Yangzijiang Shipbuilding (Holdings) Ltd.
揚子江船業（控股）有限公司

RISE ON THE WAVE OF CHANGES

ANNUAL REPORT **2015**

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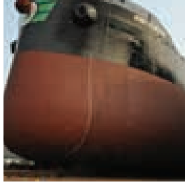
PROXY FORM

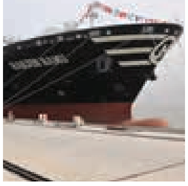


CORPORATE PROFILE

WE ARE ONE OF THE **BEST SHIPBUILDING ENTERPRISE** IN CHINA AND WE ASPIRE TO BE ONE OF THE BEST IN THE WORLD

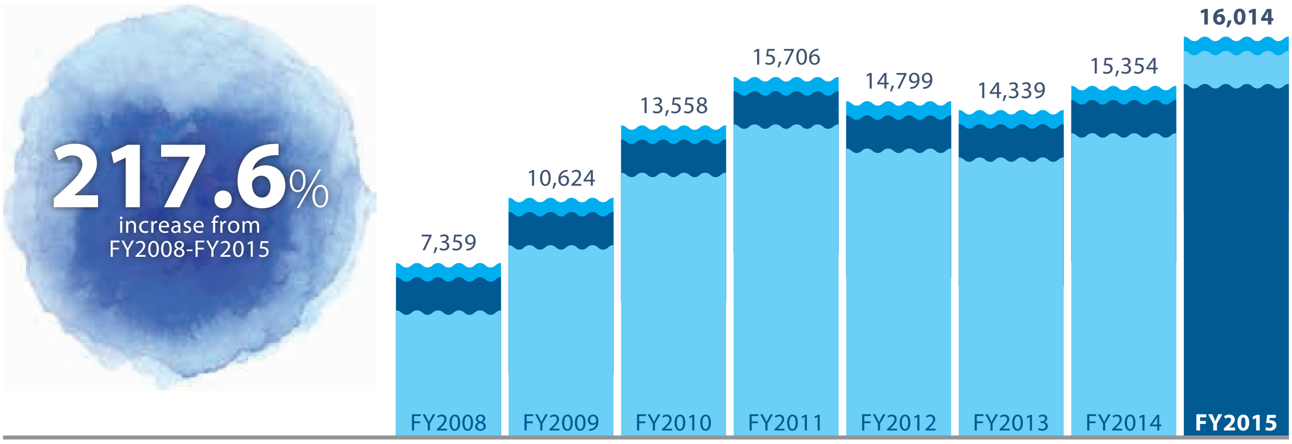
We produce a broad range of commercial vessels such as containerships, bulk carriers, LNG vessels and VLGC vessels, our shipbuilding bases are strategically located along the Yangtze River:

- Jiangsu New Yangzi Shipbuilding Co., Ltd ("New Yangzi")
- Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("Xinfu")
- Jiangsu Yangzijiang Shipbuilding Co., Ltd ("Jiangsu Yangzijiang")
- Jiangsu Yangzi Changbo Shipbuilding Co., Ltd ("Changbo")
- Jiangsu Yangzijiang Offshore Engineering Co., Ltd ("Taicang Yard")

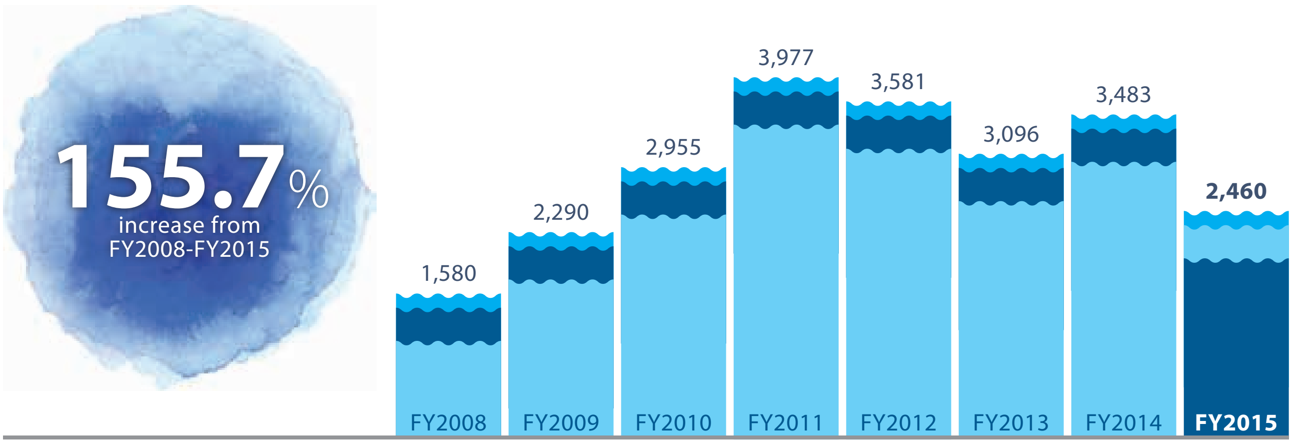


FINANCIAL HIGHLIGHTS

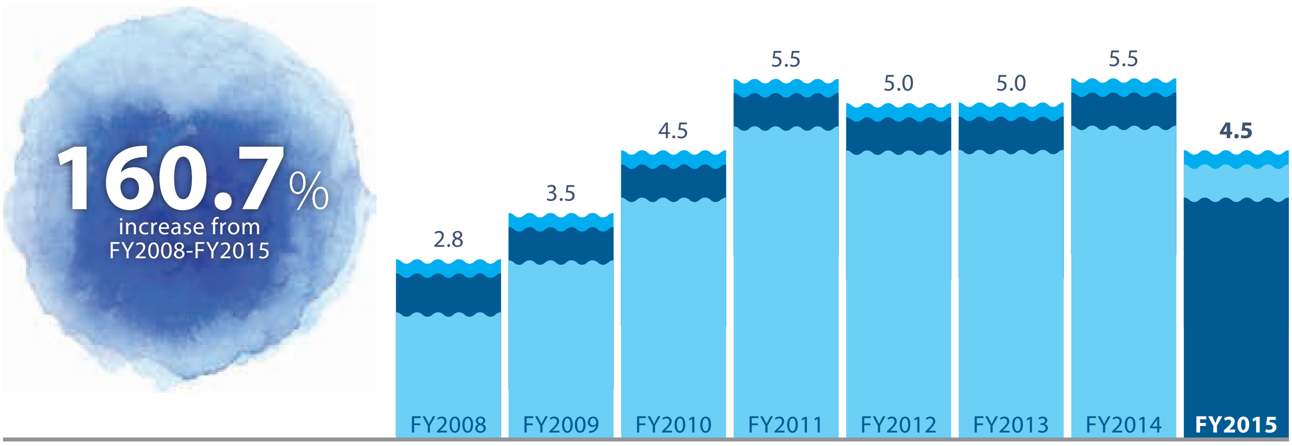
REVENUE (RMB'MILLION)

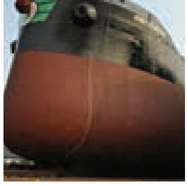


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RMB'MILLION)

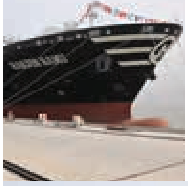


DIVIDEND (SINGAPORE CENTS)





	2015 31 December RMB'000	2014 31 December RMB'000	2013 31 December RMB'000	2012 31 December RMB'000	2011 31 December RMB'000
Results					
Revenue	16,014,348	15,353,551	14,338,637	14,799,092	15,705,828
Gross Profit	3,719,271	4,143,882	4,761,895	4,571,519	4,862,695
Other Income	271,008	631,131	281,764	292,824	150,067
Other Gains	167,536	(150,182)	169,978	385,936	452,044
Net Profit Attributable to Shareholders	2,459,600	3,482,922	3,095,878	3,580,773	3,976,599
Financial Position					
Total Assets	41,246,062	40,777,982	43,211,180	33,202,298	33,739,004
Shareholders' Equity	21,799,389	20,473,394	17,800,809	15,510,191	12,974,006
Cash and Cash Equivalents	5,992,935	2,652,565	1,436,246	2,086,659	3,152,365
Basic EPS (RMB cents)	64.19	90.89	80.79	93.45	103.68
Dividends (Singapore Dollar)	0.045	0.055	0.05	0.05	0.055
Share Price at Period End (Singapore Dollar)	1.1	1.21	1.19	0.96	0.91
Market Capitalisation at Period End					
Net Profit Margin	15%	23%	21%	24%	25%
Payout Ratio	33%	28%	30%	27%	26%
P/E	7.86	6.15	7.02	5.23	4.3
P/B	0.89	1.05	1.22	1.21	1.32
Dividend Yield	4.09%	4.56%	4.22%	5.21%	6.04%
No. of Shares ('000)	3,831,838	3,831,838	3,831,838	3,831,838	3,831,838

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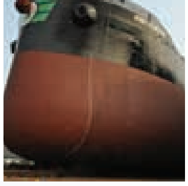


A SHIPBUILDER THAT **STANDS OUT** IN A CHALLENGING MARKET

While the business environment has become increasingly challenging, backed by our strong reputation, outstanding shipbuilding capability and tenacious efforts in securing new orders, we achieved our new order target for 2015 and increased our outstanding order book, contrary to industry trend.

CHAIRMAN'S STATEMENT 主席致辞

The consolidation in the Chinese shipbuilding industry will continue, and excess capacity will gradually be removed, in favor of yards of decent size and capabilities.

DEAR SHAREHOLDERS

The prolonged industry down cycle has come to a stage where there is hardly any profitable shipyard regardless of size or location around the world. Last year, the global value of new shipbuilding orders declined by 39% year-on-year to US$69 billion. Ship-owners have become acutely cost-conscious as a result of depressed vessel charter rates. This also means there is greater demand for large vessels as that provide economies of scale for the ship-owner.

In this difficult environment, we are pleased to report that the Group secured new orders worth US$2.25 billion, up 25% year-on-year. Our order book size of US$5.4 billon means that we have gained higher market share in a smaller global market.

BUILDING LARGER VESSELS

During 1Q2015, we secured our maiden orders for liquefied natural gas (LNG) carriers. JHW Engineering & Contracting Limited, a fellow subsidiary of EVERGAS, a world leader in ethylene and ethane gas transportation, placed orders with us for two 27,500-cbm LNG carriers contracted at a total of US$135 million.

During 3Q2015, we secured our maiden orders for very large gas carrier (VLGC) vessels. China's state-owned conglomerate for trading in energy and natural resources, Shanghai Zhenrong Energy, placed orders with us for two 84,000-cbm VLGC vessels.

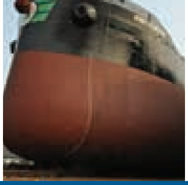
In 2H2015, we secured orders for twelve units of 11,800 TEU containerships, the largest containerships ever to be built by a private shipyard in China. These orders from Pacific International Lines are an endorsement of the Group's shipbuilding capabilities. Demand for our flagship containerships of 10,000TEU and above remained firm. Last year, 26 out of 37 new vessel orders were for containerships.

We also expanded our product range by successfully diversifying into the shipbuilding of LNG vessels. Over the years, we have enhanced our R&D capabilities, constantly introducing new vessel types and models, and gradually established a well-diversified product portfolio. Our recent breakthroughs include large containerships, Cape-size dry bulkers, LNG carriers and VLGC vessels.

Last year, shipbuilding of bulk carriers contributed to about half of the Group's revenue. However, this vessel market is now in a slump as China's economic slowdown brought with it significant decline in infrastructure demand for steel, as well as a decline in steelmaking demand for iron ore and coal. Lower import demand for iron ore and coal from Australia and Brazil to China, coupled with the supply glut of bulk carriers, have affected the bulk carrier market. Our recent dry bulk orders have been primarily large bulk carriers, multi-purpose or tailored vessels for this market.

EXPANDING MARKET SHARE

In FY2015, Group revenue grew 4% year-on-year to RMB16.0 billion, boosted by a 7.1% increase in shipbuilding revenue to RMB12.2 billion. We delivered 36 vessels according to schedule, compared to 33 in 2014. The Group's top line was also lifted by an 18.9% increase in trading revenue to RMB2.1 billion.



Our order book will ensure a healthy utilization of yard capacity until 2018, and the limited exposure to the offshore sector will keep risks within control.

Interest income from held-to-maturity financial products and our microfinance business fell by 21.5% to RMB1.3 billion as we had pared down our financial investment portfolio. During FY2015, we have decreased the value of our HTM investment portfolio by 7.6% to RMB10.0 billion.

Lower contract values led to a decline of FY2015 gross margin by 3.8 percentage points to 23.2%. The Group's goal is to defend our industry leadership position as well as maintain a healthy level of yard utilization. Last year, we decided to accept vessel contracts at relatively lower margins as long as the job remained profitable. Even though this puts downward pressure on our margins, the advantage is we can further expand our market share as more shipyards are forced to exit the industry by the prolonged downturn.

Our delivery schedule for year 2016 includes a number of bulk carriers. Currently, many operators of bulk carriers face ship financing difficulties and risk of charter contract cancellation. This has increased our risk of customer request for deferment in vessel delivery and order cancellation. We expect a difficult year ahead and made the following provisions for impairments to account for the relevant risks.

- RMB369 million on the receivable of our jack-up oil rig contract, in view of the current depressed Oil & Gas industry. This is the only jack-up contract that we have, which was scheduled for delivery in 1H 2016.
- RMB210 million on the value of our fleet of bulk carriers.
- RMB95 million on the value of our HTM investments

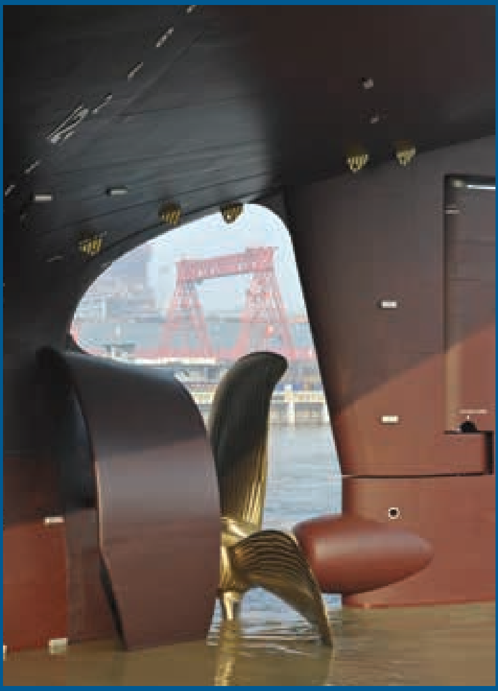
The Group's net profit attributable to shareholders was RMB2.5 billion, 29.4% lower year-on-year mainly due to impairment losses. Our cash reserves more than doubled from RMB2.7 billion as at 31 December 2014 to RMB6.0 billion as at 31 December 2015, primarily supported by cash generated from operating activities. Net gearing decreased from 9.8% to 5.6%.

FORWARD LOOKING STRATEGY

Our current order book comprises of 116 vessels with a delivery schedule that optimizes the use of our shipyards until the year 2018. During 2015, we doubled our market share of shipbuilding contracts secured by PRC shipyards to about 10%.

Our talented R&D team will continue its work to expand our product range. We foresee that LNG fuelled vessels will become increasingly attractive as stakeholders and regulators work to reduce the industry's contribution to climate change. Going into clean energy vessels aligns us with government policy to support shipyards that have practices and products that are technologically-advanced and environmentally friendly. By collaborating with European partners, we have developed vessel designs that utilize clean energy marine fuel such as LNG-fuelled tankers. We will also continue to launch larger containerships.

It is the Group's policy to continually improve our cost structure in procurement, human resources and financing. We will also continue to improve our production efficiency across the entire enterprise, ranging from improving our production time cycle to cost-management. Part of the



CHAIRMAN'S STATEMENT 主席致辞

We also added clean energy vessels, such as Liquefied Natural Gas ("LNG") Carriers and Very Large Gas Carriers ("VLGC") to our product portfolio to tap on the long-term growth potential.

Group's strategy to improve production efficiency is to offer options for customers to place repeat orders on the same vessel specification. As at 31 December 2015, we had outstanding options for 13 vessels, comprising of two units of 1,668TEU containerships, two units of 1,900TEU containerships, three units of 29,800DWT self-unloading vessels and six units of 83,500DWT combination carriers.

COMMITMENT TO SHAREHOLDER VALUE

Last September, we were once again included as a constituent stock in the STI. In November, we were recognized with the "Shipbuilding & Repair Yard Award" by Seatrade Maritime Awards Asia 2015. The judging criteria of this award is based on business profitability, reliability record, rate of lost time accidents, innovation in product offerings, and commitment to the environment in operations.

These are a couple of the spate of endorsements of our strong shipbuilding capabilities and our credibility as a listed company. We take this opportunity to thank our staff, ship owners, suppliers, bankers and other business partners who have played an important role in our progress, and continue to do so.

To share the fruit of our success with shareholders, we have proposed a final dividend of 4.5 Singapore cents per share for FY2015. This represents an increased payout ratio of 33% compared to 28% a year ago. We have a long term commitment to creating shareholder value.

In the face of the immense challenges faced by the industry, we endeavour to emerge better and stronger.

Ren Yuanlin
Executive Chairman

各位股东

随行业下行周期延续，全球各国大小船厂业绩表现进一步恶化。2015年全球新造船订单总值全年同比下降39%至690亿美元。由于船租下降，船东对成本愈加敏感，这也意味着市场更倾向于能为船东带来规模效应的大型船舶。

尽管市场环境恶劣，集团2015年仍然获得了22.5亿美元的新订单，新订单价值相比上一年增加了25%。价值54亿美金的在手订单意味在一个缩小的全球市场中我们争取到了更高的市场份额。

船舶大型化

2015年第一季度，我们获得了集团的首批液化天然气运输船订单。两艘总值1.35亿美元的27,500立方米的液化天然气运输船订单来自JHW Engineering & Contracting Limited，其为EVERGAS的兄弟子公司，EVERGAS在乙烯和乙烷气体运输业处于世界领先地位。

2015年第三季度，集团获得中国国有能源和自然资源贸易集团上海振戎能源的两艘84000立方米的超大型液化气体运输船订单。

2015 年下半年，我们获得了来自太平船务的12艘11,800标箱集装箱船订单，这是客户对集团优秀造船能力的认可，也将是中国民营船厂有史以来建造的最大规模的集装箱船。去年，我们10,000标箱及以上规模集装箱船的需求仍然坚挺，2015年37艘新造船订单中包括26艘集装箱船订单。

通过进军LNG船，我们进一步丰富了产品结构。多年来，我们增强研发能力，不断推出新船型，并逐步建立了多元化的产品组合。我们近年来取得的突破包括大型集装箱船，大型干散货船，LNG运输船和VLGC运输船。

去年，散货船造船贡献集团约一半的总收入。然而，由于中国经济增长放缓，导致基础建设对钢材、铁矿石和煤炭的需求降低，从澳大利亚和巴西运输大宗商品的需求也随之降低，同时，由于散货船市场供给过剩，导致这一市场持续低迷。集团去年散货船订单主要为大型散货船，多用途船或订制船。

市场份额增加

2015年度，集团造船收入年同比增长7.1%至人民币122亿，贸易收入同比增长18.9%至人民币21亿。集团按计划交付36艘船舶，而2014年交付33艘。2015年总收入同比增长4％至160亿人民币。

2015年，持有至到期金融资产规模同比减少7.6%至人民币100亿元。持有至到期金融投资和小额贷款业务利息收入同比下降21.5％至13亿人民币。

由于新签造船合同价格较低，2015年毛利率同比下降3.8个百分点至23.2%。为保证企业的行业领先地位和产能利用率，去年开始集团降低了对订单的毛利要求到满足基本盈利要求即可。虽然有毛利下降的压力，但随着更多船厂由于市场长期不振而退出市场，集团市场份额有望进一步提高。

CHAIRMAN'S STATEMENT 主席致辞

集团2016年交船计划包括一部分散货船。目前，散货船的许多运营商面临着船舶融资困难和租船合同取消的风险。这增加了客户要求延期交付和取消订单的风险。我们预计今年市场环境仍然比较艰难，对此，我们对相关风险计提了以下减值准备:

- 鉴于目前不景气的石油天然气产业，我们对自升式钻井平台合同计提了人民币3.69亿的减值损失。这是我们唯一的钻井平台合同，原计划于2016年上半年交付。
- 对集团旗下散货船船队拨备固定资产减值损失3.61亿元人民币。
- 新增持有至到期金融资产计提9500万人民币的减值损失。

集团2015年实现归属于母公司股东净利润25亿人民币，同比降低29.4%，主要是由于集团新增资产减值准备。现金余额从2014年底的人民币27亿增加至2015年底的人民币60亿，增幅主要来源于经营活动产生的现金净流入。净负债率从9.8%下降到5.6%。

前瞻策略

集团目前在手订单于116艘，在手订单将保证我们的造船产能高效利用至2018年。受2015年新订单支撑，我们在中国造船市场份额从5%增加至10%左右。

我们优秀的研发团队将继续丰富产品结构。考虑到环保因素，市场对LNG动力船将持续看好。政府支持有建造高科技和节能环保船型能力的船厂，集团打造制造清洁能源船能力的策略有利于我们的长期发展。通过与欧洲伙伴的合作，我们已经开发出使用清洁能源燃料的船舶，如液化天然气动力船。我们也将继续推出更大的集装箱船。

我们也将继续优化采购，人力资源，融资等成本结构，并通过改善生产周期管理和成本管理继续提高生产效率，其中一项策略为争取客户对同一规格船型的待生效订单。截至2015年12月31日，集团拥有待生效订单13艘，包括两艘1668标箱集装箱船，两艘1900标箱集装箱船，三艘29800载重吨自卸船，和六艘83,500载重吨的综合运输船。

致力提升股东价值

去年9月，扬子江再次被纳入STI成份股。另外，由于我们突出的盈利能力，良好的船舶交付记录，极低的工时损失事故率，产品种类的不断创新，以及在改善操作环境上的努力，同年11月，集团获得海贸海运亚洲大奖「造船修船厂奖」。

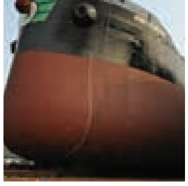
这是对我们的造船能力和上市企业的良好信誉的认可。我们希望借此机会向我们的员工，船东，供应商，银行等合作夥伴在扬子江的发展壮大过程中一直给予的支持和帮助表示衷心的感谢。

为与股东分享公司成长业绩，我们2015财务年度计划派发期末股息新币4.5分，派息率由去年的28%提高至33%。我们将为股东创造价值作为我们的长期承诺。

在行业所面临的巨大挑战面前，我们将努力推陈出新，发展壮大。

任元林

执行主席



CORPORATE MILESTONES

2015

- The Group diversifies Shipbuilding to LNG Vessels with Orders worth US$135 Million
- Secured maiden orders for Very Large Gas Carrier (84,000-cbm VLGC) vessels in yet another coup in a LNG carrier market dominated by Japanese and Korean shipyards
- Re-entered STI index from 21 September 2015
- Yangzijiang wins Gold at PR Awards 2015 for Best IR Campaign in March 2015
- Yangzijiang wins prestigious Shipbuilding & Repair Yard Award at Seatrade Maritime Awards Asia 2015 in November 2015

2014

- Yangzi Xinfu Yard become fully operational and successfully delivered six 10,000TEU containerships
- Group secured its four largest ever 260,000DWT very large ore carriers from its first Australian customer
- New Yangzi Yard was qualified as a High/New Technology Enterprise and is entitled to enjoy a preferential corporate income tax rate of 15% for three years from FY2013

2013

- Yangzijiang launched China's first ever 10,000TEU containership in Sep 2013.
- Yangzijiang became the first company to trade its shares in RMB on SGX, in addition to its existing SGD counter on SGX dual currency trading platform.
- Placement of 330,000,000 warrants at an issue price of RMB0.3072 (S$0.0605) for each warrant, with each warrant carrying the right to subscribe for one (1) new share in the capital of the company at the price of RMB7.617 for each new share.

2012

- The Group's Executive Chairman, Mr Ren Yuanlin, was voted by Lloyd's List as one of the top 100 most influential personalities in the shipping industry
- YZJ Awarded Most Transparent Company Award 2012 (Foreign Listing Category) at SIAS Investor Choice Awards 2012
- The Group secured its maiden offshore deal to construct and deliver one unit of Letourneau Super 116E Class design self-elevating Mobile Offshore Jackup Drilling Rig worth US$170 million
- Our new vessel designs, the 45,000-DWT, 46,500-DWT and 8,500-DWT vessels were awarded "New High Technology" certifications by the Jiangsu Provincial Technology Board in 2012

2011

- YZJ Executive Chairman, Mr. Ren won the prestigious Ernst & Young Entrepreneur of The Year 2011 China Award, Mainland China Region
- YZJ Awarded Most Transparent Company Award 2011 (Foreign Listing Category) at SIAS Investors Choice Awards 2011
- YZJ Launches first Chinese-built ship with a groot cross-bow
- First Chinese yard to receive orders for 10,000 TEU containership vessels

2010

- First Chinese-majority owned company listed on Taiwan Stock Exchange
- Largest S-Chip company listed on SGX and most profitable Singapore-listed China company

2009

- Runner-up for Most Transparent Company (Foreign Listing Category) at SIAS Investors Choice Awards 2009

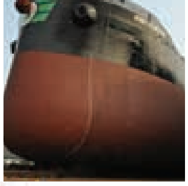
2008

- Million square meters expansion plan completed

2007

- Successful listing on SGX
- Completion of new shipyard


TRADE QUEST
ICCP



WITH THE VISION TO BECOME ONE OF THE **TOP-NOTCH** SHIPBUILDERS IN THE WORLD

Yangzijiang delivered consistent growth in the past eight years, and our status as the largest and strongest private shipbuilder in China has become increasingly established.

BOARD OF DIRECTORS

REN YUANLIN (Aged 62, Chinese)

Executive Chairman

Mr Ren was appointed as a Director of the Company on 13 January 2006 and the Chairman on 18 March 2007. He was last re-elected on 30 April 2015. He is the founder of the Group and is currently responsible for the overall management and operations of the Group. Mr Ren has over 40 years of experience in the shipbuilding industry, and has taken on various positions within the Group and its predecessors since 1973. From his humble beginnings as a worker, Mr Ren has transformed Yangzijiang to become a formidable force within the Chinese and global shipping industry with a vision to make Yangzijiang one of the most outstanding shipyard in the world. In spite of multiple foregoing challenges faced by the company and industry, Yangzijiang has emerged stronger under the capable leadership of Mr Ren.

Mr Ren was crowned the country winner of the Mainland China region at the prestigious Ernst & Young Entrepreneur of the Year China 2011 awards. Recognized globally, Ernst & Young Entrepreneur of the Year awards honour the most outstanding entrepreneurs who inspire others with their vision, leadership and achievements.

In 2014, Mr Ren was awarded the 2013-2014 Outstanding Entrepreneur Award by the Chinese Enterprises Association, China Entrepreneurs Association and China Enterprise Management Science Foundation. The award was given in recognition of his success in heading Yangzijiang Shipbuilding and his contribution to the nation's social and economic development.

He also holds a Diploma in Economics from Jiangsu Television Broadcasting University which he was conferred in 1986.

CHEN TIMOTHY TECK LENG (Aged 62, Canadian)

Independent Director

Mr Chen was appointed a Director of the Company on 26 April 2013.

Mr Chen Timothy Teck Leng has three decades of management experience in banking, insurance, international finance and corporate advisory work. He has held positions in Bank of America, Wells Fargo Bank, Bank of Nova Scotia and Sun life Financial Inc.

He was formerly the General Manager, China for Sun Life Financial Inc., and the President & CEO of Sunlife Everbright Life Insurance Company in China.

Mr Chen earned his Bachelor of Science degree from University of Tennessee and his Master's of Business Administration degree from Ohio State University. He received his Certified Corporate Director (ICD.D) designation from the Canadian Institute of Corporate Directors.

Mr Chen sits on the boards of several SGX-listed companies. He is currently an independent director and chairman of audit committee for Tianjin Zhongxin Pharmaceutical Group Corporation Ltd, and Xinren Aluminium Holdings Ltd. He is also an independent director for Sysma Holdings Limited, Logistics Holdings Ltd. and TMC Education Corporation Ltd. Mr Chen had been an independent director for Huan Cable Holdings Ltd, and has resigned in March 2015.

TEO YI-DAR (Aged 45, Singaporean)
Lead Independent Director

Mr Teo was appointed a Director of the Company on 28 July 2006 and last re-elected on 30 April 2015.

Mr Teo is an Investment Partner with SEAVI Advent Corporation Ltd, the Asian affiliate of Boston-based Advent International private equity group. He manages direct investments in Asia, and focuses on the electronics, chemical, engineering and technology segments. Prior to joining SEAVI Advent, he was with Keppel Corporation Ltd., conducting business development activities for Keppel's offshore and marine businesses. He started his career as an Engineer in SGS-Thomson Microelectronics.

Mr Teo holds two Masters' degrees; Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. He graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. He was awarded the Chartered Financial Analyst by the CFA Institute in 2001.

Mr Teo also sits on the boards of several listed companies. He is currently a Non-Executive Director of HG Metal Manufacturing Ltd, Independent Director and chairman of audit committee for China Yuanbang Property Holdings Ltd, Independent Director and chairman of both remuneration committee and nominating committee for Smartflex Holdings Ltd, and Non-Executive Director of HKEx-listed Denox Environmental & Technology Holdings Ltd. Mr Teo had been a Non-Executive Director of Shenzhen-listed Hainan Shuangcheng Pharmaceuticals Co Ltd over the preceding 3 years.

XU WEN JIONG (Aged 68, Chinese)
Non-independent non-executive Director

Mr Xu Wen Jiong possess more than 40 years of experience in marine industry, he graduated in Electrical Engineering from "Nan Jing Marine Institute" in the year of 1969. He joined Qing Dao Bei Hai Shipyard in the same year and later in 1975 he joined the COSCO Group to further his career until 1989.

In 1992, he acquired "West Gold International Pte Ltd" (which was initially based in HK). As the Chairman and Managing Director of West Gold International Pte Ltd, Mr Xu contributes greatly towards the company over the years, he also shifted the company's headquarter from Hong Kong to Singapore in the year 1994.

Today, the West Gold International Group has offices in Hong Kong, Shanghai and some major cities of Mainland China, as well as in Europe. The company is mainly engaged in shipbuilding, shipping-related businesses, including shipbuilding agency, ship chartering, ship navigation equipment and other marine equipment sales and technical services as well as business coverage in containers including reefer containers, depot storage and repair and other related businesses.

SENIOR MANAGEMENT

WANG JIANSHENG (Aged 59, Chinese)

General Manager

Mr Wang was appointed as General Manager of Jiangsu New Yangzi Shipbuilding Co., Ltd on 1 January 2008. He is now the General Manager of the Group and responsible for operation of the Group.

Mr Wang has over 30 years of experience in the shipbuilding industry. Prior to joining the Group, between 2004 and 2007 Mr Wang was the Vice President of Shanghai Waigaoqiao Shipbuilding Co., Ltd., and was responsible for the management of manufacturing. He joined Shanghai Shipyard Co. Ltd in 1982 as Assistant Manager in the workshop and was promoted to Vice General Manager in 1997.

Mr Wang holds a Degree from Wuhan University of Technology which he was conferred in 1982.

REN LETIAN (Aged 34, Chinese)

Chief Executive Officer

Mr Ren Letian was appointed as Chief Executive Officer of the Group on 1 May 2015.

Mr Ren Letian joined the Group as a project manager in year 2006. Since then, he has assumed several managerial roles at various levels and business divisions in the Group, and gained in-depth knowledge of the operations of the Group.

In 2014, under the management of Mr Ren Letian, the Group's Yangzi Xinfu Yard had successfully delivered 6 vessels of 10,000TEU containerships despite numerous challenges faced by the Yangzi Xinfu Yard which only turned operational in 2013. He has also received several recognitions from the local government for his outstanding achievements.

Mr Ren Letian is the son of Mr Ren Yuanlin, the executive chairman of the Group, and holds a Master's Degree from London Southbank University.

WANG DONG (Aged 57, Chinese)

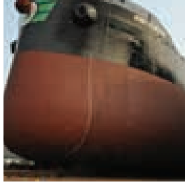
Deputy General Manager

Mr Wang has over 30 years of experience in the shipbuilding industry. He first joined Jiangyin Shipbuilding Factory in 1977 as a workshop welder. Thereafter in 1985, he was transferred to the administrative management department.

In 1988, he was promoted to the position of Assistant Sales Supervisor of Jiangyin Shipbuilding Factory. Between 1992 and 1997, he held the position of assistant factory supervisor of Jiangyin Shipbuilding Factory (which was changed to Jiangsu Yangzijiang Shipbuilding Factory in 1992), where he was in charge of the daily operations of the factory.

Thereafter, he became the Deputy General Manager of Jiangsu Yangzijiang Shipbuilding Factory (which has since been changed to Jiangsu Yangzijiang in 1999). He is now the Deputy General Manager of the Group and in charge of the procurement of materials for the shipbuilding processes.

Mr Wang holds a high school certificate from Jiangyin City High School which he was conferred in 1975.



XIANG JIANJUN (Aged 56, Chinese)

Deputy General Manager

Mr Xiang has over 30 years of experience in the shipbuilding industry. He joined Jiangyin Shipbuilding Factory in 1978, and worked in the workshop for about one year. In May 1979, he became a Loftsman, and since then, he has worked in various positions within Jiangyin Shipbuilding Factory (which was changed to Jiangsu Yangzijiang Shipbuilding Factory in 1992 and finally Jiangsu Yangzijiang in 1999). He was promoted as the Head of Production Process Department Section in 1985.

From January 1992 to December 1994, Mr Xiang was the Chief of the Technical Department Section of Jiangsu Yangzijiang Shipbuilding Factory. Between 1995 and 1998, he served in various positions including the Head of the Production Process, Technical Quality Control Department and Assistant Shipyard Supervisor of Jiangsu Yangzijiang Shipbuilding Factory. In January 1999, he became the Shipyard Supervisor of Jiangsu Yangzijiang.

He is now the Deputy General Manager of the Group and in charge of administration management of the Group.

Mr Xiang holds a Diploma in Ship Engineering from Wuhan School of Transport by Water which was conferred in 1991.

DU CHENGZHONG (Aged 48, Chinese)

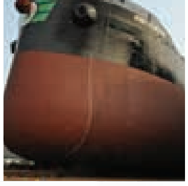
Deputy General Manager

He was appointed as the Deputy General Manager and Head of Quality Control Department in New Yangzi in January 2006. He is now the Deputy General Manager of the Group and responsible for the product development, design and quality control.

Mr Du has over 20 years of experience in the shipbuilding industry. In July 1991, he started as a trainee in the turbine workshop of the then Jiangyin Shipbuilding Factory. In July 1992, he became a technician in the same workshop where he held the position till December 1996. During the period between January 1997 and December 2001, he worked as a construction manager in the Production Department of Jiangsu Yangzijiang. In January 2002, he was promoted to the position of Deputy Head of Engineering Department of Jiangsu Yangzijiang and served in the position till December 2004. Thereafter, between January 2005 and December 2005, he held concurrent positions as Assistant General Manager cum Head of Technical Preparation Department.

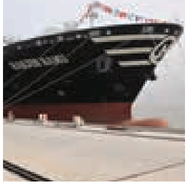
Mr Du holds a Bachelor's Degree in Mathematics and Engineering from Harbin Engineering University (formerly known as Harbin Shipbuilding Engineering Institute) which he was conferred in 1991. He was accredited as an Engineer by the Wuxi City Human Resource Bureau in 1998.


PROSPERITY
ICCP



NEW YANGZI YARD, A **MAJOR YARD** OF THE GROUP

ranks among top 3 in China, and top 10 in the world by outstanding order book in recent years.



OPERATIONS AND FINANCIAL REVIEW

The Group's revenue grew 4.3% year-on-year to RMB 16.0 billion, boosted by a 7.1% increase in shipbuilding revenue and an 18.9% increase in trading revenue to RMB 2.1 billion. Net profit attributable to shareholders was RMB 2.5 billion, 29.4% lower year-on-year mainly due to impairment losses. The Group's net profit margin of 15% in FY2015 was lower (FY2014: 23%) mainly due to lower vessel prices and a higher effective tax rate of 23% (FY2014: 12%).

Vessels built and delivered in FY2015 had lower contract values relative to FY2014 and this led to a decline of Group gross margin by 3.8 percentage points to 23.2%.

Two factors led to the higher effective tax rate. Firstly, Jiangsu New Yangzi Shipbuilding Co., Ltd had received a one-off tax credit of RMB 349 million in FY2014. The tax credit arose as our key operating subsidiary had received preferential 15% tax status as a High/New Technology Enterprise from 2013 after it paid the standard 25% income tax rate for FY2013. Secondly, the tax rate applicable to Jiangsu Yangzijiang Shipbuilding Co., Ltd had reverted to 25% in FY2015 after the expiry of its 6-year preferential tax status as a High/New Technology Enterprise.

The taxation charge of RMB 730.6 million was arrived after accounting for approximate 6% withholding tax on PRC subsidiaries' distributable profits and the average corporate tax rate of 17% for FY2015.

SHIPBUILDING

Shipbuilding contributed 76.2% to Group revenue, or RMB 12.2 billion. We delivered 36 vessels according to schedule (FY2014: 33). Shipbuilding gross margin slipped by 2.1 percentage points to 19.5% mainly due to lower contract values for vessels built and delivered in FY2015 as compared to FY2014.

OTHER SHIPBUILDING RELATED BUSINESS

Revenue generated by other shipbuilding related businesses such as shipping logistics & chartering, and ship design services was RMB 429 million in FY2015, a decline of 20.4% year-on-year. We currently have 13 bulk carrier vessels in our chartering fleet.

FINANCIAL INVESTMENTS

During FY2015, we decreased the value of our HTM investment portfolio by 7.6% to RMB 10.0 billion. Accordingly, interest income from our HTM investment portfolio fell by 19.2% to RMB 1.2 billion.

VENTURE CAPITAL INVESTMENTS

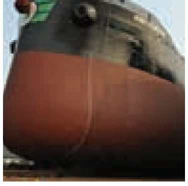
The Group made a significant number of venture capital investments last year. Non-current assets of investments in associated companies more than doubled to RMB 1.1 billion (up 134%).

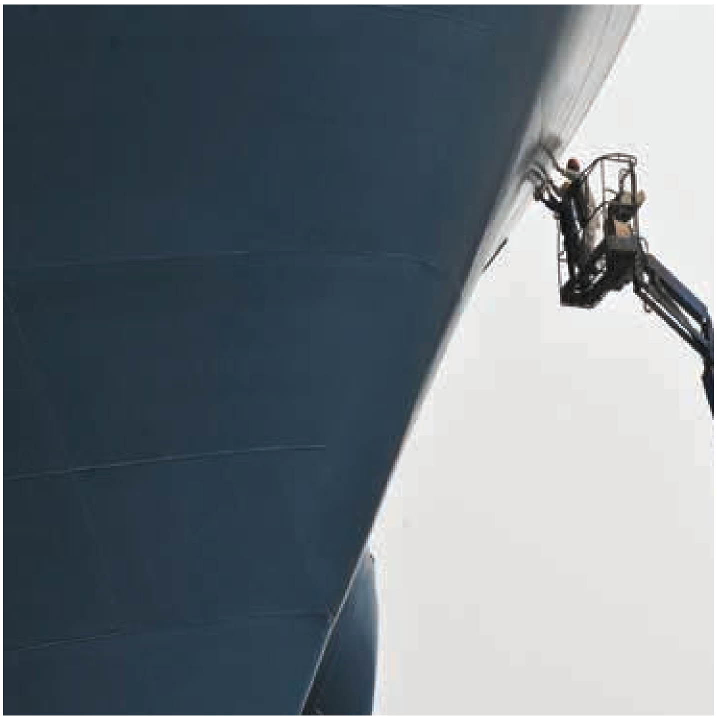
We made the following investments.

- Up to RMB 600 million in a fund focusing on industrial businesses, known as Shanghai Chengding New Yangzi Investment Partnership Enterprise.
- RMB 40 million to start a financial leasing company, known as Zhuhai Lead Power Financial Leasing.
- Up to RMB 190 million for a 95% stake in a venture capital fund that focuses on emerging industries such as digital new media, cloud computing, energy saving & environmental protection and Internet banking. The fund is known as Nanjing Saiyang Equity Investment Enterprise Co Ltd.
- RMB 20 million for a 20% stake in a new venture capital fund that invests in big data technology such as business intelligence and cloud computing. The fund is known as Nanjing Saining Equity Investment Enterprise Partnership.

DIVESTMENTS

We disposed of our property development subsidiary, Jiangsu Hengyuan Real Estate Development Co Ltd, at a consideration of RMB 1 billion. Currently, the only real estate company that we have is the 50%-owned Jiangsu Huaxi Yangzi Real Estate Co Ltd. The disposal significantly reduced the Group's development properties to RMB 1.8 billion (down 35.6%). This leaves us with only one real estate project, which is to redevelop the site formerly occupied by our headquarters in Jiangyin.





We have also disposed of our entire 40% interest in a steel fabrication business, Jiangsu Zhuoran Yangzijiang Energy Equipment Co Ltd, at its par value of RMB 12 million.

IMPROVED BALANCE SHEET

Cash and cash equivalents more than doubled to RMB 6.0 billion (up 125.9%) due mainly to net cash provided by operating activities of RMB 3.1 billion during FY2015. Restricted cash decreased by a significant 69.1% as we paid down our bank borrowings which were backed by restricted cash deposits. It is the Group's strategy to refinance these secured borrowings with uncollateralized borrowings of longer tenors.

Net gearing decreased from 9.8% to 5.6%. Our NTA of RMB 5.69 per share is 6.5% higher than a year ago. Our current NTA is equivalent to about S$1.24 per share.

INVESTOR RELATIONS

Our Executive Chairman, Mr Ren Yuanlin and the Group's Chief Financial Officer, Ms Liu Hua regularly meet investment analysts and fund managers for updates. The financial and trade media are also updated regularly during Mr Ren's trips to Singapore. Our shipyards also receive investors and analysts regularly. All yard visit requests from the investment community are carefully attended to by the Chairman's office.

We use Asia Fund Space, an online investor portal, to reach regional investors. Q&A sessions on Asia Fund Space were held on the days of announcement of the Group's financial results.

Last September, we were once again included as a constituent stock in the STI, a benchmark index that tracks the performance of the top 30 largest and most liquid stocks listed on the SGX. This is the second time we have been included as a constituent stock since our IPO in 2007 and is a testament of the Group's investability.

In 2010, we listed Taiwan Depositary Receipts (TDRs) to improve the valuation and liquidity of our shares. However, the valuation of TDRs frequently lagged the Singapore market and most of the TDRs were converted into ordinary shares and transferred to the Singapore market. As at 24 April 2015, only 15.48% of the initial float of 240 million TDRs were in public hands.

As the TDRs no longer served its function of improving the valuation and liquidity of our shares, we decided to delist from Taiwan Stock Exchange. The Group's ordinary shares listed on SGX were no longer convertible into TDRs with effect from 27 May 2015.

RISK MANAGEMENT

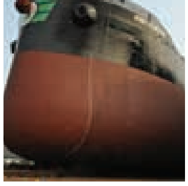
In line with the Group's strategy to control the size of investment in non-shipbuilding businesses, investment in financial assets, available-for-sale had decreased to RMB 275 million as at 31 December 2015, down 65.1% from a year ago. Investments in HTM financial assets had further decreased by 7.6% to RMB 9.97 billion.

The Group adopts conservative financial management and accounting policies to reflect the operating environment of the industry. In FY2015, we made the following provisions.

- RMB 369 million due from customers on the construction contracts of the jack-up oil rig due to the current challenghing environment in the marine segement.
- RMB 210 million on vessels owned and operated by our shipping arm to value-in-use.
- RMB 151 million on finance lease receivables for vessels with a bare-boat hire purchase arrangement.
- RMB 95 million on HTM investments as part of the Group's on-going risk management policy. (Cumulative impairment provision for HTM investments stood at RMB 961 million as at 31 December 2015.)

The management regularly reviews and updates the Board on key risk control areas, including financial, operational, compliance and information technology controls. The Group has an Internal Audit Team with a business planning and monitoring process integrated throughout the Group. The Board and the Audit Committee work with the Internal Audit Team and the management on the implementation of the relevant risk control measures.

Even though we have been accepting contracts at lower margins, we have maintained our policy that the vessel price must cover construction costs and down payment terms must sufficiently deter vessel cancellation. Our tight controls



in material procurement, streamlined production process and mass production of well-received vessel designs reduce the risk of cost overruns.

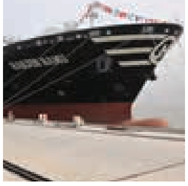
Some operators of bulk carrier fleets are facing difficulties in keeping up with the progress payments on their shipbuilding contracts. To mitigate the risk of vessel cancellation, we have offered our customers the flexibility of reworking vessels specifications to be more aligned with current demand trends. In November 2015, a customer terminated its contract for one unit of 82,000DWT bulk carrier. The customer further replaced the vessel with new orders for 3 units of 83,500DWT combination carriers.

For customers who face difficulty in securing a charter contract by the time the vessel delivery date arrives, we offer temporary docking space as well as the rescheduling of vessel delivery. By helping our customers to ride the prolonged industry downturn, we lower our own risk of vessel cancellation.

The Group's customer base is well-diversified geographically, with sales contribution from the PRC & Taiwan, Germany, Greece and other European countries, as well as from Canada and USA.

It is also our policy not to extend credit to new shipbuilding customers, real estate companies, or small-medium enterprises.

Our held-to-maturity financial assets are debt investments backed by shares, land, guarantees by institutions such as banks, insurers or governments.



SUSTAINABILITY **REPORT**

Yangzijiang adheres to the SGX guidance on sustainability reporting, and wishes to provide the details on environmental, social and governance (ESG) aspects of our business and strategy for investors to make informed investment decisions.

CARE FOR THE ENVIRONMENT

Environmental protection is our responsibility. In addition, the approaches to it, such as increasing production efficiency, energy saving, and promoting clean-energy vessels, make business sense to us as well.

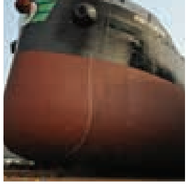
R&D Efforts in Green Shipbuilding

In line with the growing popularity of fuel-efficient and lower-emission vessels in the shipbuilding market, we made continuous efforts in building up R&D capabilities in green vessels, and have gained tangible outcome.

We established a Research Institute through the acquisition of two major vessel design houses. With investment of over RMB100 million in an office building in Shanghai, we built up a professional team of over 300 designers focusing on the R&D of high-tech and green vessels.

The Research Institute's diligent work on product upgrading has led to several innovative, fuel-efficient models, including the 2500TEU, 4250TEU, 4800TEU containerships and the 64000DWT, 82000 DWT and 93000DWT dry bulkers. These products were very well received by the market.

We collaborated with the Marine Design and Research Institute of China (MARIC) for over two years on the key design and manufacturing technologies of ultra-large containerships, and successfully launched the 10,000 TEU containership, which provides 10% more capacity, but consumes 20% less fuel and generates 20% less emission.



In view of the increasing demand for clean energy and related vessels, we teamed up with a renowned French partner on the development of the Liquefied Natural Gas ("LNG") Carrier, and successfully secured the orders for two such vessels in early 2015. With substantial research and development on the Very Large Gas Carriers ("VLGC"), we secured orders for two units of 84,000 CBM VLGCs in 2015. These orders marked the debut of Yangzijiang's production of clean energy vessels, in line with our long-term commitment towards environmental protection.

In December 2015, New Yangzi yard, a major yard of Yangzijiang, was granted the status as a national-level R&D base for Ph.D students. This was a recognition of Yangzijiang's superb capabilities in R&D and talent development.

The Group has comprehensive management procedures and action plans for R&D, with specific annual targets for high-and-new-technology product development. We made 80 patent applications in 2015, of which, 13 were innovation patents, and 67 were practice patents. 45 Patents were granted, including 2 innovation patents and 43 practice patents. The Group spent a total of RMB254 million in R&D in 2015.

Operational Framework for Green Shipbuilding

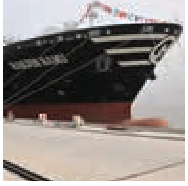
To ensure that our vessel products are in line with the requirements of international accords, and rules and regulations on safety, environmental protection, energy efficiency and product quality, we established a comprehensive production workflow that is conducive for building green vessels. The use of TRIBON, SB3DS and other software ensures the effectiveness and efficiency of our workflow process, with performance targets for parts and components in each production phase.

Our internal environmental protection procedures take a plan-do-check-adjust (PDCA) approach, and are improved on a continuous basis. With zero tolerance towards any waste of energy and resource, our KPIs require employees to demonstrate efforts in effective energy consumption, and be responsible citizens in preserving the environment. Employees of all levels are encouraged to contribute ideas on the saving of raw materials and other production costs, which contributes to a continuous optimization of production efficiency and cost structure. We implemented 5832 and 5987 cost-saving and efficiency-improvement ideas in 2014 and 2015 respectively, which led to a total saving of RMB14.7 million and RMB9.0 million respectively. We in turn reward employees contributing these ideas with prize and bonus of various forms, so as to encourage a constant flow of cost-saving innovation.

With the infrastructure for "green shipbuilding" implemented and improved over years, Yangzijiang is ISO9001 qualified by the China Classification Society. Our environmental management system is ISO14001 and CSQA certified, our quality management system has obtained BV ISO9002 and CCS ISO2000 certificates, and our vessels are CCS, ABS, BV, NK, GL, LR, DNV and RINA certified. Regular reviews by government agencies have always found the Group compliant with national and international standards on emissions, such as wastewater, waste gas, solid waste, dust, and noise generated in the production process.

Data on Energy Consumption

Total electricity usage in production was 257 million kWh in 2015, up 12.1% compared to 2014



SUSTAINABILITY REPORT

(a lower growth rate than the 45.4% yoy from 2013 to 2014). Total water usage in production was 3.1 million tonnes, up 29.7% compared to 2014 (a lower growth rate compared to the 30.8% from 2013 to 2014). Electricity and water usages tend to increase along with higher production activities, and Group's stringent rules on utilities saving as well as technological breakthroughs have contributed slower growth in energy consumption.

Group disposed production waste of 4000 tons in 2015.

SOCIAL RESPONSIBILITY

Occupational Safety and Health

We have a Safety Production Committee at each yard that looks after safety production related matters, as well as environmental protection, fire safety and industrial hygiene. Headed by the yard's general manager, the committee organizes safety training on a regular basis. We provide all necessary protection equipment and have rigorous rules on the enforcement of safety procedures. We also organize regular check-up sessions for employees for early identification of their health issues.

Although there has been no major safety incident in the last few years, we have a comprehensive rescue plan in place.

Promoting Talent Growth

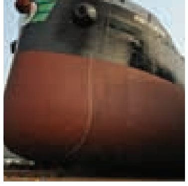
Yangzijiang's achievements today are built on the effort of all in the Group. The Group has a comprehensive plan on human capital growth, which extends from collaborative training programs with vocational schools, to manpower recruitment through M&A, to continued training scheme for existing staff.

Our collaboration with vocational schools has effectively created a talent pool, especially for technical personnel, for the Group. We have also introduced an incentive program to encourage our staff to pursue technical certificates and improve their English language skills, through continuous learning.

We organize regular training for employees of all lines, especially for work unit heads on production sites and quality assurance staff. In 2015, employees received 62 hours of training on average. We also invite external trainers/speakers to give training on management procedures, organize various contests for technical staff to constantly improve their skills, and organize regular recreational activities to promote staff wellbeing as well as for team building.

We retain employee loyalty through a comprehensive incentive/reward scheme. With a clear incentive structure that employees can refer to, we give employees better visibility for their career paths and the corresponding compensation. This has led to a low staff-turnover, reduced training costs, and improved production efficiency.

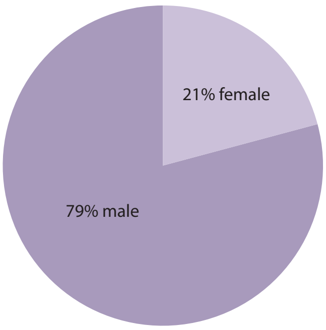
The Group also placed a strategic focus on strengthening the educational profile of its employees, in line with our target to enhance our R&D capabilities. For 2015, 37% of the Group's employees worked on



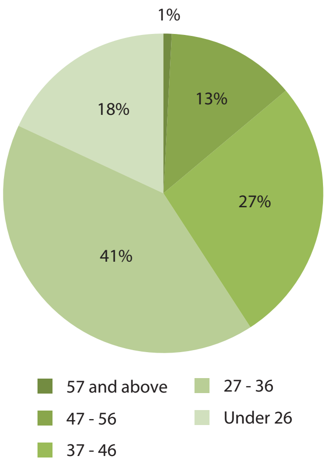
technology-related roles, and R&D headcount accounted for 17% of our total staff strength.

The nature of our shipbuilding business determines a higher proportion of male employees than female employees. However, the Group is committed to a well-diversified employment profile wherever possible.

Gender profile of all employees – 2015



Age profile of all employees – 2015



Care for the Community

The Group and Mr. Ren, our Executive Chairman, believe in returning to the society. Over the years, the Group and Mr. Ren have given hundreds of millions of RMB to the society for various purposes. Mr. Ren personally has committed two years of dividends from his shareholdings in Yangzijiang, which worth RMB500 million, to the Yuanlin Charity Foundation that he founded in 2011. He was listed No.4 in the China Philanthropist List by Forbes in 2014.

The Foundation primarily funds a charity for improving elderly service facilities, finances technological innovation, helps in disaster rescue and helps poor people. The Yuanlin University for Senior Citizens in Jiangyin, with a capacity for 5000 people and 100 classes, has substantially improved the quality of life for the elderly. The Foundation also plans to donate one billion RMB to another eight to ten such universities in neighbouring cities, and one to two geriatric rehabilitation centres. In summer 2014, the charity started a program catering to the treatment of cataract, and over RMB30 million has been dedicated to the subsidy of cataract treatment for 12,000 eyes.

The principal donation to Yuanlin Charity Foundation was made from Mr. Ren's personal wealth, and the Foundation is managed by an independent institution with 3rd party supervision.

EXEMPLARY CORPORATE GOVERNANCE

Along with our financial and operational excellence, the Group has made concrete actions to improve corporate governance. One major step taken in 2015 was to appoint Mr. Ren Letian as the Group CEO, while Mr. Ren Yuanlin, the former CEO of the Group, remains as Executive Chairman. This was part of the Group's succession planning strategy for sustained growth, and through separating the roles of Chairman and CEO, we improved corporate governance.

We keep close check on the cost structure to ensure minimized cost in production, procurement, administration, sales and marketing, and one vehicle to achieve this is the established and detailed procedure in governing anticorruption. The policy with meticulous rules for bribery and corruption is intended to facilitate whistle blowing relating to improper, unethical or fraudulent conduct. All employees are informed of the policy. In FY2015 there were no incidents of bribery or corruption within Yangzijiang.

Through various business cycles and social conditions, Yangzijiang has developed into a large-scale shipbuilding company with an established business concept and strategy, a stable and competent management team, and a defined corporate culture. Our public listing in 2007 on the Singapore Exchange has further enhanced our framework in corporate governance that caters to the interests of shareholders, customers, suppliers, the government and society. The Group won the SIAS Most Transparent Company Award 3 times in a row from 2009 to 2012. In 2015, Yangzijiang re-entered the Straits Times Index as one of the constituent stocks, an endorsement on Yangzijiang as a quality listed company on the SGX.

CORPORATE INFORMATION

DIRECTORS

Ren Yuanlin,
Executive Chairman

Teo Yi-dar,
Lead Independent Director

Xu Wen Jiong,
Non-Independent Non-Executive Director

Chen Timothy Teck Leng @ Chen Teck Leng,
Independent Non-Executive Director

JOINT COMPANY SECRETARIES

Joanna Lim Lan Sim
Pan Mi Keay

COMPANY REGISTRATION NUMBER

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#17-00 PWC Building
Singapore 048424
Partner-in-charge: Tan Khiaw Ngoh
(Appointed on 27 April 2012)

CORPORATE
GOVERNANCE REPORT

The Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") is committed to maintaining high standards of corporate governance, business integrity and professionalism within the Company and its subsidiaries (the "**Group**") to protect the interests of all its stakeholders and to promote investors' confidence and supports.

This report describes the Group's ongoing efforts in the financial year ended 31 December 2015 ("**FY2015**") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2012 (the "**Code**"). The Company confirms that it has adhered to the principles and guidelines set out in the Code, where applicable, relevant and practicable to the Group. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board of Directors (the "**Board**") is primarily responsible for overseeing the management of the business affairs, corporate affairs and the overall performance of the Group. Board members are expected to act in good faith and exercise independent judgment in the best interests of the Group.

The Group is led and controlled by an effective Board that has the overall responsibility for corporate governance, strategic direction, overseeing the investments, operations, internal controls, financial reporting and compliance of the Group and approving the nominations of Board of Directors.

The Board recognises that its principal duties include:

- Providing entrepreneurial leadership, setting the strategic directions and the long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- Reviewing and approving corporate plans, annual budgets, investment proposal and merger & acquisition proposals of the Group;
- Reviewing and evaluating the adequacy and integrity of the Group's internal controls, compliance, risk management and financial report systems;
- Reviewing and monitoring management performance towards achieving organisational goals;
- Overseeing succession planning for management;
- Setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met;
- Ensuring accurate and timely reporting in communication with shareholders; and
- Considering sustainability issues including environmental and social factors in the Group's strategic formulation.

CORPORATE **GOVERNANCE REPORT**

The Board's approval is specifically required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposal of assets and release of the Group's quarterly and full-year financial results.

The Management is responsible for day-to-day operations/administration of the Group and they are accountable to the Board. Clear directions have been given out to the Management that such reserved matters must be approved by the Board.

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit Committee ("**AC**") (collectively, the "**Board Committees**") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. These Board Committees are made up of Non-Executive Directors and Independent Directors and each chaired by Independent Director. Each Board Committee has its own specific Terms of Reference which clearly set out its objectives, scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board meets on a quarterly basis to approve, among others, announcements of the Group's quarterly and full year financial results. Additional meetings are also convened to discuss and deliberate on urgent substantive matters or issues when circumstances require. The Company's Constitution provides for meetings to be held via telephone conference or other methods of simultaneous communication by electronic or telegraphic means in the event when Directors were unable to attend meetings in person. Management has access to the Directors for guidance or exchange of views outside of the formal environment of the Board meetings.

The number of meetings of Board and Board Committees held during FY2015 and the attendance of each Director at those meetings are set out as follows:

Name of Directors	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meeting		No. of meeting		No. of meeting		No. of meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ren Yuanlin	4	4	–	–	–	–	–	–
Teo Yi-dar	4	4	4	4	1	1	1	1
Chen Timothy Teck Leng @ Chen Teck Leng	4	4	4	4	1	1	1	1
Xu Wen Jiong	4	4	4	4	1	1	1	1

Currently, the Company does not have a formal training programme for new Director(s). However, the Board ensures that incoming new Director(s) are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. Newly appointed Director(s) will be provided a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board currently comprises four (4) Directors, three (3) of whom are Non-Executive Directors with two (2) of them independent. The current members of the Board and their membership on the Board Committees of the Company are as follows:–

Name of Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Ren Yuanlin	Executive Chairman	–	–	–
Teo Yi-dar	Lead Independent Director	Member	Chairman	Chairman
Chen Timothy Teck Leng @ Chen Teck Leng	Independent Non-Executive Director	Chairman	Member	Member
Xu Wen Jiong	Non-Independent Non-Executive Director	Member	Member	Member

The Directors bring with them a broad range of business and financial experience, skills and expertise in finance, industry, business and management and general corporate matters. Their profiles are set out on pages 14 to 15 of this Annual Report.

The size and composition of the Board are reviewed annually by the NC, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is appropriate to facilitate effective decision-making, and that the Board has an appropriate balance of independent Directors. During FY2015, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code, including the guideline that at least one-third of the Board is made up of Independent Directors. As the Chairman is not an Independent Director, the NC also reviewed the composition of Independent Directors on the Board and was satisfied that the Independent Directors made up to at least half of the Board.

The NC is of the view that the present Board size of four is appropriate for the Group's present scope of operations to facilitate decision making and the Board has an adequate mix of competency to discharge its duties and responsibilities. Further, no individual or small group of individuals dominates the Board's decision making process.

Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its 10% shareholders or its officers including confirming not having any relationships and circumstances provided in Guideline 2.3 of the Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group.

The independence of each Independent Non-Executive Director is assessed at least annually by the NC as mentioned under Guideline 2.3 of the Code. The NC has affirmed that Mr Teo Yi-dar and Mr Chen Timothy Teck Leng @ Chen Teck Leng are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence. Particular scrutiny is applied in assessing the continued independence of Directors having served beyond nine (9) years from the date of his first appointment, with attention to ensuring their allegiance remains clearly aligned with the shareholders' interest.

CORPORATE GOVERNANCE REPORT

In respect of the Independent Director, namely Mr Teo Yi-dar, having served more than 9 years, the Board has considered specifically his length of services and his continued independence. The Board has determined that the Director concerned remained independent of character and judgement and there was no relationship or circumstance which would likely to affect, or could appear to affect the Director's judgement. The independence of character and judgement of the Director concerned was not in any way affected or impaired by the length of services. The Board has also conducted a review of the performance of Independent Director and considers that this Director brings invaluable expertise, experience and knowledge to the Board and that he continues to contribute positively to the Board and Board Committee deliberations. Therefore, the Board is satisfied as to the performance and continued independence of judgement of this Director.

The Board does not consider it to be in the interests of the Company or shareholders to require the Director who has served more than 9 years or longer to retire and favours ensuring continuity and stability.

Non-Executive Directors contribute to the Board process by monitoring and reviewing the Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. They constructively challenged and helped develop the Group's business strategies. Management's progress in implementing such agreed business strategies were monitored by the Non-Executive Directors.

The Non-Executive Directors communicated without the presence of Management as and when the need arose. The Company also benefited from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

Principle 3: Chairman and Chief Executive Officer

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

The Chairman and Chief Executive Officer ("**CEO**") functions in the Company are assumed by different individuals. Mr Ren Yuanlin remains as the Executive Chairman of the Board while his son, Mr Ren Letian has assumed the role of CEO of the Company with effect from 1 May 2015.

There is a clear division of responsibilities between the Chairman and CEO, which ensures a balance of power and authority at the top of the Company.

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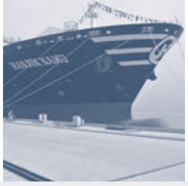
The Chairman:

- is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, Board Committees and individual Directors.
- takes a leading role in the Company's drive to achieve and maintaining high standards of corporate governance with the full support of the Directors, Company Secretary and Management.
- approves agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- promotes an open environment for debates and ensures Non-Executive Directors are able to speak freely and contribute effectively.
- exercises control over the quality, quantity and timeliness of information flow between the Board and Management.
- provides close oversight, guidance, advice and leadership to the CEO and Management.
- plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.

Whereas the CEO is the highest ranking executive officer of the Group who is responsible for:

- running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- ensuring the implementation of policies and strategy across the Group as set by the Board.
- day-to-day management of the executive and senior management team.
- leading the development of senior management within the Group with aim of assessing the training and development of suitable individuals for future Director's roles.
- ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Group and of any important events and developments.
- leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

In view of Mr Ren Yuanlin as the Executive Chairman and Mr Ren Letian as the CEO, Mr Teo Yi-dar still remain as the Lead Independent Director of the Company for the shareholders in situations where there are concerns or issues which communication with the Chairman and CEO and/or Chief Financial Officer ("**CFO**") has failed to resolve or where such communication is inappropriate. Mr Teo Yi-dar will also take the lead in ensuring compliance with the Code.



CORPORATE GOVERNANCE REPORT

The Chairman schedules the meeting and sets the meeting agenda of the Board, and reviews the Board papers before they are presented to the Board. In addition, the Chairman also assists to ensure the Company's compliance with the Code.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings as appropriate.

Principle 4: Board Membership

The NC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the NC Chairman, are independent:

Mr Teo Yi-dar	(Lead Independent Director)	–	Chairman
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-executive Director)	–	Member
Mr Xu Wen Jiong	(Non-independent Non-executive Director)	–	Member

The NC will meet at least once a year. During FY2015, the NC held once scheduled meeting with full attendance. The NC, which has written terms of reference, is responsible for making recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include the following:

a) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election to the Board;

b) making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;

c) review the Board structure, size and composition regularly and making recommendation to the Board, where appropriate;

d) review the Board succession plans for directors, in particular, the Chairman and CEO;

e) determine the independence of Directors annually (taking into account the circumstances set out in the Code and other salient factors);

f) develop a process for assessing and evaluating the effectiveness of the Board as a whole and the Committees of the Board and the contribution of each individual Director to an effective Board;

g) decide on how the Board's performance may be evaluated and to propose objective performance criteria for Board approval;

h) review training and professional development programmes for the Board; and

i) determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations.

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The Board, through the NC, reviews annually the effectiveness of the Board as a whole and its required mix of skills and experience and other qualities, including core competencies, which Directors should bring to the Board.

The NC has in place a formal process for the selection of new Directors and re-appointment of Directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board, before making its recommendation to the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required. The Board, on the recommendation of the NC, appoints new Directors. All new Directors who are appointed by the Board are subject to re-election at the next Annual General Meeting ("**AGM**") but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting.

Pursuant to the Company's Constitution, one-third of the Directors other than the Managing Director, shall retire from office at least once every 3 years at each AGM. The NC has recommended and the Board has agreed for Mr Chen Timothy Teck Leng @ Chen Teck Leng and Mr Xu Wen Jiong, being the Non-Executive Directors of the Company, to retire and seek re-election at the forthcoming AGM in accordance with Article 94 of the Company's Constitution.

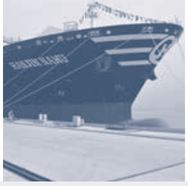
In making the recommendations, the NC considers the overall contribution and performance of the Directors. Mr Chen Timothy Teck Leng @ Chen Teck Leng and Mr Xu Wen Jiong, being the NC members, had abstained from deliberation in respect of their own nomination and assessment.

The NC reviewed the independence of the Directors as mentioned under Guidelines 2.3 and 2.4. The NC has affirmed that Mr Chen Timothy Teck Leng @ Chen Teck Leng and Mr Teo Yi-dar are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

In assisting the NC to determine whether Directors who are on multiple boards have committed adequate time to discharge their responsibilities towards the Company's affairs, the NC had considered the attendances and contributions of Directors to the Board and Board Committees and concluded that such multiple Board representation do not hinder each Director from carrying out his duties as a Director of the Company adequately.

Presently, the Company does not have any Alternate Director on the Board.

Key information of each member of the Board including his/her directorships and chairmanships both present and those held over the preceding 3 years in other listed companies, other principal appointments, academic/professional qualifications, membership/chairmanship in Board committees, date of first appointment and last re-election, etc. can all be found under the "Board of Directors" section of this Annual Report.



CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

The NC has in place a framework for annual individual Board and Board as a whole as well as Board Committees performance evaluations to assess the effectiveness of the Board and its Board Committees and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board and Board Committees performance evaluations is carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/key management personnel and standards of conduct of Board members being completed by each individual Director. Completed questionnaires are collated by the Company Secretary and the findings presented to the NC for discussion with comparatives from the previous year's results. The NC and the Board were satisfied with the results of the Board and Board Committee performance evaluation for FY2015, which indicated areas of improvements compared with FY2014. No significant problems were identified. Both the NC and Board agreed to work on those areas which had the lowest average score. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

Principle 6: Access to Information

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to the Directors a week in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and board committee meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

All Directors have access to the Company's senior management, including CEO, CFO and other key management, as well as the Group's internal and independent auditors. Wherever possible, the Directors are provided Board papers prior to each Board meeting. Board papers provided are, amongst others, financial and corporation information, significant operational, financial and corporate issues, results and performance of the Company and of the Group, and management's proposals which require the approval of the Board. Queries by individual Directors on circulated paper are directed to management who will respond accordingly.

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To facilitate direct access to management, Directors are also provided with the names and contact details of the management team. The Directors also have separate and independent access to the Company Secretary through e-mail, telephone and face-to-face meetings. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Company's Memorandum and Articles of Association, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST Listing Manual ("**Listing Manual**") are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The role of the Company Secretary is, *inter alia*, advising the Board on all governance matters and ensuring that all Board procedures are followed. The Company Secretary assists the Chairman in ensuring good information flows within the Board and its board committees and between senior management and the Non-Executive Directors. The Company Secretary attends all Board meetings and Board Committees meetings and records the proceedings and decisions of the Board and of the Board Committees. The Company Secretary ensures that the corporate secretarial aspects of procedures concerning the Board are duly complied. The appointment and the removal of the Company Secretary are subject to the Board's approval.

The Directors, whether as a full Board or in their individual capacity may seek independent professional advice in the furtherance of their duties from time to time. The advisor so selected shall be approved by the Board and the cost of such professional advice will be borne by the Company. There was no such requirement during the year under review.

REMUNERATION MATTERS

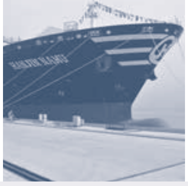
Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration

Matters relating to the remuneration of the Board, key management personnel and other employees who are related to the controlling shareholders and/or Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Company. The RC also ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talents to run the Company successfully.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this Report under Principles 7, 8 and 9; and in the Financial Statements of the Company and of the Group.

The RC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the RC Chairman, are independent:

Mr Teo Yi-dar	(Lead Independent Director)	–	Chairman
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-executive Director)	–	Member
Mr Xu Wen Jiong	(Non-independent Non-executive Director)	–	Member



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The RC will meet at least once a year. During FY2015, the RC held once scheduled meeting with full attendance. The RC carries out its duties in accordance with a set of terms of reference which includes mainly, the following:

- reviewing and recommending to the Board for endorsement, a framework of remuneration policies to determine the specific remuneration packages for each Director and key management personnel, including employees related to the Executive Directors and controlling shareholders. The framework covers all aspect of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind;

- reviewing and recommending the remuneration of the Non-Executive Directors, taking into account factors such as their effort, time spent and their responsibilities;

- reviewing and recommending to the Board for endorsement on the payment of performance bonus to certain Executive Directors and executive officers pursuant to the profit-sharing scheme of the Company;

- reviewing and determining the contents of any service contracts for any Director or key management personnel; and

- carrying out other duties as may be agreed by the RC and the Board, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

The RC is responsible for ensuring a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also considers and recommends the CEO's remuneration package including salary, bonus and benefits-in-kind for endorsement by the Board.

The RC ensures that the remuneration of the Non-Executive Directors are appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Non-Executive Directors receive a basic fee for their services. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package. Directors' fees are further subjected to the approval of shareholders at the AGM.

The remuneration of related employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel.

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The Executive Director has a service agreement with the Company with a validity period for an initial period of three years commencing 18 March 2007 and had been renewed thrice since year 2010. The service agreement may be terminated by either the Company or the Executive Director giving not less than six months' notice in writing. The remuneration package of Executive Directors and other senior management consists of the following components:

(a) Fixed Component

Fixed pay comprises basic salary, social security contributions, and employer's fixed allowances. Eligibility of employer's fixed allowances depends on the length of service.

(b) Variable Component

This component comprises variable bonus based on the Group's and the individual's performance. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation.

(c) Profit-sharing scheme

We have a profit-sharing scheme which benchmarks against the Group's audited profit before tax, pursuant to which certain executive directors and executive officers are each entitled, subject to the approval of the RC, to a shared performance bonus.

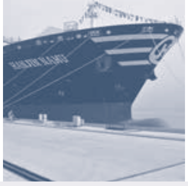
Having reviewed and considered the salary components of the Executive Directors and the Key Management Personnel which is considered reasonable and commensurate with their respective job scopes and level of responsibilities, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

Principle 9: Disclosure on Remuneration

Details of the remuneration of Directors and top five (5) key management personnel of the Group for the financial year ended 31 December 2015 are set out below:

Name of Directors	Breakdown of Remuneration in Percentage (%)				Total (S$)
	Fees[2] (%)	Salary[1] (%)	Variable Bonus (%)	Total (%)	
Ren Yuanlin	–	18	82	100	54,500
Teo Yi-dar	100	–	–	100	45,500
Chen Timothy Teck Leng @ Chen Teck Leng	100	–	–	100	45,500
Xu Wen Jiong	100	–	–	100	45,500

(1) These are under the service contract.
(2) The directors' fees are subject to the approval of the shareholders at the Annual General Meeting.



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Name of Top 5 Key Management Personnel	Designation	Breakdown of Remuneration in Percentage (%)		
		Salary (%)	Variable Bonus (%)	Total (%)
Below S$250,000				
Wang Jiansheng	General Manager	78	22	100
Du Chengzhong	Deputy General Manager	21	79	100
Wang Dong	Deputy General Manager	22	78	100
Xiang Jianjun	Deputy General Manager	21	79	100
Liu Hua	Chief Financial Officer	100	–	100

The remuneration of each of the above top five (5) key management personnel did not exceed S$250,000. In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 key management personnel in the financial year ended 31 December 2015 was approximately S$492,000.

During FY2015, the following immediate family member of the Executive Chairman, Ren Yuanlin, was the employee of the Company:–

Name of employee who is the immediate family member	Family relationship	Remuneration band
Ren Letian	Son of Ren Yuanlin	S$50,001 – S$100,000

The aggregate remuneration (including contributions to define contribution plans thereon and bonus) paid to Ren Letian amounted to approximately S$75,000.

Save as disclosed above, none of the full-time employees are related to the Directors, Substantial Shareholders or Controlling Shareholders.

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ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the AC reviews all financial statements and recommends them to the Board for approval. In addition, the AC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

Principle 10: Accountability
Principle 11: Risk Management and Internal Controls

In discharging its responsibility of providing accurate relevant information on a timely basis to shareholders in compliance with statutory and regulatory requirements, the Board strives to ensure the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

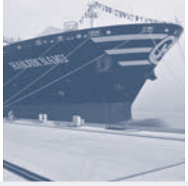
The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where appropriate. The Independent Directors in consultation with Management will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

On a quarterly basis, the Management will report to the AC ensuring the financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group, if any.

In accordance with the Singapore Exchange's requirements, the Board issued negative assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board is responsible for the governance of risk. It should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets.



CORPORATE GOVERNANCE REPORT

The Group had set up its own internal audit team to conduct a full review of its internal control and accounting system (the "**Internal Audit Team**"). The Internal Audit Team reports audit conclusions directly to the AC. It reviews, identifies and analyses the risks incurred by the Group in its activities and examines if there are any material non-compliance and internal control weaknesses as well as monitoring the implementation. The AC will oversee and monitor implementation of any improvements thereto.

The risk management system performed by the Internal Audit Team has also been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the AC reviews and reports to the Board the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to assure itself and the Board that the process is operating effectively as planned. The risk management policy of the Group consists of the framework of formal, systematic and comprehensive guidelines and rules to identify and manage significant risks that might affect the Group's achievement of its business objectives. A Risk Management Framework has been in place to assist the Board, the Management and staff in identifying, reviewing and monitoring potential risks. Comprehensive guidelines and rules are set to identify and manage significant risks that may affect the Group's achievement of its business objectives, outputs, projects or operating processes. The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the management and the Board, working as a team. The process identifies relevant potential risks across the Group's operations with the aim to bring them to within acceptable cost and tolerance parameters.

The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and the AC for further discussion. The Board and the AC also work with the Internal Audit Team, independent auditors and Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

The Board notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. In view of the above and based on the internal controls established and maintained by the Group, work performed by the Internal Audit Team, independent auditors, and reviews performed by the management, various board committees and the Board so far, the AC and the Board are of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, put in place during the financial year were adequate. This is in turn supported by the assurance from the CEO and the CFO that (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant accounting standards; and (b) an effective risk management and internal control systems have been put in place.

The Board also notes that no system of risk management and internal control can provide absolute assurance against the occurrence of errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported. The Board will look into the need for establishment of a separate board risk committee at the relevant time.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The Board recognises the importance of providing accurate and relevant information on a timely basis. To ensure that the corporate governance is effectively practiced, the Board has established self-regulatory and monitoring mechanisms, including the establishment of the AC to ensure that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks. The AC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the majority of whom, including the AC Chairman, are independent:

Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Independent Non-Executive Director)	–	Chairman
Mr Teo Yi-dar	(Lead Independent Director)	–	Member
Mr Xu Wen Jiong	(Non-Independent Non-Executive Director)	–	Member

The Board has ensured that all the AC members, having the necessary accounting and/or related financial management expertise, are appropriately qualified to discharge their responsibilities.

The AC meets on a quarterly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance.

The members of AC carry out their duties in accordance with a set of terms of reference which includes, mainly, reviewing the following:

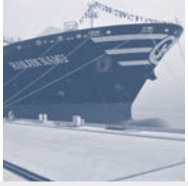
a) The audit plan of the Company's independent auditor, results of its audit and any recommendations on internal accounting controls arising from the statutory audit;

b) The audit plan of the internal audit team, results of its audit and evaluation of the Group's systems of internal accounting controls;

c) The nature and extent of the independent auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money, as well as the assistance given by management to the independent auditor;

d) The significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial statements;

e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015, prior to the submission to the Board, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group, and assisting the Board in the discharge of its responsibilities on financial and accounting matters;



CORPORATE GOVERNANCE REPORT

f) The adequacy and effectiveness of the Group's internal audit function, and the adequacy of the Group's internal financial controls, operational, compliance and information technology control, and risk management systems;

g) Interested person transactions and potential conflicts of interest, if any;

h) The hedging policies and instruments implemented by the Group;

i) Financial assets, held-to-maturity to ensure that the Group's financial performance and position are not compromised; and

j) Making recommendation to the Board on the appointment, re-appointment and removal of the independent auditor.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The AC has reviewed and is satisfied with the level of co-operation rendered by the Management to the independent auditor, the adequacy of the scope and quality of their audits after having regard to the adequacy of the resources and experience of the auditors as well as the independence and objectivity of the independent auditor. In the course of its review, the AC also met with the independent auditor without the presence of the Management to discuss any matters deemed appropriate to be discussed privately, at least once a year.

The Board, through its announcements of quarterly and full-year financial results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. The Management provides the Board with quarterly management accounts for the Board's review.

The AC also reviews the independence and objectivity of the independent auditor and having reviewed the scope and value of non-audit services provided to the Group by the independent auditor, PricewaterhouseCoopers LLP, AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor. The aggregate amount of audit and non-audit fees paid or payable to the PricewaterhouseCoopers LLP Singapore for FY2015 were S$550,000 and S$18,800 respectively. The aggregate amount of non-audit fees paid or payable to the PricewaterhouseCoopers LLP Taiwan for FY2015 was S$1,500. The AC has recommended to the Board the nomination of PricewaterhouseCoopers LLP for re-appointment as auditor of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 715(1) of the Listing Manual of SGX-ST in relation to the appointment of its independent auditors.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and has had the full co-operation of the Management. It also has full discretion to invite any Director or any member of the Management to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the AC will seek advice from the independent auditors when there is AC meeting held.

CORPORATE GOVERNANCE REPORT

Whistle Blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has implemented a whistle-blowing policy. The Policy stipulates the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc, may be raised. A dedicated secured e-mail address allows whistle blowers to contact the AC directly. The Whistle blowing policy, its procedures and contact details of the AC have been made available to all employee and external parties at the Company's Bulletin Board.

The Company's Whistle Blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.

The AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

Principle 13: Internal Audit

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Audit Team. The Group had established its own internal audit team that is independent of the activities it audits and its primary line of reporting is to the Chairman of the AC. Administratively, the Internal Audit Team report to the CEO. The Internal Audit Team carries out its functions under the direction of the AC, and reports its findings and make recommendations to the AC.

The Internal Audit Team carrying out of its function in accordance with the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC ensures that Management provides good support to the Internal Audit Team and provides adequate access to documents, records, properties and personnel when requested in order for the Internal Audit Team to carry out its function accordingly. The Internal Audit Team also has unrestricted access to the AC on internal audit matters. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC. The AC will review the adequacy and effectiveness of the internal audit function at least annually.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights and Responsibilities

Principle 15: Communication with Shareholders

CORPORATE GOVERNANCE REPORT

Principle 16: Conduct of Shareholders' Meetings

The Group acknowledges the importance of regular communication with shareholders and investors through which shareholders can have an overview of the Group's performance and operation. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. Information is communicated to shareholders on a timely basis through the Company's annual report, circulars to shareholders (if any), quarterly financial results and the various announcements.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group has been released to the public through the Company's announcements via the SGXNET.

The Group strongly encourages shareholders' participation at the AGM which will be held in Singapore. Shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

The Company communicates with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the respective quarter ended and 60 days from the full year financial year ended during the year. In addition, the Annual Report 2015 (hard copy and soft copy in CD-ROM) is distributed to shareholders within the mandatory period before the AGM to be held on 28 April 2016.

The Company has adopted a dividend policy that it believes appropriately reflects its goals, strategy and risk profile while providing attractive long-term return to investors. The Board is recommending 4.5 Singapore cents per ordinary share for FY2015 as the first and final one-tier tax-exempt dividend payable to the shareholders, subject to the approval of shareholders at the forthcoming AGM. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- the results of operations and cash flow;
- the expected financial performance and working capital needs;
- future prospects; and
- capital expenditures and other investment plans;

as well as general economic and business operations in People's Republic of China and other factors deemed relevant by the Board and statutory restrictions on the payment of dividends.

The Group supports and encourages active shareholders' participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to

CORPORATE GOVERNANCE REPORT

all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

The Company's Constitution allows all shareholders to appoint proxies to attend general meetings and vote on their behalf. Voting in absentia and by electronic mail may only be possible following careful study to ensure that the integrity of the information and authentication of the identity of shareholder via the internet is not compromised. Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate. All Directors including Chairman of the Board and the respective Chairman of the Board Committees, senior management and the independent auditors are intended to be in attendance at forthcoming AGM to address any queries of the shareholders.

The Company Secretary prepares minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from Management and the Board, subsequently approved by the Board. Such minutes will be available to shareholders upon their written request.

The Board acknowledges voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution where shareholders are accorded rights proportionate to the shareholding and all votes counted. To enhance shareholders' participation, the Group puts all resolutions at general meetings to vote by manual poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage via SGXNET after the general meetings.

OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSON TRANSACTIONS

(Rule 907 of the Listing Manual of SGX-ST)

The following table sets out the current total of all transactions with the interested persons for the financial year ended 31 December 2015:

Name of interested persons	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) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) RMB'000
Xu Wen Jiong*	82,325	–

• Shareholder mandate is not applicable as the aggregate value was less than 3% of Group's NTA as at 31 December 2015.

The Group has adopted an internal policy which sets out the procedures for the identification, approval and monitoring of interested person transactions ("**IPTs**"). All IPTs are subject to review by the AC on a timely manner and the transactions are carried out on normal commercial terms and will not be prejudiced to the interests of the Group and its minority shareholders.

CORPORATE GOVERNANCE REPORT

The Company did not enter into any IPTs which require shareholders' approval under SGX-ST Listing Rules regulating IPTs during the financial year ended 31 December 2015.

RISK MANAGEMENT

(Rule 1207(4)(d) of the Listing Manual of SGX-ST)

Currently, the Group does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and will highlight all significant matters to the Directors and the AC.

Financial risk factors have been described in Note 38 of the Financial Statements.

MATERIAL CONTRACTS

(Rule 1207(8) of the Listing Manual of SGX-ST)

Save for the service agreements between the Company and the Executive Director and except as disclosed in the Directors' Statements and the Financial Statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

DEALING IN SECURITIES

(Rule 1207(19) of the SGX-ST)

The Group has adopted an internal code (the "**Internal Code**") on securities trading which provides guidance and internal regulation with regard to dealings in the Group's securities by its Directors and employees. The Internal Code is modelled after SGX-ST's Listing Rules on best practices on dealings in the Company's securities. The Internal Code prohibits the Directors and employees from dealing in listed securities of the Company on short-term considerations or while in possession of unpublished material or price-sensitive information. The Directors and employees are not allowed to deal in the Company securities during the period commencing two weeks before the date of announcement of its quarterly results and one month before the date of announcement of the full-year financial results and ending on the date of the announcement of the relevant results. The Directors and employees are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Listing Manual and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Company has complied with SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the financial year ended 31 December 2015.

CORPORATE DISCLOSURE

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company is committed to provide a high level of disclosure in all public announcements, press releases and annual reports.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 53 to 150 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Ren Yuanlin
Chen Timothy Teck Leng @ Chen Teck Leng
Teo Yi-dar
Xu Wen Jiong

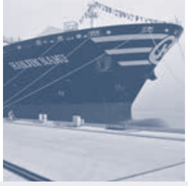
ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		**Holdings in which a director is deemed to have an interest**	
	At 31.12.2015	At 1.1.2015	At 31.12.2015	At 1.1.2015
Company				
(No. of ordinary shares)				
Ren Yuanlin	3,200,000	3,200,000	1,002,845,825	1,000,000,000
Teo Yi-dar	150,000	150,000	–	–



DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

(b) Mr Ren Yuanlin, by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Company in the subsidiaries that are not wholly-owned by the Group as set out in Note 43 of the financial statements.

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Chen Timothy Teck Leng @ Chen Teck Leng
Teo Yi-dar
Xu Wen Jiong

Two of the AC members are independent Directors and one is a non-independent non-executive Director.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the AC reviewed the following, where relevant.

(a) The audit plan of the Company's independent auditor, results of its audit and any recommendations on internal accounting controls arising from the statutory audit;

(b) The audit plan of the internal auditor, results of its audit and evaluation of the Group's systems of internal accounting controls;

(c) The nature and extent of the independent auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money, as well as the assistance given by management to the independent auditor;

(d) The significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial statement;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

AUDIT COMMITTEE (CONTINUED)

(e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015, prior to the submission to the Board, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group, and assisting the Board in the discharge of its responsibilities on financial and accounting matters;

(f) The adequacy and effectiveness of the Group's internal audit function, and the adequacy of the Group's internal financial controls, operational and compliance and information technology control, and risk management systems;

(g) Interested person transactions and potential conflicts of interest, if any;

(h) The hedging policies and instruments implemented by the Group;

(i) Financial assets, held-to-maturity to ensure that the Group's financial performance and position are not compromised; and

(j) Making recommendations to the Board on the appointment, re-appointment and removal of the independent auditor.

The Audit Committee, having reviewed all non-audit services provided by the independent auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditor.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

REN YUANLIN	TEO YI-DAR
Director	Director

18 March 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Yangzijiang Shipbuilding (Holdings) Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 150, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated profit or loss, consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

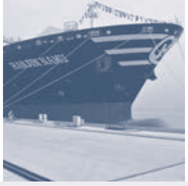
Singapore, 18 March 2016

CONSOLIDATED
PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	The Group 2015 RMB'000	The Group 2014 RMB'000
Revenue	4	**16,014,348**	15,353,551
Cost of sales	7	**(12,295,077)**	(11,209,669)
Gross profit		**3,719,271**	4,143,882
Other income	5	**271,008**	631,131
Other gains/(losses) – net	6	**167,536**	(150,182)
Expenses			
– Selling and distribution	7	**(3,500)**	(9,419)
– Administrative	7	**(653,050)**	(425,355)
– Finance	9	**(514,159)**	(245,231)
Share of profit of associated companies and a joint venture	26, 27	**197,744**	7,816
Profit before income tax		**3,184,850**	3,952,642
Income tax expense	10	**(730,609)**	(471,812)
Net profit		**2,454,241**	3,480,830
Profit/(loss) attributable to:			
Equity holders of the Company		**2,459,600**	3,482,922
Non-controlling interests		**(5,359)**	(2,092)
		2,454,241	3,480,830
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic and diluted	11	**64.19**	90.89

The accompanying notes form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		The Group	
		2015	**2014**
	Note	**RMB'000**	**RMB'000**
Profit for the year		**2,454,241**	3,480,830
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains, net of tax	35	**45,357**	137,159
– Reclassification, net of tax	35	**466**	–
Share of other comprehensive income from joint venture and associated companies	26, 27	**(28,704)**	–
Currency translation differences arising from consolidation			
– (Losses)/gains		**(7,649)**	5,023
Other comprehensive income, net of tax		**9,470**	142,182
Total comprehensive income		**2,463,711**	3,623,012
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**2,468,855**	3,625,087
Non-controlling interests		**(5,144)**	(2,075)
		2,463,711	3,623,012

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	The Group 2015 RMB'000	The Group 2014 RMB'000	The Company 2015 RMB'000	The Company 2014 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**5,992,935**	2,652,565	**776,537**	422,096
Restricted cash	13	**1,028,550**	3,325,850	**–**	–
Derivative financial instruments	23	**60,603**	2,620	**35,749**	2,302
Financial assets, available-for-sale	14	**275,255**	788,437	**–**	–
Financial assets, held-to-maturity	15	**4,944,342**	5,278,932	**–**	–
Trade and other receivables	16	**6,196,534**	6,721,164	**6,422,454**	8,119,194
Inventories	17	**1,612,875**	2,015,098	**–**	–
Land held for development	18	**54,899**	112,396	**–**	–
Development properties	19	**1,782,336**	2,765,475	**–**	–
Due from customers on construction contracts	20	**3,858,445**	2,099,919	**–**	–
		25,806,774	25,762,456	**7,234,740**	8,543,592
Non-current assets					
Financial assets, held-to-maturity	15	**5,028,064**	5,512,268	**–**	–
Trade and other receivables	21	**1,138,704**	1,167,835	**2,017,416**	1,209,360
Lease prepayments	24	**1,111,368**	1,132,687	**–**	–
Investments in subsidiaries	25	**–**	–	**5,638,707**	5,358,707
Investment in a joint venture	26	**336,513**	345,483	**349,249**	349,249
Investments in associated companies	27	**1,086,638**	463,468	**134,062**	134,062
Property, plant and equipment	28	**6,401,967**	6,116,517	**52**	79
Intangible assets	29	**2,260**	2,402	**–**	–
Deferred income tax assets	33	**333,774**	274,866	**–**	–
		15,439,288	15,015,526	**8,139,486**	7,051,457
Total assets		**41,246,062**	40,777,982	**15,374,226**	15,595,049

The accompanying notes form an integral part of these financial statements.

BALANCE **SHEETS**

AS AT 31 DECEMBER 2015

	Note	The Group		The Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Current liabilities					
Trade and other payables	30	**5,042,007**	5,722,708	**4,002,887**	1,691,920
Derivative financial instruments	23	**78,297**	39,200	**76,812**	39,097
Due to customers on construction contracts	20	**1,702,063**	2,406,297	**–**	–
Advances received on construction contracts	20	**567,550**	703,369	**–**	–
Borrowings	31	**2,208,565**	5,414,188	**194,808**	3,079,608
Provisions	32	**577,862**	600,332	**–**	–
Current income tax liabilities	10	**762,927**	478,048	**403,752**	210,565
		10,939,271	15,364,142	**4,678,259**	5,021,190
Non-current liabilities					
Trade and other payables	30	**493,866**	506,983	**–**	–
Derivative financial instruments	23	**382,495**	50,784	**382,495**	50,784
Borrowings	31	**6,073,856**	2,636,167	**2,597,440**	1,223,800
Deferred income tax liabilities	33	**997,593**	1,143,895	**343,418**	525,172
		7,947,810	4,337,829	**3,323,353**	1,799,756
Total liabilities		**18,887,081**	19,701,971	**8,001,612**	6,820,946
NET ASSETS		**22,358,981**	21,076,011	**7,372,614**	8,774,103
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	34	**6,263,016**	6,263,016	**6,227,799**	6,227,799
Treasury shares	34	**(20,979)**	(20,979)	**(20,979)**	(20,979)
Other reserves	35	**195,862**	(6,514)	**50,888**	50,888
Retained earnings		**15,361,490**	14,237,871	**1,114,906**	2,516,395
		21,799,389	20,473,394	**7,372,614**	8,774,103
Non-controlling interests		**559,592**	602,617	**–**	–
Total equity		**22,358,981**	21,076,011	**7,372,614**	8,774,103

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Attributable to equity holders of the Company									Non-controlling interests	Total equity
		Share capital	Treasury shares	Statutory reserve	Capital reserve	Currency translation reserve	Fair value reserve	Warrant reserve	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015												
As at 1 January 2015		**6,263,016**	**(20,979)**	**2,690,035**	**(2,928,535)**	**3,747**	**137,159**	**91,080**	**14,237,871**	**20,473,394**	**602,617**	**21,076,011**
Dividends	36	–	–	–	–	–	–	–	**(957,933)**	**(957,933)**	**(3,686)**	**(961,619)**
Acquisition of equity interest in existing subsidiaries from non-controlling interests	25	–	–	–	**(1,945)**	–	–	–	–	**(1,945)**	**(10,800)**	**(12,745)**
Disposal of subsidiaries	12, 35	–	–	–	–	–	**(182,982)**	–	–	**(182,982)**	**(23,395)**	**(206,377)**
Transfer	35	–	–	**378,048**	–	–	–	–	**(378,048)**	–	–	–
Total comprehensive income for the year		–	–	–	–	**(7,864)**	**17,119**	–	**2,459,600**	**2,468,855**	**(5,144)**	**2,463,711**
As at 31 December 2015		**6,263,016**	**(20,979)**	**3,068,083**	**(2,930,480)**	**(4,117)**	**(28,704)**	**91,080**	**15,361,490**	**21,799,389**	**559,592**	**22,358,981**
2014												
As at 1 January 2014		6,263,016	(20,979)	2,241,025	(2,929,088)	(1,259)	–	91,080	12,157,014	17,800,809	472,072	18,272,881
Dividends	36	–	–	–	–	–	–	–	(953,055)	(953,055)	(7,194)	(960,249)
Acquisition of equity interest in existing subsidiaries from non-controlling interests	25	–	–	–	613	–	–	–	–	613	(42,641)	(42,028)
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	186,281	186,281
Reduction of equity interest in existing subsidiary		–	–	–	(60)	–	–	–	–	(60)	150,060	150,000
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(177,281)	(177,281)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	23,395	23,395
Transfer	35	–	–	449,010	–	–	–	–	(449,010)	–	–	–
Total comprehensive income for the year		–	–	–	–	5,006	137,159	–	3,482,922	3,625,087	(2,075)	3,623,012
As at 31 December 2014		6,263,016	(20,979)	2,690,035	(2,928,535)	3,747	137,159	91,080	14,237,871	20,473,394	602,617	21,076,011

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	The Group	
		2015	2014
		RMB'000	RMB'000
Cash flows from operating activities			
Net profit		**2,454,241**	3,480,830
Adjustments for:			
– Income tax expenses	10	**730,609**	471,812
– Depreciation of property, plant and equipment	7	**517,769**	410,034
– Amortisation of lease prepayments	7	**21,319**	20,055
– Amortisation of intangible assets	7	**296**	123
– Interest expenses	9	**391,708**	321,389
– Gain on disposal of associated companies	6	**–**	(49,284)
– Loss on disposal of subsidiaries	6	**63,766**	(49,179)
– Gain on disposal of available-for-sale financial assets	6	**(26,474)**	–
– Gain on disposal of property, plant and equipment	6	**(23,891)**	–
– Fair value change on derivative financial instruments	6	**312,825**	19,601
– Impairment loss on property, plant and equipment	6	**209,943**	–
– Interest income		**(179,255)**	(518,887)
– Share of profit of associated companies and a joint venture		**(197,744)**	(7,816)
– Others		**–**	(143)
		4,275,112	4,098,535
Change in working capital, net of effects from acquisition and disposal of subsidiaries:			
– Inventories		**384,439**	(552,034)
– Development properties		**(733,866)**	(1,393,438)
– Land held for development		**57,497**	809,723
– Construction contract balances		**(2,598,579)**	(1,088,255)
– Trade and other receivables		**(1,219,076)**	(489,463)
– Trade and other payables		**759,803**	(173,296)
– Financial assets, held-to-maturity		**818,794**	3,336,151
– Provisions		**(22,470)**	(69,883)
– Restricted cash		**2,297,300**	5,091,127
Cash generated from operations		**4,018,954**	9,569,767
Interest paid		**(394,840)**	(337,018)
Interest received		**179,255**	518,887
Income tax paid	10	**(664,012)**	(492,135)
Net cash provided by operating activities		**3,139,357**	9,258,901

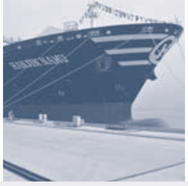
The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		The Group	
	Note	2015	2014
		RMB'000	RMB'000
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment	28	**28,811**	190
Proceeds from sales of investment in associated companies		**25,262**	108,300
Proceeds from sales of financial assets, available-for-sale	14	**2,713,241**	15,000
Repayment by/(loan to) an associated company		**210,000**	(210,000)
Loans to non-related parties		**(131,000)**	(238,000)
Repayment of loans by non-related parties		**238,000**	250,434
Purchase of property, plant and equipment	28	**(228,151)**	(729,175)
Acquisition of lease prepayments	24	**–**	(62,207)
Disposal of subsidiaries, net of cash disposed	12	**702,505**	(46,430)
Acquisition of financial assets, available-for-sale	14	**(2,455,988)**	(379,744)
Acquisition of subsidiaries, net of cash acquired		**–**	(268,490)
Acquisition of intangible assets	29	**(154)**	(2,430)
Incorporation/acquisition of associated companies	27	**(553,513)**	(202,744)
Capital injection in an associated company	27	**–**	(2,610)
Return of capital by an associated company	27	**81,587**	48,943
Dividends received from a joint venture	26	**28,711**	30,770
Net cash provided by/(used in) investing activities		**659,311**	(1,688,193)
Cash flows from financing activities			
Proceeds from reduction of equity interest in existing subsidiary		**–**	140,000
Acquisition of equity interest in existing subsidiaries from non-controlling interests	25	**(12,745)**	(42,028)
Proceeds from borrowings		**8,298,816**	7,160,696
Repayments of borrowings		**(7,782,750)**	(12,683,783)
Capital injection by non-controlling interests		**–**	30,975
Dividends paid to equity holders	36	**(957,933)**	(953,055)
Dividends paid to non-controlling interests		**(3,686)**	(7,194)
Net cash used in financing activities		**(458,298)**	(6,354,389)
Net increase in cash and cash equivalents		**3,340,370**	1,216,319
Cash and cash equivalents at the beginning of financial year		**2,652,565**	1,436,246
Cash and cash equivalents at the end of financial year	12	**3,139,357**	2,652,565

The accompanying notes form an integral part of these financial statements.



NOTES TO
THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Yangzijiang Shipbuilding (Holdings) Ltd (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 80 Robinson Road, #02-00 Singapore 068898.

The principal activities of the Company are investment holding and agency service for shipbuilding and related activities. The principal activities of its subsidiaries are set out in Note 43.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 108 Operating segments

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity's assets when segment assets are reported.

The Group has included the additional required disclosures in Note 40 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Revenue from construction contracts

Contract revenue is recognised by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred to date, as compared to the estimated total costs for the contract.

Please refer to Note 2.8 "Construction Contracts" for the elaboration of accounting policy for revenue from construction contracts.

(b) Revenue from sales of goods – Completed shipbuilding contracts

Revenue from these sales is recognised when a Group entity has delivered the vessels to its customers and the customers have accepted the vessels in accordance with the terms and conditions of the shipbuilding contracts.

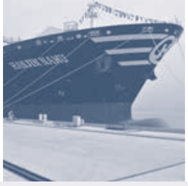
(c) Revenue from sales of goods – material and others

The Group assesses its role as an agent or principal for each transaction and in a transaction where the Group acts as an agent, revenue would exclude amounts collected on behalf of the principal.

Revenue from sales of goods (including scrap materials, metals and chemical products) is recognised when a Group entity has delivered the goods to its customers and the customers have accepted the goods in accordance with the sales contract.

(d) Rendering of ship design services

Revenue from these transactions is recognised when such services are rendered.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(e) Charter income

Income from voyage charter is recognised on a percentage completion basis, which is determined by reference to the time proportioning of each individual voyage.

Income from time charter, which is of operating leases in nature, is recognised on a straight-line basis over the period of the charter.

(f) Revenue from sales of development properties

Revenue from sales of development properties is recognised when a Group entity has completed and delivered the properties to the customers and the customers have accepted the properties in accordance with the terms and conditions of the sales and purchase agreement.

(g) Interest income

Interest income, including income arising from finance leases, financial instruments and loans and receivables from non-related parties, is recognised using the effective interest method.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation *(Continued)*

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the accounting policy on goodwill subsequent to initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) Subsidiaries (Continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies and joint ventures" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(c) Associated companies and joint ventures (Continued)

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated companies or joint ventures over the Group's share of the fair value of the identifiable net assets of the associated companies and joint ventures and is included in the carrying amount of the investments.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' or joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies or joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(c) Associated companies and joint ventures (Continued)

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph “Investments in subsidiaries, associated companies and joint ventures” for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives, as follows:

	Useful lives
Buildings	20 years
Machinery	5 – 10 years
Vehicles	5 – 12 years
Furniture, fittings and equipment	5 – 12 years
Vessels	25 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(c) Depreciation (Continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(d) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. This includes cost of construction, plant and equipment and other directly attributable costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy stated above.

(e) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(f) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains/(losses) – net”.

2.5 Lease prepayment

Lease prepayment represents prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the lease period, which ranges from 46.5 years to 50 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

(b) *Acquired computer software licenses*

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

The amortisation period and amortisation method of computer software licenses are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Research costs are recognised as an expense when incurred. Costs directly attributable to the development of computer software are capitalized as intangible assets only when technical and commercial feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs and be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method, except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

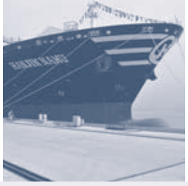
2.8 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions for their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activities on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Construction contracts (Continued)

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts. Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts.

Progress billings not yet paid by customers are included within "trade and other receivables". Advances received are included within "advances received on construction contracts".

2.9 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets (Continued)

(b) *Intangible assets*
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any indication or objective evidence that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

(i) Financial assets, at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges.

Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "cash and cash equivalents" and "restricted cash" on the balance sheet.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.11 Financial assets (Continued)

(a) Classification (Continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in "other income". Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables
Held-to-maturity financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its customers and subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the customers and subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the customers' and subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments

A derivative financial instrument is initially recognised at fair value on the date the contract is entered into and is subsequently carried at its fair value.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise. The fair value of a trading derivative is presented as a non-current asset or liability if the remaining expected life of the trading derivative is more than 12 months, and as a current asset or liability if the remaining expected life of the trading derivative is less than 12 months.

2.16 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards and currency options are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.17 Leases

(a) *When the Group is the lessee:*

The Group leases land and certain plant and machinery under operating leases from non-related parties.

<u>Lessee – Operating leases</u>

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

(b) When the Group is the lessor:

The Group leases vessels under finance leases and operating leases to non-related parties.

(i) Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

(ii) Lessor – Operating leases

Leases of vessels where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Inventories

Inventories consist of raw materials and work-in-progress and are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Raw materials will be used in the construction contracts, therefore they are not written down to net realisable value when the market prices for those inventories fall below cost, if the overall construction contract is expected to be profitable.

2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions for warranty are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore and the social security plans in People's Republic of China (the "PRC") on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

In accordance with the relevant regulations in the PRC, the premiums and welfare benefit contributions borne by the Group are calculated based on certain percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities.

(b) Profit-sharing scheme

Profit-sharing scheme is a performance incentive settled by cash pursuant to which the Executive Chairman and key management staff of the Group, as well as other eligible employees, are each entitled to a shared performance bonus (the "Performance Bonus Pool"), subject to the approval of the Remuneration Committee, in respect of each financial year, which is calculated based on the consolidated profit before tax of the Group. The Group recognises a liability and an expense for this profit-sharing scheme. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay. The profit-sharing scheme was suspended effectively from 1 January 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains/(losses) – net".

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management team who are responsible for allocating resources and assessing performance of the operating segments.

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.25 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.26 Dividends to the Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately under “other gains/(losses) – net”.

Government grants relating to assets are recognised as deferred income in the balance sheet.

2.28 Land held for development

Land held for development are initially recognised at cost and subsequently carried at cost less accumulated impairment losses. Land held for development are not depreciated and will be transferred to development properties when the development commence.

2.29 Development properties

Development properties refer to properties developed for sale. Completed developed properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Construction contracts

The Group uses the percentage-of-completion method in accounting for its construction contracts. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total contract costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management have used their accumulative knowledge of the industry, market conditions, and its customers, and corroborated with the experience gained from the most recent deliveries.

The amount of revenue recognised in the year would decrease/increase by RMB664,141,000 and RMB801,469,000 respectively (2014: RMB522,421,000 and RMB617,580,000 respectively) if the total estimated contract cost were to increase/decrease by 10% (2014: 10%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(b) Impairment of financial assets

(i) Trade receivables related to shipbuilding activities

Trade receivables related to shipbuilding activities are classified as either trade receivables or due from customers on construction contracts.

The Group's management determines the allowance for impairment of those trade receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

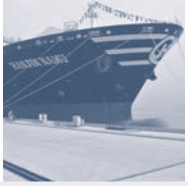
Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. Based on management's assessment of the credit history of its customers and also that of the market conditions, it was determined that an impairment provision of RMB368,762,000 (2014: Nil) was made to due from customers on construction contracts for one contract. No further impairment is required for the remaining balances of trade receivables related to shipbuilding activities.

(ii) Trade receivables related to microfinance activities

Trade receivables related to microfinance activities are classified as loans to non-related parties, which are entrusted lendings to small and middle sized entities by a subsidiary of the Group.

It is the Group's policy to establish, through charges against profit, allowances in respect of estimated and inherent credit losses in its portfolio.

In determining allowances, management considers objective evidence of impairment and exercises judgement in estimating the collateral value and the expected recovery. When a loan is impaired, an allowance is assessed by taking into account the collateral value which may be discounted to reflect the impact of a forced sale or untimely liquidation.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(b) Impairment of financial assets (Continued)

(ii) Trade receivables related to microfinance activities (Continued)

The impairment allowance shown in the consolidated balance sheet at year end is derived from each of the five internal rating grades. The table below shows the impairment allowance for each category of the Group's loans to non-related parties – microfinance according to its internal grading and derived based on the expected inherent losses in its portfolio.

	The Group	
	2015	**2014**
Group's rating		
Category 1	**–**	–
Category 2	**2%**	2%
Category 3	**25%**	25%
Category 4	**50%**	50%
Category 5	**100%**	100%

Refer to Note 38(b)(iv) on the credit risk information of loans to non-related parties – microfinance by internal grading.

(iii) Held-to-maturity financial assets

The Group follows the guidance of FRS 39 in determining when the held-to-maturity financial assets are considered impaired. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy, and default or significant delay in payment are objective evidence that these held-to-maturity financial assets are impaired. Allowance for impairment was provided based on management's assessment of the credit history of its counterparties, and that of the market conditions. Refer to Note 38(b)(vi) on the credit risk information in relation to these financial assets.

(c) Taxation

The Group is subject to income taxes in different jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at these tax jurisdictions. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(d) Impairment of property, plant and equipment – vessels

Impairment is recognised when events and circumstances indicate that these assets may be impaired and the carrying amounts of these assets exceed the recoverable amounts. As at 31 December 2015, the carrying amounts of vessels was RMB1,543,070,000. The recoverable amounts of vessels, which were determined based on value-in-use calculations, was RMB1,333,127,000, resulting in an impairment loss of RMB209,943,000. Details of the estimates used to calculate the recoverable amounts are given in Note 28(b).

In 2014, there were no indicators of impairment.

(e) Warranty provision

The provision for warranty is based on estimates from known and expected warranty work and legal and constructive obligation for further work to be performed after completion. The warranty provision could differ from future claims. Movements in provision for warranty are detailed in Note 32.

4. REVENUE

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Construction revenue	**10,645,338**	11,402,344
Sale of goods – completed shipbuilding contracts	**1,227,694**	64,544
Sale of goods – material and others	**2,499,591**	1,924,230
Interest income from loans to non-related parties – microfinance	**110,275**	182,710
Interest income from held-to-maturity financial assets	**1,215,369**	1,505,049
Rendering of ship design services	**26,766**	19,728
Charter hire income	**185,333**	105,121
Sales of development properties	**17,247**	90,365
Others	**86,735**	59,460
Total revenue	**16,014,348**	15,353,551

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5. OTHER INCOME

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Interest income		
– Cash and cash equivalents and restricted cash	**107,137**	435,653
– Finance lease	**68,188**	46,777
– Other receivables from non-related parties	**3,930**	15,160
– Other receivables from associated companies	**–**	21,297
Income from forfeiture of advances received (Note (a))	**87,987**	108,158
Others	**3,766**	4,086
	271,008	631,131

(a) These represent forfeiture of advances received as a result of cancellation of shipbuilding contracts which have been recognised as other income in the financial year ended 31 December 2015 and 2014 on individual contract basis.

6. OTHER GAINS/(LOSSES) – NET

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Currency translation gains/(losses) – net (Note (a))	**221,986**	(147,703)
Impairment loss on:		
– Property, plant and equipment (Note 28)	**(209,943)**	–
– Finance lease receivables (Note 38(b)(v))	**(150,872)**	(34,764)
– Financial assets, held-to-maturity (Note 38(b)(vi))	**(94,770)**	(315,176)
Fair value change on derivative financial instruments	**(312,825)**	(19,601)
(Loss)/gain on disposal of subsidiaries (Note 12)	**(63,766)**	49,179
Gain on disposal of property, plant and equipment	**23,891**	–
Gain on disposal of associated companies	**–**	49,284
Gain on disposal of financial assets, available-for-sale	**26,474**	–
Subsidy income (Note (b))	**740,367**	275,117
Others	**(13,006)**	(6,518)
	167,536	(150,182)

(a) The foreign currency exchange difference mainly consist of realised fair value gains on currency forwards amounting to RMB169,080,000 (2014: gain of RMB42,688,000). The remaining balance consist of currency translation differences arising from transactions denominated in foreign currencies and unrealised currency transaction differences arising from monetary balances denominated in foreign currencies, amounting to a gain of RMB52,906,000 (2014: loss of RMB190,391,000).

(b) Included in subsidy income is a portion of government grant for the relocation of the shipbuilding premises at JYS amounting to RMB557,727,000 (2014: Nil) which has been recognised during the financial year 31 December 2015 as the performance conditions attached to this portion of the grant have been met (Note 30(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. EXPENSES BY NATURE

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Raw materials and consumables used	**9,064,946**	8,646,925
Amortisation of lease prepayments (Note 24)	**21,319**	20,055
Amortisation of intangible assets (Note 29)	**296**	123
Depreciation of property, plant and equipment (Note 28)	**517,769**	410,034
Reversal of impairment loss of loans to non-related parties – microfinance (Note 38(b)(iv))	**(65,377)**	(22,981)
Impairment loss of due from customers on construction contracts (Note 38(b)(ii))	**368,762**	–
Total amortisation, depreciation and impairment	**842,769**	407,231
Employee compensation (Note 8)	**334,510**	305,553
Outsourcing and processing fee	**1,551,862**	1,275,236
Other project-related fees and charges	**452,436**	500,279
Business tax on interest income from held-to-maturity financial assets and loans to non-related parties – microfinance	**72,675**	96,793
Inventory write-down (Note 17)	**45,319**	133,426
Write-down of development properties (Note 19)	**197,808**	–
Write-back of warranty provision (Note 32)	**(9,581)**	(49,805)
Utilities	**202,446**	153,639
Transportation expenses	**28,710**	21,259
Professional fees	**8,100**	17,077
Directors' fees (Note 39)	**626**	626
Operating lease	**55,635**	9,069
Others	**103,366**	127,135
Total cost of sales, selling and distribution and administrative expenses	**12,951,627**	11,644,443

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. EMPLOYEE COMPENSATION

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Salaries and wages	**204,788**	135,376
Employer's contributions to defined contribution plans (Note (a))	**57,702**	37,011
Other employee benefits	**72,020**	93,319
Profit-sharing scheme (Note (b))	**–**	39,847
	334,510	305,553

(a) Contributions to defined contribution plans

The employees of the Group who are employed in the PRC participate in a defined contribution plan organised by the relevant provincial government. For the financial year ended 31 December 2015, the Group is required to make monthly defined contribution to these plans at approximately 46% to 49% (2014: approximately 46% to 49%) of certain employees' monthly salaries and wages as stipulated by local rules and regulations. These contributions are expensed as incurred.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed in this note.

(b) Profit-sharing scheme

Profit-sharing scheme is a performance incentive settled by cash pursuant to which the Executive Chairman and key management staff of the Group, as well as other eligible employees of the Group (the "PSS Officers") are each entitled to the Performance Bonus Pool, subject to the approval of the Remuneration Committee.

Group Profit before tax ("PBT") attained	Performance Bonus Pool
Where the PBT does not exceed RMB600 million	Nil
Where the PBT exceeds RMB600 million but does not exceed RMB700 million	0.5% of PBT
Where the PBT exceeds RMB700 million but does not exceed RMB800 million	0.75% of PBT
Where the PBT exceeds RMB800 million	1% of PBT

The applicable Performance Bonus Pool for each financial year will be apportioned among the Executive Chairman, key management staff and the other eligible employees of the Group, based on their involvement, role, responsibility and performance in the Group, subject to an annual review by the Remuneration Committee. Where the employment of any of the PSS Officers is not for a full financial year, his share of the applicable Performance Bonus Pool will be pro-rated accordingly.

With effect from 1 January 2015, the profit-sharing scheme has been suspended.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. FINANCE EXPENSES

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Interest on bank borrowings	**391,708**	321,389
Net foreign currency translation losses/(gains) on bank borrowings	**122,451**	(76,158)
	514,159	245,231

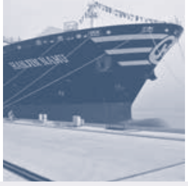
10. INCOME TAXES

The Group is subject to income tax on an entity basis on profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operates in. According to the Corporate Income Tax Law of the PRC (the "new CIT Law") which became effective from 1 January 2008, the income tax rate for these subsidiaries in PRC in 2015 was 25% (2014: 25%), except for Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS").

JNYS obtained its status as a High and New Technology Enterprise for three years starting from 2013. Therefore, JNYS is entitled to a reduced income tax rate of 15% from 2013 to 2015, as long as it maintains its qualification as a "High and New Technology Enterprise" ("HNTE") under the new CIT Law. JNYS will seek for renewal of HNTE qualification in 2016 and the success of the renewal is highly probable.

(a) Income tax expense

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Income tax expense attributable to profit is made up of:		
Current year		
– Current income tax	**769,905**	293,635
– Deferred income tax (Note 33)	**(36,528)**	183,911
	733,377	477,546
Prior year over provision of current income tax	**(2,768)**	(5,734)
	730,609	471,812



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. INCOME TAXES (CONTINUED)

(a) Income tax expense (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the PRC standard rate of income tax as follows:

	The Group	
	2015	2014
	RMB'000	RMB'000
Profit before tax	**3,184,850**	3,952,642
Tax calculated at the applicable tax rate of 25% (2014: 25%)	**796,213**	988,161
Effect of tax exemption and reduced tax rate	**(362,345)**	(385,460)
Deferred tax on undistributed profits	**207,665**	202,872
Expenses not deductible for tax purposes	**11,539**	20,732
Tax credit due to the change of income tax rate	**–**	(348,759)
Deferred tax asset on tax losses not recognised	**80,305**	–
Over provision of tax	**(2,768)**	(5,734)
Tax charge	**730,609**	471,812

(b) Movement in current income tax liabilities

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	**478,048**	683,211	**210,565**	223,379
Disposal of subsidiaries (Note 12)	**–**	(929)	**–**	–
Income tax paid	**(664,012)**	(492,135)	**–**	(6,651)
Income tax expense/(credit)	**767,137**	287,901	**11,433**	(6,163)
Transfer from deferred income tax liabilities (Note 33)	**181,754**	–	**181,754**	–
As at 31 December	**762,927**	478,048	**403,752**	210,565

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	The Group	
	2015	**2014**
Net profit attributable to equity holders of the Company (RMB'000)	**2,459,600**	3,482,922
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**3,831,838**	3,831,838
Basic earnings per share (RMB cents)	**64.19**	90.89

Diluted earnings per share is equivalent to the basic earnings per share as the warrants issued (Note 35) are anti-dilutive.

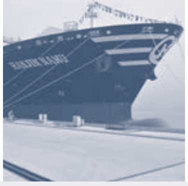
12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and on hand	**5,992,935**	2,652,565	**776,537**	422,096

Disposal of subsidiaries

On 1 July 2015, the Group disposed of its entire interest in Jiangsu Hengyuan Real Estate Development Co., Ltd., Jiangyin Yangzijiang Real Estate Co., Ltd. and Jiangsu Qianyuan Construction Investment Co., Ltd. for a total cash consideration of RMB1,000,000,000, of which RMB300,000,000 has yet to be received as at 31 December 2015.

The Group also disposed of its entire interest in Jiangsu Zhuoran Yangzijiang Energy Equipment Co., Ltd. on 22 September 2015 for a cash consideration of RMB12,000,000.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

12. CASH AND CASH EQUIVALENTS (CONTINUED)

Disposal of subsidiaries (Continued)

The aggregated effects of the disposal on the cash flows of the Group were:

	The Group 2015 RMB'000
Carrying amounts of assets and liabilities disposed of	
Cash and cash equivalents	9,495
Trade and other receivables	745,531
Property, plant and equipment (Note 28)	2,537
Development properties	1,720,137
Inventory	17,784
Financial assets, available-for-sale (Note 14)	352,839
Deferred income tax assets (Note 33)	49,453
Total assets	2,897,776
Trade and other payables	(1,453,621)
Borrowings	(284,000)
Deferred income tax liabilities (Note 33)	(60,994)
Total liabilities	(1,798,615)
Net assets derecognised	1,099,161
Less: Non-controlling interests	(23,395)
Net assets disposed of	1,075,766

The aggregate cash inflows arising from the disposal of those entities disclosed as above were:

	The Group 2015 RMB'000
Net assets disposed of (as above)	1,075,766
Loss on disposal (Note 6)	(63,766)
Cash proceeds from disposal	1,012,000
Less: Cash and cash equivalents in subsidiaries disposed of	(9,495)
Less: Outstanding consideration included in other receivable as at 31 December 2015	(300,000)
Net cash inflow on disposal	702,505

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. RESTRICTED CASH

The restricted cash was held in designated bank accounts as deposits for performance guarantees, letters of credits and borrowings.

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Restricted cash	**1,028,550**	3,325,850

14. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Beginning of financial year	**788,437**	130,300
Acquisition of subsidiaries	**–**	119,853
Additions	**2,455,988**	379,744
Fair value gains recognised in other comprehensive income (Note 35(e))	**96,910**	173,540
Disposal of subsidiaries (Note 12)	**(352,839)**	–
Disposals	**(2,713,241)**	(15,000)
End of financial year	**275,255**	788,437

Available-for-sale financial assets are analysed as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Listed		
– Equity securities – PRC	**74,720**	673,137
Unlisted		
– Equity securities – PRC	**200,535**	115,300
	275,255	788,437

Financial assets, available-for-sale comprise of listed and unlisted equity securities. The listed equity securities are stated at their fair values (using quoted market prices), while the unlisted equity securities are stated at cost.

Fair value information has not been disclosed for the Group's investment in equity securities that are carried at cost because fair value cannot be measured reliably. The amount is largely made up of investments in venture capital funds which are not quoted on any market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. FINANCIAL ASSETS, HELD-TO-MATURITY

	The Group	
	2015	2014
	RMB'000	RMB'000
Current		
Unlisted investment funds	**5,764,086**	5,818,230
Less: Allowance for impairment loss (Note 38(b)(vi))	**(819,744)**	(539,298)
	4,944,342	5,278,932
Non-current		
Unlisted investment funds	**5,169,400**	5,922,740
Less: Allowance for impairment loss (Note 38(b)(vi))	**(141,336)**	(410,472)
	5,028,064	5,512,268

Unlisted investment funds represent fixed-interest investments through financial institutions.

The table below analyses the maturity profile of the Group's gross investments in held-to-maturity financial assets into relevant maturity groupings based on the remaining maturity period from the balance sheet date.

	The Group	
	2015	2014
	RMB'000	RMB'000
Within one year	**5,764,086**	5,818,230
Between one year to two years	**3,992,900**	3,636,300
Over two years	**1,176,500**	2,286,440
	10,933,486	11,740,970

The fair value of the unlisted investment funds based on the discounted cash flows using market interest rate of 4.75% (2014: 6%) per annum for an equivalent investment at the balance sheet date are as follows:

	The Group	
	2015	2014
	RMB'000	RMB'000
Unlisted investment funds	**11,457,215**	12,321,697

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. TRADE AND OTHER RECEIVABLES – CURRENT

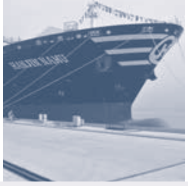
	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables (Note 22)	**36,635**	5,645	**–**	–
Trade receivables				
– Loans to non-related parties				
– microfinance (Note (a))	**585,633**	967,098	**–**	–
– Customers	**2,289,166**	1,163,128	**–**	–
	2,874,799	2,130,226	**–**	–
Less: Allowance for impairment of loans to non-related parties – microfinance	**(86,866)**	(152,243)	**–**	–
Trade receivables – net	**2,787,933**	1,977,983	**–**	–
Other receivables				
– Subsidiaries	**–**	–	**6,422,318**	8,119,060
– Associated corporations	**–**	210,000	**–**	–
– Non-related parties (Note (b))	**640,280**	865,012	**–**	–
	640,280	1,075,012	**6,422,318**	8,119,060
Other assets				
– Value added tax recoverable	**680,651**	515,056	**–**	–
– Deposits	**5,511**	134	**136**	134
Prepayments (Note (c))	**2,045,524**	3,147,334	**–**	–
	6,196,534	6,721,164	**6,422,454**	8,119,194

(a) Loans to non-related parties related to microfinance activities are lending to small and medium sized entities by a Group's subsidiary.

(b) Included in these receivables is loan to non-related party of RMB131,000,000 (2014: RMB238,000,000) which is interest bearing, guaranteed by third parties and repayable within one year from the balance sheet date.

(c) Prepayments mainly represent advances paid to suppliers for the purchase of raw materials, such as steel, imported equipment to be installed in the vessels, and other materials for the Group's shipbuilding activities.

The non-trade amounts due from subsidiaries are unsecured, interest-free and expected to be received within one year after balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. INVENTORIES

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Raw materials	**619,699**	861,741
Work-in-progress	**872,003**	996,878
Trading goods	**121,173**	156,479
	1,612,875	2,015,098

Raw materials consist mainly of metal steel products and equipment which are used in the Group's shipbuilding activities. Work-in-progress consists of vessels under construction that are under conditional contracts or without a contract. The cost of inventories recognised as expense and included in "cost of sales" amounts to RMB9,064,946,000 (2014: RMB8,646,925,000). As at 31 December 2015, RMB26,089,000 (2014: RMB133,426,000) was provided on trading goods to bring the value to its net realisable value. During the financial year ended 31 December 2015, there was a write-down of RMB19,230,000 (2014: Nil) provided on work-in-progress which was related to one cancelled shipbuilding contract.

18. LAND HELD FOR DEVELOPMENT

Land held for development represents payments made to government authorities for land use rights for property development in which construction has not yet commenced.

19. DEVELOPMENT PROPERTIES

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Completed properties	–	290,904
Development properties in progress	**1,782,336**	2,474,571
	1,782,336	2,765,475

Details of development properties in progress are as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Land cost	**746,920**	1,600,330
Development costs	**883,322**	539,143
Property tax, interests and overhead	**152,094**	335,098
	1,782,336	2,474,571

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. DEVELOPMENT PROPERTIES (CONTINUED)

(a) Borrowing costs of RMB3,132,000 (2014: RMB15,179,000) arising on financing specifically entered into for the development of properties were capitalised during the financial year.

(b) Details of the Group's development properties in progress are as follows:

Property	Tenure of land	Expected completion date	Type of development	Site area/gross floor area (sqm)	Effective interest in property
Yangzi Hua Du	70-year leasehold	2nd quarter 2016	Residential	121,823/492,436	50%

These development properties are located in Jiangsu Province, PRC.

(c) During the financial year ended 31 December 2015, RMB197,808,000 (2014: Nil) was provided on development properties for Jiangsu Hengyuan Real Estate Development Co., Ltd. ("Jiangsu Hengyuan") to bring the value to its net realisable value. Subsequently, Jiangsu Hengyuan was disposed by the Group during the year (Note 12).

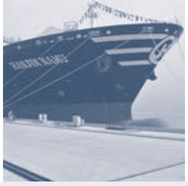
20. DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	The Group	
	2015 RMB'000	**2014 RMB'000**
Aggregate costs incurred and profits recognised (less losses recognised) to date	**11,039,166**	11,313,177
Less: Progress billings	**(8,882,784)**	(11,619,555)
	2,156,382	(306,378)
Presented as:		
Due from customers on construction contracts	**3,858,445**	2,099,919
Due to customers on construction contracts	**(1,702,063)**	(2,406,297)
	2,156,382	(306,378)
Advances received on construction contracts	**(567,550)**	(703,369)

21. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	The Group		The Company	
	2015 RMB'000	**2014 RMB'000**	**2015 RMB'000**	**2014 RMB'000**
Finance lease receivables (Note 22)	**1,041,350**	808,182	**–**	–
Trade receivables				
– Loans to non-related parties				
– microfinance	**97,354**	359,653	**–**	–
Other receivables				
– Loans to subsidiaries (Note (a))	**–**	–	**2,017,416**	1,209,360
	1,138,704	1,167,835	**2,017,416**	1,209,360

(a) Loans to subsidiaries are unsecured, interest-free with no fixed terms of repayment, and are not expected to be repaid within the next 12 months from the balance sheet date. These loans are considered as quasi-equity in nature.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. TRADE AND OTHER RECEIVABLES – NON-CURRENT (CONTINUED)

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values and the market borrowing rates used are as follows:

	The Group		Borrowings rates	
	2015	2014	2015	2014
	RMB'000	RMB'000	%	%
Finance lease receivables	**1,064,071**	813,827	**4.75**	6.19
Trade receivables				
– Loans to non-related parties – microfinance	**107,589**	400,235	**4.75**	6.00

The fair values are within Level 2 of the fair value hierarchy.

22. FINANCE LEASE RECEIVABLES

The Group leases vessels to non-related parties under finance leases. The various agreements expire between 2018 and 2023, and the non-related parties have the obligation to purchase the vessel upon the expiry date.

	The Group	
	2015	2014
	RMB'000	RMB'000
Gross receivables due		
– Not later than one year	**106,573**	48,952
– Later than one year but not later than five years	**1,021,703**	1,339,072
– Later than five years	**645,108**	–
	1,773,384	1,388,024
Less: Unearned finance income	**(371,584)**	(193,710)
Less: Impairment loss (Note 38(b)(v))	**(323,815)**	(380,487)
Net investment in finance leases	**1,077,985**	813,827

The net investment in finance leases is analysed as follows:

	The Group	
	2015	2014
	RMB'000	RMB'000
Not later than one year (Note 16)	**36,635**	5,645
Later than one year but not later than five years (Note 21)	**786,146**	1,188,669
Later than five years (Note 21)	**579,019**	–
	1,401,800	1,194,314
Less: Impairment loss on non-current finance lease receivables (Note 38(b)(v))	**(323,815)**	(380,487)
	1,077,985	813,827

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount	Fair value – Assets		Fair value – Liabilities	
		Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
2015					
Non-hedging instruments					
– Currency forwards	5,909,176	60,603	–	(52,207)	–
– Currency options	7,376,730	–	–	(26,090)	(382,495)
Total	**13,285,906**	**60,603**	**–**	**(78,297)**	**(382,495)**
2014					
Non-hedging instruments					
– Currency forwards	579,691	2,620	–	(23,350)	–
– Currency options	5,387,216	–	–	(15,850)	(50,784)
Total	5,966,907	2,620	–	(39,200)	(50,784)
Company					
2015					
Non-hedging instruments					
– Currency forwards	3,187,056	35,749	–	(50,722)	–
– Currency options	7,376,730	–	–	(26,090)	(382,495)
Total	**10,563,786**	**35,749**	**–**	**(76,812)**	**(382,495)**
2014					
Non-hedging instruments					
– Currency forwards	453,655	2,302	–	(23,247)	–
– Currency options	5,387,216	–	–	(15,850)	(50,784)
Total	5,840,871	2,302	–	(39,097)	(50,784)

The contract notional amount included above is on a gross basis. The contracts are entered into mainly to manage the foreign currency risk arising from shipbuilding contracts, purchase contracts and borrowings entered by the Group.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

24. LEASE PREPAYMENTS

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Land use rights		
Cost		
As at 1 January	**1,227,837**	1,165,630
Additions	**–**	62,207
As at 31 December	**1,227,837**	1,227,837
Accumulated amortisation		
As at 1 January	**(95,150)**	(75,095)
Amortisation charge (Note 7)	**(21,319)**	(20,055)
As at 31 December	**(116,469)**	(95,150)
Net book value at 31 December	**1,111,368**	1,132,687

The Group's interest in land use rights in the PRC is held on leases for 50 years.

25. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015	**2014**
	RMB'000	**RMB'000**
Equity investments at cost		
As at 1 January	**5,358,707**	5,445,655
Additions	**305,000**	3,052
Disposals	**–**	(90,000)
Transfer arising from group restructuring:		
– Disposals	**(25,000)**	–
As at 31 December	**5,638,707**	5,358,707

Details of subsidiaries are included in Note 43.

The directors are of the opinion that the non-controlling interests for each subsidiary are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for subsidiaries with non-controlling interests is disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

25. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restrictions

Cash and restricted cash of RMB2,688,574,000 (2014: RMB1,879,049,000) are held in PRC and are subject to local exchange control regulations. The conversion of these RMB denominated balances into foreign currencies is subject to the foreign exchange rules and regulations promulgated by the PRC government.

Acquisition of additional interest in subsidiaries

The Group made the following transactions with non-controlling interests for the financial years ended 31 December 2015 and 2014:

For the financial year ended 31 December 2015

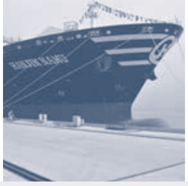
On 15 April 2015, the Group acquired 24% of the issued shares of Jiangsu New Yangzi Gas Co., Ltd for a purchase consideration of RMB12,745,000. The Group now holds 75% of the equity share capital of Jiangsu New Yangzi Gas Co., Ltd. The carrying amount of the non-controlling interests in Jiangsu New Yangzi Gas Co., Ltd on the date of acquisition was RMB22,050,000. The Group derecognised non-controlling interests of RMB10,800,000 and recorded a decrease in equity attributable to the equity holders of the Company of RMB1,945,000.

For the financial year ended 31 December 2014

On 18 February 2014, the Group acquired the remaining 45.53% of the issued shares of Jiangsu Runzhou Heavy Industry Co., Ltd for a purchase consideration of USD5,464,000 equivalent of RMB42,028,000. The Group now holds 100% of the equity share capital of Jiangsu Runzhou Heavy Industry Co., Ltd. The carrying amount of the non-controlling interests in Jiangsu Runzhou Heavy Industry Co., Ltd on the date of acquisition was RMB42,641,000. The Group derecognised non-controlling interests of RMB42,641,000 and recorded a decrease in equity attributable to the equity holders of the Company of RMB613,000.

The effect of changes in the ownership interest of Jiangsu New Yangzi Gas Co., Ltd and Jiangsu Runzhou Heavy Industry Co., Ltd on the equity attributable to equity holders of the Company during the years ended 31 December 2015 and 2014 is summarised as follows:

	2015 **RMB'000**	**2014** **RMB'000**
Carrying amount of non-controlling interests acquired	**10,800**	42,641
Consideration paid to non-controlling interests	**(12,745)**	(42,028)
(Deficits)/excess of consideration paid recognised in parent's equity	**(1,945)**	613



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. INVESTMENT IN A JOINT VENTURE

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investment at cost:				
As at 1 January and 31 December			**349,249**	349,249
As at 1 January	**345,483**	347,236		
Dividends received	**(28,711)**	(30,770)		
Share of profits	**28,749**	29,017		
Share of other comprehensive income				
– Fair value loss on available-for-sale financial assets, net of tax	**(28,704)**	–		
– Currency translation differences	**19,696**	–		
As at 31 December	**336,513**	345,483		

Set out below is the details of the joint venture of the Group as at 31 December 2015, which, in the opinion of the directors, is immaterial to the Group. The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group.

Name of company	Principal activity	Place of business/ country of incorporation	Effective equity holding 2015	2014
			%	**%**
PPL Holding Pte Ltd	Investment holding	Singapore	**45**	45

PPL Holding Pte Ltd is an investment holding company, which directly and indirectly holds 15% interests in PPL Shipyard Pte Ltd. PPL Shipyard Pte Ltd is engaged in the business of construction of offshore rigs, incorporated in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investments at cost				
As at 1 January			**134,062**	94,113
Additions			**–**	39,949
As at 31 December			**134,062**	134,062
As at 1 January	**463,468**	257,472		
Acquisition	**327,050**	137,382		
Capital injection	**–**	2,610		
Additions	**226,463**	202,744		
Adjustment of interest in a subsidiary held through an associated company (Note (a))	**–**	(7,580)		
Return of capital (Note (b))	**(81,587)**	(48,943)		
Disposals	**(25,262)**	(59,016)		
Share of profit/(loss)	**168,995**	(21,201)		
Share of other comprehensive income – currency translation reserve	**7,511**	–		
As at 31 December	**1,086,638**	463,468		

(a) Investments in associated companies have been adjusted in 2014 as a result of the Group's interest in a subsidiary which is indirectly held through an associated company.

(b) In 2015, three associated companies (2014: two associated companies) of the Group distributed their capital to all the shareholders based on the respective shareholding. This did not result in a change of significant influence over these associated companies.

The directors are of the opinion that the associated companies are immaterial to the Group individually and in aggregate. Accordingly, no summarised financial information for associated companies is disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The list of significant associated companies is as follows:

Name of companies	Principal activities	Place of business/ country of incorporation	Effective equity holding	
			2015	**2014**
			%	**%**
Everbright Venture Capital Jiangyin Co., Ltd. ("EVCJCO")[1]	Engaging in the venture capital investment providing seed capital	PRC	**21.36**	19.5
Jiangsu New Material Industrial Venture Capital Enterprise ("JNMIIV")[1]	Engaging in venture capital investment and providing seed capital	PRC	**30**	30
Shanghai Chengding Yangzi Investment Partnership Enterprise ("Limited Partnership") ("SCYI")[1]	Engaging in venture capital investment and providing seed capital	PRC	**29.15**	29.15
Shanghai Chengding New Yangzi Investment Partnership Enterprise ("Limited Partnership") ("SCNYI")[1]	Providing project investment and asset management services	PRC	**29.85**	–

(1) These associated companies are audited by other accounting firms for local statutory purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
Group							
2015							
Cost							
As at 1 January	3,868,305	2,070,408	174,883	112,281	1,124,330	325,302	7,675,509
Additions (Note (a))	3,370	76,799	10,024	10,313	716,828	120,575	937,909
Transfers	9,474	52,623	219	747	–	(63,063)	–
Disposals	–	(3,170)	–	(406)	–	(4,396)	(7,972)
Disposals of subsidiaries (Note 12)	–	(369)	(634)	(2,318)	–	(229)	(3,550)
Currency translation difference	–	–	–	–	89,005	–	89,005
As at 31 December	3,881,149	2,196,291	184,492	120,617	1,930,163	378,189	8,690,901
Accumulated depreciation and impairment losses							
As at 1 January	(623,175)	(760,590)	(83,150)	(48,878)	(43,199)	–	(1,558,992)
Depreciation charge	(186,481)	(166,518)	(19,350)	(17,764)	(127,656)	–	(517,769)
Disposals	–	2,689	–	363	–	–	3,052
Disposals of subsidiaries (Note 12)	–	43	151	819	–	–	1,013
Currency translation difference	–	–	–	–	(6,295)	–	(6,295)
Impairment charge (Note 6)	–	–	–	–	(209,943)	–	(209,943)
As at 31 December	(809,656)	(924,376)	(102,349)	(65,460)	(387,093)	–	(2,288,934)
Net book value							
As at 31 December 2015	**3,071,493**	**1,271,915**	**82,143**	**55,157**	**1,543,070**	**378,189**	**6,401,967**
Group							
2014							
Cost							
As at 1 January	3,667,935	1,846,001	166,380	75,660	819,400	378,783	6,954,159
Acquisition of subsidiaries	–	–	584	1,312	–	–	1,896
Disposals of subsidiaries	–	(718)	–	–	–	–	(718)
Additions	26,592	97,406	9,489	21,393	301,362	272,933	729,175
Transfers	181,906	129,247	490	14,591	–	(326,234)	–
Disposals	(8,128)	(1,528)	(2,060)	(675)	–	(180)	(12,571)
Currency translation difference	–	–	–	–	3,568	–	3,568
As at 31 December	3,868,305	2,070,408	174,883	112,281	1,124,330	325,302	7,675,509
Accumulated depreciation and impairment losses							
As at 1 January	(461,651)	(588,322)	(67,311)	(36,442)	(7,392)	–	(1,161,118)
Depreciation charge	(169,284)	(174,514)	(17,590)	(13,060)	(35,586)	–	(410,034)
Disposals	7,760	2,246	1,751	624	–	–	12,381
Currency translation difference	–	–	–	–	(221)	–	(221)
As at 31 December	(623,175)	(760,590)	(83,150)	(48,878)	(43,199)	–	(1,558,992)
Net book value							
As at 31 December 2014	**3,245,130**	**1,309,818**	**91,733**	**63,403**	**1,081,131**	**325,302**	**6,116,517**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) In 2015, three vessels under finance lease were acquired by the Group due to default in payments by the charterers. Accordingly, the respective charter agreements were also cancelled. The total carrying amount for the three vessels was RMB709,758,000 which is included in "Additions" within the vessels category.

(b) An impairment charge on vessels of RMB209,943,000 (2014: Nil) is included within "other gains" in profit or loss (Note 6). The impairment charge arose from vessels owned by the shipping subsidiaries of the Group due to the challenges faced by the marine sector and the continued depressed chartering rates.

The carrying amount of vessels was reduced to the recoverable amount, which is based on their value-in-use. Cash flow projections used in these calculations are based on financial forecasts approved by management covering a period from 19 to 24 years, which is based on the remaining useful life of the vessels.

Management determined the forecasted cash flows based on past performance and its expectations of market development. Cash inflows are based on management's estimate of the average charter rates. In determining the average charter rates, management considers the historical average charter rates of the shipping industry over the past 5 years. Cash outflows are projected using an estimated growth rate of 2.4% (2014: Nil) per annum for expenses. A period of more than 5 years of cash flow projections is prepared as management is able to reasonably estimate the cash flows over the periods using observable market trends.

A Weighted Average Cost of Capital ("WACC") of 6.10% (2014: Nil) was used to discount the cash flows.

If the WACC increases to 7.10% (2014: Nil) with all other variables being held constant, the Group would have recognised a further impairment of RMB120,748,000 (2014: Nil).

If the dairy charter hire rates had been 5% (2014: Nil) lower than the management's estimates with all other variables being held constant, the Group would have recognised a further impairment of RMB129,039,000 (2014: Nil).

If the estimated annual growth rate of cash outflows increased to 3.4% (2014: Nil) with all other variables being held constant, the Group would have recognised a further impairment of RMB81,383,000 (2014: Nil).

(c) Bank borrowings are secured on vessels of the Group with carrying amounts of RMB938,635,000 (2014: RMB1,081,131,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RMB'000	Total RMB'000
Company		
2015		
Cost		
As at 1 January and 31 December	412	412
Accumulated depreciation		
As at 1 January	(333)	(333)
Depreciation charge	(27)	(27)
As at 31 December	(360)	(360)
Net book value		
As at 31 December 2015	**52**	**52**
2014		
Cost		
As at 1 January	167	167
Additions	245	245
As at 31 December	412	412
Accumulated depreciation		
As at 1 January	(130)	(130)
Depreciation charge	(203)	(203)
As at 31 December	(333)	(333)
Net book value		
As at 31 December 2014	79	79

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. INTANGIBLE ASSETS

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Acquired computer software licenses		
Cost		
Beginning of financial year	**2,920**	990
Additions	**154**	2,430
Disposal	**–**	(500)
End of financial year	**3,074**	2,920
Accumulated amortisation		
Beginning of financial year	**(518)**	(895)
Amortisation charge	**(296)**	(123)
Disposal	**–**	500
End of financial year	**(814)**	(518)
Net book value as at 31 December	**2,260**	2,402

The amortisation expenses are classified as administrative expenses in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current				
Trade payables				
– Suppliers	**2,619,545**	2,409,155	**–**	–
– Notes payables (Note (a))	**15,036**	158,342	**–**	–
Other payables				
– Subsidiaries (Note (b))	**–**	–	**3,996,234**	1,642,769
– Non-related parties	**1,218,752**	1,283,644	**–**	–
Deferred compensation income (Note (c))	**157,482**	715,209	**–**	–
Advances from customers (Note (d))	**340,088**	607,924	**–**	–
Other operating accruals	**691,104**	548,434	**6,653**	49,151
	5,042,007	5,722,708	**4,002,887**	1,691,920
Non-current				
Other payables				
– Non-related parties (Note (e))	**493,866**	506,983	**–**	–
Total trade and other payables	**493,866**	506,983	**–**	–

(a) Notes payables are bills of exchange with average maturity dates of less than 6 months.

(b) The non-trade amounts due to subsidiaries are unsecured, interest-free and payable on demand.

(c) Deferred compensation income relates to the government grant received for the relocation of shipbuilding premises at JYS. As at 31 December 2015, a portion of the government grant amounting to RMB557,727,000 has been recognised as "other gains" in profit or loss (Note 6) as the performance conditions attached to this portion of the grant have been met.

(d) Advances from customers relate mainly to advances received from customers for the sales of development properties which have not been completed and upfront charter hire received from customers who have entered into bareboat charter contracts with the Group.

(e) Other payables to non-related parties relate mainly to the loans granted by the previous owners of the five Hong Kong vessel owning companies to these subsidiaries prior to the acquisition by the Group. The Group then leases the vessels owned by these five companies to the previous owners under finance lease after the acquisition. These loans are interest free, unsecured, and repayable upon the expiry of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. TRADE AND OTHER PAYABLES (CONTINUED)

The fair value of non-current other payables to non-related parties is RMB391,597,000 (2014: RMB378,847,000) which is determined from the cash flow analysis discounted at market borrowing rate of an equivalent instrument which the directors expect to be available to the Group at the balance sheet date. The discount rate used is 4.75% (2014: 6%). The fair value is within Level 2 of the fair value hierarchy.

31. BORROWINGS

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank borrowings (secured) (Note (a))	**371,639**	3,353,953	**194,808**	3,079,608
Bank borrowings (unsecured)	**1,788,754**	2,044,111	**–**	–
Non-related parties	**48,172**	16,124	**–**	–
	2,208,565	5,414,188	**194,808**	3,079,608
Non-current				
Bank borrowings (secured) (Note (a))	**3,773,087**	1,126,367	**2,597,440**	1,223,800
Bank borrowings (unsecured)	**2,283,144**	1,509,800	**–**	–
Non-related parties	**17,625**	–	**–**	–
	6,073,856	2,636,167	**2,597,440**	1,223,800
	8,282,421	8,050,355	**2,792,248**	4,303,408

(a) These bank borrowings are secured by restricted cash, standby letters of credit, legal mortgages over the vessels (Note 28) and shares of the Company held by its ultimate shareholder.

The weighted average effective interest rates of borrowings at the respective balance sheet dates were as follows:

	The Group		The Company	
	2015	2014	2015	2014
Borrowings				
Current				
– USD	**2.15%**	2.94%	**2.14%**	2.65%
– SGD	**–**	2.40%	**–**	2.40%
– RMB	**3.52%**	4.65%	**–**	–
– EUR	**0.96%**	3.26%	**–**	–
– HKD	**2.57%**	–	**–**	–
Non-current				
– USD	**2.68%**	2.79%	**2.74%**	2.55%
– RMB	**5.19%**	5.21%	**–**	–
– HKD	**–**	4.13%	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31. BORROWINGS (CONTINUED)

The exposure of the Group and the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Floating rate:				
– Six months or less	**8,264,796**	7,171,783	**2,792,248**	4,303,408
– Six months to one year	**–**	15,000	**–**	–
	8,264,796	7,186,783	**2,792,248**	4,303,408
Fixed rate:				
– One to three years	**17,625**	863,572	**–**	–
	8,282,421	8,050,355	**2,792,248**	4,303,408

Fair value of non-current borrowings

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings				
– USD	**5,602,850**	1,450,120	**2,580,821**	1,223,559
– RMB	**392,447**	1,032,512	**–**	–
– HKD	**–**	97,636	**–**	–

The fair value is determined from the cash flow analysis discounted at market borrowing rate of an equivalent instrument which the directors expect to be available to the Group at the balance sheet date. The discount rates are as follows:

	The Group		The Company	
	2015	2014	2015	2014
Borrowings				
– USD	**2.68%**	2.79%	**2.74%**	2.55%
– RMB	**4.75%**	6.00%	**–**	–
– HKD	**–**	4.13%	**–**	–

The fair values are within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. PROVISIONS

	The Group	
	2015	2014
	RMB'000	RMB'000
Warranty	**577,862**	600,332

The Group provides warranties on completed and delivered vessels and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs.

Movement in provision for warranty is as follows:

	The Group	
	2015	2014
	RMB'000	RMB'000
As at 1 January	**600,332**	670,215
Write back of provision (Note 7)	**(200,016)**	(259,248)
Provision made (Note 7)	**190,435**	209,443
Provision utilised	**(12,889)**	(20,078)
As at 31 December	**577,862**	600,332

33. DEFERRED INCOME TAX

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
– to be recovered within one year	**(70,980)**	(81,782)	**–**	–
– to be recovered after one year	**(262,794)**	(193,084)	**–**	–
	(333,774)	(274,866)	**–**	–
Deferred income tax liabilities				
– to be settled after one year	**997,593**	1,143,895	**343,418**	525,172

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. DEFERRED INCOME TAX (CONTINUED)

Movements in deferred income tax accounts during the year are as follows:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	**869,029**	626,102	**525,172**	525,172
Acquisition of subsidiaries	**–**	(22,527)	**–**	–
Disposal of subsidiaries (Note 12)	**(11,541)**	45,162	**–**	–
(Credited)/charged to profit or loss (Note 10(a))	**(36,528)**	183,911	**–**	–
Transfer to current income tax liabilities (Note 10(b))	**(181,754)**	–	**(181,754)**	
Charged to other comprehensive income (Note 35(e))	**24,613**	36,381	**–**	–
As at 31 December	**663,819**	869,029	**343,418**	525,172

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of RMB1,049,702,000 (2014: RMB752,358,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation. The tax losses of RMB27,186,000, RMB131,076,000, RMB247,645,000 and RMB321,221,000 will expire in 2016, 2017, 2018 and 2019 respectively. Tax losses of RMB322,574,000 (2014: RMB322,574,000) arising from Singapore and Hong Kong incorporated entities have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. DEFERRED INCOME TAX (CONTINUED)

Group

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax assets

	Impairment losses RMB'000	Fair value losses – net RMB'000	Warranty provision RMB'000	Others RMB'000	Total RMB'000
2015					
As at 1 January	(180,626)	(12,459)	(81,781)	–	(274,866)
Disposal of subsidiaries (Note 12)	49,453	–	–	–	49,453
Charged/(credited) to profit or loss	(134,506)	12,459	13,686	–	(108,361)
As at 31 December	**(265,679)**	**–**	**(68,095)**	**–**	**(333,774)**
2014					
As at 1 January	(104,720)	(15,944)	(161,381)	–	(282,045)
Acquisition of subsidiary	–	–	–	(45,162)	(45,162)
Charged/(credited) to profit or loss	(75,906)	3,485	79,600	–	7,179
Disposal of subsidiary	–	–	–	45,162	45,162
As at 31 December	(180,626)	(12,459)	(81,781)	–	(274,866)

Deferred income tax liabilities

	Fair value gains – net RMB'000	Undistributed profits of subsidiaries RMB'000	Others RMB'000	Total RMB'000
2015				
As at 1 January	36,381	956,911	150,603	1,143,895
Disposal of subsidiaries (Note 12)	(60,994)	–	–	(60,994)
Charged/(credited) to profit or loss	–	207,665	(135,832)	71,833
Charged to other comprehensive income (Note 35(e))	24,613	–	–	24,613
Transferred to current income tax liabilities (Note 10)	–	(181,754)	–	(181,754)
As at 31 December	**–**	**982,822**	**14,771**	**997,593**
2014				
As at 1 January	–	754,039	154,108	908,147
Acquisition of subsidiaries	–	–	22,635	22,635
Charged/(credited) to profit or loss	–	202,872	(26,140)	176,732
Charged to other comprehensive income (Note 35(e))	36,381	–	–	36,381
As at 31 December	36,381	956,911	150,603	1,143,895

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. DEFERRED INCOME TAX (CONTINUED)

Company

Deferred income tax liabilities

	Undistributed profits of subsidiaries RMB'000
2015	
As at 1 January	525,172
Transferred to current income tax liabilities	(181,754)
As at 31 December	**343,318**
2014	
As at 1 January and 31 December	525,172

34. SHARE CAPITAL

	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital RMB'000	Treasury shares RMB'000
Group				
2015 and 2014				
As at 1 January and 31 December	3,837,077	(5,239)	6,263,016	(20,979)
Company				
2015 and 2014				
As at 1 January and 31 December	3,837,077	(5,239)	6,227,799	(20,979)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. OTHER RESERVES

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Composition:				
Statutory reserves (Note (a))	**3,068,083**	2,690,035	**–**	–
Capital reserve (Note (b))	**(2,930,480)**	(2,928,535)	**(40,192)**	(40,192)
Currency translation reserve (Note (c))	**(4,117)**	3,747	**–**	–
Warrant reserve (Note (d))	**91,080**	91,080	**91,080**	91,080
Fair value reserve (Note (e))	**(28,704)**	137,159	**–**	–
	195,862	(6,514)	**50,888**	50,888

(a) Statutory reserves

In accordance with the relevant rules and regulations, the Group's subsidiaries in the PRC are required to appropriate certain percentage of their profits to various reserve funds.

All subsidiaries which are considered as Wholly Owned Foreign Enterprise may discontinue the contribution to the reserve fund when the aggregate sum of the reserve fund is more than 50% of the registered capital in accordance with the "Law of the PRC on Enterprise Operated Exclusively with Foreign Capital".

(b) Capital reserve

Capital reserve represents capital investments and distributions relating to equity transactions with non-controlling shareholders.

(c) Currency translation reserve

Currency translation reserve represents the currency translation differences resulting from the translation of the Group entities' financial statements that have a functional currency different from the Group's presentation currency.

(d) Warrant reserve

On 16 January 2013, the Group issued 330,000,000 warrants at a price of RMB0.3072 (SGD0.0605) each. Each warrant carries the right to subscribe for one new share in the capital of the Group at the strike price of RMB7.617 per share. Subsequent to the payment of the dividends in the financial years ended 31 December 2015, 2014 and 2013, the warrant strike price has been adjusted to RMB6.602 per share. The warrants will expire on 29 April 2016. The net proceeds from the issue of these warrants amounting to RMB91,080,000 (SGD18,150,000) have been credited to the warrant reserve. Upon the exercise of the warrants, these amounts will be recognised as share capital. As at 31 December 2015, no warrant has been exercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. OTHER RESERVES (CONTINUED)

(e) Fair value reserve

	The Group	
	2015 RMB'000	2014 RMB'000
Fair value reserve		
Beginning of financial year	**137,159**	–
Available-for-sale financial assets		
– Fair value gains (Note 14)	**96,910**	173,540
– Tax on fair value changes (Note 33)	**(51,553)**	(36,381)
	45,357	137,159
Share of joint venture's fair value losses on available-for-sale financial assets, net of tax	**(28,704)**	–
Disposal of subsidiaries		
– Fair value changes	**(243,976)**	–
– Tax on fair value changes (Note 12)	**60,994**	–
	(182,982)	–
Reclassification to profit or loss (Note 6)	**(26,474)**	–
Tax on reclassification (Note 33)	**26,940**	–
	466	–
End of financial year	**(28,704)**	137,159

Fair value reserve represents fair value gains resulting from the Group's available-for-sale financial assets that are recorded in other comprehensive income. The fair value gains will be reclassified to profit and loss upon disposal of the available-for sale financial assets.

36. DIVIDENDS

	The Group	
	2015 RMB'000	2014 RMB'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of SGD5.5 cents (2014: SGD5 cents) per share	**957,933**	953,055

A final exempt (one-tier) dividend of SGD4.5 cents per share amounting to approximately SGD172,433,000 (equivalent of RMB791,036,000) has been recommended for the shareholders' approval at the Annual General Meeting on 28 April 2016. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

37. COMMITMENTS

Capital commitments

Capital expenditure contracted for at balance sheet date but not recognised in the financial statements are as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Property, plant and equipment	**162,561**	249,635

38. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards, currency options and foreign currency borrowings to manage certain financial risk exposures.

The management is responsible for setting the objectives and underlying principles of financial risk management for the Group, including establishing operating guidelines governing the activities of the Group, such as risk identification and measurement, risk management, oversight responsibilities, authority levels and exposure limits.

(a) Market risk

(i) Currency risk

The Group has shipbuilding contracts with customers around the world and is exposed to currency risk mainly arising from USD and EUR. The Group is also exposed to SGD borrowings. The Group aims to mitigate the currency risk by entering into currency forwards, in accordance with the Group's financial risk management policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

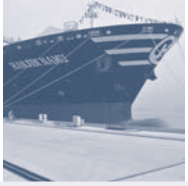
Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk *(Continued)*

The Group's currency exposure based on the information provided to key management is as follows:

	RMB	USD	EUR	SGD	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
At 31 December 2015						
Financial assets						
Trade and other receivables	4,685,501	604,077	–	136	–	5,289,714
Due from customers on construction contracts	9,780	3,848,665	–	–	–	3,858,445
Financial assets, available-for-sale	275,255	–	–	–	–	275,255
Financial assets, held-to-maturity	9,972,406	–	–	–	–	9,972,406
Restricted cash	1,028,494	56	–	–	–	1,028,550
Cash and cash equivalents	3,358,137	2,599,894	20,343	7,332	7,229	5,992,935
	19,329,573	7,052,692	20,343	7,468	7,229	26,417,305
Financial liabilities						
Borrowings	(2,148,172)	(6,029,886)	(382)	–	(103,981)	(8,282,421)
Trade and other payables	(3,859,801)	(1,177,133)	(1,119)	(250)	–	(5,038,303)
	(6,007,973)	(7,207,019)	(1,501)	(250)	(103,981)	(13,320,724)
Net financial assets/(liabilities)	13,321,600	(154,327)	18,842	7,218	(96,752)	**13,096,581**
Less: Net financial assets denominated in the respective entities' functional currency	(13,321,600)	(745,166)	–	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	11,324,117	–	–	–	
Less: Currency forwards (Note 23)	–	(5,909,176)	–	–	–	
Currency exposure	**–**	**4,515,448**	**18,842**	**7,218**	**(96,752)**	



NOTES TO
THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk *(Continued)*

The Group's currency exposure based on the information provided to key management is as follows (Continued):

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Others RMB'000	Total RMB'000
Group						
At 31 December 2014						
Financial assets						
Trade and other receivables	3,545,115	1,179,071	16,397	1,082	–	4,741,665
Due from customers on construction contracts	9,780	2,090,139	–	–	–	2,099,919
Financial assets, available-for-sale	788,437	–	–	–	–	788,437
Financial assets, held-to-maturity	10,791,200	–	–	–	–	10,791,200
Restricted cash	2,156,610	1,162,610	3,864	–	2,766	3,325,850
Cash and cash equivalents	1,879,105	762,510	2,329	4,631	3,990	2,652,565
	19,170,247	5,194,330	22,590	5,713	6,756	24,399,636
Financial liabilities						
Borrowings	(1,796,600)	(4,360,785)	(39,931)	(1,754,233)	(98,806)	(8,050,355)
Trade and other payables	(3,334,458)	(1,543,071)	(27,412)	(1,617)	–	(4,906,558)
	(5,131,058)	(5,903,856)	(67,343)	(1,755,850)	(98,806)	(12,956,913)
Net financial assets/ (liabilities)	14,039,189	(709,526)	(44,753)	(1,750,137)	(92,050)	11,442,723
Add/(less): Net financial (liabilities)/ assets denominated in the respective entities' functional currency	(14,039,189)	314,499	–	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	8,923,379	–	–	–	
Less: Currency forwards (Note 23)	–	(579,691)	–	–	–	
Currency exposure	–	7,948,661	(44,753)	(1,750,137)	(92,050)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk *(Continued)*

The Company's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
Company					
At 31 December 2015					
Financial assets					
Trade and other receivables	6,651,742	1,762,830	–	25,298	8,439,870
Cash and cash equivalents	669,048	101,229	3	6,257	776,537
	7,320,790	1,864,059	3	31,555	9,216,407
Financial liabilities					
Borrowings	–	(2,792,248)	–	–	(2,792,248)
Other payables	(3,254,239)	(742,898)	–	(5,750)	(4,002,887)
	(3,254,239)	(3,535,146)	–	(5,750)	(6,795,135)
Net financial assets/ (liabilities)	4,066,551	(1,671,087)	3	25,805	**2,421,272**
Less: Net financial assets denominated in the company's functional currency	(4,066,551)	–	–	–	
Currency exposure	**–**	**(1,671,087)**	**3**	**25,805**	
Company					
At 31 December 2014					
Financial assets					
Trade and other receivables	8,374,493	929,497	–	24,564	9,328,554
Cash and cash equivalents	20,456	398,083	40	3,517	422,096
	8,394,949	1,327,580	40	28,081	9,750,650
Financial liabilities					
Borrowings	–	(2,549,175)	–	(1,754,233)	(4,303,408)
Other payables	(1,537,576)	(149,033)	–	(5,311)	(1,691,920)
	(1,537,576)	(2,698,208)	–	(1,759,544)	(5,995,328)
Net financial assets/(liabilities)	6,857,373	(1,370,628)	40	(1,731,463)	**3,755,322**
Less: Net financial assets denominated in the company's functional currency	(6,857,373)	–	–	–	
Currency exposure	**–**	**(1,370,628)**	**40**	**(1,731,463)**	

NOTES TO
THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk *(Continued)*

If the USD, EUR and SGD change against the RMB by 6% (2014: 1%), 11% (2014: 14%) and 4% (2014: 7%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets/(liabilities) position will be as follows:

	The Group Increase/(decrease) Profit after tax		**The Company Increase/(decrease) Profit after tax**	
	2015 RMB'000	**2014 RMB'000**	**2015 RMB'000**	**2014 RMB'000**
USD against RMB:				
– strengthened	**208,779**	69,999	**(77,264)**	(12,070)
– weakened	**(208,779)**	(69,999)	**77,264**	12,070
EUR against RMB:				
– strengthened	**1,597**	(5,520)	**–**	5
– weakened	**(1,597)**	5,520	**–**	(5)
SGD against RMB:				
– strengthened	**223**	(108,698)	**795**	(107,538)
– weakened	**(223)**	108,698	**(795)**	107,538

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risks arise primarily from its cash and cash equivalents, restricted cash, held-to-maturity financial assets, loans to non-related parties – microfinance, loans to non-related parties and borrowings with financial institutions. The Group's policy is to minimise exposure to variable interest rates of interest bearing assets, and also use floating-to-fixed interest rate swaps for borrowings at floating rate.

As at 31 December 2015 and 2014, the Group's investments in held-to-maturity financial assets, loans to non-related parties – microfinance, and loans to non-related parties were not exposed to cash flow interest rate risk as they were all fixed rated instruments.

NOTES TO
THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Financial risk factors (Continued)

(a) *Market risk (Continued)*

(ii) Cash flow and fair value interest rate risk *(Continued)*

The Group's exposure to cash flow interest rate risks arises mainly from borrowings at floating rate denominated in RMB and USD which effective hedges have not been entered into. If the RMB and USD interest rates had increased/decreased by 1% (2014: 1%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by RMB11,059,000 and RMB30,682,000 respectively (2014: RMB2,147,000 and RMB18,450,000 respectively) as a result of higher/lower interest expense on these borrowings.

(iii) Price risk

The Group is exposed to financial product price risk mainly due to investments held by the Group which are classified as financial assets, available-for-sale. To manage its price risk arising from these investments, the Group ensures that the investments are within authorised mandate based on its approved financial risk management and operating guidelines.

If prices for equity security listed in PRC had increased/decreased by 10% (2014: 10%) with all other variables including tax rate being held constant, the net of tax effects on other comprehensive income have been increased/decreased by RMB5,604,000 (2014: RMB13,716,000).

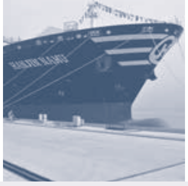
(b) *Credit risk*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group.

Except as disclosed below, the maximum exposure to credit risk for those financial assets which the Group and the Company do not hold collaterals is the carrying amount of that class of financial assets presented on the balance sheet.

(i) Cash and cash equivalents, restricted cash and derivative financial instruments

For cash and cash equivalents, restricted cash and derivative financial instruments, the Group and the Company adopt the policy of dealing only with major banks of high credit standing throughout the world. There is no recent history of defaults in relation to cash and cash equivalents, restricted cash and derivative financial instruments.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (continued)

(ii) Trade receivables related to shipbuilding activities

Trade receivables related to shipbuilding activities are classified as either trade receivables or due from customers on construction contracts. For due from customers on construction contracts, the Group has contractual safeguards in place to minimise credit risk. In the event of a default in scheduled payment, the Group has the legal right to revoke the shipbuilding contracts.

The credit risk for the shipbuilding related trade receivables as at 31 December 2015 and 2014 based on the information provided to key management is as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
By geographical areas		
PRC	**1,934,405**	1,008,646
Greece	**755,663**	275,152
Malaysia	**412,982**	533,976
Other Asian countries	**112,468**	90,632
Other European countries	**2,067,289**	251,972
Canada	**601,228**	857,807
	5,884,035	3,018,185

The movement in the allowance for impairment on the due from customers on construction contracts is as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
As at 1 January	**–**	–
Allowance made (Note 7)	**368,762**	–
As at 31 December	**368,762**	–

Other than the allowance made for the impairment as set out above, there is no trade receivables related to shipbuilding activities or due from customers on construction contracts that is past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables related to shipbuilding activities *(Continued)*

Concentration of credit risk with respect to the shipbuilding related trade receivables is limited as the Group adopts the policy of dealing with a group of customers of appropriate credit history and obtaining guaranteed letters of credit and advances from registered banks of the customers' home countries. The remaining trade receivables related to shipbuilding activities and due from customers on construction contracts are neither past due nor impaired as at 31 December 2015 and 2014.

(iii) Trade receivables related to trading activities

The trade receivables related to trading activities are neither past due nor impaired as at 31 December 2015 and 2014.

(iv) Loans to non-related parties – microfinance

Loans to non-related parties – microfinance are related to the micro-credit provided to enterprises and individuals.

Collaterals provided by the borrowers are held by the Group as guarantee for the repayment of principal and interest.

The carrying amounts of loans to non-related parties – microfinance before impairment presented by the type of collaterals held are as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Collateralised by:		
– Unlisted shares in PRC	**76,524**	300,273
– Properties and land use rights	**257,843**	485,388
– Guaranteed by non-related individuals	**33,162**	6,653
– Guaranteed by non-related corporations	**315,458**	534,437
	682,987	1,326,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Loans to non-related parties – microfinance *(Continued)*

All the loans to non-related parties – microfinance are secured by either single or a group of collaterals or by guarantees. For each loan, the Group's strategy is to obtain a principal collateral of higher liquidity, and additional collaterals on top of the principal collateral, where necessary. At the inception date of the loan, based on management's judgement, a haircut is adopted when assessing the value of collaterals to the carrying amounts of loans to non-related parties – microfinance. When there is an impairment indicator on these loans, the fair value of collaterals is considered when providing impairment allowance.

Management categorises their loan portfolio based on the credit risk of the borrowers into five different categories, with Category 1 representing the lowest credit risk and Category 5 representing the highest credit risk.

The credit risk for loans to non-related parties – microfinance as at 31 December 2015 and 2014 based on the information provided to key management is as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
By risk profile category		
Category 1	**480,790**	60,662
Category 2	**17,150**	1,113,026
Category 3	**30,000**	2,200
Category 4	**152,047**	40,683
Category 5	**3,000**	110,180
	682,987	1,326,751
Less: Allowance for impairment	**(86,866)**	(152,243)
	596,121	1,174,508

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Loans to non-related parties – microfinance *(Continued)*

The movement in the allowance for impairment is as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
As at 1 January	**152,243**	175,224
Allowance made (Note 7)	**87,176**	45,621
Allowance reversed (Note 7)	**(152,553)**	(68,602)
As at 31 December	**86,866**	152,243

Other than the allowance made for the impairment as set out above, there is no further impairment noted. None of the loans to non-related parties – microfinance is past due but not impaired as at 31 December 2015 and 2014.

(v) Other receivables and other financial assets

Other receivables and other financial assets that are neither past due nor impaired are substantially counterparties with a good collection track record with the Group.

The Company's other receivables from subsidiaries (current) are neither past due nor impaired.

The movement in the allowance for impairment on the finance lease receivables is as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
As at 1 January	**380,487**	345,723
Allowance made (Note 6)	**150,872**	34,764
Allowance transferred	**(207,544)**	–
As at 31 December	**323,815**	380,487

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(v) Other receivables and other financial assets *(Continued)*

Finance lease receivables (non-current) have been impaired based on the best estimated recoverable value by management. During the financial year ended 31 December 2015, there were three charter agreements cancelled as the charterer was not able to pay the charter hire on time. As a result, the vessels were returned to the Group and the related finance lease receivable amounted to RMB709,758,000, including an allowance of impairment of RMB207,544,000 was derecognised. The net amount of finance lease receivable was recognised as the cost of vessels at the date of contract cancellation (Note 28).

Other than the allowance made for the impairment as set out above, there is no further impairment noted. None of the other receivables and other financial assets is past due but not impaired as at 31 December 2015 and 2014.

(vi) Held-to-maturity financial assets

The Group's held-to-maturity financial assets pertain to fixed interest investments through intermediary financial institutions for specific borrowings arranged by these intermediaries.

Collaterals provided by the ultimate borrowers are held by the intermediaries as guarantee for the repayment of principal and interests.

The Group adopts the policy of dealing only with high credit quality counterparties in the PRC.

The carrying amounts of held-to-maturity financial assets before impairment presented by the type of collaterals received in connection with these assets are as follows:

	The Group	
	2015 RMB'000	2014 RMB'000
Collateralised by:		
– Listed shares in PRC	**1,297,900**	–
– Unlisted shares in PRC	**1,025,000**	1,408,000
– Properties and land use rights	**3,942,810**	7,267,970
– Guaranteed by non-related corporations	**4,667,776**	3,065,000
	10,933,486	11,740,970

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

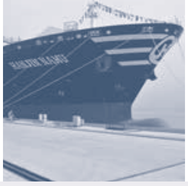
(vi) Held-to-maturity financial assets *(Continued)*

For each held-to-maturity financial asset, the Group's strategy is to obtain a principal collateral of higher liquidity and additional collaterals on top of the principal collateral where necessary. When there is an impairment indicator on these investments, the fair value of collaterals, after taking a haircut, is considered when providing impairment allowance. A haircut on the fair value of collaterals is usually applied when impairment is provided due to the fact that the legal process to enforce the realisation of collaterals is long and complicated in PRC.

The carrying amount of held-to-maturity financial assets before impairment by the borrowers' industry type is as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Real estate	**3,098,286**	4,564,570
Manufacturing	**580,000**	520,000
Trading	**400,000**	590,000
Services	**2,239,400**	547,400
Others	**4,615,800**	5,519,000
	10,933,486	11,740,970

The impairment on the held-to-maturity financial assets is assessed using an internal credit grading system. Each held-to-maturity, financial asset is given a credit grade based on the credit risk analysis approved by management and impairment is provided accordingly.



NOTES TO
THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (continued)

(vi) Held-to-maturity financial assets *(Continued)*

The carrying amount of held-to-maturity financial assets individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
As at 1 January	**949,770**	634,594
Allowance made (Note 6)	**671,885**	787,320
Allowance reversed (Note 6)	**(577,115)**	(472,144)
Allowance utilised	**(83,460)**	–
As at 31 December	**961,080**	949,770

Other than the allowance made for the impairment as above, there is no further impairment noted. None of any held-to-maturity financial assets is past due but not impaired as at 31 December 2015 and 2014.

(vii) Financial guarantees

As at 31 December 2015, no corporate guarantees are issued to banks for borrowings of customers. The carrying amount of these borrowings guaranteed by the Group and the Company is as follows:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
For borrowings incurred by:				
– Customers	**–**	6,154	**–**	6,154
– Subsidiaries	**–**	–	**2,218,965**	322,004
	–	6,154	**2,218,965**	328,158

Without taking into consideration of the collaterals held directly or indirectly by the Group, the maximum exposure to credit risk of the above financial guarantees is the notional amount of the borrowings as above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

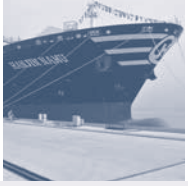
Financial risk factors (Continued)

(c) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and marketable securities to enable them to meet their normal operating commitments.

The table below analyses the maturity profile of the Group's and Company's non-derivative financial liabilities into relevant maturity groupings on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
As at 31 December 2015				
Bank borrowings	(2,389,498)	(1,844,034)	(3,660,081)	(900,035)
Trade and other payables	(4,544,431)	–	–	(493,866)
	(6,933,929)	**(1,844,034)**	**(3,660,081)**	**(1,393,901)**
As at 31 December 2014				
Bank borrowings	(5,587,011)	(1,329,357)	(1,305,224)	(106,221)
Trade and other payables	(4,399,575)	–	–	(506,983)
	(9,986,586)	(1,329,357)	(1,305,224)	(613,204)
Financial guarantees	(6,154)	–	–	–
Company				
As at 31 December 2015				
Bank borrowings	(267,298)	(1,369,027)	(1,315,852)	–
Accruals, other payables and other liabilities	(4,002,888)	–	–	–
	(4,270,186)	**(1,369,027)**	**(1,315,862)**	**–**
Financial guarantees	**(2,285,188)**	**–**	**–**	**–**
As at 31 December 2014				
Bank borrowings	(3,143,749)	(31,154)	(1,254,695)	–
Accruals, other payables and other liabilities	(1,691,920)	–	–	–
	(4,835,669)	(31,154)	(1,254,695)	–
Financial guarantees	(292,261)	(10,051)	(21,538)	(4,308)



NOTES TO
THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's and the Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 3 Years RMB'000
Group		
As at 31 December 2015		
Gross-settled currency forwards:		
– Receipts	**5,939,960**	**–**
– Payments	**5,908,761**	**–**
As at 31 December 2014		
Gross-settled currency forwards:		
– Receipts	2,994,864	–
– Payments	(2,945,754)	–
Company		
As at 31 December 2015		
Gross-settled currency forwards:		
– Receipts	**4,316,560**	**–**
– Payments	**4,274,346**	**–**
As at 31 December 2014		
Gross-settled currency forwards:		
– Receipts	2,850,117	–
– Payments	(2,796,871)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group monitors capital on the basis of the total liabilities to total assets ratio.

The Group's strategy is to maintain a stable total liabilities to total assets ratio. The ratios at 31 December 2015 and 31 December 2014 were as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Total liabilities	**18,887,081**	19,701,971
Total assets	**41,246,062**	40,777,982
Liability-to-asset ratio	**45.79%**	48.32%

The Group and the Company do not have any externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

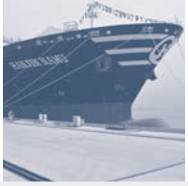
(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO
THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2015				
Group				
Assets				
Non-hedging derivatives	**–**	**60,603**	**–**	**60,603**
Available-for-sale financial assets	**74,720**	**–**	**–**	**74,720**
Liabilities				
Non-hedging derivatives	**–**	**(460,792)**	**–**	**(460,792)**
Company				
Assets				
Non-hedging derivatives	**–**	**35,749**	**–**	**35,749**
Liabilities				
Non-hedging derivatives	**–**	**(459,307)**	**–**	**(459,307)**
2014				
Group				
Assets				
Non-hedging derivatives	–	2,620	–	2,620
Available-for-sale financial assets	673,137	–	–	673,137
Liabilities				
Non-hedging derivatives	–	(89,984)	–	(89,984)
Company				
Assets				
Non-hedging derivatives	–	2,302	–	2,302
Liabilities				
Non-hedging derivatives	–	(89,881)	–	(89,881)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of forward foreign exchange currency contracts is determined using quoted forward currency rates at the balance sheet date. These instruments are included in Level 2.

The carrying amount less impairment provision of current trade and other receivables and payables are assumed to approximate their fair values. The carrying amounts of current borrowings approximate their fair values.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 14 and Note 15 to the financial statements, except for the following:

	The Group		**The Company**	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loans and receivables	**12,311,199**	10,720,080	**9,216,407**	9,750,650
Financial liabilities at amortised cost	**13,320,724**	12,956,913	**6,795,135**	5,995,328

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

39. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, at terms agreed between the parties:

(a) Related party transactions

The Group had the following significant transactions with the following related parties.

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Purchase of materials from a related party	**82,325**	83,211
Interest income received from a related party	–	19,800
Loan extended to a related party	–	330,000

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances with related parties are disclosed in Note 16, Note 21 and Note 30.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2015	**2014**
	RMB'000	**RMB'000**
Directors		
Basic salaries	**28**	28
Directors' fees (Note 7)	**626**	626
Contributions to defined contribution plans	**17**	17
Discretionary bonuses	**205**	195
Senior management		
Basic salaries	**1,365**	1,132
Contributions to defined contribution plans	**383**	352
Discretionary bonuses	**855**	773
Profit-sharing scheme (Note 8)	–	39,847
	3,479	42,970

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

40. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Chairman and head of respective business departments (collectively known as "Management Team") that are used to make strategic decisions.

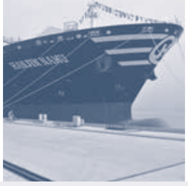
The Management Team considers the business mainly from a business segment perspective. Geographically, management manages and monitors the business only from the PRC.

The principal activities of shipbuilding segment are that of shipbuilding, offshore marine equipment construction and ship design. The principal activities of investment segment consist of micro-financing and investments in held-to-maturity financial assets. The principal activities of trading segment consist of trading of goods.

Other segments include ship demolition, vessel owning companies and property development. These are not identified as reportable operating segments, as they are not separately reported to the Management Team. The results of these operations are included in "Others".

The segment information provided to the Management Team for the reportable segments for the year ended 31 December 2015 and 2014 are as follows:

	Shipbuilding RMB'000	Investments RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
Group					
For the financial year ended 31 December 2015					
Total segment sales	12,208,799	1,325,644	4,135,757	429,058	18,099,258
Inter-segment sales	–	–	(2,084,910)	–	(2,084,910)
Sales to external parties	**12,208,799**	**1,325,644**	**2,050,847**	**429,058**	**16,014,348**
Segment result	**2,630,010**	**1,231,831**	**(10,705)**	**(348,507)**	**3,502,629**
Interest expense	**(152,056)**	–	**(39,819)**	**(57,548)**	**(249,423)**
Reversal of impairment loss on loans to non-related parties – microfinance	–	**65,377**	–	–	**65,377**
Impairment loss of held-to-maturity financial assets	–	**(94,770)**	–	–	**(94,770)**
Impairment loss on finance lease receivables	–	–	–	**(150,872)**	**(150,872)**
Impairment loss on property, plant and equipment	–	–	–	**(209,943)**	**(209,943)**
Impairment loss of due from customers on construction contracts	**(368,762)**	–	–	–	**(368,762)**
Compensation income on relocation of shipbuilding premises at JYS	**557,727**	–	–	–	**557,727**



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

40. SEGMENT INFORMATION (CONTINUED)

	Shipbuilding RMB'000	Investments RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
Group					
For the financial year ended 31 December 2015 (Continued)					
Depreciation	(383,558)	(27)	(9)	(134,175)	(517,769)
Loss on disposal of subsidiaries	–	–	–	(63,766)	(63,766)
Share of profit of associated companies and a joint venture	168,995	–	–	28,749	197,744
Gain on disposal of property, plant and equipment	–	–	–	23,891	23,891
Business tax on interest income from held-to-maturity financial assets and loans to non-related parties – microfinance	–	(72,675)	–	–	(72,675)
Interest income – finance lease	–	–	–	68,188	68,188
Segment assets	21,183,147	11,407,640	2,072,463	6,249,038	40,912,288
Investment in associated companies	955,267	–	–	131,371	1,086,638
Investment in a joint venture	–	–	–	336,513	336,513
Additions to property, plant and equipment	217,684	1,000	–	719,225	937,909
Segment liabilities	(10,432,865)	(462,072)	(463,991)	(2,975,385)	(14,334,313)
Group					
For the financial year ended 31 December 2014					
Total segment sales	11,402,344	1,687,760	3,688,257	539,230	1,731,591
Inter-segment sales	–	–	(1,964,040)	–	(1,964,040)
Sales to external parties	11,402,344	1,687,760	1,724,217	539,230	15,353,551
Segment result	2,240,600	1,291,967	32,372	24,530	3,589,469
Interest expense	(222,929)	–	(1,535)	(57,583)	(282,047)
Reversal of impairment loss on loans to non-related parties – microfinance	–	22,981	–	–	22,981
Impairment loss of held-to-maturity financial assets	–	(315,176)	–	–	(315,176)
Impairment loss on finance lease receivables	–	–	–	(34,764)	(34,764)
Depreciation	(336,078)	(27)	(10)	(73,919)	(410,034)
Share of profit of associated companies and a joint venture	605	–	–	7,211	7,816
Interest income – finance lease	–	–	–	46,777	46,777
Segment assets	18,836,878	12,708,055	1,079,900	7,878,283	40,503,116
Investment in associated companies	314,000	–	–	149,468	463,468
Investment in a joint venture	–	–	–	345,483	345,483
Additions to property, plant and equipment	417,832	9,231	2	304,006	731,071
Additions to lease prepayment	61,876	–	–	331	62,207
Segment liabilities	(11,368,038)	(95,246)	(316,890)	(1,996,446)	(13,776,620)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

40. SEGMENT INFORMATION (CONTINUED)

The Management Team assesses the performance of the operating segments based on a measure of segment results. Certain administrative expenses, foreign currency exchange differences are not allocated to segments, as all these types of activities are shared by all segments. Interest income on cash and cash equivalents, and finance expenses of certain borrowings are not allocated to segments, as this type of activity is driven by the treasury department of the Group, which manages the cash position of the Group.

(a) Reconciliation

(i) Segment profits

A reconciliation of segment results to profit before tax is as follows:

	2015 RMB'000	2014 RMB'000
Segment results for reportable segments	**3,851,136**	3,564,939
Segment results for other segments	**(348,507)**	24,530
Unallocated:		
Other income	**202,820**	584,354
Other gains – net	**97,302**	199,758
Administrative expenses	**(353,165)**	(457,755)
Finance expenses, net	**(264,736)**	36,816
Profit before tax	**3,184,850**	3,952,642

(ii) Segment assets

The amounts provided to the Management Team with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than deferred income tax assets and certain other receivables.

	2015 RMB'000	2014 RMB'000
Segment assets for reportable segments	**34,663,250**	32,624,833
Other segment assets	**6,249,038**	7,878,283
Unallocated:		
Deferred income tax assets	**333,774**	274,866
Total assets	**41,246,062**	40,777,982

(iii) Segment liabilities

The amounts provided to the Management Team with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments other than income tax liabilities, certain borrowings and deferred income tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

40. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliation (Continued)

(iii) Segment liabilities (Continued)

Segment liabilities are reconciled to total liabilities as follows:

	2015 RMB'000	2014 RMB'000
Segment liabilities for reportable segments	**11,358,928**	11,780,174
Other segment liabilities	**2,975,385**	1,996,446
Unallocated:		
Income tax liabilities	**762,927**	478,048
Borrowings	**2,792,248**	4,303,408
Deferred income tax liabilities	**997,593**	1,143,895
Total liabilities	**18,887,081**	19,701,971

(b) Revenue from major products

Revenue of shipbuilding segment is derived from the construction of container ships, multiple purpose cargo ships and other types of vessel as well as sales of some shipbuilding-related goods. Revenue of investment segment comprises interest income from loans to non-related parties – microfinance and held-to-maturity financial assets. Revenue of trading segment is derived from the trading of goods such as fuel oil, copper and steel. Revenue from other segment is mainly derived from shipping, ship demolition, ship management services and sales of development properties. Breakdown of the revenue by major product types is as follows:

	2015 RMB'000	2014 RMB'000
Construction of container ships	**3,100,804**	7,724,142
Construction of multiple purpose cargo ships	**8,276,544**	2,762,151
Construction of LNG carriers	**100,987**	–
Construction of jack-up rig	**214,953**	641,859
Construction of other vessels	**179,744**	338,736
Sales of goods	**2,499,591**	1,924,230
Interest income from loans to non-related parties – microfinance	**110,275**	182,710
Interest income from held-to-maturity financial assets	**1,215,369**	1,505,049
Rendering of ship design services	**26,766**	19,728
Charter income	**185,333**	105,121
Sales of development properties	**17,247**	90,365
Others	**86,735**	59,460
	16,014,348	15,353,551

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

40. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's revenue based on the customers' locations are as follows:

	2015 RMB'000	2014 RMB'000
PRC and Taiwan	**4,246,795**	4,753,178
Germany	**1,055,719**	1,405,556
Other European countries	**4,778,760**	1,086,715
Other Asian countries	**3,076,886**	1,848,868
Canada and USA	**2,856,188**	6,259,234
	16,014,348	15,353,551

Revenues of approximately RMB4,459,135,000 (2014: RMB7,284,523,000) are derived from three (2014: three) major customers. These revenues are attributable to the shipbuilding segment. Revenue of approximately RMB232,311,000 (2014: RMB669,945,000) is derived from one (2014: one) customer from the trading business included in the trading segment.

The Group's non-current assets amounting to RMB13,896,218,000 (2014: RMB13,934,395,000) are mainly located in the PRC.

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted:

- *FRS 16 Property plant and equipment and FRS 38 Intangible assets* (effective for annual periods beginning on or after 1 January 2016)

  This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

  The amendment is not expected to have any significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- *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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- *FRS 115 Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018) (continued)

  - 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

42. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yangzijiang Shipbuilding (Holdings) Ltd. passed on 18 March 2016.

43. LISTING OF SUBSIDIARIES IN THE GROUP

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Jiangsu Yangzijiang Shipbuilding Co., Ltd. ("JYS") [(1) and (3)]	Building, repair, dismantling of vessels with tonnage of 55,000 tons or less; Production and processing of large scale steel structures, belt transportation machinery; Gas cylinder filling, seamless gas cylinder inspection; Sale and provision of technical consultancy services and after sales service with regards to products produced by the company Provision of technical consultancy services and after sales services	PRC	**100**	100	**100**	100	**–**	–
Jiangsu New Yangzi Shipbuilding Co., Ltd. ("JNYSCO")[(1) and (3)]	Ship manufacturing, maintenance and breaking; Large-scale steel structure products processing and manufacturing; Sale of self-manufactured products and after-sale service; Import and export business for various merchandise and technologies	PRC	**49**	49	**100**	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

43. LISTING OF SUBSIDIARIES IN THE GROUP (CONTINUED)

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. ("JXSCO")[(1) and (3)]	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**12.5**	12.5	**80**	80	**20**	20
SEAVI Advent Asia Investments (III) Ltd. ("SEAVI")[(2)]	Investment holding	British Virgin Islands	**100**	100	**100**	100	**–**	–
Yitian Investments Pte. Ltd. ("Yitian")[(6)]	Investment holding	Singapore	**–**	–	**100**	100	**–**	–
Baoling Investments Pte. Ltd. ("Baoling")[(6)]	Investment holding	Singapore	**100**	100	**100**	100	**–**	–
Pleasant Way Analyse Development Ltd. ("PWAD")[(2)]	Investment holding	British Virgin Islands	**100**	100	**100**	100	**–**	–
Jiangsu Runzhou Ship Accessories Co., Ltd. ("JRSA")[(6)]	Manufacturing of ship accessories	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Yanghong Marine Import and Export Co., Ltd. ("JYMIECO")[(6) and (8)]	Facilitating the sale and export of ships for the shipbuilder	PRC	**96.8**	–	**100**	–	**–**	–
Jiangsu Tianyuan Ships Import and Export Co., Ltd. ("JTSIECO")[(6)]	Facilitating the sale and export of ships for the shipbuilder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Jingjiang Yangzi Labour Supply Co., Ltd. ("JJYLS")[(6)]	Labour subcontractor to supply labour to the shipbuilder	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Tongzhou Marine Equipment Co., Ltd. ("JTME")[(6)]	Providing facility and production area for structural building in blocks, block outfitting and modularisation of outfitting into units	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Yangchuan Equipment and Materials Co., Ltd. ("JYEMCO")[(1) and (6)]	Supply of marine equipment and materials	PRC	**–**	–	**100**	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

43. LISTING OF SUBSIDIARIES IN THE GROUP (CONTINUED)

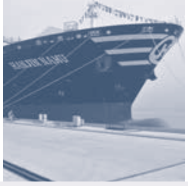
Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Jiangsu Yangzi Changbo Shipbuilding Co., Ltd. ("JCSC")[3]	Ship manufacturing, maintenance and breaking; Large-scale steel structure products processing and manufacturing; Sale of self-manufactured products and after-sale service; Import and export business for various merchandise and technologies	PRC	**–**	25	**100**	100	**–**	–
Jiangsu Bawei Port Development Co., Ltd. ("JBPD")[6]	Providing production area for ship manufacturing, maintenance and breaking	PRC	**–**	–	**100**	100	**–**	–
Jingjiang Runyuan Rural Micro-finance Co., Ltd. ("JRRM")[6]	Provide microcredit to enterprise and individual	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Zhongzhou Marine Equipment Co., Ltd. ("JZME")[6]	Manufacture base to construct big vessel components and accessories	PRC	**100**	100	**100**	100	**–**	–
Jiangsu Zhongzhou Vessel Component Manufacturing Co., Ltd. ("JZCM")[6]	Manufacture base to construct big vessel components and accessories	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Xinfu Heavy Industry Machinery Co., Ltd. ("JXHI")[6]	Marine equipment manufacturing, designing and repair; Ship accessories manufacturing and steel processing	PRC	**100**	100	**100**	100	**–**	–
Jiangsu Tianchen Marine Import and Export Co., Ltd. ("JTMIECO")[(1) and (6)]	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Runzhou Heavy Industry Co., Ltd. ("JRHICO")[6]	Steel structure construction, paint surface preparation of steel and coating related business	PRC	**37.5**	37.5	**100**	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

43. LISTING OF SUBSIDIARIES IN THE GROUP (CONTINUED)

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Jiangsu New Yangzi Gas Co., Ltd. ("JNYG")[6]	Supply of gas for shipbuilding activities	PRC	**–**	–	**75**	51	**25**	49
Jiangsu Xinfu Gas Co., Ltd. ("JXFG")[6]	Supply of gas for shipbuilding activities	PRC	**–**	–	**75**	51	**25**	49
CS Marine Technology Pte. Ltd. ("CSMT")[4]	Provide turnkey ship-design services	Singapore	**60**	60	**60**	60	**40**	40
Barber-CS Marine Technology (Shanghai) Co., Ltd. ("BCSMT")[6]	Provide turnkey ship-design services	PRC	**–**	–	**60**	60	**40**	40
Jiangsu Huayuan Metal Processing Co., Ltd. ("JHMPC")[6 and 7]	Scrap steel processing	PRC	**–**	–	**50**	50	**50**	50
Jingjiang City Dunfeng Ship Dismantle Co., Ltd. ("JCDS")[6 and 7]	Ship breaking	PRC	**–**	–	**50**	50	**50**	50
Jiangsu Zhuoran Yangzijiang Energy Equipment Co., Ltd. ("JZYEE")[9]	Steel fabrication	PRC	**–**	–	**–**	40	**–**	60
Jiangsu Huaxi Yangzi Real Estate Co., Ltd. ("JHYRE")[6 and 7]	Property development	PRC	**–**	–	**50**	50	**50**	50
Jiangsu Jiangyin-Jingjiang Industry Zone Barber-CS Marine Technology Co., Ltd. ("JJBC")[6 and 8]	Provide turnkey ship-design services	PRC	**–**	–	**60**	–	**40**	–
Jiangsu Yangzijiang Offshore Engineering Co., Ltd. ("JYOEC")[6]	Manufacture jack-up drilling rig	PRC	**–**	–	**79.6**	79.6	**20.4**	20.4
Shanghai Henggao Ships Design Co., Ltd. ("SHSD")[6]	Engaging in the design and conceptual development for a wide range of merchant ships	PRC	**–**	–	**100**	100	**–**	–
Taixing Yangzi Xinfu Ship Accessories Processing Co., Ltd. ("TYXSAPCO")[6]	Ship accessories processing services	PRC	**–**	–	**80**	80	**20**	20



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

43. LISTING OF SUBSIDIARIES IN THE GROUP (CONTINUED)

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Shanghai Run Yuan Shipping Management Co., Ltd. ("SRYSMCO")(6)	Provide international ship management services and ship related technical consulting services; Wholesale, import and export of ship spare parts	PRC	**100**	100	**100**	100	**–**	–
Taixing Tongzhou Warehousing Co., Ltd ("TTWCO")(6)	Provide warehousing services	PRC	**–**	–	**100**	100	**–**	–
Jiangyin Yangzijiang Real Estate Co., Ltd ("JYRE")(9)	Real estate development and management, indoor decoration, investment management and consultation	PRC	**–**	–	**–**	100	**–**	–
Jiangsu Hengyuan Real Estate Development Co., Ltd ("JHREDCO")(9)	Real estate development and management	PRC	**–**	–	**–**	100	**–**	–
Jiangsu Qianyuan Construction Investment Co., Ltd ("JQCICO")(9)	Investment management	PRC	**–**	–	**–**	70	**–**	30
Yangzijiang International Trading Pte. Ltd. ("YITPL")(4)	Trading of shipbuilding related materials/supplies and commercial vessels	Singapore	**100**	100	**100**	100	**–**	–
Newyangzi International Trading Pte. Ltd. ("NYIT")(4)	Trading of shipbuilding related materials/supplies and commercial vessels	Singapore	**–**	–	**100**	100	**–**	–
Yangzijiang Shipping Pte. Ltd. ("YSPL")(4)	Investment holding	Singapore	**100**	100	**100**	100	**–**	–
TW Beijing Shipping Pte. Ltd. ("TWBSPL")(4)	Shipping related businesses	Singapore	**–**	–	**100**	100	**–**	–
TW Manila Shipping Pte. Ltd. ("TWMSPL")(10)	Shipping related businesses	Singapore	**–**	–	**–**	100	**–**	–
Pegasus Shipping Pte. Ltd. ("PSPL")(4)	Shipping related businesses	Singapore	**–**	–	**100**	100	**–**	–
Perseus Shipping Pte. Ltd. ("PRSPL")(4)	Shipping related businesses	Singapore	**–**	–	**100**	100	**–**	–
Orion Shipping Pte. Ltd. ("OSPL")(10)	Shipping related businesses	Singapore	**–**	–	**–**	100	**–**	–
Draco Shipping Pte. Ltd. ("DSPL")(4)	Shipping related businesses	Singapore	**–**	–	**100**	100	**–**	–
Vita Shipping Ltd. ("VSL")(6)	Shipping related businesses	Hong Kong	**–**	–	**100**	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

43. LISTING OF SUBSIDIARIES IN THE GROUP (CONTINUED)

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Carry Shipping Ltd. ("CSL")[6]	Shipping related businesses	Hong Kong	–	–	**100**	100	–	–
Everfair Shipping Ltd. ("ESL")[6]	Shipping related businesses	Hong Kong	–	–	**100**	100	–	–
Goodluck Shipping Ltd. ("GSL")[6]	Shipping related businesses	Hong Kong	–	–	**100**	100	–	–
Hongkong Top Express Shipping Ltd. ("HTESL")[6]	Shipping related businesses	Hong Kong	–	–	**100**	100	–	–
Monoceros Shipping Pte. Ltd. ("MONOSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Virgo Shipping Pte. Ltd. ("VSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Taurus Shipping Pte. Ltd. ("TSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Lynx Shipping Pte. Ltd. ("LSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Moses Shipping Pte. Ltd. ("MOSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Marin Shipping Pte. Ltd. ("MASPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Misty Shipping Pte. Ltd. ("MISPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Pisces Shipping Pte. Ltd. ("PISPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Cygnus Shipping Pte. Ltd. ("CSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Agora Shipping Pte. Ltd. ("ASPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Eris Shipping Pte. Ltd. ("ESPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Hours Shipping Pte. Ltd. ("HSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
Ladon Shipping Pte. Ltd. ("LSPL")[4]	Shipping related businesses	Singapore	–	–	**100**	100	–	–
MV TW Beijing Shipping Company Ltd. ("MVTWB")[5]	Shipping related businesses	Isle of Man	–	–	**100**	100	–	–
MV TW Manila Shipping Company Ltd. ("MVTWM")[5]	Shipping related businesses	Isle of Man	–	–	**100**	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

43. LISTING OF SUBSIDIARIES IN THE GROUP (CONTINUED)

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
MV TW Jiangsu Shipping Company Ltd. (“MVTWJ”)[(5)]	Shipping related businesses	Isle of Man	**–**	–	**100**	100	**–**	–
MV TW Hamburg Shipping Company Ltd. (“MVTWH”)[(5)]	Shipping related businesses	Isle of Man	**–**	–	**100**	100	**–**	–
MV TW Beijing Shipping Pte. Ltd. (“MVTWBPL”)[(4) and (8)]	Shipping related businesses	Singapore	**–**	–	**100**	–	**–**	–
MV TW Manila Shipping Pte. Ltd. (“MVTWMPL”)[(4) and (8)]	Shipping related businesses	Singapore	**–**	–	**100**	–	**–**	–
MV TW Jiangsu Shipping Pte. Ltd. (“MVTWJPL”)[(4) and (8)]	Shipping related businesses	Singapore	**–**	–	**100**	–	**–**	–
MV TW Hamburg Shipping Pte. Ltd. (“MVTWHPL”)[(4) and (8)]	Shipping related businesses	Singapore	**–**	–	**100**	–	**–**	–

(1) Audited for purposes of preparation of consolidated financial statements.

(2) Not required to be audited under the laws of the country of incorporation.

(3) JYS, JNYSCO, JXSCO and JCSC are audited by Jiangyin Da Qiao CPAs Limited Company, Jiangsu Tian Cheng CPAs Limited Company and Wuxi Wen De Zhi Xin Lian He CPAs Limited Company respectively for local statutory purpose.

(4) The Company and these subsidiary companies are audited by PricewaterhouseCoopers LLP, Singapore for local statutory purpose.

(5) These subsidiary companies are audited by PricewaterhouseCoopers LLP, Isle of Man for local statutory purpose.

(6) All other subsidiaries are audited by other accounting firms for local statutory purpose.

(7) Deemed to be a subsidiary as the Group controls the entity’s operating and financial activities.

(8) Entity incorporated during the financial year.

(9) Entity disposed during the financial year.

(10) Entity struck off during the financial year.

STATISTICS OF **SHAREHOLDINGS**

AS AT 11 MARCH 2016

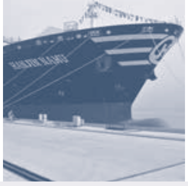
Issued and fully paid-up shares capital: S$1,240,693,280.38 (RMB6,206,820,000)
Number of shares (excluding treasury share): 3,831,838,000
Class of shares: Ordinary Shares
Voting per share: One vote per share
Treasury Share: 5,239,000

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.05	126	0.00
100 – 1,000	1,735	8.19	1,707,150	0.04
1,001 – 10,000	13,112	61.86	77,885,668	2.03
10,001 – 1,000,000	6,310	29.77	249,318,714	6.51
1,000,001 AND ABOVE	28	0.13	3,502,926,342	91.42
TOTAL	21,196	100.00	3,831,838,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	2,059,346,521	53.74
2	CITIBANK NOMINEES SINGAPORE PTE LTD	481,767,859	12.57
3	DBS NOMINEES (PRIVATE) LIMITED	313,917,475	8.19
4	RAFFLES NOMINEES (PTE) LIMITED	301,469,451	7.87
5	DBSN SERVICES PTE. LTD.	132,866,781	3.47
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	75,782,922	1.98
7	CITIGROUP GLOBAL MARKETS SINGAPORE SECURITIES PTE. LTD.	38,948,250	1.02
8	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	25,709,689	0.67
9	OCBC SECURITIES PRIVATE LIMITED	8,959,300	0.23
10	UOB KAY HIAN PRIVATE LIMITED	7,551,800	0.20
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	7,228,358	0.19
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,474,042	0.14
13	DB NOMINEES (SINGAPORE) PTE LTD	5,217,043	0.14
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,925,800	0.13
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,544,632	0.12
16	BANK OF SINGAPORE NOMINEES PTE. LTD.	4,199,483	0.11
17	MERRILL LYNCH (SPORE) PTE LTD	3,440,831	0.09
18	PHILLIP SECURITIES PTE LTD	3,146,500	0.08
19	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,485,417	0.06
20	HENG SIEW ENG	2,394,000	0.06
	TOTAL	3,489,376,154	91.06



STATISTICS OF **SHAREHOLDINGS**

AS AT 11 MARCH 2016

	Direct Interest		Deemed Interest		Total
	Number of Shares	%	Number of Shares	%	%
Ren Yuanlin	3,200,000	0.0835	1,002,845,825 (1)	26.1714	26.2549
Newyard Worldwide Holdings Ltd.	1,002,845,825	26.1714	–	–	26.1714
Lido Point Investments Ltd.	394,134,000	10.2858	–	–	10.2858
Wang Dong	–	–	394,134,000 (2)	10.2858	10.2858
HongKong Hengyuan Investment Limited	303,962,240	7.9325	–	–	7.9325
Chang Liang	–	–	303,962,240 (3)	7.9325	7.9325

Notes:

(1) Ren Yuanlin is deemed to be interested in the Shares through his interest in Newyard Worldwide Holdings Ltd, by virtue of Section 7 of the Companies Act.

(2) Wang Dong is deemed to be interested in the Shares through his interest in Lido Point Investments Ltd, by virtue of Section 7 of the Companies Act.

(3) Chang Liang is deemed to be interested in the Shares through his interest in HongKong Hengyuan Investment Limited, by virtue of Section 7 of the Companies Act.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 50.72% of the shareholding of the Company is held in the hands of the public as at 11 March 2016 and Rule 723 of the Listing Manual is complied with.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Capital Tower, Level 9, STI Auditorium, 168 Robinson Road, Singapore 068912 on Thursday, 28 April 2016 at 2.00 p.m. to transact the following business:–

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2015 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of S$0.045 per ordinary share in respect of the financial year ended 31 December 2015. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$136,500 for the financial year ended 31 December 2015. (2014:S$135,000) **(Resolution 3)**

4. To re-elect the following Directors who are retiring by rotation pursuant to Article 94 of the Company's Articles of Association:

   (a) Mr Chen Timothy Teck Leng @ Chen Teck Leng *[See Explanatory Note (a)]* **(Resolution 4)**

   (b) Mr Xu Wen Jiong *[See Explanatory Note (b)]* **(Resolution 5)**

5. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary resolutions, with or without modifications:

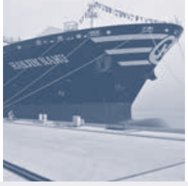
6. AUTHORITY TO ALLOT AND ISSUE SHARES

THAT pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(a) (i) issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and



NOTICE OF ANNUAL GENERAL MEETING

(b) issue Shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

provided that:

(1) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (1) above, the total number of issued Shares shall be based on the issued Shares of the Company (excluding treasury shares) at the time such authority was conferred, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(c) any subsequent consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association of the Company for the time being; and

(4) (unless revoked or varied by the Company in a general meeting) the authority so conferred shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. *[See Explanatory Note (c)]* **(Resolution 7)**

NOTICE OF
ANNUAL GENERAL MEETING

7. RENEWAL OF SHARE PURCHASE MANDATE

THAT:

(a) the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Ordinary Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST; and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**"),

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of the Shares pursuant to Share Purchase Mandate are carried out to the full extent mandated.

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Ordinary Shares representing 10% of the total number of the issued Ordinary Shares as at the date of the passing of this Resolution (excluding any Ordinary Shares which are held as treasury shares as at that date);

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**", in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed: -

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 120% of Average Closing Price (as defined hereinafter), pursuant to an equal access scheme;

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five Market Days;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. *[See Explanatory Note (d)]* **(Resolution 8)**

8. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board

Pan Mi Keay
Company Secretary
31 March 2016
Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(a) Mr Chen Timothy Teck Leng @ Chen Teck Leng will remain as the Independent Director, the Chairman of the Audit Committee, Member of the Nominating Committee and Remuneration Committee, upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Key information on Mr Chen Timothy Teck Leng @ Chen Teck Leng is found on page 14 of the Annual Report. There are no relationships (including immediate family relationships) between Mr Chen Timothy Teck Leng @ Chen Teck Leng and the other Directors, or the Company, or its 10% shareholders.

(b) Key information on Mr Xu Wen Jiong, who is seeking re-election as a Director of the Company, is found on page 15 of the Annual Report. Mr Xu Wen Jiong will remain as the Non-Executive Non-Independent Director, the member of the Audit Committee, Nominating Committee and Remuneration Committee upon re-election as a Director of the Company. There are no relationships (including immediate family relationships) between Mr Xu Wen Jiong and the other Directors, or the Company, or its 10% shareholders.

(c) The proposed ordinary resolution 7, if passed, will empower the Directors of the Company from the date of the above meeting to issue shares in the Company up to an amount not exceeding in total 50% of the total number of issued shares in the capital of the Company with a sub-limit of 20% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interest of the Company. The authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(d) The proposed ordinary resolution 8, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to purchase or acquire up to 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution. Details of the proposed Share Purchase Mandate are set out in the Appendix to the Notice of the above meeting.

  (i) As at the date of this Notice, the Company has not purchased any share by way of market acquisition for cancellation.

  (ii) The amount of financing required for the Company to further purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as this will depend on the number of the shares purchased or acquired and the price at which such shares were purchased or acquired.

  (iii) The financial effects of the purchase or acquisition of shares by the Company pursuant to the proposed Share Purchase Mandate on the Group's audited financial statements for the financial year ended 31 December 2015 are set out in Appendix to the Notice of the above meeting and are for illustration only.

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

(1) A shareholder of the Company entitled to attend and vote at the Annual General Meeting of the Company may appoint not more than two proxies to attend and vote in his/her stead. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.

(2) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

(3) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

(4) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

APPENDIX

THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE

1. INTRODUCTION

1.1 Yangzijiang Shipbuilding (Holdings) Ltd. (the "**Company**") proposes to seek the approval of Shareholders of the Company ("**Shareholders**") at the Annual General Meeting of the Company to be held at Capital Tower, Level 9, STI Auditorium, 168 Robinson Road, Singapore 068912 on Thursday, 28 April 2016 at 2.00 p.m. ("**2016 AGM**") for the proposed renewal of share purchase mandate to authorise the directors from time to time to purchase shares in the capital of the Company (whether by market purchases and/or off-market purchases on an equal access system) up to 10% of the issued ordinary share capital of the Company as at the date on which this Resolution is passed, at the price of up to but not exceeding the Maximum Price (as defined below), subject to the Constitution of the Company and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as set out in the SGX-ST Listing Manual ("**Listing Rules**") (the "**Share Purchase Mandate**").

1.2 The Shareholders of the Company had at the Extraordinary General Meeting ("**EGM**") held on 25 April 2008, approved the Share Purchase Mandate ("**2008 Mandate**") for the Directors to exercise all the powers of the Company to purchase or acquire up to 10% of the issued ordinary share capital of the Company on the terms of that mandate. The Share Purchase Mandate was approved for renewal at the Annual General Meeting ("**AGM**") held as follows:

- Renewed the 2008 Mandate at the AGM held on 28 April 2009 ("**2009 Mandate**");
- Renewed the 2009 Mandate at the AGM held on 27 April 2010 ("**2010 Mandate**");
- Renewed the 2010 Mandate at the AGM held on 28 April 2011 ("**2011 Mandate**");
- Renewed the 2011 Mandate at the AGM held on 27 April 2012 ("**2012 Mandate**");
- Renewed the 2012 Mandate at the AGM held on 26 April 2013 ("**2013 Mandate**");
- Renewed the 2013 Mandate at the AGM held on 30 April 2014 ("**2014 Mandate**"); and
- Renewed the 2014 Mandate at the AGM held on 30 April 2015 ("**2015 Mandate**").

1.3 The 2015 Mandate will expire on the date of the forthcoming 2016 AGM. If the proposed resolution for the renewal of Share Purchase Mandate is approved at the 2016 AGM, the mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the next AGM of the Company is held or is required by law to be held, whichever is earlier.

1.4 The purpose of this Appendix is to provide information relating to and explain the rationale for the proposed renewal of Share Purchase Mandate.

APPENDIX

2. RATIONALE FOR THE SHARE PURCHASE MANDATE

2.1 The renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its ordinary shares in the issued and paid-up share capital of the Company ("**Shares**") would give the Company the flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 2.3.1 below at any time, during the period when the Share Purchase Mandate is in force.

2.2 The rationale for the Company to undertake the purchase or acquisition of its issued Shares, as previously stated in its circular to Shareholders dated 9 April 2008, is as follows:

(a) In managing the business of the Group, the management will strive to increase Shareholders' value by improving, *inter alia*, the Return on Equity ("**ROE**") of the Company. In addition to growth and expansion of the business, share purchases may be considered as one of the ways through which the ROE of the Company may be enhanced.

(b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds, which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.

(c) Share purchase programmes help to buffer short-term share price volatility.

(d) The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

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2.3 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on share purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, are similar in terms to those previously approved by Shareholders, and are summarised below:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company ascertained as at the date of the last AGM or at the date of the forthcoming 2016 AGM at which the renewal of the Share Purchase Mandate is approved, whichever is higher, unless the share capital of the Company has been reduced in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit. As at 11 March 2016 (the "**Latest Practicable Date**"), the Company is holding 5,239,000 Shares in treasury.

For illustrative purposes only, on the basis of 3,831,838,000 Shares in issue as at the Latest Practicable Date (excluding 5,239,000 Shares are held in treasury as at the Latest Practicable Date), and assuming:

(a) no further Shares are issued on or prior to the 2016 AGM; and

(b) no further Shares are purchased or acquired by the Company, and no Shares purchased or acquired by the Company are held as treasury shares,

not more than 383,183,800 Shares [representing 10% of the total number of Shares (excluding the Shares held in treasury) as at that date] may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.3.2 below.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the forthcoming 2016 AGM, at which the renewal of Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM of the Company is held or required by law to be held; or

(b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

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The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM (after the forthcoming 2016 AGM) or an EGM to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

2.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) market purchase(s) ("**Market Purchase**"), transacted on the SGX-ST through the ready market, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) off-market purchase(s) ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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Pursuant to the Listing Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed purchase or acquisition of Shares;

(d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and

(g) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase or acquisition.

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For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five (5) Market Days.

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 <u>Maximum Holdings</u>

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 <u>Voting and Other Rights</u>

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

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2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage, and the value of the treasure shares if they are used for a sale, transfer, or cancelled.

2.6 Reporting Requirements

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares by the Company on the SGX-ST or otherwise. Such notification shall include details of the purchases, the total number of Shares purchased by the Company, the Company's total number of issued shares as at the date of the Shareholders' resolution approving the purchase of the Shares and after the purchase of Shares, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required in the prescribed form.

The Company is required under Rule 886 of the Listing Manual that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made, and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

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The notification of such purchases or acquisition of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

2.7 Source of Funds

The Company may only apply funds for the purchase or acquisition of the Shares as provided in the Articles of Association of the Company and in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits. Apart from using its internal sources of funds, the Company may obtain or incur borrowings to finance its purchase or acquisition of Shares.

2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the net tangible asset and earning per share as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares and the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total number of issued Shares will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The NTA of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirements, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view of enhancing the EPS and/or the NTA value per Share.

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For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the financial statements of the Group for the financial year ended 31 December 2015 are based on the assumptions set out below:

(a) based on 3,831,838,000 Shares in issue as at the Latest Practicable Date (excluding 5,239,000 Shares are held in treasury as at the Latest Practicable Date), and assuming no further Shares are issued and no further Shares are held by the Company as treasury shares on or prior to the AGM, not more than 383,183,800 Shares [representing 10% of the total number of issued shares of the Company (excluding Shares held in treasury) as at that date] may be purchased by the Company pursuant to the proposed Share Purchase Mandate;

(b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 383,183,800 Shares at the Maximum Price of S$1.015 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 383,183,800 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB1,828,608,655; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 383,183,800 Shares at the Maximum Price of S$1.160 for one Share (being the price equivalent to 20% above the Average Closing Price of the Shares on the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 383,183,800 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately RMB2,089,838,463.

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed solely by internal sources of funds; (ii) the Share Purchase Mandate had been effective on 1 January 2016; and (iii) the Company had purchased or acquired 383,183,800 Shares [representing 10% of its total number of issued shares of the Company (excluding Shares held in treasury) at the Latest Practicable Date] on 31 December 2015, the financial effects of the purchase or acquisition of 383,183,800 Shares by the Company pursuant to the Share Purchase Mandate:

(1) by way of purchases made entirely out of capital and held as treasury shares; and

(2) by way of purchases made entirely out of capital and cancelled,

APPENDIX

on the financial statements of the Company and the Group for the financial year ended 31 December 2015 are set out below:

(1) Purchases made entirely out of capital and held as treasury shares

(A) Market Purchases

	Group		Company	
	Before Share Purchase RMB'000	**After Share Purchase RMB'000**	**Before Share Purchase RMB'000**	**After Share Purchase RMB'000**
As at 31 December 2015				
Issued capital and reserves	21,820,368	21,783,796	7,393,593	7,357,021
Treasury shares	(20,979)	(1,849,588)	(20,979)	(1,849,588)
Total shareholders' equity	21,799,389	19,934,208	7,372,614	5,507,433
NTA (excl. Non-controlling interests)	21,799,389	19,934,208	7,372,614	5,507,433
Profit after taxation and minority interest	2,459,600	2,423,028	(443,556)	(480,128)
Net debt	1,260,936	3,089,545	2,015,711	3,844,320
Number of shares ('000)	3,831,838	3,448,654(Note)	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	568.90	578.03	192.40	159.70
Gross debt gearing (%)	37.99	41.55	37.87	69.80
Net debt gearing (%)	5.78	15.50	27.34	69.80
Current ratio (times)	2.36	2.19	1.55	1.12
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.25	7.71	(0.64)	(0.56)
Basic EPS (cents)				
(before exceptional items)	64.19	70.26	(11.58)	(13.92)
(after exceptional items)	64.19	70.26	(11.58)	(13.92)
Return on equity (%)	11.28	12.16	(6.02)	(8.72)

Note:

Based on 3,831,838,000 Shares in issue as at the Latest Practicable Date, excluding 5,239,000 Shares that are held in treasury as at the Latest Practicable Date.

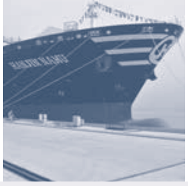
APPENDIX

(B) Off-Market Purchases

	Group		Company	
	Before Share Purchase RMB'000	**After Share Purchase RMB'000**	**Before Share Purchase RMB'000**	**After Share Purchase RMB'000**
As at 31 December 2015				
Issued capital and reserves	21,820,368	21,778,571	7,393,593	7,351,796
Treasury shares	(20,979)	(2,110,817)	(20,979)	(2,110,817)
Total shareholders' equity	21,799,389	19,667,754	7,372,614	5,240,979
NTA (excl. Non-controlling interests)	21,799,389	19,667,754	7,372,614	5,240,979
Profit after taxation and minority interest	2,459,600	2,417,803	(443,556)	(485,353)
Net debt	1,260,936	3,350,774	2,015,711	4,105,549
Number of shares ('000)	3,831,838	3,448,654 (Note)	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	568.90	570.30	192.40	151.97
Gross debt gearing (%)	37.99	42.11	37.87	78.34
Net debt gearing (%)	5.78	17.04	27.34	78.34
Current ratio (times)	2.36	2.16	1.55	1.07
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.25	7.63	(0.64)	(0.56)
Basic EPS (cents)				
(before exceptional items)	64.19	70.11	(11.58)	(14.07)
(after exceptional items)	64.19	70.11	(11.58)	(14.07)
Return on equity (%)	11.28	12.29	(6.02)	(9.26)

Note:

Based on 3,831,838,000 Shares in issue as at the Latest Practicable Date, excluding 5,239,000 Shares that are held in treasury as at the Latest Practicable Date.



APPENDIX

(2) Purchases made entirely out of capital and cancelled

(A) Market Purchases

	Group		Company	
	Before Share Purchase RMB'000	After Share Purchase RMB'000	Before Share Purchase RMB'000	After Share Purchase RMB'000
As at 31 December 2015				
Issued capital and reserves				
Total shareholders' equity	21,799,389	19,934,208	7,372,614	5,507,433
NTA (excl. Non-controlling interests)	21,799,389	19,934,208	7,372,614	5,507,433
Profit after taxation and minority interest	2,459,600	2,423,028	(443,556)	(480,128)
Net debt	1,260,936	3,089,545	2,015,711	3,844,320
Number of shares ('000)	3,831,838	3,448,654	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	568.90	578.03	192.40	159.70
Gross debt gearing (%)	37.99	41.55	37.87	69.80
Net debt gearing (%)	5.78	15.50	27.34	69.80
Current ratio (times)	2.36	2.19	1.55	1.13
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.25	7.71	(0.64)	(0.56)
Basic EPS (cents)				
(before exceptional items)	64.19	70.26	(11.58)	(13.92)
(after exceptional items)	64.19	70.26	(11.58)	(13.92)
Return on equity (%)	11.28	12.16	(6.02)	(8.72)

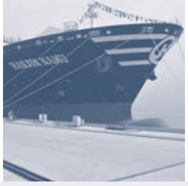
APPENDIX

(B) Off-Market Purchases

	Group		Company	
	Before Share Purchase RMB'000	**After Share Purchase RMB'000**	**Before Share Purchase RMB'000**	**After Share Purchase RMB'000**
As at 31 December 2015				
Issued capital and reserves				
Total shareholders' equity	21,799,389	19,667,754	7,372,614	5,240,979
NTA (excl. Non-controlling interests)	21,799,389	19,667,754	7,372,614	5,240,979
Profit after taxation and minority interest	2,459,600	2,417,803	(443,556)	(485,353)
Net debt	1,260,936	3,350,774	2,015,711	4,105,549
Number of shares ('000)	3,831,838	3,448,654	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	568.90	570.30	192.40	151.97
Gross debt gearing (%)	37.99	42.11	37.87	78.34
Net debt gearing (%)	5.78	17.04	27.34	78.34
Current ratio (times)	2.36	2.16	1.55	1.07
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.25	7.63	(0.64)	(0.56)
Basic EPS (cents)				
(before exceptional items)	64.19	70.11	(11.58)	(14.07)
(after exceptional items)	64.19	70.11	(11.58)	(14.07)
Return on equity (%)	11.28	12.29	(6.02)	(9.26)

Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of its issued Shares (excluding Shares held in treasury), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares (excluding Shares held in treasury). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Purchase Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.



APPENDIX

2.9 Take-over Implications

Appendix 2 of the Singapore Code on Take-over and Mergers ("**Take-over Code**") contains the Share Purchase Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.9.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and person(s) acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert namely:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;

(b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) a financial or other professional adviser, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

APPENDIX

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.9.3 <u>Effect of Rule 14 and Appendix 2</u>

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares:

(a) the voting rights of such Directors and their concert parties would increase to 30% or more; or

(b) in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

(a) the voting rights of such Shareholder would increase to 30% or more; or

(b) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months.

Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Purchase Mandate.

APPENDIX

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

2.10 Listing Rules

While the Listing Rules do not expressly prohibit purchase of shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of consideration and/or a decision of the Board of Directors until such time as the price-sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one month immediately preceding the announcement of the Company's annual financial results; and

(b) two weeks immediately preceding the announcement of the Company's financial results for each of the first three quarters of its financial year.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares (excluding Shares held in treasury) are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, Substantial Shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 1,943,459,935 Shares, representing approximately 50.72% of the issued Shares (excluding Shares held in treasury), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to approximately 1,560,276,135 Shares, representing approximately 45.24% of the total number of issued Shares of the Company (excluding Shares held in treasury). Accordingly, the Company is of the view that there is a sufficient number of issued Shares (excluding Shares held in treasury) held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

APPENDIX

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.11 Details of Shares Bought by the Company in the previous 12 months

As at the Latest Practicable Date, the Company had not purchased nor acquired any Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the AGM held on 30 April 2015.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 Directors' Interests

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

	Number of Shares		Total Percentage
Director	**Direct Interest**	**Deemed Interest**	**Interest (%)[2]**
Ren Yuanlin	3,200,000	1,002,845,825[1]	26.2549
Teo Yi-Dar	150,000	–	0.0039
Chen Timothy Teck Leng @ Chen Teck Leng	–	–	–
Xu Wenjiong	–	–	–

3.2 Substantial Shareholders' Interests

The interests of the Substantial Shareholders of the Company in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Number of Shares		Total Percentage
Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**Interest (%)[2]**
Ren Yuanlin	3,200,000	1,002,845,825	26.2549
Newyard Worldwide Holdings Ltd	1,002,845,825	–	26.1714
Lido Point Investments Ltd	394,134,000	–	10.2858
Wang Dong	–	394,134,000[3]	10.2858
HongKong Hengyuan Investment Limited	303,962,240	–	7.9325
Chang Liang	–	303,962,240[4]	7.9325

1 Ren Yuanlin is deemed to be interested in the Shares through his interest in Newyard Worldwide Holdings Ltd, by virtue of Section 7 of the Companies Act.

2 Based on 3,831,838,000 Shares in issue as at the Latest Practicable Date, excluding 5,239,000 Shares that are held in treasury as at the Latest Practicable Date.

3 Wang Dong is deemed to be interested in the Shares through his interest in Lido Point Investments Ltd, by virtue of Section 7 of the Companies Act.

4 Chang Liang is deemed to be interested in the Shares through his interest in HongKong Hengyuan Investment Limited, by virtue of Section 7 of the Companies Act.

APPENDIX

4. DIRECTORS' RECOMMENDATIONS

The Proposed Renewal of Share Purchase Mandate

The Directors are of the opinion that the proposed renewal of Share Purchase Mandate is in the best interest of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution relating to the proposed renewal of Share Purchase Mandate as set out in the Notice of 2016 AGM.

5. ANNUAL GENERAL MEETING

The 2016 AGM, notice of which is set out on pages 153 to 158 of the Notice of AGM attached to the 2015 Annual Report of the Company, will be held at Capital Tower, Level 9, STI Auditorium, 168 Robinson Road, Singapore 068912 on Thursday, 28 April 2016 at 2.00 p.m. for the purpose of, inter alia, considering and, if thought fit, passing the ordinary resolution on the renewal of Share Purchase Mandate as set out in the Notice of the 2016 AGM.

6. DOCUMENTS FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date hereof up to and including the date of the 2016 AGM:

(a) the Constitution of the Company; and

(b) the audited consolidated financial statements of the Company for FY2015.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

8. SGX-ST'S DISCLAIMER

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinion expressed in this Appendix.

Yours faithfully,
For and on behalf of the Board of Directors of
YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

Ren Yuanlin
Executive Chairman

Proxy Form

Yangzijiang Shipbuilding (Holdings) Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200517636Z)

IMPORTANT
1. For investors who have used their CPF monies to buy shares in the capital of Yangzijiang Shipbuilding (Holdings) Ltd., the CD-Rom is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We ____(name) ______________________________(NRIC/Passport No.)

of ____(address)

being a member/members of Yangzijiang Shipbuilding (Holdings) Ltd. (the "Company"), hereby appoint: -

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

and/or failing him (delete as appropriate)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at STI Auditorium, 168 Robinson Road, #09-01 Capital Tower, Singapore 068912 on Thursday, 28 April 2016 at 2.00 p.m. and at any adjournment thereof.

☐ Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the AGM shall be decided by way of poll.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.)

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2015 and the Directors' Statement and the Auditors' Report thereon.		
2.	To declare a tax exempt (one-tier) final dividend of S$0.045 per ordinary share for the financial year ended 31 December 2015.		
3.	To approve the payment of Directors' fees of S$136,500 by the Company for the financial year ended 31 December 2015.		
	To re-elect the following Directors who are retiring by rotation pursuant to Article 94 of the Company's Articles of Association:–		
4.	Mr Chen Timothy Teck Leng @ Chen Teck Leng		
5.	Mr Xu Wen Jiong		
6.	To re-appoint Messrs PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to allot and issue shares.		
8.	To renew the Share Purchase Mandate.		

Dated this ___________ day of ____________________, 2016

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal
IMPORTANT: Please read notes overleaf

DO NOT STAPLE. GLUE ALL SIDES FIRMLY

DO NOT STAPLE. GLUE ALL SIDES FIRMLY

Notes:–

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 131 of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. A shareholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are shareholders of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for the AGM.
5. Where a shareholder appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy and, if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50.
9. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.
10. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

DO NOT STAPLE. GLUE ALL SIDES FIRMLY

AFFIX
POSTAGE
STAMP

The Company Secretary
Yangzijiang Shipbuilding (Holdings) Ltd.
80 Robinson Road
#02-00
Singapore 068898

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Yangzijiang Shipbuilding (Holdings) Ltd.
揚子江船業（控股）有限公司

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Singapore 048581