



**YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.**

(Company Registration No. 200517636Z)

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

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

**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>			
	<b>1st Quarter</b>			
	<b>1Q 2010</b>	<b>% of</b>	<b>1Q 2009</b>	<b>+ / (-) %</b>
	RMB'000	revenue	RMB'000	Variance
Revenue	2,675,504	100%	2,090,159	28%
Cost of sales	<u>(2,052,703)</u>	-77%	<u>(1,665,653)</u>	23%
Gross profit	622,801	23%	424,506	47%
Other income	125,077	5%	39,693	215%
Other gains, net	40,155	2%	97,258	-59%
Expenses				
- Administrative	(44,772)	-2%	(46,588)	-4%
- Finance	(2,944)	-0.1%	(1,096)	169%
Share of results of associated companies <sup>#</sup>	756	0.0%	(996)	176%
Profit before income tax	741,073	28%	512,777	45%
Income tax expense	<u>(154,658)</u>	-6%	<u>(29,506)</u>	424%
<b>Net profit</b>	<u>586,415</u>	22%	<u>483,271</u>	21%
<b>Attributable to:</b>				
Equity holders of the Company	586,415	22%	483,271	21%

<sup>#</sup> Share of results of associated companies is after tax and minority interest

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

	<b>The Group</b>		
	<b>1st Quarter</b>		<b>+ / (-) %</b>
	<b>1Q 2010</b>	<b>1Q 2009</b>	<b>Variance</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>After charging:</b>			
Depreciation and amortization	38,361	30,480	26%
Finance costs - Interest on borrowings	2,944	1,096	169%
<b>After crediting:</b>			
Interest income	125,077	39,693	215%
Foreign exchange related gains/(losses), net	39,294	85,616	-54%
Gain on disposal of financial assets, available-for-sale	-	292	n.m.
Fair value gain on financial assets, at fair value through profit or loss	186	10,350	-98%
Subsidy income received	4,000	1,000	300%

n.m. denotes not meaningful

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<u>The Group</u>		<u>The Company</u>	
	As at 31 Mar 2010 RMB'000	As at 31 Dec 2009 RMB'000	As at 31 Mar 2010 RMB'000	As at 31 Dec 2009 RMB'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,118,712	3,806,955	276,291	135,434
Restricted cash	2,639,776	2,979,646	-	-
Financial assets, at fair value through profit or loss	-	5,420	-	-
Derivative financial instruments	154,588	70,142	154,588	70,142
Financial assets, available-for-sale	15,300	300	-	-
Financial assets, held-to-maturity	1,919,729	1,708,831	-	-
Trade receivables	692,835	1,298,654	-	-
Other receivables, prepayments and other current assets	3,800,890	4,002,797	1,179,554	1,232,553
Inventories	871,954	837,362	-	-
	<b>15,213,784</b>	<b>14,710,107</b>	<b>1,610,433</b>	<b>1,438,129</b>
<b>Non-current assets</b>				
Property, plant and equipment	1,935,390	1,966,580	-	-
Lease prepayments	380,381	384,317	-	-
Intangible assets	308	343	-	-
Investment in associated companies	173,140	50,745	-	-
Investment in subsidiaries	-	-	4,526,196	4,526,196
Financial assets, held-to-maturity	3,468,522	3,079,536	-	-
Deferred income tax assets	39,805	44,590	-	-
Other receivables	100,000	175,000	-	-
	<b>6,097,546</b>	<b>5,701,111</b>	<b>4,526,196</b>	<b>4,526,196</b>
<b>Total assets</b>	<b>21,311,330</b>	<b>20,411,218</b>	<b>6,136,629</b>	<b>5,964,325</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and bills payable	660,510	940,232	-	-
Accrual, other payables and other current liabilities	372,985	459,657	161,501	231,547
Current income tax liabilities	174,783	69,906	3,558	3,558
Derivative financial instruments	185,058	124,691	154,588	-
Due to customers for contraction contracts	11,221,515	11,079,203	183,205	-
Advances received on construction contracts	142,531	137,560	-	94,818
Borrowings	1,202,285	907,077	-	-
Provisions	211,808	188,296	-	-
	<b>14,171,475</b>	<b>13,906,622</b>	<b>502,852</b>	<b>329,923</b>
<b>Non-current liabilities</b>				
Derivative financial instruments	40,615	30,257	-	-
Deferred income tax liabilities	202,673	164,035	195,500	156,844
	<b>243,288</b>	<b>194,292</b>	<b>195,500</b>	<b>156,844</b>
<b>Total liabilities</b>	<b>14,414,763</b>	<b>14,100,914</b>	<b>698,352</b>	<b>486,767</b>
<b>NET ASSETS</b>	<b>6,896,567</b>	<b>6,310,304</b>	<b>5,438,277</b>	<b>5,477,558</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	4,980,010	4,980,010	4,944,793	4,944,793
Treasury shares	(610)	(610)	(610)	(610)
Other reserves	(2,271,746)	(2,338,582)	(40,192)	(40,192)
Retained earnings	4,188,913	3,669,486	534,286	573,567
<b>Total equity</b>	<b>6,896,567</b>	<b>6,310,304</b>	<b>5,438,277</b>	<b>5,477,558</b>

**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 2010</b>		<b>As at 31 December 2009</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,202,285	-	907,077	-

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

	<b>The Group</b>	
	1st Quarter	
	<b>1Q 2010</b>	<b>1Q 2009</b>
	RMB '000	RMB '000
<b>Cash flows from operating activities</b>		
Total profit	586,415	483,271
Adjustments for:		
- Income tax expenses	154,658	29,506
- Depreciation on property, plant and equipment	34,390	28,449
- Amortisation of land use rights	3,936	1,996
- Amortisation of intangible assets	35	35
- Fair value gain on financial assets, at fair value through profit or loss	(186)	(10,350)
- Gain on disposal of financial assets, available-for-sale	-	(292)
- Interest expenses	2,944	1,096
- Interest income	(125,077)	(39,693)
- Fair value change on derivative financial instruments	(13,872)	38,903
- Share of results of associated companies	(756)	996
	<b>642,487</b>	<b>533,917</b>
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	(34,592)	621,675
- Due from and due to customers for construction contracts	142,312	(541,658)
- Advances received on construction contracts	4,971	(329,049)
- Trade receivables	605,819	138,378
- Other receivables, prepayments and other current assets	276,907	191,290
- Trade and bills payables	(279,722)	(76,788)
- Accruals, other payables and other current liabilities	(86,672)	(82,170)
- Provisions	23,512	40,577
- Restricted cash	339,870	45,497
Cash generated from operations	<b>1,634,892</b>	<b>541,669</b>
Interest paid	(2,944)	(1,096)
Income tax paid	(6,359)	(9,950)
<b>Net cash provided by operating activities</b>	<b>1,625,589</b>	<b>530,623</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of financial assets, at fair value through profit or loss	5,606	190,000
Proceeds from sales of financial assets, available-for-sale	-	90,117
Proceeds from redemption of financial assets, held-to-maturity upon maturity	549,000	1,151,556
Interest received	112,293	24,093
Purchase of property, plant and equipment	(3,200)	(40,460)
Acquisition of financial assets, held-to-maturity	(1,136,100)	(1,200,000)
Acquisition of financial assets, available-for-sale	(15,000)	(90,000)
Acquisition of intangible assets	-	(55)
Capital injection in an associated company	(121,639)	-
<b>Net cash (used in)/provided by investing activities</b>	<b>(609,040)</b>	<b>125,251</b>
<b>Cash flows from financing activities</b>		
Repayments of borrowings	295,208	(12,332)
<b>Net cash provided by/(used in) financing activities</b>	<b>295,208</b>	<b>(12,332)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,311,757</b>	<b>643,542</b>
Cash and cash equivalents at the beginning of financial year	3,806,955	3,060,384
<b>Cash and cash equivalents at the end of financial year</b>	<b>5,118,712</b>	<b>3,703,926</b>

1(d)(i)(a) STATEMENTS OF COMPREHENSIVE INCOME for the First Quarter ended 31 March 2010

GROUP

	1Q 2010	1Q 2009
	RMB'000	RMB'000
<b>Net Profit</b>	<u>586,415</u>	<u>483,271</u>
<b>Other comprehensive income:</b>		
Financial assets, available-for-sale		
- Transfers to income statement	-	(175)
Cash flow hedges		
- Fair value gains/(loss)	(1,036)	9,173
- Transfers to income statement	884	(5,168)
<b>Other comprehensive income, net of tax</b>	<u>586,263</u>	<u>487,101</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<u>586,263</u>	<u>487,101</u>

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					Total equity RMB'000
	Share capital RMB'000	Treasury Shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	
Balance at 1 January 2010	4,980,010	(610)	(2,338,582)	3,669,486	6,310,304	6,310,304
Transfer between equity <sup>(1)</sup>	-	-	66,988	(66,988)	-	-
Total comprehensive income	-	-	(152)	586,415	586,263	586,263
Balance at 31 March 2010	<u>4,980,010</u>	<u>(610)</u>	<u>(2,271,746)</u>	<u>4,188,913</u>	<u>6,896,567</u>	<u>6,896,567</u>
Balance at 1 January 2009	4,980,010	(610)	(2,624,355)	1,960,393	4,315,438	4,315,438
Transfer between equity <sup>(1)</sup>	-	-	55,454	(55,454)	-	-
Total comprehensive income	-	-	3,830	483,271	487,101	487,101
Balance at 31 March 2009	<u>4,980,010</u>	<u>(610)</u>	<u>(2,565,071)</u>	<u>2,388,210</u>	<u>4,802,539</u>	<u>4,802,539</u>

## THE COMPANY

	Attributable to equity holders of the Company				Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 1 January 2010	4,944,793	(610)	(40,192)	573,567	5,477,558
Total comprehensive income	-	-	-	(39,281)	(39,281)
Balance at 31 March 2010	4,944,793	(610)	(40,192)	534,286	5,438,277
Balance at 1 January 2009	4,944,793	(610)	(40,192)	513,284	5,417,275
Total comprehensive income	-	-	-	23,092	23,092
Balance at 31 March 2009	4,944,793	(610)	(40,192)	536,376	5,440,367

- (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. 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.**

There were no other changes in company's share capital since 31 December 2009.

	Number of Shares('000)	
	As at 31 March 2010	As at 31 March 2009
Shares held as treasury shares	239	239
Issued shares excluding treasury shares	3,653,283	3,653,283

**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.**

	Number of Shares ('000)	
	As at 31 March 2010	As at 31 December 2009
Issued shares at the end of periods	3,653,522	3,653,522
Treasury shares at the end of periods	(239)	(239)
Net issued shares at the end of periods	3,653,283	3,653,283

**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.**

Total number of treasury shares	Number of Shares ('000)	RMB '000
Balance as at 1 January 2010	239	610
Share purchase	-	-
Treasury shares re-issued	-	-
Balance as at 31 March 2010	<u>239</u>	<u>610</u>

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not audited or reviewed.

**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 policies 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 2009, the Group adopted the new or revised Singapore Financial Reporting Standards (FRS) and Interpretations (INT FRS) that are effective in this financial year. They are:

- (a) FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

FRS 27 (revised) requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group adopted FRS 27 (revised) prospectively to transactions with minority interests from 1 January 2010.

- (b) FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)

FRS 103 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group adopted FRS 103 (Revised) prospectively to all business combinations from 1 January 2010.



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:-**

	<b>The Group</b>	
	<b>1Q FY 2010</b>	<b>1Q FY 2009</b>
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	16.05	13.23
Weighted average number of Ordinary shares	3,653,283,000	3,653,283,000
(b) On fully diluted basis (RMB cents)	16.05	13.23

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.**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/03/10</b>	<b>31/12/09</b>	<b>31/03/10</b>	<b>31/12/09</b>
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	188.78	172.73	149.92	149.94

The Group's and the company's net assets value per ordinary share as at 31 March 2010 and 31 December 2009 have been computed based on the share capital of 3,653,283,000 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**

Revenue increased by 28% or RMB 585 million, to RMB 2,676 million for the quarter ended 31 March, 2010, compared with RMB 2,090 million for the same quarter last year. The increase was primarily due to increased productivity and more vessels been delivered as compare to 1Q 2009. In 1Q 2010, 10 vessels were delivered according to schedule as compared to 6 vessels delivered in 1Q 2009

Type of Vessel	Revenue	
	1Q 2010 RMB'000	1Q 2009 RMB'000
<u>Containerships</u>		
2500TEU	326,802	288,161
1350TEU	85,849	239,176
4250TEU	397,790	681,733
	810,441	1,209,070
<u>Multi purpose cargo</u>		
13000DWT	64,884	234,164
7600DWT	311,653	63,407
92500DWT	1,488,526	583,518
	1,865,063	881,089
Total *	2,675,504	2,090,159

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

#### Cost of sales

As a result of more vessels being constructed during the 1Q 2010, cost of sales was comparatively higher by RMB 387 million to RMB 2,053 million from RMB 1,666 million in 1Q 2009.

#### Gross Profit

Gross profit margin was higher in 1Q 2010 by 3% to 23% from 20% in 1Q 2009 due mainly to the higher profit recognition for two high margin vessels delivered in the quarter.

#### Other income and gains

Other income comprises mainly interest income from held-to-maturity investments and cash deposits, increased by RMB 85.4 million to RMB 125.1 million in 1Q 2010 from RMB 39.7 million in 1Q 2009. The increase was a result of higher average cash balance in 1Q 2010 as compared to the same quarter in last year, and increased investment in held-to maturity financial assets. Other gains, which comprises mainly foreign exchange related gains recorded an decrease of RMB 57 million from RMB 97.3 million in 1Q 2009 to RMB 40.3 million due mainly to less favorable rates for forward contracts delivered in 1Q 2010 in comparison to 1Q 2009, and the negative mark to market variation for the outstanding orders, which was recognized separately as a derivative in accordance with the Financial Reporting Standards.

#### Expenses

Despite higher production activities, the Group managed to maintain its overhead and administrative expense at RMB 45 million, as compared to RMB 46 million in 1Q 2009. Higher finance cost compared to 1Q 2009 was in line with higher borrowings in 1Q 2010.

#### Corporate Income Tax

Our effective tax rate for 1Q 2010 was 20.1%, a significant increase from 5.7% in 1Q 2009 due mainly to 12.5% tax rate applied to our new yard from 2010 onwards which had enjoyed tax exemption for profit generated in FY2009, and the full provision of 5% withholding tax over our Chinese subsidiaries' earning in 1Q 2010 according to the New Corporate Income Tax Law ("CIT") and deferred tax assets related to warranty.

### **Statements of financial position Review**

#### Assets

Compared to 31 December 2009, the slight changes in property, plant and equipment and lease repayment were mainly from depreciation and upkeep of our existing operating facilities.

RMB 60 million invested in the capital of Jiangsu Huayuan Metal Processing Co., Ltd ("JHMPCO") as 20% equity interest in JHMPCO and USD 9 million invested in Jiangsu Xinfu Shipbuilding Co., Ltd ("JXSCO") as 20% equity interest in JXSCO attributed to the increase of investment in associated companies compared to 31 December 2009.

The Group increased its investment in non-current held-to-maturity financial assets as compare to 31 December

2009.

In respect of net current assets, the increase was mainly attributable to increase in short-term investments, other liquid bond and bank balances.

#### Liabilities

Higher short term borrowings were the result of increased borrowings in USD, to allow us to enjoy the interest rate differential between USD borrowing and RMB deposit rates in China. The increase in deferred income tax liabilities as at 31 March 2010 was the result of provision for the withholding tax on profits generated by the subsidiaries in China.

#### Derivative financial instruments

This relates to the fair value of the outstanding plain vanilla forward currency contracts held for hedging, and the mark to market variation for the outstanding orders denominated in EUR which was recognized separately as a derivative in accordance with the Financial Reporting Standards. 5% of the Group's outstanding order book was contracted in EUR to hedge the ship engines to be paid in EUR.

#### Equity

The change of "Total equity attributable to equity holders" to RMB 6,897 million as at 31 March 2010 from RMB 6,310 million as at 31 December 2009 was mainly a result of profits earned during the reporting period.

#### **Statements of cash flows review**

RMB1,626 million was generated from operating activities in 1Q 2010, due mainly to the profit contribution from our core business, and improvement of trade receivables and other receivables.

The Group's net cash used in investing activities of RMB 609 million in 1Q 2010 was mainly due to higher purchase of held-to-maturity investments, and the capital injection in associated companies.

Net cash provided by financing activities of RMB 295 million was mainly the result of the increased in short term borrowing during the period under review.

**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.**

The Group delivered 10 vessels in 1Q 2010. The Group expects to achieve on time deliveries for the remaining 38 vessels in 2010. As at the announcement date, there had been no cancellation of order from any customer.

Up till the date of this announcement, the Group managed to secure shipbuilding contracts to build six (6) 45000 DWT Multi-purpose Bulkers and one (1) 92500 DWT Multi-purpose Bulker with an aggregate value of USD 196 million with deliveries going up to 2012; and accommodated requests from ship owner to change 2 of the 2500 TEU vessels to 4 of the 34,000 DWT Multi-purpose Bulkers. With these new contracts and changes, Group's total order book stood at 125 vessels with a total value of USD 5.45 billion as at the announcement date.

Building upon its strong foundation and capability in ship building, the Group aims to strengthen and develop its business in ship demolition, ship repair and offshore marine sector to achieve diversification in its business, complementing its core business in shipbuilding.

Moving forward, the Group will continue to monitor our customers' financial well being. With our strong cash holdings and sizable order book, the Board remains confident of delivering continued growth and profitability for year 2010.

**11. Dividend**

**(a) Current Financial Period Reported On**

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

None

**(c) Whether the dividend is before tax, net of tax or tax exempt**

Not applicable.

**(d) Date payable**

Not applicable.

**(e) Books closure date**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared for the period under review.

**13. Interested Person Transactions**

None

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

We, Ren Yuanlin and Yu Keping, 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 2010 to be false or misleading, in all material respects.

On behalf of the Board of Directors

Ren Yuanlin  
Executive Chairman

Yu Keping  
Non-Executive Director