,761	(348,668)
- Financial assets, held-to-maturity	(601,716)	(902,731)
- Provisions	(7,672)	51,732
- Restricted cash	(551,627)	1,668,748
Cash generated from operations	1,390,044	160,070
Interest paid	(82,780)	(48,992)
Interest received	45,153	39,057
Income tax paid	(62,922)	(83,074)
Net cash provided by operating activities	**1,289,495**	**67,061**
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,087)	(90,474)
Acquisition of financial assets, available-for-sale	-	(422,785)
Proceeds from sales of financial assets, available-for-sale	235	222,067
Return of capital by associated companies	9,108	10,954
Net cash used in investing activities	**(744)**	**(280,238)**
Cash flows from financing activities		
Proceeds from borrowings	1,263,800	1,151,394
Repayments of borrowings	(1,323,110)	(1,093,707)
Net cash (used in) / provided by financing activities	**(59,310)**	**57,687**
Net increase / (decrease) in cash and cash equivalents	**1,229,441**	**(155,490)**
Cash and cash equivalents at the beginning of financial period	5,992,935	2,643,423
Cash and cash equivalents at the end of financial period	**7,222,376**	**2,487,933**

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	
	1st Quarter	
	1Q 2016 RMB'000	**1Q2015** RMB'000
Net Profit	459,611	715,622
Other comprehensive income:		
Financial assets, available-for-sale		
- Transfers to income statement	-	(44,102)
Total comprehensive income, net of tax	**459,611**	671,520
Total comprehensive income attributable to:		
Equity holders of the Company	**447,977**	662,776
Non-controlling interests	**11,634**	8,744
	459,611	671,520

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

THE GROUP

	Attributable to equity holders of the Group						
	Share capital RMB'000	**Treasury shares** RMB'000	**Other reserves** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interest** RMB'000	**Total equity** RMB'000
Balance at 1 January 2016	6,263,016	(20,979)	195,862	15,361,490	21,799,389	559,592	22,358,981
Transfer between equity [(1)]	-	-	42,783	(42,783)	-	-	-
Total comprehensive income	-	-	-	447,977	447,977	11,634	459,611
Balance at 31 March 2016	6,263,016	(20,979)	238,645	15,766,684	22,247,366	571,226	22,818,592
Balance at 1 January 2015	6,263,016	(20,979)	(6,514)	14,237,871	20,473,394	602,617	21,076,011
Transfer between equity	-	-	66,795	(66,795)	-	-	-
Total comprehensive income	-	-	(44,102)	706,878	662,776	8,744	671,520
Balance at 31 March 2015	6,263,016	(20,979)	16,179	14,877,954	21,136,170	611,361	21,747,531

THE COMPANY

	Attributable to equity holders of the Company				
	Share capital	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	6,227,799	(20,979)	50,888	1,114,906	7,372,614
Total comprehensive income	-	-	-	1,874,674	1,874,674
Balance at 31 March 2016	6,227,799	(20,979)	50,888	2,989,580	9,247,288
Balance at 1 January 2015	6,227,799	(20,979)	50,888	2,516,395	8,774,103
Total comprehensive income	-	-	-	(33,830)	(33,830)
Balance at 31 March 2015	6,227,799	(20,979)	50,888	2,482,565	8,740,273

(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.

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 December 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 31 March 2016	As at 31 March 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 31 March 2016	As at 31 March 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 31 March 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	(5,239)	(5,239)
Issued shares excluding treasury shares	3,831,838	3,831,838

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.

Total number of treasury shares	Number of Shares ('000)	RMB '000
Balance as at 1 January 2016	5,239	20,979
Repurchased during 1Q2016	-	-
Treasury shares re-issued	-	-
Balance as at 31 March 2016	5,239	20,979

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:-

		The Group	
		1Q2016	**1Q2015**
(a)	Based on weighted average number of ordinary shares in issue (RMB cents)	11.69	18.45
	Weighted average number of Ordinary shares	3,831,838,000	3,831,838,000
(b)	On fully diluted basis (RMB cents)	11.69	18.45

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	
	31/03/2016	**31/12/15**	**31/03/2016**	**31/12/15**
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	580.59	568.90	241.33	192.40

The Group's and the Company's net assets value per ordinary share as at 31 March 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	**1Q2016**		**1Q2015**	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,021,152	100%	2,327,093	100%
Cost	(1,562,105)	-77%	(1,843,274)	-79%
Margin	**459,047**	23%	**483,819**	21%
Trading				
Turnover	429,675	100%	355,467	100%
Cost	(425,639)	-99%	(352,374)	-99%
Margin	**4,036**	1%	**3,093**	1%
Others				
Turnover	44,265	100%	68,454	100%
Cost	(58,131)	-131%	(47,742)	-70%
Margin	**(13,866)**	-31%	**20,712**	30%

Investment Segment	**1Q2016**		**1Q2015**	
	RMB'000	%	RMB'000	%
Held-to-Maturity Investment				
Interest Income	200,422	100%	266,329	100%
Sale taxes and levies	(12,212)	-6%	(15,454)	-6%
Net interest income	**188,210**	94%	**250,875**	94%
Micro Finance Business				
Interest Income	11,771	100%	26,215	100%
Sale taxes and levies	(716)	-6%	(1,475)	-6%
Net interest income	**11,055**	94%	**24,740**	94%

Revenue

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

15 vessels were delivered in 1Q2016 according to schedule, which was higher than 10 delivered in 1Q2015. Revenue derived from shipbuilding business decreased by 13% from RMB2,327 million in 1Q2015 to RMB2,021 million in 1Q2016 as vessels delivered in this quarter were relatively smaller in terms of vessel size as compared to same quarter last year. Meanwhile, revenue contribution from trading business increased as compared to 1Q2015 as a result of higher volume of trading business in this quarter. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship design services was RMB44 million in 1Q2016, compared to RMB68 million in 1Q2015. The decrease was mainly due to the lower contribution from the group's shipping logistics & chartering business as a result of decreased charter rates this year.

In line with reduced investment portfolio as compared to same quarter last year, interest income derived from HTM financial assets under the investment segment decreased from RMB266 million in 1Q2015 to RMB200 million in 1Q2016.

Investment income derived on micro finance business decreased in 1Q2016 to RMB12 million as compared to RMB26 million in 1Q2015. It mainly due to smaller loan balance in 1Q2016 as compared to same quarter last year.

Operating cost

In line with lower revenue derived from shipbuilding business in 1Q2016, cost of sales of RMB1,562 million was also lower than that of RMB1,843 million recorded in 1Q2015.

In 1Q2016, total cost of RMB12.9 million was incurred for the Group's investment segment, which mainly consist of sale taxes and levies on interest income.

Gross Profit

In 1Q2016, gross profit margin of the Group's shipbuilding business registered at 23%, slightly higher than 21% of 1Q2015. Higher margin was mainly due to the reversal of RMB40 million warranty provision upon expiry of warranty for vessels delivered in previous period.

Trading business contributed about 17% of revenue from shipbuilding related segment in 1Q2016 with typically low gross profit margin of 1%.

A gross loss of RMB14 million recorded for other shipbuilding related business was mainly due to losses from disposing scrap metal of ship demolishing business and the operating losses of our shipping logistics & chartering business.

In line with lower interest income from investment segment, net interest income contributed by this segment in 1Q2016 was also lower than same quarter last year.

Other income

Other income, which mainly comprises interest income from bank deposits and ship finance lease business, decreased by RMB82 million to RMB45 million in 1Q2016 as compared to 1Q2015. This reduction was mainly due to recognition of RMB88 million of forfeited deposits from the previous ship owners of the terminated shipbuilding contracts in 1Q2015.

Other gains / (losses) – net

The Group recorded other gains of RMB141 million in 1Q2016, slightly higher than that of 1Q2015. The RMB141 million gain mainly comprises of a foreign exchange related gain of RMB103 million and subsidy income of RMB47 million. The foreign exchange related gain was mainly related to a partial reversal of fair value loss recognised at the end of FY2015 on the outstanding derivative financial instruments that the Group plan to hold to maturity to mitigate the currency exposure of the group's future incoming USD denominated income from shipbuilding business.

Expenses

As a result of the Group's efforts to control overall administrative expenses, the Group's administrative expenses in 1Q2016 were maintained at a similar level as 1Q2015.

Finance cost in 1Q2016 increased to RMB70 million from RMB50 million in 1Q2015, the increase was mainly due to the Group's funding strategy to gradually shift our debt structure towards a higher proportion of long term un-collateralized borrowings with a relatively higher interest rate as compared to short term secured borrowing.

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 RMB67 million mainly consists of share of fair value loss of venture capital investments in 1Q2016 from the Group's associated companies.

Corporate Income Tax

Group's effective tax rate for 1Q2016 was 26.8%. The taxation charge of RMB169 million was arrived after accounting for 6% withholding tax on Chinese subsidiaries' distributable profits and average corporate tax rate of 20% in year 2016. Higher effective tax rate as compared to 1Q2015 was due to 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 application for a renewal of the status for another 3 years.

Statements of financial position review

Assets

With delivery of several vessels approaching completion at end of last year in this quarter, due from customers for construction contracts at as 31 March 2016 decreased to RMB3,347 million from RMB3,858 million as at the end of last year, as payment terms for current shipbuilding contracts are less favourable with larger portion of down payment on delivery.

With the Group's strategy to control the size of investment in non-shipbuilding businesses, as at 31 March 2016, investments in HTM financial assets stood at RMB10.6 billion.

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

The decrease of investment in associated companies from RMB1,087 million as at the end of last year to RMB1,010 million was mainly due to return of capital of RMB9 million from two associated companies and share of loss of associated companies in this quarter.

Liabilities

As more contracts with less favourable payment terms have commenced construction, due to customers on construction contracts at the end of 1Q2016 had further decreased to RMB1,158 million as compared to RMB1,702 million at the end of last year. Advances received on construction contracts stood at RMB560 million.

Warranty provisions for completed and delivered vessels were down by RMB7.7 million as compared to 31 December 2015, being the net movement of provisions made for vessels delivered during the reporting period and reversal of provision after the expiry of warrant of vessels delivered in previous period.

Borrowings represented the Group's secured and unsecured borrowings of RMB8,210 million at the end of 1Q2016, decreased marginally from RMB8,282 million as of 31 December 2015.

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 incoming USD denominated income from shipbuilding business.

Equity

The change of "Total equity attributable to equity holders" to RMB22,247 million as at 31 March 2016 from RMB21,799 million as at 31 December 2015 was mainly a result of profits earned during the reporting period.

Statements of cash flows review

Cash and cash equivalents increased to RMB7,222 million from RMB5,993 million as at 31 December 2015, mainly due to the net cash of RMB1,289 million generated by operating activities.

Operating profit before working capital changes of RMB641 million consist mainly of profit generated during 1Q2016, net of non-cash non-operating items such as interest income, interest expenses, depreciation and amortization.

Decrease in net working capital requirements (including restricted cash) of RMB649 million was primarily attributable to the increase of trade and other payable of RMB976 million, and the decrease of trade and other receivable of RMB971 million, which was largely offset by the increase of financial assets, held-to-maturity and restricted cash of RMB602 million and RMB552 million respectively.

Net cash used in financing activities of RMB59 million during 1Q2016 related to net repayment of borrowings. Overall liquidity remain at a healthy level as evidenced by the current ratio of 2.29 as at 31 March 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.

According to research, new shipbuilding orders for 1Q2016 was 9.66 million DWT globally, 60.2% decrease year-on-year. New orders for dry bulkers (excluding the 30 Valemax orders) and oil tankers were minimal, and there were no new orders for containerships. As the economic growth in China and the world moderates and shipping demand continue to decrease, new shipbuilding orders are expected to decrease further compared to 2015. Shipbuilding industry is at the trough of a major business cycle, and when the recovery will set in is still uncertain[1].

As of end of March 2016, New Yangzi Yard, a major yard of the Group, ranked no.2 in China and no. 6 in the world in terms of outstanding order book[2]. In April 2016, the Group was awarded new shipbuilding orders for six 400,000 DWT VLOCs with a total contract value of USD510 million. As at 31 March 2016, the Group had an outstanding order book of USD 4.7 billion, comprising 93 vessels. The delivery date of the outstanding order book is scheduled to optimize the use of yard's facility up to 2018 - 2019.

During the quarter, there were termination of eight shipbuilding orders, including six 82,000DWT and two 64,000DWT bulk carriers. One of these vessels has not started construction, and the company has found prospective buyers for four of these vessels, and is actively seeking for buyers for the remaining three vessels. 10 - 30% down payment of contract value had been collected for the abovementioned terminated contracts, and the group will recognise according to its policy.

During the industry downturn, the Group will be fully dedicated to (1) obtaining new shipbuilding orders, and continuing to build up its outstanding 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 and the VLGCs; (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 return and are accretive to its core shipbuilding business, especially in an environment where the industry is going through a restructuring/consolidation phase.

The market conditions for the shipbuilding industry are less than favourable, and the Group will still be impacted. However, the Board remains confident of the Group's outstanding shipbuilding capabilities and the strong financial position, which will help the Group to deliver best possible financial performance for 2016.

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.

[1] http://www.eworldship.com/html/2016/NewShipMarket_0426/114537.html
[2] www.eworldship.com

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 first quarter ended 31 March 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)
Xu Wen Jiong West Gold International Pte Ltd Procurement of marine equipment	RMB11,762,000 *	Nil^

*Aggregate value less than 3% of Group's NTA as at 31 March 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 31 March 2016 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