



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 SECOND QUARTER ENDED 30 JUNE 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.

	<u>The Group</u>				<u>The Group</u>			
	2nd Quarter				January - June			
	2Q 2010	% of	2Q 2009	+ / (-) %	1H 2010	% of	1H 2009	+ / (-) %
	RMB'000	Revenue	RMB'000	Variance	RMB'000	Revenue	RMB'000	Variance
Revenue	3,073,451	100%	2,498,665	23%	5,748,955	100%	4,588,824	25%
Cost of sales	(2,312,380)	-75%	(1,888,872)	22%	(4,365,083)	-76%	(3,554,525)	23%
Gross profit	761,071	25%	609,793	25%	1,383,872	24%	1,034,299	34%
Other income	191,251	6%	52,279	266%	316,328	6%	91,972	244%
Other gains/(losses), net	13,465	0%	107,248	-87%	53,620	1%	204,506	-74%
Expenses								
- Administrative	(48,555)	-2%	(50,452)	-4%	(93,327)	-2%	(97,040)	-4%
- Finance	(2,811)	-0.1%	(3,983)	-29%	(5,755)	-0.1%	(5,079)	13%
Share of results of associated companies [#]	178	0.0%	(341)		934	0.02%	(1,337)	
Profit before income tax	914,599	30%	714,544	28%	1,655,672	29%	1,227,321	35%
Income tax expense	(114,133)	-4%	(107,176)	6%	(268,791)	-5%	(136,682)	97%
Net profit	800,466	26%	607,368	32%	1,386,881	24%	1,090,639	27%
Attributable to:								
Equity holders of the Company	800,466	26%	607,368	32%	1,386,881	24%	1,090,639	27%

[#] Share of results of associated companies is after tax and Non-controlling interests
 n.m. denotes not meaningful

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

	The Group		+ / (-) % Variance %
	2nd Quarter		
	2Q 2010	2Q 2009	
	RMB'000	RMB'000	
After charging:			
Depreciation and amortization	38,626	31,858	21%
Finance costs - Interest on borrowings	2,811	3,663	-23%
After crediting:			
Interest income	191,251	52,279	266%
Foreign exchange related gains, net	13,465	82,588	-84%
Fair value gain on financial assets, at fair value through profit or loss	-	20,691	n.m.
Tax incentive received	-	3,969	n.m.

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

	<u>The Group</u>		<u>The Company</u>	
	As at 30 Jun 2010 RMB'000	As at 31 Dec 2009 RMB'000	As at 30 Jun 2010 RMB'000	As at 31 Dec 2009 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	4,251,614	3,806,955	73,514	135,434
Restricted cash	3,042,410	2,979,646	-	-
Financial assets, at fair value through profit or loss	-	5,420	-	-
Derivative financial instruments	251,081	70,142	251,081	70,142
Financial assets, available-for-sale	15,300	300	-	-
Financial assets, held-to-maturity	2,279,600	1,708,831	-	-
Trade receivables	390,355	1,298,654	-	-
Other receivables, prepayments and other current assets	4,183,113	4,002,797	905,918	1,232,553
Inventories	427,447	837,362	-	-
Due from customers for construction works	62,620	-	-	-
	14,903,540	14,710,107	1,230,513	1,438,129
Non-current assets				
Derivative financial instruments	621	-	621	-
Property, plant and equipment	1,931,429	1,966,580	-	-
Lease prepayments	378,385	384,317	-	-
Intangible assets	273	343	-	-
Investment in associated companies	191,317	50,745	-	-
Investment in subsidiaries	-	-	4,526,196	4,526,196
Financial assets, held-to-maturity	3,304,300	3,079,536	-	-
Deferred income tax assets	69,202	44,590	-	-
Other receivables	25,000	175,000	-	-
	5,900,527	5,701,111	4,526,817	4,526,196
Total assets	20,804,067	20,411,218	5,757,330	5,964,325
LIABILITIES				
Current liabilities				
Trade and bills payable	1,121,169	940,232	-	-
Accrual, other payables and other current liabilities	430,505	459,657	536,580	231,547
Current income tax liabilities	55,923	69,906	3,558	3,558
Derivative financial instruments	232,749	124,691	251,081	-
Due to customers for construction contracts	10,307,363	11,079,203	-	-
Advances received on construction contracts	58,961	137,560	-	94,818
Borrowings	729,206	907,077	-	-
Provision for warranties	249,770	188,296	-	-
	13,185,646	13,906,622	791,219	329,923
Non-current liabilities				
Borrowings	45,064	-	-	-
Derivative financial instruments	130,696	30,257	621	-
Deferred income tax liabilities	273,296	164,035	251,961	156,844
	449,056	194,292	252,582	156,844
Total liabilities	13,634,702	14,100,914	1,043,801	486,767
NET ASSETS	7,169,365	6,310,304	4,713,529	5,477,558
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	4,980,010	4,980,010	4,944,793	4,944,793
Treasury shares	(610)	(610)	(610)	(610)
Other reserves	(2,178,339)	(2,338,582)	(40,192)	(40,192)
Retained earnings	4,280,104	3,669,486	(190,462)	573,567
	7,081,165	6,310,304	4,713,529	5,477,558
Non-controlling interests	88,200	-	-	-
Total equity	7,169,365	6,310,304	4,713,529	5,477,558

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

Amount repayable in one year or less, or on demand

As at 30 June 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
729,206	-	907,077	-

Amount repayable after one year

As at 30 June 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
45,064	-	-	-

Details of any collateral

The 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.

	The Group	
	2nd Quarter	
	2Q 2010	2Q 2009
	RMB '000	RMB '000
Cash flows from operating activities		
Total profit	800,466	607,368
Adjustments for:		
- Income tax expenses	114,133	107,176
- Depreciation on property, plant and equipment	36,595	29,827
- Amortisation of land use rights	1,996	1,997
- Amortisation of intangible assets	35	34
- Fair value gain on financial assets, at fair value through profit or loss	-	(20,691)
- Interest expenses	2,811	3,663
- Interest income	(191,251)	(52,279)
- Fair value change on derivative financial instruments	43,030	9,646
- Share of results of associated companies	(178)	341
	807,637	687,082
Change in working capital, net of effects from acquisition and disposal of subsidiaries		
- Inventories	248,527	49,021
- Due from and due to customers for construction contracts	(780,793)	(299,545)
- Advances received on construction contracts	(83,569)	209,228
- Trade receivables	302,479	(120,531)
- Other receivables, prepayments and other current assets	(307,223)	(20,255)
- Trade and bills payables	460,659	486,030
- Accruals, other payables and other current liabilities	57,520	318,731
- Provision for warranties	37,962	-
- Restricted cash	(402,633)	(651,909)
Cash generated from operations	340,566	657,852
Interest paid	(2,811)	(3,663)
Income tax paid	(191,767)	(44,204)
Net cash provided by/(used in) operating activities	145,988	609,985
Cash flows from investing activities		
Proceeds from sales of financial assets, at fair value through profit or loss	-	1,054,633
Proceeds from redemption of financial assets, held-to-maturity upon maturity	930,400	733,281
Interest received	235,202	36,288
Purchase of property, plant and equipment	(32,634)	(22,496)
Acquisition of financial assets, held-to-maturity	(1,170,000)	(480,000)
Capital injection from Non-controlling interests	88,200	-
Acquisition of associated companies	(18,000)	-
Acquisition of intangible assets	-	(15)
Net cash provided by/(used in) investing activities	33,168	1,321,691
Cash flows from financing activities		
Proceeds from borrowings	290,221	781,105
Repayments of borrowings	(718,235)	(302,516)
Dividends paid to equity holders	(618,240)	(310,844)
Net cash provided by/(used in) financing activities	(1,046,254)	167,745
Net increase/(decrease) in cash and cash equivalents	(867,098)	2,099,421
Cash and cash equivalents as at 1 April 2010	5,118,712	3,703,926
Cash and cash equivalents as at 30 June 2010	4,251,614	5,803,347

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.

	GROUP					
	2Q 2010	2Q 2009	+ / (-) %	1H 2010	1H 2009	+ / (-) %
	RMB'000	RMB'000	variance	RMB'000	RMB'000	variance
Net Profit	800,466	607,368	32%	1,386,881	1,090,639	27%
Other comprehensive income:						
Financial assets, available-for-sale						
- Transfers to income statement	-	-	n.m.	-	(175)	n.m.
Cash flow hedges						
- Fair value gains/(loss)	3,448	642	437%	2,412	9,815	-75%
- Transfers to income statement	(1,076)	2,461	-144%	(192)	(2,707)	-93%
Total comprehensive income, net of tax	802,838	610,471	32%	1,389,101	1,097,572	27%
Total comprehensive income attributable to:						
Equity holders of the Company	802,838	610,471	32%	1,389,101	1,097,572	27%

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	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2010	4,980,010	(610)	(2,271,746)	4,188,913	6,896,567	-	6,896,567
Transfer between equity ⁽¹⁾	-	-	91,035	(91,035)	-	-	-
Dividend relating to 2009 paid ⁽²⁾	-	-	-	(618,240)	(618,240)	-	(618,240)
Acquisition of a subsidiary ⁽³⁾	-	-	-	-	-	88,200	88,200
Total comprehensive income	-	-	2,372	800,466	802,838	-	802,838
Balance at 30 June 2010	4,980,010	(610)	(2,178,339)	4,280,104	7,081,165	88,200	7,169,365
Balance at 1 April 2009	4,980,010	(610)	(2,568,901)	2,392,040	4,802,539	-	4,802,539
Transfer between equity ⁽¹⁾	-	-	72,285	(72,285)	-	-	-
Dividend relating to 2008 paid	-	-	-	(310,844)	(310,844)	-	(310,844)
Total comprehensive income	-	-	3,103	607,368	610,471	-	610,471
Balance at 30 June 2009	4,980,010	(610)	(2,493,513)	2,616,279	5,102,166	-	5,102,166

THE COMPANY

	Attributable to equity holders of the Company				
	<u>Share capital</u>	<u>Treasury shares</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2010	4,944,793	(610)	(40,192)	534,286	5,438,277
Dividend relating to 2009 paid ⁽²⁾	-	-	-	(618,240)	(618,240)
Total comprehensive income	-	-	-	(106,508)	(106,508)
Balance at 30 June 2010	<u>4,944,793</u>	<u>(610)</u>	<u>(40,192)</u>	<u>(190,462)</u>	<u>4,713,529</u>
Balance at 1 April 2009	4,944,793	(610)	(40,192)	536,376	5,440,367
Dividend relating to 2008 paid	-	-	-	(310,844)	(310,844)
Total comprehensive income	-	-	-	(19,324)	(19,324)
Balance at 30 June 2009	<u>4,944,793</u>	<u>(610)</u>	<u>(40,192)</u>	<u>206,208</u>	<u>5,110,199</u>

- (1) This represents amounts set aside for reserve fund and enterprise expansion fund in compliance with local laws in the PRC where subsidiaries of the Group operate. The reserve fund can only be used, upon approval by the relevant authority, to offset prior year's losses or to increase capital while the enterprise expansion fund can only be used to increase capital upon approval by the relevant authority.
- (2) This represents the final dividend of 3.5 Singapore cents per ordinary share in respect of the financial year ended 31 December 2009. The Company paid the dividend on 27 May 2010.
- (3) In June 2010, the Company through its wholly-owned subsidiary, Jiangsu New Yangzi Shipbuilding Co. Ltd ("JNYSCO"), subscribed for 51% of the equity interest in the capital of Jiangsu Runyuan Rural Microfinance Co. Ltd ("Runyuan"), a newly incorporated Company in the People's Republic of China, with a registered authorised share capital of RMB300 million; RMB88.2 million represents the 49% Non-controlling interests of RMB180 million total capital injection to Runyuan as of 30 June 2010.

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 March 2010.

	Number of Shares ('000)	
	As at 30 June 10	As at 30 June 09
Shares may be issued on conversion	-	-
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 30 June 10	As at 30 June 09
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.

	Number of Shares ('000)	RMB '000
Total number of treasury shares		
Balance as at 1 April 2010	239	610
Repurchased during 2QFY2009	-	-
Treasury shares re-issued	-	-
Balance as at 30 June 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 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 2010, 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 Non-controlling 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:-

	The Group	
	2Q FY 2010	2Q FY 2009
(a) Based on weighted average number of ordinary shares in issue (RMB cents)	21.91	16.71
Weighted average number of Ordinary shares	3,653,283,000	3,653,283,000
(b) On fully diluted basis (RMB cents)	21.91	16.71

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	
	30/06/10	31/12/09	30/06/10	31/12/09
Net asset value per ordinary share based on issued share capital excluding treasury shares (RMB cents)	193.83	172.73	129.02	149.94

The Group's and the Company's net assets value per ordinary share as at 30 June 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

In 2Q 2010, Group revenue increased by 23% to RMB3,073 million (2Q 2009: RMB2,499 million), due mainly to increased productivity from our new yard with more vessels delivered, compared to 6 vessels delivered in 2Q 2009 by our new yard, 8 vessels were delivered in 2Q 2010. In 2Q 2010, 12 vessels were delivered by the Group

according to schedule, as compared to 11 vessels delivered in 2Q 2009 and 10 delivered in 1Q 2010.

Type of Vessel	Revenue	
	2Q 2010 RMB'000	2Q 2009 RMB'000
<u>Containerships</u>		
2500TEU	139,217	405,671
1350TEU	229,971	153,155
4250TEU	1,468,341	711,740
	1,837,529	1,270,566
<u>Multi purpose cargo</u>		
13000DWT	138,609	213,555
7600DWT	284,606	40,834
92500DWT	574,394	910,465
	997,609	1,164,854
Total *	2,835,138	2,435,420

* Note: Revenue from other businesses was not included.

Operating cost

Corresponding to higher revenues, our cost of sales of RMB2,312 million for 2Q 2010 was also higher than that of RMB1,889 million recorded in 2Q 2009.

Gross Profit

Gross profit margin increased to 25% in 2Q 2010 from 24% in 2Q 2009 and the increase was due mainly to the recognition of higher margin from construction and delivery of shipbuilding contracts secured prior to the financial crisis, and the Group managed to keep all those shipbuilding contracts intact without any cancellation throughout the crisis.

Other income and gains

Other income comprising of interest income generated from held-to-maturity investments and cash deposits, increased by RMB139.0 million to RMB191.3 million in 2Q 2010 from RMB52.3 million in 2Q 2009. The increase was a result of increased investments in held-to-maturity financial assets in 2Q 2010 as compared to the same quarter last year.

Other gains, which comprises mainly foreign exchange related gains recorded a decrease of RMB93.7 million from RMB107.2 million in 2Q 2009 to RMB 13.5 million in 2Q 2010, due mainly to less favorable rates for forward contracts delivered in 2Q 2010 in comparison to 2Q 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

The Group's administrative expenses recorded a reduction of 4% or RMB1.9 million to RMB48.6 million in 2Q 2010, compared with RMB50.5 million for the same quarter last year despite increased production activities. Finance expenses decreased to RMB2.8 million in 2Q 2010 from RMB4.0 million in 2Q 2009 in line with corresponding decrease in borrowings.

Corporate Income Tax

Group's effective tax rate for 2Q 2010 was 12.5%, a decrease from 15% in 2Q 2009, due mainly to a one-off tax refund of RMB45.3 million to our old yard for its 25% standard income tax rate recorded over the earnings in FY 2009; the old yard is now enjoying a preferential enterprise income tax rate of 15% for a period of 3 years starting from FY 2009 for being classified as a "High/New Technology Enterprise" ("HNTE").

In 2Q 2010, the Group continued to make full provision of 5% withholding tax over its Chinese subsidiaries' distributable profit according to the New Corporate Income Tax Law ("CIT").

Statements of financial position Review

Assets

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

The RMB18 million invested in the capital of Jiangsu Huagong Venture Capital Co. Ltd. for which 20% equity interest is held by the Group, gave rise to the increase of investment in associated companies in the reporting period.

In respect of change to net current assets, the changes were mainly attributable to increase in short-term investments, bank balances and the decreases of inventory and trade receivable as part of the effect by the Group to further improve its efficiency on use of working capital.

Liabilities

Increased trade and bills payable was in line with the increase in production activities in 2Q 2010 compared to end of FY 2009. A reduction in due to customers for construction contracts and advances received on construction contracts due mainly to vessels delivered and less downpayment received from new contracts secured as compared to end of FY 2009. Provision which represents one year warranties on completed and delivered vessels increased to RMB249.8 million from RMB188.3 million, was in line with more vessels delivered during the reporting period.

Borrowings represent Group's borrowing in USD from the various banks, which are secured by the same amount of restricted cash in RMB. This is to allow the Group to benefit from a carry trade whenever the low interest rate borrowing in USD is made available to the Group to pay its overseas suppliers.

The increase in deferred income tax liabilities due mainly to the 5% withholding tax accrual made to the earning in our Chinese subsidiaries.

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 EUR/CNY forward contracts in accordance with the Financial Reporting Standards.

Equity

The change of "Total equity attributable to equity holders" to RMB7,081 million as at 30 June 2010 from RMB6,897 million as at 31 March 2010 was mainly a result of profits earned during the reporting period.

Statements of cash flows review

RMB146 million was generated from operating activities in 2Q 2010, due mainly to the profit contributed from our core business and the change to the due to customer for construction contracts.

Net cash used by financing activities of RMB1,046 million was mainly the result of cash dividend payout of RMB618.2 million and the repayment of 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.

In the second quarter of 2010, the Group received new orders of 10 vessels, and delivered 12 vessels, the Group expects to achieve on time delivery for the remaining deliveries in 2010. As at 30 June 2010, Group's order book stood at 124 vessels with a total value of USD5.2 billion.

On 28th July, the Group received the final approval to list up to 100 million new ordinary shares in form of Taiwan Depository Receipts (“TDRs”) on the Taiwan Stock Exchange (“TSE”); being the first S-chip to obtain approval to list TDRs, with Mainland China and Taiwan inked the Economic Cooperation Framework Agreement (ECFA) on 29th June 2010, the Board believes this could promote the Group’s profile to strengthen its business connection with shipyards and shipping clients in Taiwan. Over the long run, the Group should benefit from the closer cross-strait business cooperation between mainland China and Taiwan. The TDR will provide additional funds that could be used for strengthening the Group’s working capital position, as the Group sees an increasing need for the Group to consider additional financing given that the shipbuilding market has yet to show signs of strong recovery and may perhaps experience laggard effect over the economic cycle.

The Group had recently acquired 51% of the equity interest in the capital of Jiangsu Changbo Shipyard Co., Ltd (“Changbo Shipyard”). Through the process of restructuring, management integration and upgrading of production facilities, Changbo Shipyard will be integrated in the Group and transformed into our new shipyard with 400,000 DWT shipbuilding capacity to deliver 12 vessels a year, an increase of 20% to the Group’s capacity.

With shipbuilding industry at its consolidation stage, the management expects the polarization phenomenon to continue with established yards taking higher market share while weak shipyards are further marginalized. According to the need of new build orders, the Group’s merger and acquisition strategy will focus on the following three aspects, increasing the total shipbuilding capacity, vertical expansion to improve profitability, as well as diversifying into the offshore sector with the aim to increase its long term market share. Relying on its strong foundation in shipbuilding business, the Group is well positioned to leverage on its strong balance sheet to further increase its market share. The Group frequently engages interested parties on and as well as evaluates potential acquisition opportunities which are brought to its attention. The Group will make prompt announcement if there is any substantial development on the above.

As the container shipping market gradually picks up, the Group’s advantage of building of container vessels has now moved into full play. The Group is working closely with interested customers who have intentions to build container vessels in the near future. A timely announcement will be made once new orders are secured.

The Board believes that challenges give rise to opportunities. Moving forward, 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 30 June 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