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

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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			
	3rd Quarter				January - September			
	3Q 2016	% of	**3Q 2015**	+/(-)%	**9M 2016**	% of	**9M 2015**	+/(-)%
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	3,880,364	100%	4,135,569	-6%	9,581,200	100%	12,889,103	-26%
Cost of sales	(3,010,952)	-78%	(3,158,956)	-5%	(7,379,071)	-77%	(10,099,427)	-27%
Gross profit	869,412	22%	976,613	-11%	2,202,129	23%	2,789,676	-21%
Other income	501,078	13%	39,649	1164%	597,315	6%	231,402	158%
Other (losses)/gains, net	(509,813)	-13%	241,892	n.m.	(274,946)	-3%	782,810	n.m.
Expenses								
- Administrative	(115,371)	-3%	(71,741)	61%	(298,328)	-3%	(231,839)	29%
- Finance	(100,184)	-3%	(221,700)	-55%	(296,155)	-3%	(338,203)	-12%
Share of (loss)/profit of associated companies and a joint venture#	(95,802)	-2.5%	3,750	n.m.	(165,764)	-1.73%	3,860	n.m.
Profit before income tax	549,320	14%	968,463	-43%	1,764,251	18%	3,237,706	-46%
Income tax expense	(235,936)	-6%	(277,720)	-15%	(555,643)	-6%	(791,955)	-30%
Net profit	313,384	8%	690,743	-55%	1,208,608	13%	2,445,751	-51%
Attributable to:								
Equity holders of the Company	281,219	7%	680,665	-59%	1,144,595	12%	2,418,146	-53%
Non-controlling interests	32,165	0.8%	10,078	219%	64,013	0.7%	27,605	132%
	313,384		690,743	-55%	1,208,608		2,445,751	-51%

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		
	3rd Quarter		+ / (-) %
	3Q2016	3Q2015	Variance
	RMB'000	RMB'000	%
After charging:			
Depreciation and amortization	139,732	125,356	11%
Finance costs - Interest on borrowings	100,184	221,700	-55%
Loss on disposal of financial assets, available-for-sale	-	207,120	n.m.
Loss from disposal of subsidiaries	-	100,530	n.m.
Impairment loss on property, plant and equipment	531,367	-	n.m.
Impairment loss/(reversal of Impairment loss) on financial assets, held-to-maturity	218,714	(85,711)	n.m.
After crediting:			
Interest income	67,285	39,649	70%
Subsidy income	106,565	562,044	-81%
Income from forfeiture of advances received	433,793	-	n.m.
Foreign exchange related gains/(losses), net	83,522	(157,867)	n.m.
Dividend Income	18,960	-	n.m.
Gain from disposal of associated companies	6,570	-	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.

	The Group		The Company	
	As at 30 Sep 2016 RMB'000	As at 31 Dec 2015 RMB'000	As at 30 Sep 2016 RMB'000	As at 31 Dec 2015 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	5,754,886	5,992,935	941,963	776,537
Restricted cash	1,439,980	1,028,550	-	-
Derivative financial instruments	7,371	60,603	7,371	35,749
Financial assets, available-for-sale	425,445	275,255	-	-
Financial assets, held-to-maturity	4,525,803	4,944,342	-	-
Trade and other receivables	4,822,379	6,196,534	7,049,778	6,422,454
Inventories	2,129,306	1,612,875	-	-
Land held for development	-	54,899	-	-
Development properties	-	1,782,336	-	-
Due from customers on construction contracts	3,953,274	3,858,445	-	-
	23,058,444	25,806,774	7,999,112	7,234,740
Non-current assets				
Financial assets, held-to-maturity	6,428,375	5,028,064	-	-
Trade and other receivables	858,038	1,138,704	1,903,375	2,017,416
Derivative financial instruments	6,170	-	6,170	-
Lease prepayments	1,091,921	1,111,368	-	-
Investment in subsidiaries	-	-	5,199,570	5,638,707
Investment in a joint venture	4,617	336,513	4,617	349,249
Investment in associated companies	702,912	1,086,638	134,062	134,062
Financial assets, available-for-sale	1,104,106	-	-	-
Property, plant and equipment	6,051,930	6,401,967	44	52
Intangible assets	6,782	2,260	-	-
Deferred income tax assets	400,716	333,774	-	-
	16,655,567	15,439,288	7,247,838	8,139,486
Total assets	39,714,011	41,246,062	15,246,950	15,374,226
LIABILITIES				
Current liabilities				
Trade and other payables	4,527,896	5,042,007	3,346,363	4,002,887
Derivative financial instruments	158,202	78,297	158,202	76,812
Due to customers on construction contracts	650,520	1,702,063	-	-
Advances received on construction contracts	1,456,347	567,550	-	-
Borrowings	1,435,477	2,208,565	-	194,808
Provisions	503,620	577,862	-	-
Current income tax liabilities	925,070	762,927	403,648	403,752
	9,657,132	10,939,271	3,908,213	4,678,259
Non-current liabilities				
Trade and other payables	601,230	493,866	-	-
Derivative financial instruments	4,380	382,495	4,380	382,495
Borrowings	5,891,581	6,073,856	2,671,120	2,597,440
Deferred income tax liabilities	948,825	997,593	224,784	343,418
	7,446,016	7,947,810	2,900,284	3,323,353
Total liabilities	17,103,148	18,887,081	6,808,497	8,001,612
NET ASSETS	22,610,863	22,358,981	8,438,453	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	261,759	195,862	(40,192)	50,888
Retained earnings	15,532,433	15,361,490	2,180,745	1,114,906
	22,127,309	21,799,389	8,438,453	7,372,614
Non-controlling interests	483,554	559,592	-	-
Total equity	22,610,863	22,358,981	8,438,453	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 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
505,477	930,000	371,639	1,836,926

Amount repayable after one year

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
984,901	4,906,680	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	
	3rd Quarter	
	3Q 2016	**3Q 2015**
	RMB '000	RMB '000
Cash flows from operating activities		
Net profit	313,384	690,743
Adjustments for:		
- Income tax expenses	235,936	277,720
- Depreciation on property, plant and equipment	134,268	119,540
- Amortisation of lease prepayment	5,274	5,730
- Amortisation of intangible assets	190	86
- Interest expenses	100,184	221,700
- Fair value change on derivative financial instruments	(73,901)	281,557
- Loss on disposal of financial assets, available for sale	-	207,120
- Loss from disposal of subsidiaries	-	100,530
- Gain from disposal of associated companies	(6,570)	-
- Impairment loss on property, plant and equipment	531,367	-
- Interest income	(67,285)	(39,649)
- Share of profit of associated companies and a joint venture	95,802	(3,750)
	1,268,649	**1,861,327**
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(127,904)	65,815
- Development properties	-	(119,209)
- Construction contract balances	(1,107,063)	(227,238)
- Trade and other receivables	606,593	555,591
- Trade and other payables	(729,181)	(915,163)
- Financial assets, held-to-maturity	707,439	1,771,498
- Provisions	(32,808)	39,810
- Restricted cash	(932,488)	(1,417,621)
Cash generated from operations	(346,763)	1,614,810
Interest paid	(81,544)	(56,020)
Interest received	67,285	39,649
Income tax paid	(126,347)	(153,495)
Net cash (used in)/provided by operating activities	**(487,369)**	**1,444,944**
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,494)	(75,613)
Acquisition of financial assets, available-for-sale	(56,467)	-
Proceeds from sales of financial assets, available-for-sale	-	798,509
Incorporation / acquisition of additional shares in associated companies	(40,000)	(226,463)
Dividend received from a joint venture	340,738	-
Return of capital by associated companies	105,083	22,724
Net cash outflow from sales of investment in subsidiaries	-	(7,258)
Proceeds from sales of investment in an associated company	29,500	130,000
Net cash provided by investing activities	**367,360**	**641,899**
Cash flows from financing activities		
Proceeds from borrowings	394,500	1,708,980
Repayments of borrowings	(892,600)	(1,661,774)
Dividend paid to non-controlling interests	-	(2,637)
Net cash (used in)/provided by financing activities	**(498,100)**	**44,569**
Net (decrease)/increase in cash and cash equivalents	**(618,109)**	**2,131,412**
Cash and cash equivalents at the beginning of financial period	6,372,995	3,731,763
Cash and cash equivalents at the end of financial period	**5,754,886**	**5,863,175**

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	
	3rd Quarter		9 Months	
	3Q2016	**3Q2015**	**9M2016**	**9M2015**
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	313,384	690,743	1,208,608	2,445,751
Other comprehensive income:				
Financial assets, available-for-sale				
- Fair value losses	9,008	(34,816)	9,008	(34,816)
- Transfers to income statement	(9,386)	-	(9,386)	(75,159)
Total comprehensive income, net of tax	**313,006**	655,927	**1,208,230**	2,335,776
Total comprehensive income attributable to:				
Equity holders of the Company	**280,841**	645,849	**1,144,217**	2,308,171
Non-controlling interests	**32,165**	10,078	**64,013**	27,605
	313,006	655,927	**1,208,230**	2,335,776

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	**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 July 2016	6,354,096	(20,979)	205,026	15,308,325	21,846,468	451,389	22,297,857
Transfer between equity [(1)]	-	-	57,111	(57,111)	-	-	-
Total comprehensive income	-	-	(378)	281,219	280,841	32,165	313,006
Balance at 30 September 2016	6,354,096	(20,979)	261,759	15,532,433	22,127,309	483,554	22,610,863
Balance at 1 July 2015	6,263,016	(20,979)	161,733	14,773,893	21,177,663	591,829	21,769,492
Transfer between equity [(1)]	-	-	55,840	(55,840)	-	-	-
Dividend paid to Non-controlling interests	-	-	-	-	-	(2,637)	(2,637)
Disposal of a subsidiary	-	-	(62,000)	-	(62,000)	(9,000)	(71,000)
Total comprehensive income	-	-	(34,816)	680,665	645,849	10,078	655,927
Balance at 30 September 2015	6,263,016	(20,979)	120,757	15,398,718	21,761,512	590,270	22,351,782

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 July 2016	6,318,879	(20,979)	(40,192)	2,132,935	8,390,643
Total comprehensive income	-	-	-	47,810	47,810
Balance at 30 September 2016	6,318,879	(20,979)	(40,192)	2,180,745	8,438,453
Balance at 1 July 2015	6,227,799	(20,979)	50,888	1,645,922	7,903,630
Total comprehensive income	-	-	-	(274,062)	(274,062)
Balance at 30 September 2015	6,227,799	(20,979)	50,888	1,371,860	7,629,568

(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 30 June 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 September 2016	As at 30 September 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 September 2016	As at 30 September 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 September 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 July 2016	5,239	20,979
Repurchased during 3Q2016	-	-
Treasury shares re-issued	-	-
Balance as at 30 September 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:

- <u>FRS 16 Property plant and equipment and FRS 38 Intangible assets</u>
  (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	
		3Q2016	**3Q2015**
(a)	Based on weighted average number of ordinary shares in issue (RMB cents)	7.34	17.76
	Weighted average number of Ordinary shares	3,831,838,000	3,831,838,000
(b)	On fully diluted basis (RMB cents)	7.34	17.76

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	
	30/09/16	**31/12/15**	**30/09/16**	**31/12/15**
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	577.46	568.90	220.22	192.40

The Group's and the Company's net assets value per ordinary share as at 30 September 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	**3Q2016**		**3Q2015**	
	RMB'000	%	RMB'000	%
Shipbuilding				
Turnover	2,700,047	100%	3,344,668	100%
Cost	(2,051,242)	-76%	(2,726,010)	-82%
Margin	**648,805**	24%	**618,658**	18%
Trading				
Turnover	874,340	100%	375,828	100%
Cost	(858,089)	-98%	(370,816)	-99%
Margin	**16,251**	2%	**5,012**	1%
Others				
Turnover	81,219	100%	55,147	100%
Cost	(85,044)	-105%	(51,407)	-93%
Margin	**(3,825)**	-5%	**3,740**	7%

Investment Segment	**3Q2016**		**3Q2015**	
	RMB'000	%	RMB'000	%
Held-to-Maturity Investment				
Interest Income	214,184	100%	335,576	100%
Sale taxes and levies	(16,482)	-8%	(9,894)	-3%
Net interest income	**197,702**	92%	**325,682**	97%
Micro Finance Business				
Interest Income	10,574	100%	24,350	100%
Sale taxes and levies	(95)	-1%	(829)	-3%
Net interest income	**10,479**	99%	**23,521**	97%

Revenue

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

8 vessels were delivered in 3Q2016, lower than 9 delivered in 3Q2015. Revenue derived from shipbuilding business decreased by 19% from RMB3,345 million in 3Q2015 to RMB2,700 million in 3Q2016. Meanwhile, revenue contribution from trading business contributed to a higher revenue of RMB874 million as compared to 3Q2015 as a result of higher volume of trading activities in this quarter. Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering and ship demolition business was RMB81 million in 3Q2016, compared to RMB55 million of 3Q2015. The increase was mainly due to higher revenue recognition from ship demolition business during this quarter as compared to same quarter last year.

Although investment portfolio had increased as compared to same quarter last year, interest income derived from HTM financial assets under the investment segment decreased from RMB336 million in 3Q2015 to RMB214 million in 3Q2016, as a result of lower interest rate charged this year.

Investment income derived from micro finance business in 3Q2016 decreased to RMB11 million as compared to RMB24 million of 3Q2015. The decrease was mainly due to lower loan balance in 3Q2016 as compared to the same quarter last year.

Operating cost

In line with lower revenue derived from shipbuilding business in 3Q2016, cost of sales of RMB2,051 million was also lower than that of RMB2,726 million recorded in 3Q2015.

In 3Q2016, total cost of RMB16.6 million was incurred for the Group's investment segment, which mainly consist of sales taxes and levies on interest income.

Gross Profit

In 3Q2016, gross profit margin of the Group's shipbuilding business registered at 24%, higher than the 18% achieved in 3Q2015. Higher margin was mainly due to the reversal of warranty provision of RMB53 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 24% of revenue from shipbuilding related segment in 3Q2016 with typically low gross profit margin of 2%.

A gross loss of RMB4 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 3Q2016 was also lower than the same quarter last year.

Other income

Other income, which generally includes interest income from bank deposits and interest income for ship finance lease, increased significantly from RMB40 million in 3Q2015 to RMB501 million in 3Q2016. This increase was mainly due to the recognition of RMB434 million advances payment from the previous ship owners of the terminated shipbuilding contracts in 3Q2016 according to the Group's accounting policy.

Other (losses)/gains - net

Other (losses)/gains mainly comprises provision of impairments and foreign exchange related gains/(losses). The Group recorded other losses of RMB510 million in 3Q2016 as compared to a gain of RMB242 million in 3Q2015. The loss was mainly due to the impairment provision of RMB531 million made for 13 vessels owned and operated by our shipping arm and an additional impairment provision of RMB219 million made for HTM investments accordingly to our HTM investment provision policy during this quarter, which was partially offset by a subsidy income of RMB107 million and foreign exchange related gain of RMB84 million. The foreign exchange related gain was mainly related to a fair value gain of RMB74 million recognised at the end of 3Q2016 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 3Q2016 was RMB115 million, higher than RMB72 million of 3Q2015. The difference was mainly due to there was a reversal of bad debt provision of RMB33 million for the Group's micro finance business in 3Q2015.

In 3Q2016, finance cost of RMB100 million was significantly lower than RMB222 million of 3Q2015. The decrease was mainly due to a significantly higher revaluation loss on USD borrowings as a result of depreciation of RMB against USD at the end of 3Q2015.

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 and a joint venture of RMB95.8 million mainly consists of the share of fair value loss of venture capital investments in 3Q2016 from the Group's associated companies.

In 3Q2016, PPL Holdings Pte Ltd ("PPL Holdings"), a 45% owned joint venture of the Company, disposed its 15% equity interest in PPL Shipyard Pte Ltd ("PPL Shipyard") to SembCorp Marine Ltd at a consideration of US$115,058,934. PPL Holdings had declared all of its retained earnings as dividends to its shareholders during the same quarter. The disposal has minimum impact on the Group's income statement for this reporting period.

Corporate Income Tax

Group's effective tax rate for 3Q2016 was 42.95%. The taxation charge of RMB236 million was arrived after accounting for 6% withholding tax on Chinese subsidiaries' distributable profits and average corporate tax rate of 25% in year 2016. The higher tax rate is a result of lower tax credit applied to the impairment loss of RMB531 million on vessels under our shipping arms.

Statements of financial position review

Assets

With construction of contracts with less favourable payment terms, due from customers for construction contracts at the end of this quarter had further increased to RMB3,953 million as compared to RMB3,473 million as at the end of last quarter.

Investments in HTM financial assets had decreased marginally to RMB10.95 billion from RMB11.66 billion at end of 2Q2016. As at 30 September 2016, impairment provision for HTM investments stood at RMB1,255 million.

Investment in a joint venture represents the Company's 45% interests in PPL Holdings Pte Ltd, had decreased significantly from end of FY2016. The decrease was mainly due to dividend received from PPL Holdings in 3Q2016.

The decrease of investment in associated companies from RMB887 million as at the end of last quarter to RMB703 million was mainly due to return of capital of RMB105 million received from several venture capital companies and disposal of an associated company.

Liabilities

As more contracts with less favourable payment terms have started construction, due to customers on construction contracts at the end of 3Q2016 had further decreased to RMB651 million as compared to RMB1,076 million at the end of last quarter. Advances received on construction contracts decreased from RMB1,658 million to RMB1,456 million as more shipbuilding orders had started construction.

Warranty provisions for completed and delivered vessels decreased by RMB32.8 million as compared to 30 June 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 RMB7,327 million at the end of 3Q2016, this represents a decrease of RMB480 million from RMB7,807 million as of 30 June 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 RMB22,127 million as at 30 September 2016 from RMB21,846 million as at 30 June 2016 was mainly a result of profits earned during the reporting period.

Statements of cash flows review

Cash and cash equivalents decreased to RMB5,755 million from RMB6,373 million as at 30 June 2016, mainly due to the net cash used in operating and financing activities of RMB487 million and RMB498 million respectively.

Operating profit before working capital changes of RMB1,269 million consists mainly of profit generated during 3Q2016, net of non-cash non-operating items such as interest income, interest expenses, depreciation and amortization.

Increase in net working capital (including restricted cash) of RMB1,756 million was primarily attributable to the increase of construction contract balance of RMB1,107 million and increase in restricted cash of RMB932 million, which was partly offset by the decrease in financial assets, held-to-maturity of RMB707 million.

Net cash provided by investing activities of RMB367 million was mainly related to dividend received from a joint venture, PPL Holdings of RMB341 million and return of capital by associated companies of RMB105 million.

Net cash used in financing activities of RMB498 million during 3Q2016 related to net repayment of borrowings. Overall liquidity remains at a healthy level as evidenced by the current ratio of 2.39 as at 30 September 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 some major shipping and shipbuilding companies ran into financial distress recently, it showed again the length and the severity of the current shipping industry market downturn. According to Clarksons, "extremely weak ordering and firm deliveries have seen the global order book decline to its lowest level since 2004 in numerical terms, to 4,159 ships at the start of September 2016. This is a very challenging environment for shipbuilders and the current number of 'active' yards (those with at least one vessel of 1,000+ GT or above on order) has more than halved since 2009 to 402 yards." [1]

Despite the challenging market conditions, as of end of September 2016, New Yangzi Yard, a major yard of the Group, was ranked no.1 in China and no. 4 in the world in terms of outstanding order book.[2] This is after taking into account the termination of six more shipbuilding orders and new orders of 3 units of 1900TEU containerships secured in 3Q2016. Three of abovementioned six terminated vessels has not started construction, and the company is actively seeking for buyers for the remaining three vessels. An average of approximately 20% down payment of contract value had been collected for the abovementioned terminated contracts, and the group will recognise according to its accounting policy.

Year to date, the Group had secured a total of 13 shipbuilding orders with an aggregate contract value of approximately USD650 million. As at 30 September, the Group had an outstanding order book of USD 4.4 billion, comprising 85 vessels. The delivery date of the outstanding order book is scheduled to optimize the use of yard's facility and provide the earnings visibility for up to 2018-2019.

Group has taken actions to dispose its non-core assets to further streamline operations and focus on core shipbuilding business. In August 2016, the Group, through PPL Holdings Pte Ltd, a joint venture company in which Yangzijiang holdings 45% effective equity interest, disposed its 15% equity interest in PPL Shipyard Pte Ltd.

Group's strong financial position ensures reliable financing for the shipbuilding, gives customer the confidence in order placement, and helps in procurement and cost management. These, in turn, contribute to Yangzijiang's smooth operation and its profitability in a very challenging market.

Group has continued to instate stringent, multi-tier risk management system in managing its financial assets. The default risk is minimal so far and the collaterals have provided a safety net to recoup any potential loss. Compared to the interest income that was generated from the financial investment in the past few years, the risk-reward ratio has been favorable to the Group.

Despite the market downturn, the Group will continue to build up its order book, explore opportunities in specialized vessels and high-value added vessels where demand is stronger, and optimize profit through further cost rationalization. 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.

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[1] Clarksons Research – Shipping Review & Outlook, Autumn 2016, page 30
[2] http://news.hsdhw.com/391975

(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 third quarter ended 30 September 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	RMB10,439,000 *	Nil^

*Aggregate value less than 3% of Group's NTA as at 30 September 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 September 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	Xu Wen Jiong
Executive Chairman	Non-independent Non-executive Director