



## YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

(Company Registration No. 200517636Z)

(Incorporated in the Republic of Singapore on 21 December 2005)

### FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2008

#### 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.

	<b>The Group</b>						
	First Quarter Ended						
	<b>31 Mar 08</b>		<b>31 Mar 07</b>		<b>Variance</b>		<b>+ / (-)</b>
	RMB'000	%	RMB'000	%	RMB'000	%	
Revenue	1,694,065	100%	909,089	100%	784,976		86%
Cost of sales	(1,338,898)	79%	(724,542)	80%	(614,356)		85%
Gross profit	<u>355,167</u>	21%	<u>184,547</u>	20%	170,620		92%
Other income	40,169	2%	16,852	2%	23,317		138%
Other gains/(losses), net	88,497	5%	23,391	3%	65,106		278%
Expenses							
- Administrative	(34,586)	2%	(14,456)	2%	(20,130)		139%
- Finance	(1,269)	0.1%	(2,083)	0.2%	814		-39%
Profit before income tax	<u>447,978</u>	26%	<u>208,251</u>	23%	239,727		115%
Income tax expense	(32,251)	2%	(22,838)	3%	(9,413)		41%
<b>Net profit</b>	<u>415,727</u>	25%	<u>185,413</u>	20%	230,314		124%
<b>Attributable to:</b>							
Equity holders of the Company	371,268		183,489		187,779		102%
Minority interest	44,459		1,924		42,535		2211%
	<u>415,727</u>		<u>185,413</u>		230,314		124%

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

	<b>The Group</b>		+ / (-)  %
	First Quarter Ended		
	<b>31 Mar 08</b>	<b>31 Mar 07</b>	
	RMB'000	RMB'000	
<b>After charging:</b>			
Depreciation and amortization	21,032	5,796	263%
Finance costs - Interest on borrowings	1,190	2,083	-43%
Loss on disposal of property, plant and equipment	70	13	442%
<b>After crediting:</b>			
Interest income	40,169	16,852	138%
Foreign exchange related gains/(losses), net	72,140	23,421	208%
Gain on disposal of financial assets, available-for-sale	14,058	-	n.m.
Gain on disposal of financial assets, Held-to-maturity	824	-	n.m.

n.m. denotes not meaningful

**1(b)(i) A balance sheet (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 31 Mar 2008 RMB'000	As at 31 Dec 2007 RMB'000	As at 31 Mar 2008 RMB'000	As at 31 Dec 2007 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,360,763	1,230,089	-	-
Land use rights	194,061	245,670	-	-
Intangible assets	712	536	-	-
Investment in an associate	54,600	54,600	39,600	-
Investment in subsidiaries	-	-	1,221,152	788,071
Deferred income tax assets	9,459	8,610	-	-
	<u>1,619,595</u>	<u>1,539,505</u>	<u>1,260,752</u>	<u>788,071</u>
<b>Current assets</b>				
Inventories	474,873	413,149	-	-
Due from customers for contract works	344,645	197,912	-	-
Accounts and bills receivable	109,103	598,979	-	-
Other receivables, prepayments and other current assets	5,296,798	4,151,415	760,097	1,182,331
Available for sale financial assets	106,540	104,970	-	-
Held-to-maturity Investment	20,000	30,000	-	-
Loan receivables from third parties	630,000	654,000	-	-
Restricted cash	2,167,815	2,362,621	-	303,108
Cash and cash equivalents	5,636,870	4,438,757	1,815,817	1,544,961
	<u>14,786,644</u>	<u>12,951,803</u>	<u>2,575,914</u>	<u>3,030,400</u>
<b>Total assets</b>	<u>16,406,239</u>	<u>14,491,308</u>	<u>3,836,666</u>	<u>3,818,471</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	3,337,159	3,337,159	3,301,942	3,301,942
Other reserves	26,719	(12,182)	-	-
Retained earnings	1,188,674	854,247	505,424	491,177
	<u>4,552,552</u>	<u>4,179,224</u>	<u>3,807,366</u>	<u>3,793,119</u>
<b>Minority interest</b>	164,292	128,348	-	-
<b>Total equity</b>	<u>4,716,844</u>	<u>4,307,572</u>	<u>3,807,366</u>	<u>3,793,119</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred income tax liabilities	1,560	1,168	-	-
	<u>1,560</u>	<u>1,168</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Due to customers for contract works	8,990,855	8,055,848	-	-
Advances received on construction contracts	1,479,593	1,296,825	-	-
Accounts and bills payable	453,309	319,966	-	-
Accrual, other payables and other current liabilities	205,911	369,238	27,909	23,961
Current income tax liabilities	96,061	112,249	1,391	1,391
Borrowings	462,106	28,442	-	-
	<u>11,687,835</u>	<u>10,182,568</u>	<u>29,300</u>	<u>25,352</u>
<b>Total liabilities</b>	<u>11,689,395</u>	<u>10,183,736</u>	<u>29,300</u>	<u>25,352</u>
<b>Total equity and liabilities</b>	<u>16,406,239</u>	<u>14,491,308</u>	<u>3,836,666</u>	<u>3,818,471</u>

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

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

<b>As at 31 March 08</b>		<b>As at 31 December 07</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
462,106	-	-	28,442

**Amount repayable after one year**

None.

**Details of any collateral**

The short term borrowings from the bank are secured by the same amount of restricted cash in designated bank accounts under the name of the Group as collateral deposits.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>The Group</b>	
	First Quarter Ended	
	<b>31 Mar 08</b>	<b>31 Mar 07</b>
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Net profit	415,727	185,413
Adjustments for:		
Income Tax	32,251	22,838
Depreciation on property, plant and equipment	19,792	5,265
Amortisation of land use rights	1,209	-
Loss on disposal of property, plant and equipment	70	13
Amortisation of intangible asset	31	531
Gain on disposal of financial assets, available-for-sale	(14,058)	-
Gain on disposal of financial assets, Held-to-maturity	(824)	-
Fair Value gain on forward currency contract not qualifying as hedge	-	(23,421)
Interest expense	1,190	2,083
Interest income	(40,169)	(16,852)
Operating cash flow before working capital change	<u>415,219</u>	<u>175,870</u>
Change in operating assets and liabilities:		
Inventories	(61,724)	(94,269)
Due from and to customers for contract work	788,274	725,661
Trade receivable, net	489,876	(50,113)
Other receivables, prepayment and other current assets	(1,145,383)	(98,390)
Trade and bills payable	133,360	37,491
Accruals, other payables and other current liabilities	19,441	(190,153)
Restricted cash	194,806	(19,433)
Cash generated from operations	<u>833,869</u>	<u>486,664</u>
Interest paid	(1,190)	(2,083)
Income taxes paid	(49,288)	(35,828)
<b>Net cash provided by operating activities</b>	<b><u>783,391</u></b>	<b><u>448,753</u></b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of financial assets, available-for-sale	39,905	-
Proceeds from sales of financial assets, held-to-maturity	1,110,835	-
Proceeds from sales of investment in subsidiaries, net of cash disposal	51,494	16,852
Interest received	40,169	21,000
Loans repayments received from third parties	24,000	(123,702)
Proceeds from disposal of equity interest in existing subsidiary	6,000	-
Purchase of property, plant and equipment	(165,277)	-
Purchase of sales of financial assets, available-for-sale	(25,849)	-
Purchase of financial assets, held-to-maturity	(1,100,011)	-
Acquisition of intangible assets	(208)	-
<b>Net cash used in investing activities</b>	<b><u>(18,942)</u></b>	<b><u>(85,850)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	-	150,000
Proceeds from borrowings	433,664	-
Dividends paid to equity holders	-	(224,004)
<b>Net cash used in financing activities</b>	<b><u>433,664</u></b>	<b><u>(74,004)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>1,198,113</b>	<b>288,899</b>
Cash and cash equivalents at the beginning of the period	4,438,757	215,592
<b>Cash and cash equivalents at the end of the period</b>	<b><u>5,636,870</u></b>	<b><u>504,491</u></b>

- 1(d)(i) 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 Company			Minority interest RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000		
Balance at 1 January 2008	3,337,159	(12,182)	854,247	128,348	4,307,572
Fair Value arising from available for sales	-	1,060	-	118	1,178
Net profit for 1st quarter FY2008	-	-	371,268	44,459	415,727
Total Recognised gains and (losses) for 1st quarter FY2008		1,060	371,268	44,577	416,905
Disposal of equity interest in existing subsidiary	-	-	1,000	5,000	6,000
Disposal of subsidiaries <sup>(1)</sup>				(13,633)	(13,633)
Profit appropriation <sup>(2)</sup>	-	37,841	(37,841)	-	-
Balance at 31 March 2008	3,337,159	26,719	1,188,674	164,292	4,716,844
Balance at 1 January 2007	110,037	(109,035)	209,124	257,553	467,679
Net profit for 1st quarter FY2007	-	-	183,489	1,924	185,413
Total Recognised gains and (losses) for 1st quarter FY2007		-	183,489	1,924	185,413
Conversion of convertible loans <sup>(3)</sup>	156,060	-	-	-	156,060
Profit appropriation <sup>(2)</sup>	-	17,191	(17,191)	-	-
Balance at 31 March 2007	266,097	(91,844)	375,422	259,477	809,152

## THE COMPANY

	Attributable to equity holders of the Company		Total equity RMB'000
	Share capital RMB'000	Retained earnings RMB'000	
Balance at 1 January 2008	3,301,942	491,177	3,793,119
Net profit for 1st quarter FY2008	-	14,247	14,247
Total Recognised gains and (losses) for 1st quarter FY2008	-	14,247	14,247
Balance at 31 March 2008	3,301,942	505,424	3,807,366
Balance at 1 January 2007	74,820	(230)	74,590
Net profit for 1st quarter FY2007	-	(180)	(180)
Total Recognised gains and (losses) for 1st quarter FY2007	-	(180)	(180)
Conversion of convertible loans <sup>(3)</sup>	156,060	-	156,060
Balance at 31 March 2007	230,880	(410)	230,470

### Notes:

- (1) On 13 March 2008, Jiangsu Yangzijiang Shipbuilding Co., Ltd, a subsidiary of the Group, divested its entire 80% interests in Jiangsu Zhongzhou Marine Equipment Co., Ltd ("JZME"), to Jingjiang City Dunfeng Ship Dismantle Co., Ltd ("JCDS"), a minority shareholder of JZME, and Nantong Van Industries Co., Ltd ("NVIC"), a third party. The consideration received from JCDS and NVIC is RMB34.7 million and RMB19.8 million respectively, RMB13.6 million represents 20% interest in JZME held by minority shareholders.
- (2) This represent 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.
- (3) 128,700,000 ordinary shares were issued pursuant to the conversion of the convertible loan, resulting in an increase of RMB 156,060,000 in the share capital of the Company and a corresponding decrease of RMB 156,060,000 in total liabilities.

**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. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the financial period ended 31 March 2007, the redeemable convertible loans were converted into an aggregate of 128,700,000 ordinary shares of the Company. On 17 April 2007, an aggregate of 662,197,000 ordinary shares of the Company were issued pursuant to its Initial Public Offering ("IPO") at SGD0.95 per share for cash. The Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited on 18 April 2007.

**1(d)(iii) To show 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.**

Total number of issued shares excluding treasury shares	
<u>31 March 2008</u>	<u>31 March 2007</u>
3,300,897,000	2,510,000,000*

\* On 12 March 2007, every one ordinary share in the capital of the Company as at 31 December 2006 were subdivided into 251,000 shares.

There were no treasury shares as at 31 March 2008 and 31 March 2007.

**1(d)(iv) 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.**

There were no treasury shares as at 31 March 2008.

**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.**

There are no changes in accounting policies and methods of computation.

**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.**

Refer to Note 4 above.

**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	
	First Quarter Ended	
	31 March 2008	31 March 2007
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	11.25	7.29
Weighted average number of Ordinary shares	3,300,897,000	2,517,052,055
(b) On fully diluted basis (RMB cents)	11.25	7.29



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>	
	First Quarter Ended		First Quarter Ended	
	<b>31 Mar 08</b>	<b>31 Mar 07</b>	<b>31 Mar 08</b>	<b>31 Mar 07</b>
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	137.92	20.83	115.34	8.73

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 3,300,897,000 (1Q FY2007: 2,638,700,000).

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.**

#### **Overview**

The Group reported an 86 percent increase in Revenue from RMB909 million in 1QFY2007 to RMB1.7 billion in 1QFY2008.

Corresponding to higher revenues, higher productivity and contribution from JNYS, Net profit attributable to equity holders rose 102 percent to RMB371.2 million in 1QFY2008 from RMB183.5 million in 1QFY2007.

#### Revenue

Revenue, derived mainly from our core shipbuilding business, increased by 86 percent to RMB1.7 billion in 1QFY2008. In 1<sup>st</sup> Quarter FY2008, we delivered a total of 5 vessels, and as of 31 March 2008, 19 vessels were under different stages of construction.

82 percent of the Group's revenue was derived from building of Containerships. 22 percent of the Group's revenue is from the construction of our new vessel types, namely 4,250 TEU Containerships and 92,500 DWT Post-panamax Bulk Carriers; this is in line with our increasing focus in building larger sized vessels.

<b>Type of Vessel</b>	<b>Revenue</b>	
	<b>1Q 2008 RMB'000</b>	<b>1Q 2007 RMB'000</b>
<u>Containerships</u>		
2,500TEU	933,525	527,609
1,200TEU - 1850TEU	220,073	226,854
4,250TEU	218,953	-
	<b>1,372,551</b>	<b>754,463</b>
<u>Multi purpose cargo</u>		
13,000DWT	87,525	102,262
7,600DWT	64,909	52,364
92,500DWT	153,463	-
	<b>305,896</b>	<b>154,626</b>
Total *	<b>1,678,447</b>	<b>909,089</b>

\* Note: Revenue from other businesses were not included.

#### Operating cost

Our cost of sales comprises mainly steel, shipbuilding materials, imported equipment, sub-contract labor and outsourcing costs. Cost of sales increased by 85 percent from RMB725 million in 1QFY2007 to RMB1,339 million 1QFY2008 in tandem with higher shipbuilding activities.

### Gross Profit

Gross profit rose 92 percent to RMB355 million in 1QFY2008 from RMB185 million in 1QFY2007, as a result of higher turnover.

### Other gains

Other gains which include exchange gain and gain on disposal of available for sale financial assets increased by 278 percent from RMB23.4 million 1QFY2007 to RMB88.5 million 1QFY2008. The increase in exchange gain is resulted from the Group receiving advance payments in USD from customers and immediately converting them into RMBAs the corresponding revenue is only recognised in a later period based on the percentage of completion and due to the weakening of the USD against RMB, this has given rise to the above exchange gain.

### Expenses

Administrative expenses is maintained at about 2 percent of revenue, while finance expenses reduced from RMB2.1 million in 1QFY2007 to RMB1.3 million in 1QFY2008 due to our large cash surpluses.

### **Balance sheet review**

#### Assets

Property, Plants & equipments increased from RMB1,230 million as at 31 Dec 2007 to RMB1,361 million as at 31 Mar 2008, due to our continual expansion program in JNYS.

#### Inventories

In respond to higher volume of shipbuilding, inventories including raw materials such as steel, spare parts & other shipbuilding material increased from RMB413 million in as at 31 Dec 2007 to RMB475 million as at 31 Mar 2008.

#### Other receivables, prepayments and other current assets

Other receivables and current assets increased by RMB1,146 million from RMB4,151 million as at 31 Dec 2007 to RMB5,297 million as at 31 Mar 2008 due to the increase in our shipbuilding activities and the need to provide more prepayment to suppliers to secure engines and steel for our shipbuilding activities in the coming years.

#### Corporate Income Tax

Our effective tax rate in 1QFY2008 decreased from 11.0 percent for FY2007 to 7.2 percent. This is due to the tax exemption on income for JNYS under PRC's preferential tax treatment scheme for foreign owned enterprises.

**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.**

With the completion of the acquisition of the 24.81 percent beneficial interest in JNYS on 18<sup>th</sup> April 2008, the Group currently owns 100 percent equity interest of JNYS. This would allow the Group to recognize 100 percent of the revenue and profits generated by JNYS.

In addition, the Group will be in position to take full advantage of the current income tax exemption enjoyed by JNYS for 2008 and 2009, and a 50 percent reduction in the applicable income tax rate for 2010, 2011 and 2012.

In line with the expected increase in ship deliveries for 2008 and beyond, the Group has been actively expanding its operations and management team. A team of experienced shipbuilding professionals led by Mr Wang Jiansheng, a well regarded shipbuilding veteran, has joined the Group since the start of 2008. We believe their extensive experience will further strengthen our management team's overall capabilities, particularly in the area of production and operations.

The Group has achieved good growth over the past reporting periods. With a strong order book of US\$6.8 billion, management is confident of continual growth. Baring unforeseen circumstances, the Group should be able to deliver earnings growth of more than 50 percent for the year.

**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 or recommended for the period under review.

**13. Interested Person Transactions**

None

**14. CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL**

We, Ren Yuanlin and Wang Dong, 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 first quarter ended 31 March 2008 to be false or misleading, in all material respects.

On behalf of the Board of Directors

Ren Yuanlin  
Executive Chairman

Wang Dong  
Executive Director

28 April 2008

UBS AG, acting through its business group, UBS Investment Bank, acted as the Global Co-ordinator and Sole Bookrunner for the initial public offering of the shares of the Company.