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

1956

A DECADE OF BREAKTHROUGHS

ANNUAL REPORT 2016

TABLE OF **CONTENTS**

CORPORATE **PROFILE**

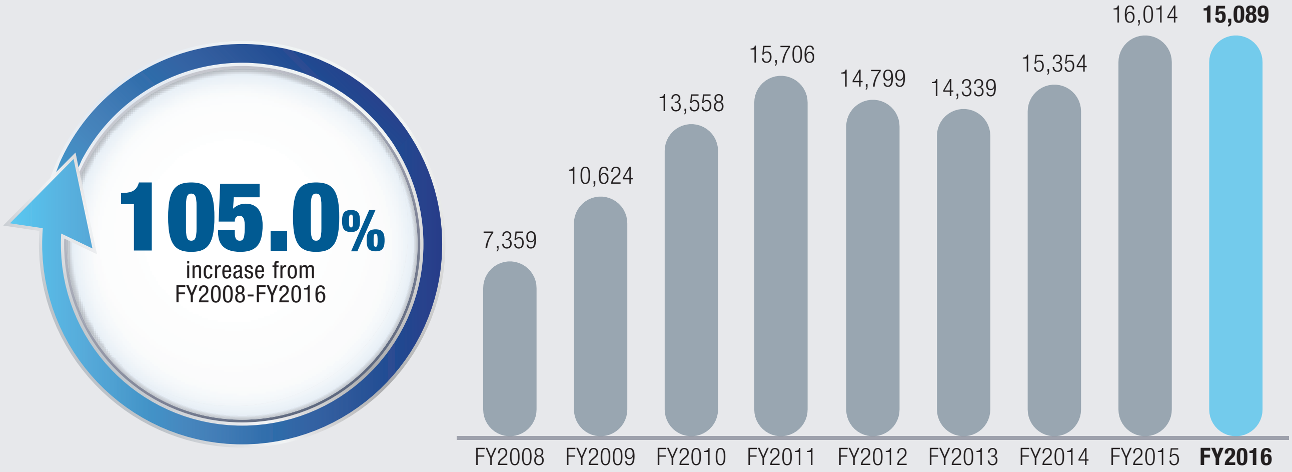
"WE ARE ONE OF THE **BEST SHIPBUILDERS** IN CHINA AND WE ASPIRE TO BE ONE OF THE BEST IN THE WORLD"

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

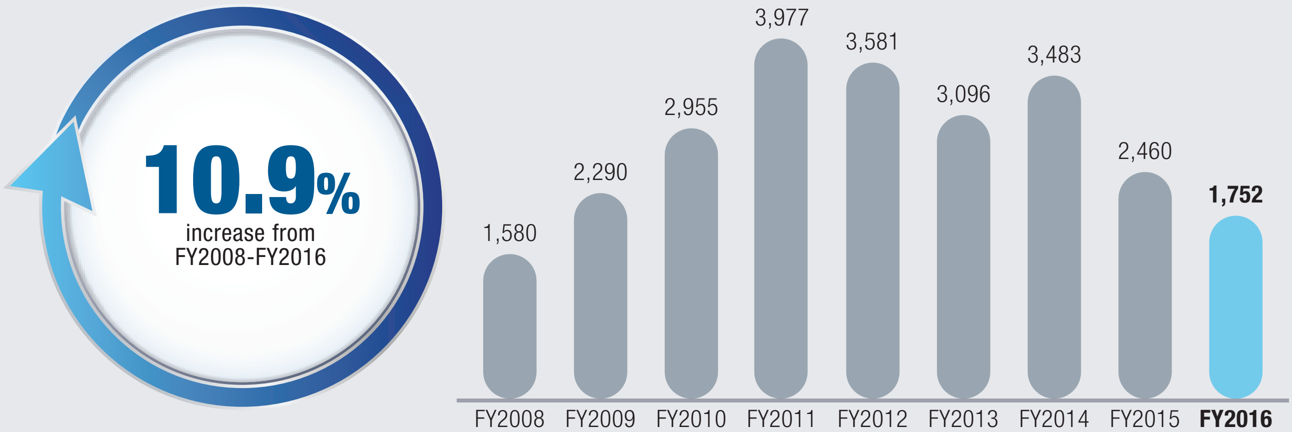
- Jiangsu New Yangzi Shipbuilding Co., Ltd ("New Yangzi")
- Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("Xinfu")
- Jiangsu Yangzijiang Shipbuilding Co., Ltd ("Jiangsu Yangzijiang")
- Jiangsu Yangzi Changbo Shipbuilding Co., Ltd ("Changbo")
- Jiangsu Yangzijiang Offshore Engineering Co., Ltd ("JYOEC")

FINANCIAL **HIGHLIGHTS**

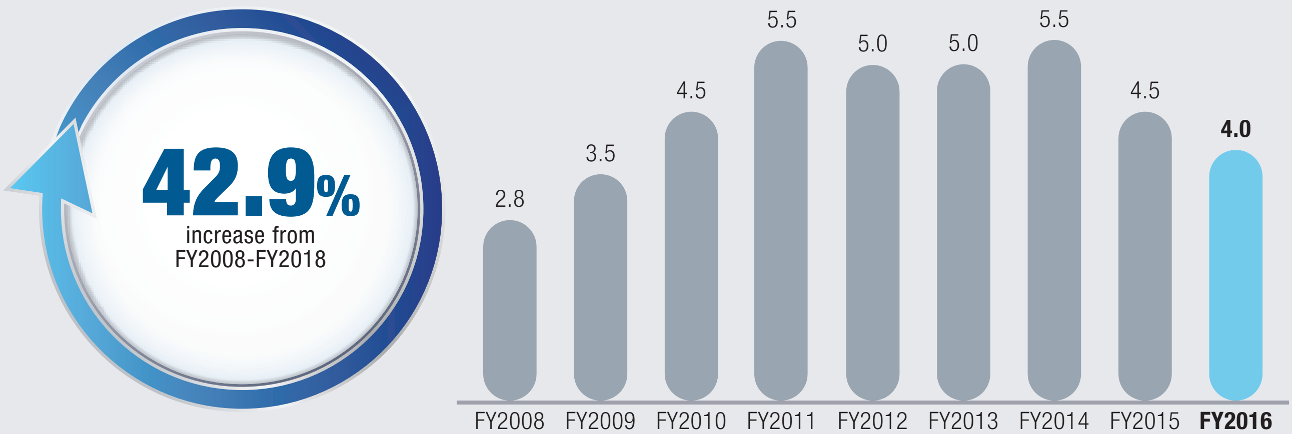
REVENUE (RMB'MILLION)



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



DIVIDEND (SINGAPORE CENTS)



	2016 31 December RMB'000	2015 31 December RMB'000	2014 31 December RMB'000	2013 31 December RMB'000	2012 31 December RMB'000
Results					
Revenue	15,089,438	16,014,348	15,353,551	14,338,637	14,799,092
Gross Profit	3,636,622	3,719,271	4,143,882	4,761,895	4,571,519
Other Income	903,681	271,008	631,131	281,764	292,824
Other Gains / (Losses)	338,603	623,121	(150,182)	169,978	385,936
Net Profit Attributable to Shareholders	1,752,432	2,459,600	3,482,922	3,095,878	3,580,773
Basic EPS (RMB cents)	45.73	64.19	90.89	80.79	93.45
Financial Position					
Total Assets	41,234,183	41,246,062	40,777,982	43,211,180	33,202,298
Shareholders' Equity	22,691,966	21,799,389	20,473,394	17,800,809	15,510,191
Cash and Cash Equivalents	7,085,796	5,992,935	2,652,565	1,436,246	2,086,659
Net asset value per share (RMB cents)	592.2	568.90	534.30	464.55	404.77
Market Capitalisation at Period End					
Dividends (Singapore Dollar)	0.04	0.045	0.055	0.05	0.05
Share Price at Period End (Singapore Dollar)	0.815	1.1	1.21	1.19	0.96
Payout Ratio	43%	33%	28%	30%	27%
P/E	8.55	7.86	6.15	7.02	5.23
P/B	0.66	0.89	1.05	1.22	1.21
Dividend Yield	4.91%	4.09%	4.56%	4.22%	5.21%
No. of Shares ('000)	3,831,838	3,831,838	3,831,838	3,831,838	3,831,838


MOL BEYOND

WITH A **STRONG TRACK** RECORD

of vessel delivery, extensive customer network, and constant upgrading in technology and vessel types, Yangzijiang has always maintained a healthy order book of more than US$4 billion. An increasing proportion of the vessels in the order book are LNG ready and suitable for voyage into waters with strict emission standards.

DEAR SHAREHOLDERS,

This year, Yangzijiang will celebrate its tenth anniversary of SGX listing. During the 60 odd years of shipbuilding history and within the 10 years since our IPO in April 2007, the industry experienced a major cycle from peak to trough. The whole industry had undergone major reshuffling and consolidation, resulting in a change in the industry's landscape. This is especially evident in China. Despite operating in such volatile market, Yangzijiang has progressed against the odds, increasing in its market share and risen to become a leader in the China shipbuilding market. Our healthy order book, strong ship delivery track record, upgraded and diversified shipbuilding portfolio and strong financial strength have fully displayed Yangzijiang's strong overall capabilities as an elite shipbuilding Group.

GAINING MARKET SHARE IN THE INDUSTRY DOWNTURN

The global financial crisis in 2008 to 2009 had severely impacted the shipbuilding industry. It resulted in overcapacity in shipbuilding industry, vessel supply glut, depressed vessel prices, and higher cost of financing. It also became difficult to secure shipbuilding orders and financing, complete vessel construction, and at the same time still remain profitable. As a result, many ship yards exited the industry as they were unable to sustain their operations.

Yangzijiang has always been closely monitoring market developments, reacting quickly to the changes in market trends and prudently managing its business to offer products that are in demand. We also imposed strict cost controls and rigorous production procedures. Our stellar vessel delivery track record has also helped to establish our reputation and brand name. Our comprehensive and systematic operational structure enabled Yangzijiang to not only survive the challenging years faced by the industry, but also to continue to grow into a stronger enterprise. Back in 2007, China was one of the top 3 shipbuilding nations globally, and Yangzijiang ranked No. 7 in terms of new shipbuilding orders in China. Over the past decade, China's advancement in technological innovation and vessel quality has strengthened its position as a leading shipbuilding nation. In 2016, China came out top in terms of shipbuilding orders secured that year. Yangzijiang progressed through the ranks and became one of the top 3 shipbuilders in China and one of the top 10 shipbuilders in the world in terms of outstanding order book.

STABLE ORDER BOOK

Our order book stood at US$4.3 billion as at 31 December 2016, comprising of 85 vessels. We secured 19 new orders last year, with total contract value amounting to US$823 million. We secured these orders by offering enhanced product features in structure, energy efficiency, and safety. An increasing proportion of the vessels in the order book are LNG ready, making them suitable for voyage into the waters of developed nations that impose strict emission standards. Notably, we received orders for six units of Very Large Ore Carriers ("VLOC"), which forms part of the bulk orders for 30 VLOC vessels placed by a major Chinese ship owner that plans to use the vessels to transport iron ore from Brazil to China. Yangzijiang was the only privately-owned shipyard in China that received this batch of orders. The other shipyards that received these orders were all state-owned enterprises. We won the orders by virtue of our reputation, shipbuilding capabilities, technological expertise, delivery record, and financial position.

Through the good and bad times, we have always maintained a healthy order book of more than US$4 billion. This ensured that our shipyards are highly utilised and provided clear earnings visibility in the next 2 to 3 years. Our current outstanding orders are scheduled for delivery through to 2019.

STABLE PROFITABILITY

At the peak of the shipbuilding boom in FY2007, the Group's net profit attributable to shareholders was RMB 870 million. Even though the industry faced challenges in the past few years, we continued to post healthy profits every year. Global shipyard output and capacity have fallen significantly since the peak years in 2007 to 2010. Despite that, our net profit attributable to shareholders have more than doubled to RMB 1.8 billion in FY2016. This accounted for more than 10% of all the net profits generated by Chinese shipyards reported by China Association of National Shipbuilding Industry. Our shareholders equity increased from RMB 4.2 billion as at the end of 2007 to RMB 22.7 billion as at the end of 2016. Our financials demonstrate our cost-efficiency and strong profitability as a shipbuilder.

Even though market conditions deteriorated in recent years, our consistent profitability and strong operating cash flow enabled us to build up strong cash reserves. We grew the Group's cash reserves of RMB 4.4 billion as at end of 2007 to RMB 7.1 billion as at end of 2016. The strong financial position ensured sufficient working capital that gave ship owners the confidence in order placement. It provided the Group with the flexibility of giving priority to good quality orders. It helped us to build valuable relationships with banks and other financial institutions, and that enabled us to gain flexibility in financial management and to lower financing cost. It also helped us in obtaining favourable prices in procurement, lowering production cost. These factors contributed to our reliable vessel delivery record, which in turn brought repeat customers, further built up the order book with good profit potential, and helped us to fetch decent profit margins.

EXPANDED VESSEL PORTFOLIO

In 2007, our order book consisted of only bulk carriers and containerships. Back then, securing the 92,500 DWT bulk carrier orders was a great breakthrough for us. Over the years, Yangzijiang has continued to upgrade our vessel types in terms of size, complexity and efficiency. With the bulk orders for 10,000 TEU containerships, we achieved a breakthrough in an area that was traditionally dominated by South Korean shipbuilders, and established our position in the global market. The orders for the six units of 400,000 DWT VLOCs that we secured in April 2016 brought Yangzijiang's product profile to a new level. These Valemax ships are 362 meters in length and 65 meters in width. This is the largest bulk carrier ever constructed and put in service in terms of its deadweight tonnage and length.

Currently, our order book consists of large size dry bulkers, containerships, oil tankers, LNG carriers, and Very Large Gas Carriers ("VLGC"). Last year, we delivered our largest tonnage bulk carrier, a 260,000 DWT bulk carrier. In 2017, we expect to deliver our first two units of LNG carriers. A diversified product portfolio effectively mitigates the risks specific to a product category and demonstrates Yangzijiang's capability as a truly comprehensive and strong shipbuilder. Our emphasis on R&D, clean energy vessels, and specialized vessels addresses current vessel demand trends.

SUCCESSION PLANNING

Currently, I spearhead the Group's strategic planning, investment planning, and risk management to strengthen our operations and to ensure that the business is sustainable in this ever-changing business environment.

The Group's management succession plan is progressing well. Mr. Ren Letian was appointed Group CEO on 1 May 2015 after holding managerial roles at various levels and business divisions in the Group since 2006. He was previously heading the operations at Xinfu Yard to ensure smooth and timely delivery of six 10,000 TEU containerships and other vessels. He also successfully overcome teething problems with the shipyard which was relatively new then. He now helms the Group's overall shipbuilding operations, and exhibits increased maturity and capability in overseeing various business functions that are integral to the successful delivery of quality vessels. With the CEO's leadership and support by our core management team of shipbuilding industry veterans, Yangzijiang is well positioned for continued success in the next few decades to come.

DIVIDENDS EVERY YEAR

Over the past decade, we have paid dividends consistently every year. Even in a weak market such as now, we are still proposing a 4 Singapore cents dividend for FY2016, a record payout of 43%. This translates into a dividend yield of 4.9% based on our share price of 81.5 Singapore cents as at 31 December 2016. It is comparable to the 4.5 Singapore cents dividend we paid for FY2015. Yangzijiang's financial strength allows us to reward our shareholders who have placed their faith and trust in us. They deserve to be rewarded and share in Yangzijiang's growth.

APPRECIATION

Yangzijiang has grown stronger through the years as the shipbuilding industry went through structural changes. While uncertainties remain in the shipbuilding market, our shipbuilding capability, track record and reputation, customer network, financial strength, and management structure provide us with an established foundation to continue to grow in the new shipbuilding industry ecosystem. On behalf of the board of directors, I would like to extend my sincere appreciation to our shareholders for staying vested in the Group throughout the past decade. We also thank our staff, customers, suppliers, bankers and other business partners who have played a vital role in our evolution. We aspire to become one of the most profitable and prominent shipbuilders in the world, and I would like to see all our shareholders and business partners sharing the return on our path of growth.

Ren Yuanlin
Executive Chairman

March 2017

尊敬的股东，

今年将是扬子江船业在新加坡上市十周年。在我们60多年的造船史上，自2007年4月上市以来的这10年里，造船业从高峰到低谷，经历了一个大整合周期。整个行业在全球范围内经过深度淘汰和兼并重组，行业格局发生了重大变化，而这种经历在中国造船行业更为明显。在这样动荡起伏的市场背景下，扬子江船业逆势前行，持续发展，成为中国造船行业的佼佼者。集团手持订单充足，船舶交付记录良好，产品组合升级完善，财务实力不断壮大，这些成绩充分展现了扬子江作为一个优秀造船企业的综合实力。

逆流而进

2008至2009年的全球金融危机对造船业造成了严重影响，造船业出现了产能过剩、运力过剩、价格下降、融资成本不断提高等情况，船企面临接单难、交船难、盈利难、融资难等诸多困难，许多船厂因此难以为继，退出了造船行业。

扬子江船业一直紧密关注市场动态，在经营接单上把握产品趋势，在产品建造上严控生产成本，在生产组织上严控纳期计划，谨慎运营，以从不脱期的交船记录赢得了口碑，精心打造了扬子江品牌。我们全面、系统的运营结构，使扬子江不仅在行业的艰难时期继续生存活下来，而且持续发展壮大活得好。 2007年，中国崭露头角，挤入全球新船订单市场份额前3名，扬子江在这一年凭借承接新船订单在中国船厂中位列第七，十年来，通过技术创新和船舶质量提升，中国已成为全球领先的造船大国，2016年为全球接单第一大国。而扬子江船业的行业地位也随中国在全球市场地位的提高而提高，按手持订单计， 2016年年底，集团已成为中国排名前三，世界排名前十的大型船厂。

订单稳定

2016年，基于在船型设计、能源效率和安全性能等方面的良好声誉，集团再接获19个新订单，合同总价值达8.23亿美元。截至2016年12月31日，集团持有包括85艘船舶、价值43亿美元的在手订单。 订单中由LNG驱动的新能源船舶比例变大，这些船舶将适合进入实施严格排放标准的发达国家水域。值得一提的是，2016年我们获得了六艘超大型矿砂船（「VLOC」）订单，这是中国一主要船东订制的30艘VLOC船批量订单的一部分，将用于将铁矿石从巴西运往中国，扬子江是获得这批订单的唯一的民营造船企业，获得这批订单的其他船厂均为国有企业。这批订单再次证明了扬子江优秀的企业声誉、造船能力、科技实力、交付记录和财务实力。

尽管市场起落动荡，扬子江的在手订单一直稳定在40亿美元以上的健康水平。这些订单确保了我们造船产能的高效利用，为未来两到三年的持续盈利提供了保障。我们目前的在手订单预计将陆续交付到2019年。

利润稳健

2007年，造船业处于周期鼎盛时期，集团实现归属于股东的净利润为人民币8.7亿元。虽然行业在过去几年面临严竣挑战，但我们每年仍然实现盈利。自2007年至2010年的高峰期以来，全球造船厂的产量和产能均大幅下降，而扬子江创造的归属股东净利润从2007年至2016年间增长了一倍以上，在2016年达到18亿元，占中国船舶工业协会报告的中国船厂创造的净利润总额的10％以上。归属股东权益从2007年末的42亿增长到2016年末的227亿人民币；我们的财务数据也印证了扬子江作为一个优秀的造船企业的成本效益和强劲的盈利能力。

尽管近年来市场状况恶化，集团持续的盈利能力和强劲的经营现金流使我们建立了强大的现金储备。2007年年底至2016年年底，我们的现金储备从44亿元增长至71亿元。集团强劲的财务实力确保了足够的流动资金，增

强了船东对扬子江能够按时交船的信心。同时，财务实力为集团提供了优先接受优质订单的灵活性，也帮助集团与银行和其他金融机构建立了良好的合作关系，在财务管理方面获得灵活性并降低融资成本。财务实力也帮助我们在采购中获得有利的价格，降低了生产成本。这些因素保证了集团实现良好的船舶交付记录，从而带来了长期客户，进一步促进了在手订单数量和质量的增长，并帮助我们保持可观的利润率。

产品提升

2007年，我们的在手订单中只包括散货船和集装箱船。当时，获得92,500 DWT散货船订单已经是集团的一个重大突破。这些年来，扬子江生产的船型在规模、产品复杂性和效能方面不断升级。随著万箱船批量订单的获得，我们在传统上由韩国造船厂主导的万箱船领域取得了重大突破，并在全球市场上奠定了扬子江的地位。2016年4月，我们获得的6艘40万载重吨的大型矿砂船的订单再次将扬子江的产品组合提升到新的高度。这批Valemax船舶长362米，宽65米，按载重吨位和长度计算，是目前已经建造并使用的最大的散货船。

目前，我们的订单包括大型干散货船、集装箱船、油轮，LNG运输船等。去年，我们交付了一艘260,000载重吨的散货船，这是迄今为止扬子江建造的最大吨位的散货船。2017年，我们预计将交付首两艘液化天然气运输船。产品组合的多样化有效地缓解了单一船型的风险，并展示了扬子江作为一个优秀船企的全面造船能力。我们对研发、清洁能源船舶和专业船舶的重视也顺应未来船舶需求的发展趋势。

接班人计划

我本人目前主要负责集团的战略规划、投资规划和风险管理，以增强集团整体实力，并确保业务在强周期和不断变化的市场环境中能够可持续发展。

集团的管理层继任计划进展顺利。任乐天先生自2006年起担任集团各级业务部门的管理职务，并于2015年5月1日被任命为集团首席执行官。在负责集团扬子鑫福船厂运营期间，他带领团队解决了新船厂启用之初的各种问题，实现了六艘万箱船的按时顺利交付。现在，在总体负责和把控集团的造船业务中，任乐天展示了高度的成熟，及监督各类业务、协调各方资源和利益及解决问题的能力，这在船舶按时交付并保证船舶质量上是不可或缺的。除首席执行官外，集团核心领导层由多位拥有多年造船业经验的高管组成，为集团在未来几十年里的长期发展奠定了领导基础。

稳定派息

在过去十年中，我们每年都持续支付股息。即使在目前市场疲软的情势下，我们仍然建议每股派息4分新币，派息率为43%，创集团派息率历史记录以2016年12月31日股价0.815新币为基础，股息收益率为4.9%。这与我们在2015年支付的4.5分新币的股息基本持平。扬子江的财务实力使我们在市场不景气时仍然有能力回报股东对我们的信心和长年支持。随扬子江的成长壮大，你们理应获得回报。

感谢

随着造船业经历结构性变革，扬子江不断发展壮大。虽然造船市场仍存在不确定性，扬子江的造船能力、交付记录、客户口碑、客户网络、财务实力和管理能力为集团提供了在新的造船生态系统中持续发展的基础。我谨代表董事会，衷心感谢我们的股东在过去十年中对扬子江的支持。感谢我们的员工、客户、供应商、合作银行和其他在扬子江的成长中发挥了重要作用的业务合作夥伴。我们的目标是成为世界最优秀的造船企业之一，我希望在扬子江的发展之路上，继续有各位股东和商业伙伴的支持与陪伴，并期待与各位分享扬子江的成长带来的回报。

董事长
任元林

2017年3月

CORPORATE **MILESTONES**

2016

- Successfully delivered our first 260,000DWT very large ore carrier, largest ever in terms of deadweight tonnage
- Awarded new shipbuilding orders for Six 400,000 DWT VLOCs by ICBC Leasing, marking a rare case where a state-owned ship owner in China places orders with a private shipyard

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 September 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


江苏扬子鑫

FOUR **SINGAPORE CENTS DIVIDEND PER SHARE,** FOR FY2016

our financial strength allows us to reward you – our shareholders who have placed your faith and trust in us. You deserve to be rewarded and share in Yangzijiang's growth.

REN YUANLIN (Aged 63, 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 time and again 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 is 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 63, Canadian)
Independent Director

Mr Chen was appointed a Director of the Company on 26 April 2013 and last re-elected on 28 April 2016.

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, including Tianjin Zhongxin Pharmaceutical Group Corporation Ltd, Sysma Holdings Limited, Logistics Holdings Ltd, TMC Education Corporation Ltd and Tye Soon Ltd. Mr Chen also held directorship of Huan Cable Holdings Ltd and Xinren Aluminium Holdings Ltd over the preceding three years.

TEO YI-DAR (Aged 46, Singaporean)
Lead Independent Director

Mr Teo is the Lead Independent Director of our company.

Mr Teo started his career as an Engineer with SGS-Thomson Microelectronics in 1996, and he joined Keppel Corporation Ltd's business development division in 1997. In 1999, Mr Teo joined Boston-based Advent International Private Equity Group, commencing his career in the direct investment business. Mr Teo currently manages an international Private Equity business, conducting buy-outs and expansion capital funding of Asian companies in the engineering, manufacturing, industrial and technology sectors.

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. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996.

Mr Teo was awarded the Chartered Financial Analyst by the CFA Institute in 2001.

As at 31 December 2015, Mr Teo sits on the boards of several other listed companies, including China Yuanbang Property Holdings Limited, Smartflex Holdings Ltd, HG Metal Manufacturing Ltd and Denox Environmental & Technology Holdings Limited. Mr Teo also holds directorships in various non-listed companies. Mr Teo held directorship of Net Pacific Financial Holdings Limited over the preceding three years.

XU WEN JIONG (Aged 69, 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, storage as depot and repair and other related businesses.

SENIOR MANAGEMENT

WANG JIANSHENG

(Aged 60, 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 Deputy Chairman of the Group and responsible for operation of the Shipping Logistics & Ship Design Segment.

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 35, 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 site 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 Xinfu Yard had successfully delivered 6 vessels of 10,000TEU containerships despite numerous challenges faced by the Xinfu Yard which only turned operational in 2013. He has also received several recognitions from the local government for his outstanding achievements.

He now helms the Group's overall shipbuilding operations, and exhibits increased maturity and capability in overseeing various business functions that are integral to the successful delivery of quality vessels.

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 58, 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 57, 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 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 administrative 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 49, 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.

WHILE UNCERTAINTIES **REMAIN IN** THE SHIPBUILDING MARKET

Yangzijiang's strong shipbuilding capability, track record and reputation, customer network, financial strength, and management structure provide us with an established foundation to continue to grow in the new shipbuilding industry ecosystem.


HYUNDAI PRINCESS
현대 프린세스

NEW ORDER MOMENTUM

Last year, new shipbuilding orders fell to its lowest level in over 20 years, with just less than 500 orders reported globally. Yangzijiang secured 19 new orders, with total contract value amounting to US$823 million. The orders were as follows.

- Six 400,000 DWT Valemax bulk carrier vessels
- Three 39,000 DWT bulk carrier vessels
- Three 39,000 CT oil tankers
- Three 1,900 TEU containerships
- Four 1,800 TEU containerships with options for another 8.

Our outstanding order book was US$4.3 billion as at 31 December 2016, comprising of 85 vessels.

THE FOCUS ON CORE SHIPBUILDING CAPABILITIES PAID OFF

The Group's total revenue declined 5.8% year-on-year to RMB15.1 billion in FY2016, mainly due to a decline in vessel values contracted in recent years. Gross profit margin expanded by 1.0 percentage point to 24%. We posted a net profit attributable to shareholders of RMB1.8 billion, down 28.8%. Net profit margin attributable to equity holders was 11.6%, down 3.7 percentage points as a result of a higher effective tax rate and impairment loss. We have retained healthy profitability through the prolonged shipbuilding industry down cycle.

Shipbuilding revenue declined by 13.9% to RMB10.5 billion. On average, the vessels delivered last year were relatively smaller in size and with lower contract values.

Trading revenue increased by 57.8% to RMB3.2 billion. We had a higher trading volume for shipbuilding materials and supplies.

The Group's shipping arm owns and operates a fleet of 13 bulk carriers that generate charter revenue. Shipping and chartering, ship design services, ship demolition, and other shipbuilding related businesses generated revenue of RMB270.4 million, down 37.0% year-on-year.

STABLE RETURNS FROM INVESTMENT SEGMENT

Interest income from held to maturity (HTM) financial assets decreased by 17.4% to RMB1.0 billion in FY2016. Interest income was lower because the lower risk profile of our portfolio generated lower interest rates. We also cut back on the quantum of micro finance loans that we extended. Interest income from micro financing decreased by 42.4% to RMB63.5 million as the loan balance had decreased.

SHIPBUILDING EFFICIENCIES LIFT GROSS MARGIN

Shipbuilding remained the core earnings driver. Bulk carrier vessels contributed 48.5% to shipbuilding revenue. Containerships contributed 38.7%. LNG vessels contributed 5.4%. Last year, we started construction work on the 400,000 DWT VLOC vessel. For FY2016, our core shipbuilding segment generated profit of RMB2.6 billion, representing 71.3% of the Group's gross profit. Shipbuilding gross margin expanded by 6 percentage points from 19% in FY2015 to 25% in FY2016 due to reversal of warranty provisions, our timely acquisition of steel at the market bottom, as well as favourable exchange rate movements.

Steel prices in China increased by 60% last year. We had purchased steel at about RMB2,000 per ton when the steel market bottomed out during the first quarter of 2016. Steel prices have more than doubled since then. Our cost of steel this year will be subject to market conditions.

The USD appreciated by about 7% last year to about RMB6.94. This lifted our shipbuilding segment gross margin as our vessel contracts are denominated in USD while a large portion of our production cost such as steel and labour are paid in RMB.

OTHER INCOME FROM ADVANCES OF TERMINATED CONTRACTS

Other income, which generally includes interest income from bank deposits and interest income for ship finance lease, increased significantly from RMB271 million in FY2015 to RMB904 million in FY2016. This increase was mainly due to the recognition of RMB660 million of advance payments from the previous ship owners of terminated shipbuilding contracts. We have found new buyers for most of the terminated vessels, some of which are still under construction. We are actively seeking new buyers for the remaining ones.

OTHER GAINS

The Group recorded other gains of RMB339 million in FY2016 (FY2015: RMB623 million), mainly comprise of a forex gain of RMB362 million due to the appreciation of the USD against the RMB.

ADMINISTRATIVE EXPENSES

The Group recorded an impairment loss of RMB1,255 million in FY2016 (FY2015: RMB759 million). This was due to further impairments on our bulk carrier fleet and on dormant shipyard facilities in accordance with accounting policies. Impairment provision on our fleet was RMB670 million. We also booked an impairment loss of RMB343 million on property, plant, and equipment that arose because of the challenging market conditions.

PREFERENTIAL TAX STATUS

The Group's effective tax rate for FY2016 was 33%, 10 percentage points higher than for FY2015.

The higher effective tax rate was due to higher non-tax deductible impairment losses which were recognised in FY2016. The impairment losses were relatively large in FY2016 as compared to last year because we recognized the decline in vessel values of our shipping fleet as well as impairment losses on Changbo Yard and Huayuan Yard. Changbo is our yard for handy sized vessels. Huayuan is our ship demolition yard.

The taxation charge of RMB927 million comprises local corporate income tax and withholding tax on our PRC subsidiaries' distributable profits in FY2016.

Last year, New Yangzi renewed its qualification as a New/High

Technology Enterprise. This allowed us to record a tax credit of RMB138 million for FY2016.

STRONGER FINANCIAL POSITION

The Group's operating cash flow improved by 37.5% year-on-year to reach RMB4.3 billion in FY2016. This is mainly derived from our strong shipbuilding business. It helped to lift our cash and cash equivalents by 18.2% to RMB7.1 billion. As at the end of FY2016, we had a healthy current ratio of 2.12. Gross gearing came down by 5.9 percentage points to 31.1% over the year and we were in a net cash position as at the end of 2016.

INVESTMENTS AND DISPOSALS

Investment in financial assets (available-for-sale as well as those at fair value through profit or loss) increased significantly to RMB1.5 billion (FY2015: RMB275 million). This was due to the Group's participation in financial platforms that provide us with opportunities arising from the industry restructuring. There is increasing collaboration as well as merger & acquisition activity between leading PRC shipbuilding enterprises and European infrastructure players. The investment enables the Group to tap into opportunities that may arise from such macro developments to further enhance our shipbuilding capabilities.

Investments in held-to-maturity (HTM) financial assets increased marginally to RMB10.9 billion at the end of 2016 from RMB9.97 billion at the end of 2015. Impairment provision for HTM investments was RMB993 million as at the end of FY2016. We expect our HTM investment income to remain stable this year.

We disposed off Jiangsu Huaxi Yangzi Property Development Co Ltd in 2Q2016. Development properties reduced from RMB1.8 billion as at the end FY2015 to zero as at the end FY2016. Land held for development also reduced from RMB55 million to zero.

We fully divested our investment in PPL Shipyard in 3Q2016. This led to a significant decrease of investment in a joint venture from RMB336.5 million as at the end of FY2015 to RMB4.8 million as at the end of FY2016.

STRONG EXECUTION IN AN EVOLVING ECOSYSTEM

The Group has built up an excellent management system over the years, which is essential for a smooth shipbuilding process, timely vessel delivery, and good customer service. At the same time, we are constantly improving our core technological capabilities in shipbuilding. Through our wholly owned subsidiaries, CS Marine Technology and Shanghai Henggao Ship Design Co., Ltd., marine consulting, design, and engineering companies, we are able to offer turnkey ship-design services. This is a strong competitive edge as ship-design is a high value add service. We are developing new products such as the 14,000-TEU containership and the 84,000 cubic meter LNG vessel.

Firm demand for seaborne transportation of commodities such as iron ore will boost shipping demand and help the shipbuilding market. Over the long run, a lower rate of global vessel delivery coupled with the relatively high rate of ship demolition is expected to ease the vessel oversupply situation. Last year, 933 vessels were demolished,

a 13.6% year-on-year increase in tonnage. 65.4% of these vessels were bulk carriers and 19.9% were containerships.

We expect macroeconomic factors to continue to pose uncertainties to the shipbuilding industry in 2017. Nonetheless, we are confident that with our industry leadership position, strong financial reserves, excellent record of vessel delivery, healthy order book, and strong management team, we will continue to thrive in the evolving shipbuilding ecosystem.

COMPREHENSIVE AND PRUDENT RISK MANAGEMENT

Over the years, we have built up a comprehensive risk management system to safeguard the Group's profitability.

Vessel building contract terms and conditions are prudently negotiated to deter vessel cancellation. We proactively liaise with ship owners to understand the charter demand outlook and customer needs so as to pre-empt and work out solutions that lower the risk of vessel cancellation. For example, we assist the shipowners to obtain ship financing. We renegotiate on delivery schedule and rework of vessel types. We provide temporary docking space in the event that a customer is unable to secure a charter contract by the time vessel delivery date arrives.

We have a stringent, multi-tier risk management system in financial investment. It is our policy not to extend credit to newly established real estate companies, or small-medium enterprises without strong cashflow projection. Our HTM financial assets are well-protected fixed-income investments backed by collateral of shares, land, guarantees by institutions such as banks, insurers or governments. Considering the amount of interest income generated from our financial investments in the past few years, the risk-reward profile of our cash deployment and investment management portfolio has proven to be very favourable to the Group.

The Group's shipbuilding customer base is well-diversified geographically, with sales contribution from Asia countries, Australia, European countries, as well as from Canada and USA. To manage currency risk, USD/RMB forward currency contracts are used as hedging instruments for our USD shipbuilding contracts.

The Group adopts conservative financial management and accounting policies. We make provisions for warranties on vessels delivered, as well as impairments for fleet, plant, property, and equipment to reflect market conditions.

STRONG IN 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 to provide 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.

Yangzijiang adheres to SGX guidance on sustainability reporting by publishing details on the environmental, social and governance (ESG) aspects of our business and strategy for investors to make informed investment decisions. Our sustainability performance is supervised by a dedicated department and the sustainability reporting process is managed by the Investor Relations team.

SHIPBUILDING AND ENVIRONMENTAL PROTECTION

It is the responsibility of all mankind to preserve the environment and contribute to its sustainability. Environmental protection requires us to increase production efficiency, save energy, and build and promote the use of clean-energy vessels. Yangzijiang has made increasingly significant progress in these aspects, which not only contributes to our operational and financial performance, but also positioned us as a responsible and environmental-friendly shipbuilder.

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 the R&D capabilities in green vessels, and have made significant progress.

We established a Research Institute through the acquisition of two major naval architectural firms, which occupy an office building in Shanghai and are dedicated to the R&D of high tech and green vessels. Over the years, we have built up a team of over 300 professionals specializing in vessel design.

The Research Institute's diligent work on product upgrading has led to several innovative fuel-efficient models, including the 2500-TEU, 4250-TEU, and 4800-TEU containerships and the 64000-DWT, 82000-DWT, and 93000-DWT dry bulkers. These products were 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 carries 10% more capacity, but consumes 20% less fuel and generates 20% less emission.

In 2015, we also secured orders for two units of Very Large Gas Carriers ("VLGC"), these orders marked the debut of Yangzijiang's production of clean energy vessels, in line with our long-term commitment towards environmental protection.

We also collaborate with a renowned French partner on the development of the Liquefied Natural Gas ("LNG") carriers, and successfully secured orders for two such vessels in early 2015. This is the first clean energy carrier that Yangzijiang has ever built, marking a milestone for the Group's product upgrading and building of green vessels. The construction process has been smooth with zero accident, and the construction was completed in 2017, which was two months ahead of schedule.

In December 2015, New Yangzi, a major yard of Yangzijiang, was granted the status of a national level R&D base for Ph.D students. This was in recognition of Yangzijiang's superb capabilities in R&D and talent development. In 2016, a laboratory at the R&D base was established and the first batch of the Ph.D students came on board. Their work is expected to further enhance Yangzijiang's R&D capabilities.

The Group has comprehensive management procedures and action plans for R&D, with specific annual targets for innovations in advanced technology for product development. In 2016, we submitted 30 new patent applications, of which, 4 were innovation patents, and 26 were practice patents. We have so far received approval for 55 patents,

including 7 innovation patents and 48 practice patents. The Group spent a total of RMB124 million in R&D in 2016. Most of the new R&D projects were pertaining to containerships and the LNG Carriers.

In 2017, we plan to submit the application for our 27,500 CBM LNG carrier and 2,700 TEU containership for the High-and-New Technology status in Jiangsu, file for 30 patent applications, and establish 9 R&D projects.

GOVERNMENT RECOGNITION ON R&D EFFORTS

In 2016, New Yangzi's status as a High-and-New Technology enterprise was renewed. In the first list of "Top 100 most innovative enterprises in Jiangsu" released by the Jiangsu Research Institute of Development Strategy, New Yangzi was ranked No. 15.

The national High-and-New Technology Enterprises status is jointly awarded by the Ministry of Science and Technology, Ministry of Finance, and the State Administration of Taxation. Eligibility criteria include R&D capability, track record in the development of intellectual property rights, use of technological innovations and improvements, and the proportion of technological personnel in the organization.

Since commencing operations in 2013, Xinfu Yard has placed great effort in R&D investment and recruiting in R&D personnel. We set up dedicated teams responsible for research, development, design, manufacturing, and client service, leading to several breakthroughs in technological innovation. Following New Yangzi, Xinfu yard was also equipped with the similar capabilities in building high technology, high value-added, large size, world class containerships and dry bulkers which will enable it to be recognised as a High-and-New Technology enterprise. The status of a High-and-New Technology enterprise of Xinfu Yard will greatly enhance its brand value, and is expected to

entitle it to government incentives in tech innovation, project R&D, and taxation. This will help Xinfu accelerate its growth as an enterprise and gain further competitive edge in the market.

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 at each production phase.

Our internal environmental protection procedures take a plan-do-check-adjust (PDCA) approach, and are improved on a continuous basis. We have zero tolerance towards any waste of energy and resource. Our KPIs require employees to demonstrate effort 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 continuous optimization of production efficiency and cost structure. We implemented 5,595 cost-saving and efficiency improvement ideas in 2016, which led to total savings of RMB293.7 million in 2016, ahead of our targeted total saving of RMB270 million. We in turn reward employees contributing these ideas with prizes and bonuses of various forms, so as to encourage a constant flow of cost-saving innovations.

By improving our infrastructure for "green shipbuilding" over the years, Yangzijiang qualified for ISO9001 certification 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 production.

Total electricity usage in production was 202.5 million kWh in 2016, a decrease of 19.2% compared to 2015. Total water usage in production was 2.7 million tonnes, a decrease of 12.9% compared to 2015. Electricity and water consumption tend to be

correlated to the level of production activities, which explains in part the decreases. The Group's stringent rules on utilities saving as well as technological breakthrough have also contributed to lower water and electricity consumption.

SOCIAL RESPONSIBILITY

Occupational Safety and Health

We have a Safety Production Committee at each yard that looks after safety in production related matters, as well as environmental protection, fire safety, and industrial hygiene. The committee is headed by the yard's general manager and organizes safety training on a regular basis. We exercise periodical fire drills. We provide all the necessary safety equipment and have rigorous rules on the enforcement of safety procedures. We also organize regular health checks for employees and provide complementary vaccination for early identification and prevention of 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, manpower recruitment through M&A, and continued training scheme for existing staff.

Our collaboration with vocational schools has effectively created a talent pool for the Group, especially for technical personnel. We introduced an incentive program to encourage our staff to pursue technical certificates and improve English language skills through continuous learning. We also set up various teams focusing on the training and development of fitters, welders, and engineers with overseas exposure.

We organize regular training for employees of all departments, especially for work unit heads on production sites and quality assurance staff. In 2016, each employee received 98 hours of training on average. We invite external speakers to conduct training on management procedures and organize various contests for technical staff to constantly improve their skills.

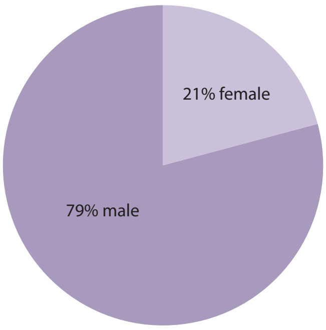
We retain employee loyalty through a comprehensive incentive/reward scheme. A clear incentive structure gives our employees better visibility for their career and compensation paths. This has led to a low staff turnover, reduced training costs, and improved production efficiency.

The Group also places a strategic focus on strengthening the educational profile of its employees that is in line with our target to enhance R&D capabilities. For 2016, 25% of the Group's employees were deployed in technology-related roles, and R&D headcount accounted for 14% of our total staff strength.

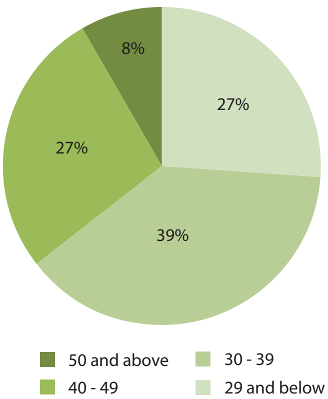
We organize regular recreational activities to promote employees' work life balance and team building. These include sporting activities such as participation in night marathons and photography competitions.

We also draw existing human resources within the Group to help the workers on the yard with their children's education needs. We organized younger employees with university degrees to provide free tuition to the children of the workers. In return, these tutors receive a certificate for their volunteer work, and enjoy priority status should they apply to be evaluated for entitlement for financial support. The project started in 2014. Over 30 volunteers participated and it has helped over 30 families.

Gender profile of all employees



Age profile of all employees



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 society for various purposes.

In fact, Mr. Ren Yuanlin is renowned for his charity work, and was listed as No. 4 in the China Philanthropist List by Forbes in 2014. He donates the dividends from his one billion Yangzijiang shares to the Yuanlin Charity Foundation which he founded in 2011.

The Foundation primarily funds charitable work in elderly service facilities, disaster rescue, and assistance of the financially needy. It also finances technological innovation. The Yuanlin University for Senior Citizens in Jiangyin, with a capacity for 5,000 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. The principal donation to Yuanlin Charity Foundation was made from Mr. Ren's personal wealth. The Foundation is managed by an independent institution with 3rd party supervision.

In 2016, Mr. Ren received accolades such as "Outstanding Entrepreneur of Jiangsu Province", "Outstanding Contribution Award for the Internationalization of Jiangsu's Businesses", and "Most Respected Businessman of Jiangsu".

EXEMPLARY CORPORATE GOVERNANCE

Along with our financial and operational excellence, the Group has taken concrete action to improve corporate governance. One major step taken in 2015 was to appoint Mr. Ren Letian as the Group CEO. 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. We improved corporate governance by separating the roles of Chairman and CEO.

We keep close check on the cost structure to ensure minimized cost in production, procurement, administration, sales and marketing. One vehicle for achieving this is to fight corruption. Our whistle blowing relating to improper, unethical, or fraudulent conduct. All employees are informed of the policy. In FY2016, there were no incident 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 2010 to 2012. In 2015, Yangzijiang re-entered the Straits Times Index as one of its 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

200517636Z

REGISTERED OFFICE

80 Robinson Road #02-00
Singapore 068898

BUSINESS ADDRESSES

1# Lianyi Road, Jiangyin-Jingjiang Industry Zone,
Jingjiang City, Jiangsu, China 214532

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants
8 Cross Street
#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 2016 ("**FY2016**") 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, except where otherwise stated. The Board will continue to improve its practices with developments by enhancing its principle and framework.

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.

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 an 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 FY2016 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	5	5	1	1	1	1
Chen Timothy Teck Leng @ Chen Teck Leng	4	4	5	5	1	1	1	1
Xu Wen Jiong	4	4	5	5	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.

Principle 2: Board Composition and Guidance

The Board currently has four (4) Directors, comprises three (3) Non-Executive Directors with two (2) of them independent and one (1) Executive Director. 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 FY2016, 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.

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 deliberation. 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.

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 maintain 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.

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 FY2016, the NC held one 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.

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 Mr Ren Yuanlin and Mr Teo Yi-dar, who are retiring and to be re-elected at the forthcoming AGM in accordance with Article 94 of the Company's Constitution. They had offered themselves for re-election. The Board has accepted the recommendation of NC.

In making the recommendations, the NC considers the overall contribution and performance of the Directors. Mr Teo Yi-dar, being the NC members, had abstained from deliberation in respect of his 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.

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 FY2016, which indicated areas of improvements compared with FY2015. 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.

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 Constitution, 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

The RC will meet at least once a year. During FY2016, the RC held one 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; 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.

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 the Executive Director 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.

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 2016 are set out below:

Name of Directors	**Breakdown of Remuneration in Percentage (%)**				**Total (S$)**
	Fees[1] (%)	**Salary[2] (%)**	**Variable Bonus (%)**	**Total (%)**	
Ren Yuanlin	–	18	82	100	51,900
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) The directors' fees are subject to the approval of the shareholders at the Annual General Meeting.
(2) These are under the service contract.

Name of Top 5 Key Management Personnel	**Designation**	**Breakdown of Remuneration in Percentage (%)**		
		Salary (%)	**Variable Bonus (%)**	**Total (%)**
Below S$250,000				
Ren Letian	Chief Executive Officer	97	3	100
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

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 2016 was approximately S$434,000.

During FY2016, the following immediate family member of a Director or the CEO was the employee of the Group:–

Name of employee who is the immediate family member	**Family relationship**
Ren Letian	Son of Ren Yuanlin

The aggregate remuneration (including contributions to define contribution plans thereon and bonus) paid to Ren Letian amounted to approximately S$80,000.

Save as disclosed above, the Group does not have any other employee who is an immediate family member of a Director or CEO and whose remuneration exceeded S$50,000 during the financial year.

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.

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 and effective. 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.

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 its report on the weaknesses of 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 2016, 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, 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;

(j) The appointment, re-appointment and removal of the independent auditor, and approving the terms of engagement of the internal auditors and making recommendations to the Board; and

(k) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

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 auditors, 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 auditors 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 auditors and having reviewed the scope and value of non-audit services provided to the Group by the independent auditors, PricewaterhouseCoopers LLP, AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity it the independent auditors. The aggregate amount of audit and non-audit fees paid or payable to PricewaterhouseCoopers LLP for FY2016 were S$550,000 and S$23,000 respectively. The AC has recommended to the Board the nomination of PricewaterhouseCoopers LLP for re-appointment as auditors of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 716 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.

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

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 2016 (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 2017.

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 Singapore cents per ordinary share for FY2016 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 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 2016:

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
Ren Yuanlin*	208,790	–
Xu Wen Jiong*	43,010	–

* Shareholder mandate is not applicable as the aggregate value was less than 3% of Group's NTA as at 31 December 2016.

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. 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 2016.

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 2016.

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.

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

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 58 to 145 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 2016 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 31.12.2016	At 1.1.2016	At 31.12.2016	At 1.1.2016
Company				
(No. of ordinary shares)				
Ren Yuanlin	3,200,000	3,200,000	1,002,845,825	1,002,845,825
Teo Yi-dar	150,000	150,000	–	–

(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.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

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:

(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;

(e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016, 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;

AUDIT COMMITTEE (CONTINUED)

(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 Director	TEO YI-DAR Director

20 March 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Yangzijiang Shipbuilding (Holdings) Ltd ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the balance sheets of the Group and of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
1. Construction revenue recognition using percentage-of-completion method	
Refer to Notes 2.2(a), 3(a) and 4 of the financial statements Construction revenue amounted to RMB9,688.8 million, representing 64.2% of the Group's total revenue for the financial year ended 31 December 2016. Construction revenue is recognised using the percentage-of-completion ("POC") method. The stage of completion is measured by reference to the proportion of costs incurred to date to the estimated total costs for the construction contract. We focused on the recognition of construction revenue using the POC method because of the use of significant judgement in estimating the total contract costs, including contingencies that could arise from variation to original contract terms and claims.	Our audit procedures included the following: a. evaluated the key controls and tested the operating effectiveness of those relating to: • the preparation of and revisions to the estimated total costs for the construction contracts; and • the recording of actual costs incurred for each contract; b. based on our understanding of the components that make up the total estimated construction cost for each type of vessel, reviewed, on a sample basis, the appropriateness of the significant cost components against supporting documents such as quotations and contracts with suppliers; c. assessed the reliability of management's estimates by comparing the estimated costs with the actual costs for a sample of contracts completed during the year; d. on a sample basis, agreed material and subcontractor costs to the suppliers' invoices and approved payment vouchers, and also checked the allocation of overheads to each contract; and e. on a sample basis, reviewed the overall reasonableness of the POC for vessels under construction through physical verification; and recomputed the revenue recognised for the year based on the POC. Based on our procedures, we found the estimation of the total costs in respect of the construction contracts and the estimation of the percentage of completion to be reasonable.

2. Impact of challenges in the marine industry on the valuation of assets

The marine industry continued to face challenges and this has had a significant impact on the valuation of assets of the Group, in particular over the following areas:

(i) Amounts due from customers on construction contracts and work-in-progress
Refer to Notes 3(b)(i), 3(c), 7, 18, 20 and 38(b)(ii) of the financial statements

As at 31 December 2016, the amounts due from customers on construction contracts and work-in-progress amounted to RMB3,929.5 million and RMB1,304.6 million respectively.

With the industry facing challenges, some customers had requested for amendments to contract terms, deferral of delivery dates of the rig and vessels and/or have not met their payment obligations, impacting the recoverability of the amounts due from customers on construction contracts, and the carrying value of work-in-progress.

We focused on this area because of the significant judgement required in assessing:

- whether the Group's customers will be able to fulfil their contractual obligations to take delivery of their orders; and where there is objective evidence that amounts due from customers on construction contracts are impaired, the estimation of the expected recovery of amounts due from customers on construction contracts; and

- the carrying value of work-in-progress.

Management's assessments relating to the above resulted in the impairment of RMB61.0 million on the amounts due from customers on construction contracts and write-down of RMB303.0 million in respect of work-in-progress during the financial year ended 31 December 2016.

(i) Our audit procedures included the following:

a. evaluated management's assessment of the recoverability of the amounts due from customers on construction contracts based on our understanding of the industry, past payment patterns, compliance with milestone payments during the year, as well as public announcements and other externally available information that would be relevant to understanding the financial position of major customers;

b. evaluated the competence, capabilities and objectivity of the independent valuer engaged by management to estimate the recoverable amount of the rig which had impairment indicators, in order to assess if the related amount due from customer on the construction of the rig would be recoverable through sale in the event that the customer is unable to take delivery;

c. assessed the reasonableness of the methodology adopted by the independent valuer and the valuation result of the rig based on our knowledge of the industry and by reference to industry reports; and

d. reviewed the reasonableness of the carrying value of work-in-progress by checking against resale prices for vessels which have been resold, or comparable market transactions for vessels which remain unsold.

Based on our procedures, we found management's judgement around the valuation of the amounts due from customers on construction contracts and work-in-progress to be appropriate.

2. Impact of challenges in the marine industry on the valuation of assets (continued)	
(ii) Property, plant and equipment held for vessel chartering business *Refer to Notes 3(d) and 28 of the financial statements* As at 31 December 2016, the Group's property, plant and equipment included vessels held for the chartering business amounting to RMB1,103.6 million. The challenging conditions in the marine industry have adversely impacted the vessel chartering business which continued to incur losses. Management has assessed the appropriateness of the carrying values of these vessels by comparing against the recoverable amount which is the higher of the fair value less costs of disposal and the value-in-use ("VIU"). We focused on this area because management's assessment of the recoverable amount involves significant judgement in respect of estimated daily charter hire rates, estimated operating expenses and discount rates applied to the estimation of future cash flows in the VIU calculations, as well as the reasonableness of the methodology adopted by the independent valuer in determining the fair value less costs of disposal. An impairment charge of RMB669.9 million was recorded in 2016 as a result of management's assessment of the carrying value of the vessels.	(ii) Our audit procedures included the following: a. evaluated the competence, capabilities and objectivity of the independent valuer engaged by management and assessed the reasonableness of the methodology adopted and valuation results based on our knowledge of the industry and by reference to industry reports; b. assessed the reasonableness of the assumptions which management had used for determining the VIU, based on industry trends and publicly available information, and where appropriate, involving our internal valuation specialists; c. performed a sensitivity analysis on the following key assumptions used in the estimation of future cash flows: • the estimated daily charter hire rates; • the estimated operating expenses; • the discount rates; and d. checked management's determination of the recoverable amount by comparing the fair value less costs of disposal against VIU. Based on our procedures, we found management's assessment in determining the carrying value of the vessels held for the chartering business to be reasonable.

3. Valuation of held-to-maturity financial assets	
Refer to Notes 3(b)(ii), 16 and 38(b)(vi) of the financial statements As at 31 December 2016, the net amount of unlisted held-to-maturity financial assets was RMB10,906.7 million, representing 26.5% of the Group's total assets. An allowance for impairment of RMB992.5 million has been made as at 31 December 2016. We focused on this area because of the application of judgement and assumptions by management in evaluating the credit risk of individual investments which in turn affects the classification of the investments against the Group's internal grading guidelines, which makes reference to industry practice in China. This would impact the amount of the allowance for impairment made.	Our audit procedures included: a. evaluated the key controls and tested the operating effectiveness of those relating to the following: • approval of investments in held-to-maturity financial assets; and • identification and timeliness of identifying impairment indicators; b. on a sample basis, checked that held-to-maturity financial assets were classified appropriately in accordance with the Group's internal grading guidelines; and c. re-computed the allowance for impairment loss in accordance with the Group's internal grading guidelines. Based on our audit procedures, we found management's judgement and assumptions around the valuation of held-to-maturity financial assets to be appropriate.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises all the sections of the annual report, which we obtained prior to the date of this auditor's report, and excludes the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Tan Khiaw Ngoh.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 20 March 2017

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group	
		2016	**2015**
	Note	**RMB'000**	**RMB'000**
Revenue	4	**15,089,438**	16,014,348
Cost of sales	7	**(11,452,816)**	(12,295,077)
Gross profit		**3,636,622**	3,719,271
Other income	5	**903,681**	271,008
Other gains – net	6	**338,603**	623,121
Expenses			
– Selling and distribution	7	**(2,333)**	(3,500)
– Administrative	7		
• Impairment loss		**(1,255,396)**	(758,970)
• Others		**(345,815)**	(349,665)
		(1,601,211)	(1,108,635)
– Finance	9	**(442,868)**	(514,159)
Share of (loss)/profit of associated companies and a joint venture	26, 27	**(59,728)**	197,744
Profit before income tax		**2,772,766**	3,184,850
Income tax expense	10	**(926,808)**	(730,609)
Net profit		**1,845,958**	2,454,241
Profit/(loss) attributable to:			
Equity holders of the Company		**1,752,432**	2,459,600
Non-controlling interests		**93,526**	(5,359)
		1,845,958	2,454,241
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic and diluted	11	**45.73**	64.19

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RMB'000	The Group 2015 RMB'000
Profit for the year		**1,845,958**	2,454,241
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains, net of tax	35	**(20,284)**	45,357
– Reclassification, net of tax	35	**28,704**	466
Share of other comprehensive income from joint venture and associated companies			
– Fair value losses on available-for-sale financial assets, net of tax	26, 27	**–**	(28,704)
– Currency translation gains	26, 27	**23,603**	27,207
		23,603	(1,497)
Currency translation losses arising from consolidation		**(75,559)**	(34,856)
Other comprehensive (losses)/income, net of tax		**(43,536)**	9,470
Total comprehensive income		**1,802,422**	2,463,711
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**1,708,896**	2,468,855
Non-controlling interests		**93,526**	(5,144)
		1,802,422	2,463,711

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

BALANCE **SHEETS**

AS AT 31 DECEMBER 2016

	Note	The Group 2016 RMB'000	The Group 2015 RMB'000	The Company 2016 RMB'000	The Company 2015 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**7,085,796**	5,992,935	**1,422,015**	776,537
Restricted cash	13	**1,219,695**	1,028,550	**–**	–
Financial assets, at fair value through profit or loss	14	**605,429**	–	**–**	–
Financial assets, available-for-sale	15	**648,843**	275,255	**–**	–
Financial assets, held-to-maturity	16	**5,296,709**	4,944,342	**–**	–
Trade and other receivables	17	**5,346,997**	6,196,534	**6,736,769**	6,422,454
Inventories	18	**2,032,459**	1,612,875	**–**	–
Land held for development		**–**	54,899	**–**	–
Development properties	19	**–**	1,782,336	**–**	–
Due from customers on construction contracts	20	**3,929,478**	3,858,445	**–**	–
Derivative financial instruments	23	**36,371**	60,603	**36,371**	35,749
		26,201,777	25,806,774	**8,195,155**	7,234,740
Non-current assets					
Financial assets, available-for-sale	15	**200,000**	–	**–**	–
Financial assets, held-to-maturity	16	**5,609,925**	5,028,064	**–**	–
Trade and other receivables	21	**1,258,379**	1,138,704	**2,347,406**	2,017,416
Derivative financial instruments	23	**23,002**	–	**23,002**	–
Lease prepayments	24	**1,080,656**	1,111,368	**–**	–
Investments in subsidiaries	25	**–**	–	**5,199,570**	5,638,707
Investment in a joint venture	26	**4,796**	336,513	**4,796**	349,249
Investments in associated companies	27	**882,622**	1,086,638	**134,062**	134,062
Property, plant and equipment	28	**5,476,950**	6,401,967	**37**	52
Intangible assets	29	**7,906**	2,260	**–**	–
Deferred income tax assets	33	**488,170**	333,774	**–**	–
		15,032,406	15,439,288	**7,708,873**	8,139,486
Total assets		**41,234,183**	41,246,062	**15,904,028**	15,374,226

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

BALANCE SHEETS
AS AT 31 DECEMBER 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Current liabilities					
Trade and other payables	30	**5,605,757**	5,042,007	**3,869,948**	4,002,887
Due to customers on construction contracts	20	**1,808,605**	1,702,063	**–**	–
Advances received on construction contracts	20	**457,021**	567,550	**–**	–
Derivative financial instruments	23	**281,166**	78,297	**281,166**	76,812
Borrowings	31	**2,579,435**	2,208,565	**1,387,400**	194,808
Provisions	32	**488,633**	577,862	**–**	–
Current income tax liabilities	10	**1,130,020**	762,927	**406,529**	403,752
		12,350,637	10,939,271	**5,945,043**	4,678,259
Non-current liabilities					
Trade and other payables	30	**–**	493,866	**–**	–
Derivative financial instruments	23	**1,416**	382,495	**1,416**	382,495
Borrowings	31	**4,645,022**	6,073,856	**1,387,400**	2,597,440
Deferred income tax liabilities	33	**1,037,999**	997,593	**224,784**	343,418
		5,684,437	7,947,810	**1,613,600**	3,323,353
Total liabilities		**18,035,074**	18,887,081	**7,558,643**	8,001,612
NET ASSETS		**23,199,109**	22,358,981	**8,345,385**	7,372,614
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	34	**6,354,096**	6,263,016	**6,318,879**	6,227,799
Treasury shares	34	**(20,979)**	(20,979)	**(20,979)**	(20,979)
Other reserves	35	**324,938**	195,862	**(40,192)**	50,888
Retained earnings		**16,033,911**	15,361,490	**2,087,677**	1,114,906
		22,691,966	21,799,389	**8,345,385**	7,372,614
Non-controlling interests		**507,143**	559,592	**–**	–
Total equity		**23,199,109**	22,358,981	**8,345,385**	7,372,614

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Attributable to equity holders of the Company										
		Share capital RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Capital Reserve RMB'000	Currency translation reserve RMB'000	Fair value reserve RMB'000	Warrant reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2016												
As at 1 January 2016		**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**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,752,432**	**1,752,432**	**93,526**	**1,845,958**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(51,956)**	**8,420**	**–**	**–**	**(43,536)**	**–**	**(43,536)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(51,956)**	**8,420**	**–**	**1,752,432**	**1,708,896**	**93,526**	**1,802,422**
Dividends	36	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(818,469)**	**(818,469)**	**–**	**(818,469)**
Acquisition of equity interest in existing subsidiaries from non-controlling interests		**–**	**–**	**–**	**2,150**	**–**	**–**	**–**	**–**	**2,150**	**(2,150)**	**–***
Expiry of warrants	35	**91,080**	**–**	**–**	**–**	**–**	**–**	**(91,080)**	**–**	**–**	**–**	**–**
Disposal of subsidiaries	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(143,825)**	**(143,825)**
Transfer	35	**–**	**–**	**261,542**	**–**	**–**	**–**	**–**	**(261,542)**	**–**	**–**	**–**
Total transactions with owners, recognised directly in equity		**91,080**	**–**	**261,542**	**2,150**	**–**	**–**	**(91,080)**	**(1,080,011)**	**(816,319)**	**(145,975)**	**(962,294)**
As at 31 December 2016		**6,354,096**	**(20,979)**	**3,329,625**	**(2,928,330)**	**(56,073)**	**(20,284)**	**–**	**16,033,911**	**22,691,966**	**507,143**	**23,199,109**
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
Profit for the year		–	–	–	–	–	–	–	2,459,600	2,459,600	(5,359)	2,454,241
Other comprehensive income for the year		–	–	–	–	(7,864)	17,119	–	–	9,255	215	9,470
Total comprehensive income for the year		–	–	–	–	(7,864)	17,119	–	2,459,600	2,468,855	(5,144)	2,463,711
Divideds	36	–	–	–	–	–	–	–	(957,933)	(957,933)	(3,686)	(961,619)
Acquisition of equity interest in existing subsidiaries from non-controlling interests		–	–	–	(1,945)	–	–	–	–	(1,945)	(10,800)	(12,745)
Disposal of subsidiaries	35	–	–	–	–	–	(182,982)	–	–	(182,982)	(23,395)	(206,377)
Transfer	35	–	–	378,048	–	–	–	–	(378,048)	–	–	–
Total transactions with owners, recognised directly in equity		–	–	378,048	(1,945)	–	(182,982)	–	(1,335,981)	(1,142,860)	(37,881)	(1,180,741)
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

* Consideration paid is less than RMB1,000

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group	
	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Net profit		**1,845,958**	2,454,241
Adjustments for:			
– Income tax expenses	10	**926,808**	730,609
– Depreciation of property, plant and equipment	7	**510,438**	517,769
– Amortisation of lease prepayments	7	**30,712**	21,319
– Amortisation of intangible assets	7	**538**	296
– Interest expenses	9	**262,967**	391,708
– Gain on disposal of associates	6	**(6,841)**	–
– Loss on disposal of subsidiaries	6	**15,186**	63,766
– Loss/(gain) on disposal of available-for-sale financial assets	6	**28,704**	(26,474)
– Loss/(gain) on disposal of property, plant and equipment	6	**10,335**	(23,891)
– Fair value change on derivative financial instruments	6	**(176,980)**	312,825
– Fair value change on financial assets at fair value, through profit and loss	6	**298,677**	–
– Impairment loss on property, plant and equipment	7	**1,012,819**	209,943
– Interest income		**(162,608)**	(179,255)
– Share of losses/(profits) of associated companies and a joint venture		**59,728**	(197,744)
		4,656,441	4,275,112
Change in working capital, net of effects from acquisition and disposal of subsidiaries:			
– Inventories		**(419,584)**	384,439
– Development properties		**–**	(733,866)
– Land held for development		**–**	57,497
– Construction contract balances		**(75,020)**	(2,598,579)
– Trade and other receivables		**312,461**	(1,219,076)
– Trade and other payables		**849,147**	759,803
– Financial assets, held-to-maturity		**43,944**	818,794
– Provisions		**(89,229)**	(22,470)
– Restricted cash		**(191,145)**	2,297,300
Cash generated from operations		**5,087,015**	4,018,954
Interest paid		**(262,967)**	(394,840)
Interest received		**162,608**	179,255
Income tax paid	10	**(670,125)**	(664,012)
Net cash provided by operating activities		**4,316,531**	3,139,357

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group	
		2016	2015
	Note	RMB'000	RMB'000
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		**3,865**	28,811
Proceeds from sales of investment in associated companies		**29,500**	25,262
Proceeds from sales of financial assets, available-for-sale		**75,235**	2,713,241
Repayment by an associated company		**–**	210,000
Loans to non-related parties		**–**	(131,000)
Repayment of loans by non-related parties		**–**	238,000
Purchase of property, plant and equipment		**(338,146)**	(228,151)
Disposal of subsidiaries, net of cash disposed		**(11,663)**	702,505
Acquisition of financial assets, at fair value through profit or loss		**(904,106)**	–
Acquisition of financial assets, available-for-sale		**(672,687)**	(2,455,988)
Acquisition of intangible assets		**(6,184)**	(154)
Acquisition/additions of investments in associated companies		**(150,000)**	(553,513)
Return of capital by an associated company		**286,211**	81,587
Dividends received from a joint venture		**340,738**	28,711
Net cash (used in)/provided by investing activities		**(1,347,237)**	659,311
Cash flows from financing activities			
Acquisition of equity interest in existing subsidiaries from non-controlling interests		**–***	(12,745)
Proceeds from borrowings		**2,001,860**	8,298,816
Repayments of borrowings		**(3,059,824)**	(7,782,750)
Dividends paid to equity holders	36	**(818,469)**	(957,933)
Dividends paid to non-controlling interests		**–**	(3,686)
Net cash used in financing activities		**(1,876,433)**	(458,298)
Net increase in cash and cash equivalents		**1,092,861**	3,340,370
Cash and cash equivalents at the beginning of financial year		**5,992,935**	2,652,565
Cash and cash equivalents at the end of financial year	12	**7,085,796**	5,992,935

* Consideration paid is less than RMB1,000

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

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 2016

On 1 January 2016, 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.

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.

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) 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.

(g) Dividend income

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

(h) Income from forfeiture of advances received

Income from forfeiture of advances received is recognised when it is established that the economic benefits associated with the transactions will flow to the Group.

(i) Subsidy income

Subsidy income pertains to income grants from the government. It is recognised when there is reasonable assurance that the income will be received and the Group will comply with all the attached conditions.

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.

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.

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.

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.

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

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 respective asset classes within 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.

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 can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

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 assets under construction. This includes those costs on borrowings acquired specifically for assets under construction, as well as those in relation to general borrowings used to finance assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to assets under construction 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.

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.

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.

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.

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.

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.

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.

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 derivative is presented as a non-current asset or liability if the remaining expected life of the derivative is more than 12 months, and as a current asset or liability if the remaining expected life of the 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 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.

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.

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.

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 effective from 1 January 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 – 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.

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.

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 – net".

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

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 RMB676,717,000 and RMB707,289,000 respectively (2015: RMB664,141,000 and RMB801,469,000 respectively) if the total estimated contract costs were to increase/decrease by 10% (2015: 10%).

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 RMB429,790,000 (2015: RMB368,762,000) 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) 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 the intermediaries.

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

In determining the allowance for impairment for held-to-maturity financial assets, management considers objective evidence of impairment and exercises judgement in estimating the expected recovery. 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.

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

(c) Net realisable value of inventories work-in-progress

The Group holds certain vessels as inventories work-in-progress. In determining the net realisable value, management considers the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Based on management's assessment of the net realisable value of inventories work-in-progress, a write-down of RMB303.0 million (2015: RMB19.2 million) has been made on inventories work-in-progress.

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

The vessels are tested for impairment whenever there is an objective evidence or indication that they may be impaired. An impairment loss is recognised to the extent that the carrying amount is more than its recoverable amount. The recoverable amount is determined based on the higher of its fair value less costs of disposal and value-in-use. In assessing the fair value less costs of disposal, the Group engaged independent valuation specialists to determine the fair value less costs of disposal of the vessels as at 31 December 2016. The independent valuers used a valuation technique based on recent vessel sales and other comparable market data. In assessing the value-in-use calculations, the Group used cash flow projections based on financial budgets approved by management.

As at 31 December 2016, the recoverable amounts of the vessels have been determined based on fair value less costs of disposal.

4. REVENUE

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Construction revenue	**9,688,750**	10,645,338
Sale of goods		
– completed shipbuilding contracts	**537,105**	1,227,694
– material and others	**3,602,662**	2,499,591
Interest income from loans to non-related parties		
– microfinance	**63,491**	110,275
Interest income from held-to-maturity financial assets	**1,003,814**	1,215,369
Rendering of ship design services	**8,391**	26,766
Charter hire income	**182,646**	185,333
Sales of development properties	**–**	17,247
Others	**2,579**	86,735
Total revenue	**15,089,438**	16,014,348

5. OTHER INCOME

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Interest income		
– Cash and cash equivalents and restricted cash	**91,101**	107,137
– Finance lease	**65,612**	68,188
– Other receivables from a non-related party [Note 17(c)]	**5,895**	3,930
Income from forfeiture of advances received [Note (a)]	**659,673**	87,987
Dividend income	**28,465**	–
Others	**52,935**	3,766
	903,681	271,008

(a) These represent forfeiture of advances received as a result of default by customers or cancellation of shipbuilding contracts determined on an individual contract basis.

6. OTHER GAINS – NET

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Currency translation gains – net	**362,179**	221,986
Available-for-sale financial assets		
– Reclassification from other comprehensive income on disposal [Note 35(e)]	**(28,704)**	26,474
Fair value change		
– Derivative financial instrument	**176,980**	(312,825)
– Financial assets, at fair value through profit or loss	**(298,677)**	–
Gain on disposal of associate	**6,841**	–
Loss on disposal of subsidiaries (Note 12)	**(15,186)**	(63,766)
(Loss)/gain on disposal of property, plant and equipment	**(10,335)**	23,891
Subsidy income	**193,452**	740,367
Others	**(47,947)**	(13,006)
	338,603	623,121

7. EXPENSES BY NATURE

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Raw materials and consumables used (Note 18)	**8,360,995**	9,064,946
Amortisation of lease prepayments (Note 24)	**30,712**	21,319
Amortisation of intangible assets (Note 29)	**538**	296
Depreciation of property, plant and equipment (Note 28)	**510,438**	517,769
Impairment loss on property, plant and equipment (Note 28)	**1,012,819**	209,943
Impairment loss on finance lease receivables [Note 38(b)(v)]	**–**	150,872
Impairment loss on financial assets, held to maturity [Note 38(b)(vi)]	**114,336**	94,770
Impairment loss on other receivables from non-related parties [Note 38(b)(v)]	**32,750**	–
Impairment loss on/(reversal of) impairment loss of loans to non-related parties – microfinance [Note 38(b)(iv)]	**34,463**	(65,377)
Impairment loss on due from customers on construction contracts [Note 38(b)(ii)]	**61,028**	368,762
Total amortisation, depreciation and impairment	**1,797,084**	1,298,354
Employee compensation (Note 8)	**302,701**	334,510
Subcontracting costs	**1,515,765**	1,551,862
Other project-related fees and charges	**475,150**	452,436
Business tax on interest income from held-to-maturity financial assets and loans to non-related parties – microfinance	**7,808**	72,675
Inventory write-down (Note 18)	**327,848**	45,319
Write-down of development properties	**–**	197,808
Write-back of warranty provision (Note 32)	**(86,317)**	(9,581)
Utilities	**167,989**	202,446
Transportation expenses	**16,256**	28,710
Professional fees	**27,748**	8,100
Operating lease	**11,413**	55,635
Others	**131,920**	103,992
Total cost of sales, selling and distribution and administrative expenses	**13,056,360**	13,407,212

8. EMPLOYEE COMPENSATION

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Salaries and wages	**183,015**	204,788
Employer's contributions to defined contribution plans [Note (a)]	**52,092**	57,702
Other employee benefits	**67,594**	72,020
	302,701	334,510

(a) Contributions to defined contribution plans

The employees of the Group who are employed in the PRC participate in a defined contribution plan administered by the relevant provincial government. For the financial year ended 31 December 2016, the Group is required to make monthly defined contribution to these plans at approximately 44% to 47% (2015: approximately 46% to 49%) of eligible 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.

9. FINANCE EXPENSES

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Interest on bank borrowings	**262,967**	391,708
Net foreign currency translation losses on bank borrowings	**179,901**	122,451
	442,868	514,159

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 2016 was 25% (2015: 25%), except for Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS").

In 2016, JNYS has obtained the renewal to qualify as a "High and New Technology Enterprise" ("HNTE") for another three years from 2016 to 2018, which entitles it to a reduced income tax rate of 15% from 2016 to 2018, as long as it maintains its qualification as a HNTE under the new CIT Law.

10. INCOME TAXES (CONTINUED)

(a) Income tax expense

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Income tax expense attributable to profit is made up of:		
Current year		
– Current income tax	**918,584**	769,905
– Deferred income tax (Note 33)	**8,224**	(36,528)
	926,808	733,377
Prior year over provision of current income tax	**–**	(2,768)
	926,808	730,609

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	
	2016	**2015**
	RMB'000	**RMB'000**
Profit before tax	**2,772,766**	3,184,850
Share of loss/(profit) of associated companies and joint ventures, net of tax	**59,728**	(197,744)
Profit before tax and share of profit/(loss) of associated companies and joint ventures	**2,832,494**	2,987,106
Tax calculated at the applicable tax rate of 25% (2015: 25%)	**708,124**	746,777
Effect of tax exemption and different tax rates	**(205,255)**	(312,908)
Deferred tax on undistributed profits	**160,584**	207,665
Expenses not deductible for tax purposes	**134,206**	11,538
Deferred tax asset on tax losses not recognised	**124,983**	80,305
Over provision of tax	**–**	(2,768)
Others	**4,166**	–
Tax charge	**926,808**	730,609

10. INCOME TAXES (CONTINUED)

(b) Movement in current income tax liabilities

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	**762,927**	478,048	**403,752**	210,565
Income tax paid	**(670,125)**	(664,012)	**(122,844)**	–
Income tax expense	**918,584**	767,137	**6,987**	11,433
Transfer from deferred income tax liabilities (Note 33)	**118,634**	181,754	**118,634**	181,754
As at 31 December	**1,130,020**	762,927	**406,529**	403,752

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	
	2016	2015
Net profit attributable to equity holders of the Company (RMB'000)	**1,752,432**	2,459,600
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)	**45.73**	64.19

Diluted earnings per share is equivalent to the basic earnings, as the Company does not have any dilutive potential ordinary shares.

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**7,085,796**	5,992,935	**1,422,015**	776,537

Disposal of subsidiaries

On 30 June 2016, the Group disposed of its entire interest in Jiangsu Huaxi Yangzi Real Estate Development Co Ltd and Jiangsu Huaxi Yangzi Property Development Co Ltd for a total cash consideration of RMB8,077,000.

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

	The Group
	2016
	RMB'000
Carrying amounts of assets and liabilities disposed of	
Cash and cash equivalents	**19,740**
Trade and other receivables	**67,507**
Property, plant and equipment (Note 28)	**41**
Development properties	**1,782,336**
Land held for development	**54,899**
Total assets	**1,924,523**
Trade and other payables	**779,263**
Borrowings	**978,172**
Total liabilities	**1,757,435**
Net assets derecognised	**167,088**
Less: Non-controlling interests	**(143,825)**
Net assets disposed of	**23,263**

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

	The Group
	2016
	RMB'000
Net assets disposed of (as above)	**23,263**
Loss on disposal (Note 6)	**(15,186)**
Cash proceeds from disposal	**8,077**
Less: Cash and cash equivalents in subsidiaries disposed of	**(19,740)**
Net cash outflow on disposal	**(11,663)**

13. RESTRICTED CASH

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Restricted cash	**1,219,695**	1,028,550

14. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Designated at fair value on initial recognition		
– Unlisted preference shares of a listed corporation	**605,429**	–

On 17 May 2016, the Group subscribed for the unlisted preference shares of a corporation whose common shares are listed on the New York Stock Exchange. These unlisted preference shares carried a dividend rate of 6.95% for the first 5 years, with a step-up of 1% each year thereafter till a maximum dividend rate of 10.5%, subject to the issuer meeting certain conditions. In the event that the issuer failed to meet these conditions by 31 December 2017, the dividend rate will be 10.5% effective from 1 January 2018.

The Group has the option to convert the preference shares to common shares of the listed corporation, while the issuer also has the right to redeem the shares once the dividend rate exceeds 6.95%.

15. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Beginning of financial year	**275,255**	788,437
Additions	**672,687**	2,455,988
Fair value (losses)/gains recognised in other comprehensive income [Note 35(e)]	**(23,864)**	96,910
Disposal of subsidiaries	**–**	(352,839)
Disposals	**(75,235)**	(2,713,241)
End of financial year	**848,843**	275,255
Less: Current portion	**(648,843)**	(275,255)
Non-current portion	**200,000**	–

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Listed		
– Equity securities – PRC	**237,043**	74,720
Unlisted		
– Equity securities – PRC	**611,800**	200,535
	848,843	275,255

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.

16. FINANCIAL ASSETS, HELD-TO-MATURITY

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Current		
Unlisted investment funds	**5,811,680**	5,764,086
Less: Allowance for impairment loss [Note 38(b)(vi)]	**(514,971)**	(819,744)
	5,296,709	4,944,342
Non-current		
Unlisted investment funds	**6,087,500**	5,169,400
Less: Allowance for impairment loss [Note 38(b)(vi)]	**(477,575)**	(141,336)
	5,609,925	5,028,064

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	
	2016	**2015**
	RMB'000	**RMB'000**
Within one year	**5,811,680**	5,764,086
Between one year to two years	**4,241,000**	3,992,900
Over two years	**1,846,500**	1,176,500
	11,899,180	10,933,486

The fair value of the unlisted investment funds based on the discounted cash flows using market interest rate of 4.75% (2015: 4.75%) per annum for an equivalent investment at the balance sheet date are as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Unlisted investment funds	**12,600,866**	11,457,215

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

17. TRADE AND OTHER RECEIVABLES – CURRENT

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Finance lease receivables (Note 22)	**31,725**	36,635	**–**	–
Trade receivables				
– Loans to non-related parties				
– microfinance [Note (a)]	**504,070**	585,633	**–**	–
– Customers	**1,527,421**	2,289,166	**–**	–
	2,031,491	2,874,799	**–**	–
Less: Allowance for impairment of loans to non-related parties – microfinance	**(114,523)**	(86,866)	**–**	–
Trade receivables – net	**1,916,968**	2,787,933	**–**	–
Amount due from a related party [Note (b)]	**208,790**	–	**–**	–
Other receivables				
– Subsidiaries	**–**	–	**6,736,633**	6,422,318
– Non-related parties [Note (c)]	**347,249**	640,280	**–**	–
	347,249	640,280	**6,736,633**	6,422,318
Less: Allowance for impairment of other receivables from non-related parties	**(32,750)**	–	**–**	–
Other receivables – net	**314,499**	640,280	**6,736,633**	6,422,318
Other assets				
– Value added tax recoverable	**786,694**	680,651	**–**	–
– Deposits	**136**	5,511	**136**	136
Prepayments [Note (d)]	**2,088,185**	2,045,524	**–**	–
	5,346,997	6,196,534	**6,736,769**	6,422,454

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

(b) Non-trade amounts due from a related party pertains to amounts receivable from a related party who had bought over a previously defaulted held-to-maturity financial asset from the Group at a price determined through a court auction. These amounts are unsecured, interest-free and repayable on demand.

(c) Included in these receivables is loan to non-related party of RMB98,250,000 (2015: RMB131,000,000) which is interest bearing, guaranteed by third parties and repayable within one year from the balance sheet date.

(d) 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.

18. INVENTORIES

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Raw materials	**662,422**	619,699
Work-in-progress	**1,304,604**	872,003
Trading goods	**65,433**	121,173
	2,032,459	1,612,875

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 RMB8,360,995,000 (2015: RMB9,064,946,000). As at 31 December 2016, RMB24,884,000 (2015: RMB26,089,000) was provided on trading goods to bring the value to its net realisable value. During the financial year ended 31 December 2016, the marine industry continued to face challenges and this had a significant impact on the valuation of inventories work-in-progress. As a result, there was a write-down of RMB302,964,000 (2015: RMB19,230,000) provided on work-in-progress to their net realisable value.

19. DEVELOPMENT PROPERTIES

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Development properties in progress	**–**	1,782,336

Details of development properties in progress are as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Land cost	**–**	746,920
Development costs	**–**	883,322
Property tax, interests and overhead	**–**	152,094
	–	1,782,336

The developed properties were held by subsidiaries which the Group has disposed its interests during the financial year ended 31 December 2016 (Note 12).

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Aggregate costs incurred and profits recognised (less losses recognised) to date	**7,281,285**	11,039,166
Less: Progress billings	**(5,160,412)**	(8,882,784)
	2,120,873	2,156,382
Presented as:		
Due from customers on construction contracts	**3,929,478**	3,858,445
Due to customers on construction contracts	**(1,808,605)**	(1,702,063)
	2,120,873	2,156,382
Advances received on construction contracts	**(457,021)**	(567,550)

21. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Finance lease receivables (Note 22)	**1,207,849**	1,041,350	**–**	–
Trade receivables				
– Loans to non-related parties – microfinance	**50,530**	97,354	**–**	–
Other receivables				
– Loans to subsidiaries [Note (a)]	**–**	–	**2,347,406**	2,017,416
	1,258,379	1,138,704	**2,347,406**	2,017,416

(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.

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	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**%**	**%**
Finance lease receivables	**1,299,617**	1,064,071	**4.75**	4.75
Trade receivables				
– Loans to non-related parties – microfinance	**55,806**	107,589	**4.75**	4.75

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 2019 and 2024, and the non-related parties have the obligation to purchase the vessel upon the expiry date.

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Gross receivables due		
– Not later than one year	**112,508**	106,573
– Later than one year but not later than five years	**773,698**	1,021,703
– Later than five years	**773,036**	645,108
	1,659,242	1,773,384
Less: Unearned finance income	**(419,668)**	(371,584)
Less: Impairment loss [Note 38(b)(v)]	**–**	(323,815)
Net investment in finance leases	**1,239,574**	1,077,985

The net investment in finance leases is analysed as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Not later than one year (Note 17)	**31,725**	36,635
Later than one year but not later than five years (Note 21)	**507,178**	786,146
Later than five years (Note 21)	**700,671**	579,019
	1,239,574	1,401,800
Less: Impairment loss on non-current finance lease receivables [Note 38(b)(v)]	**–**	(323,815)
	1,239,574	1,077,985

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount	Fair value			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
2016					
Non-hedging instruments					
– Currency options	**16,369,749**	**36,371**	**23,002**	**(281,166)**	**(1,416)**
Total	**16,369,749**	**36,371**	**23,002**	**(281,166)**	**(1,416)**
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)
Company					
2016					
Non-hedging instruments					
– Currency options	**16,369,749**	**36,371**	**23,002**	**(281,166)**	**(1,416)**
Total	**16,369,749**	**36,371**	**23,002**	**(281,166)**	**(1,416)**
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)

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.

24. LEASE PREPAYMENTS

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Land use rights		
Cost		
As at 1 January	**1,227,837**	1,227,837
Additions	**–**	–
As at 31 December	**1,227,837**	1,227,837
Accumulated amortisation		
As at 1 January	**(116,469)**	(95,150)
Amortisation charge (Note 7)	**(30,712)**	(21,319)
As at 31 December	**(147,181)**	(116,469)
Net book value at 31 December	**1,080,656**	1,111,368

The Group's interest in land use rights in the PRC is held on leases with periods ranging from 46.5 years to 50 years.

25. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	**2015**
	RMB'000	**RMB'000**
Equity investments at cost		
As at 1 January	**5,638,707**	5,358,707
Additions	**–**	305,000
– Disposals	**(29,137)**	(25,000)
– Return of capital by a subsidiary	**(410,000)**	–
As at 31 December	**5,199,570**	5,638,707

Details of significant 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.

Significant restrictions

Cash and restricted cash of RMB910,165,000 (2015: RMB2,688,574,000) 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.

26. INVESTMENT IN A JOINT VENTURE

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investment at cost				
As at 1 January			**349,249**	349,249
Impairment			**(344,453)**	–
As at 31 December			**4,796**	349,249

	The Group 2016 RMB'000	The Group 2015 RMB'000
As at 1 January	**336,513**	345,483
Dividends received	**(340,738)**	(28,711)
Share of (loss)/profit	**(5,703)**	28,749
Share of other comprehensive income/(loss)		
– Fair value loss on available-for-sale financial assets, net of tax	**–**	(28,704)
– Currency translation differences	**14,724**	19,696
As at 31 December	**4,796**	336,513

Set out below is the details of the joint venture of the Group as at 31 December 2016, 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 2016 %	Effective equity holding 2015 %
PPL Holding Pte Ltd ("PPL Holding")	Investment holding	Singapore	**45**	45

PPL Holding disposed all its directly and indirectly held interests in PPL Shipyard Pte Ltd to the majority shareholder for a cash consideration of USD115,059,000 (approximately RMB769,744,000) during the financial year ended 31 December 2016. Subsequent to the disposal of PPL Shipyard Pte Ltd, PPL Holding distributed most of its retained earnings as dividends, and no longer held any investments. As a result, an impairment charge of RMB344,453,000 (2015: nil) on the investment in PPL Holding has been made by the Company during the financial year ended 31 December 2016.

27. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at cost				
As at 1 January and 31 December			**134,062**	134,062
As at 1 January	**1,086,638**	463,468		
Acquisition	**–**	327,050		
Additions	**150,000**	226,463		
Return of capital [Note (a)]	**(286,211)**	(81,587)		
Disposals	**(22,659)**	(25,262)		
Share of (loss)/profit	**(54,025)**	168,995		
Share of other comprehensive income				
– currency translation reserve	**8,879**	7,511		
As at 31 December	**882,622**	1,086,638		

(a) In 2016, five associated companies (2015: three 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.

Details of significant associated companies are included in Note 43.

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							
2016							
Cost							
As at 1 January	**3,881,149**	**2,196,291**	**184,492**	**120,617**	**1,930,163**	**378,189**	**8,690,901**
Additions [Note (a)]	**11,000**	**12,116**	**595**	**3,986**	**211,021**	**290,989**	**529,707**
Transfers	**651,804**	**–**	**887**	**636**	**–**	**(653,327)**	**–**
Disposals	**(12,519)**	**(12,794)**	**(1,571)**	**(3,526)**	**–**	**–**	**(30,410)**
Disposals of subsidiaries (Note 12)	**–**	**–**	**–**	**(61)**	**–**	**–**	**(61)**
Currency translation difference	**–**	**–**	**–**	**–**	**141,951**	**–**	**141,951**
As at 31 December	**4,531,434**	**2,195,613**	**184,403**	**121,652**	**2,283,135**	**15,851**	**9,332,088**
Accumulated depreciation and impairment losses							
As at 1 January	**(809,656)**	**(924,376)**	**(102,349)**	**(65,460)**	**(387,093)**	**–**	**(2,288,934)**
Depreciation charge (Note 7)	**(211,262)**	**(206,018)**	**(18,109)**	**(11,677)**	**(63,372)**	**–**	**(510,438)**
Disposals	**1,590**	**10,090**	**1,571**	**2,959**	**–**	**–**	**16,210**
Disposals of subsidiaries (Note 12)	**–**	**–**	**–**	**20**	**–**	**–**	**20**
Currency translation difference	**–**	**–**	**–**	**–**	**(59,177)**	**–**	**(59,177)**
Impairment charge (Note 7)	**(294,489)**	**(40,000)**	**(91)**	**(2,290)**	**(669,930)**	**(6,019)**	**(1,012,819)**
As at 31 December	**(1,313,817)**	**(1,160,304)**	**(118,978)**	**(76,448)**	**(1,179,572)**	**(6,019)**	**(3,855,138)**
Net book value							
As at 31 December 2016	**3,217,617**	**1,035,309**	**65,425**	**45,204**	**1,103,563**	**9,832**	**5,476,950**
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	–	(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 (Note 7)	(186,481)	(166,518)	(19,350)	(17,764)	(127,656)	–	(517,769)
Disposals	–	2,689	–	363	–	–	3,052
Disposals of subsidiaries	–	43	151	819	–	–	1,013
Currency translation difference	–	–	–	–	(6,295)	–	(6,295)
Impairment charge (Note 7)	–	–	–	–	(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

28. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) In 2016, two vessels (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 two vessels upon transfer was RMB191,561,000 (2015: RMB709,758,000), which is included in "Additions" within the vessels category.

(b) An impairment charge on vessels of RMB669,930,000 (2015: RMB209,943,000) is included within "administrative expenses" in profit or loss. The impairment charge arose from vessels owned by the shipping subsidiaries of the Group whose performances had been adversely impacted by the continued depressed chartering rates.

In 2016, the recoverable amounts of the vessels were determined based on fair value less costs of disposal. The fair value less costs of disposal is determined by an independent third party valuer who made reference to comparable transaction prices of similar vessels. These are regarded as Level 2 fair values.

(c) Impairment charges on buildings and machinery of RMB294,489,000 (2015: nil) and RMB40,000,000 (2015: nil) respectively are included within "administrative expenses" in profit or loss. The impairment charges arose from shipyards owned by the Group which are no longer operational.

In 2016, the recoverable amounts of the buildings and machinery were determined based on fair value less costs of disposal. The Group has determined the fair value less costs of disposal by making reference to comparable transaction prices of similar buildings and machinery. Where comparable transaction prices were not available for certain buildings and machinery, they have been impaired to their residual values. The carrying amount of these buildings and machinery after impairment charges is RMB48,255,000.

(d) Bank borrowings are secured on certain vessels of the Group with carrying amounts of RMB721,448,000 (2015: RMB938,635,000).

28. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RMB'000	Total RMB'000
Company		
2016		
Cost		
As at 1 January and 31 December	**412**	**412**
Accumulated depreciation		
As at 1 January	**(360)**	**(360)**
Depreciation charge	**(15)**	**(15)**
As at 31 December	**(375)**	**(375)**
Net book value		
As at 31 December 2016	**37**	**37**
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

29. INTANGIBLE ASSETS

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Acquired computer software licenses		
Cost		
Beginning of financial year	**3,074**	2,920
Additions	**6,184**	154
Disposal	**(75)**	–
End of financial year	**9,183**	3,074
Accumulated amortisation		
Beginning of financial year	**(814)**	(518)
Amortisation charge (Note 7)	**(538)**	(296)
Disposal	**75**	–
End of financial year	**(1,277)**	(814)
Net book value as at 31 December	**7,906**	2,260

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

30. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current				
Trade payables				
– Suppliers	**2,054,461**	2,619,545	**–**	–
– Notes payables [Note (a)]	**450,000**	15,036	**–**	–
Other payables				
– Subsidiaries [Note (b)]	**–**	–	**3,859,192**	3,996,234
– Non-related parties [Note (c)]	**2,310,394**	1,218,752	**4,726**	–
Deferred compensation income [Note (d)]	**157,482**	157,482	**–**	–
Advances from customers	**973**	340,088	**–**	–
Other operating accruals	**632,447**	691,104	**6,030**	6,653
	5,605,757	5,042,007	**3,869,948**	4,002,887
Non-current				
Other payables				
– Non-related parties [Note (c)]	**–**	493,866	**–**	–
Total trade and other payables	**–**	493,866	**–**	–

(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 repayable on demand.

(c) Included in other payables to non-related parties is an amount of RMB496,780,000 (2015: RMB465,026,000) which relates 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. Upon acquisition by the Group, the Group leased the vessels owned by these five companies to the previous owners under finance lease and these loans were used as security guarantees for the finance lease agreements. During the financial years ended 31 December 2016 and 2015, those lease agreements were cancelled due to default in payments by the charterers [Note 28(a)].

(d) Deferred compensation income relates to the government grant received for the relocation of shipbuilding premises at Jiangsu Yangzijiang Shipbuilding Co., Ltd. ("JYS"). A portion of the government grant is deferred as the performance conditions attached to this portion of the grant has yet been met.

31. BORROWINGS

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank borrowings (secured) [Note (a)]	**507,185**	371,639	**–**	194,808
Bank borrowings (unsecured)	**2,072,250**	1,788,754	**1,387,400**	–
Non-related parties	**–**	48,172	**–**	–
	2,579,435	2,208,565	**1,387,400**	194,808
Non-current				
Bank borrowings (secured) [Note (a)]	**898,243**	3,773,087	**–**	2,597,440
Bank borrowings (unsecured)	**3,727,950**	2,283,144	**1,387,400**	–
Non-related parties	**18,829**	17,625	**–**	–
	4,645,022	6,073,856	**1,387,400**	2,597,440
	7,224,457	8,282,421	**2,774,800**	2,792,248

(a) These bank borrowings are secured by restricted cash and legal mortgages over the vessels (Note 28).

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	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Floating rate:				
– Six months or less	**6,411,128**	8,264,796	**2,774,800**	2,792,248
Fixed rate:				
– One to three years	**813,329**	17,625	**–**	–
	7,224,457	8,282,421	**2,774,800**	2,792,248

31. BORROWINGS (CONTINUED)

Fair value of non-current borrowings

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings				
– USD	**3,287,697**	5,602,850	**1,367,308**	2,580,821
– RMB	**1,289,134**	392,447	**–**	–

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	
	2016	2015	2016	2015
Borrowings				
– USD	**3.20%**	2.68%	**3.08%**	2.74%
– RMB	**1.85%**	4.75%	**–**	–

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

32. PROVISIONS

	The Group	
	2016	2015
	RMB'000	RMB'000
Warranty	**488,633**	577,862

The Group provides warranties on completed and delivered vessels and undertakes to repair or replace items that fail to perform satisfactorily. 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 construction.

Movement in provision for warranty is as follows:

	The Group	
	2016	2015
	RMB'000	RMB'000
As at 1 January	**577,862**	600,332
Write back of provision (Note 7)	**(185,868)**	(200,016)
Provision made (Note 7)	**99,551**	190,435
Provision utilised	**(2,912)**	(12,889)
As at 31 December	**488,633**	577,862

The Group revised the estimated warranty expense from 2% to 1% of the shipbuilding contract price with effect from 1 January 2016 to reflect a more accurate estimation.

The revisions were accounted for prospectively as a change in accounting estimates and as a result, the warranty expenses of the Group for the current financial year have decreased by RMB94,500,000.

33. DEFERRED INCOME TAX

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Deferred income tax assets				
– to be recovered within one year	**(168,771)**	(70,980)	**–**	–
– to be recovered after one year	**(319,399)**	(262,794)	**–**	–
	(488,170)	(333,774)	**–**	–
Deferred income tax liabilities				
– to be settled after one year	**1,037,999**	997,593	**224,784**	343,418

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January	**663,819**	869,029	**343,418**	525,172
Disposal of subsidiaries	**–**	(11,541)	**–**	–
Charged/(credited) to profit or loss [Note 10(a)]	**8,224**	(36,528)	**–**	–
Transfer to current income tax liabilities [Note 10(b)]	**(118,634)**	(181,754)	**(118,634)**	(181,754)
(Credited)/charged to other comprehensive income [Note 35(e)]	**(3,580)**	24,613	**–**	–
As at 31 December	**549,829**	663,819	**224,784**	343,418

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 RMB1,571,209,000 (2015: RMB1,049,702,000) 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 RMB187,677,000, RMB247,645,000, RMB321,221,000 and RMB339,712,000 will expire in 2017, 2018, 2020 and 2021 respectively. Tax losses of RMB474,954,000 (2015: RMB322,574,000) arising from Singapore and Hong Kong incorporated entities have no expiry date.

33. DEFERRED INCOME TAX (CONTINUED)

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

Group

Deferred income tax assets

	Impairment losses RMB'000	Fair value losses – net RMB'000	Warranty provision RMB'000	Total RMB'000
2016				
As at 1 January	**(265,679)**	**–**	**(68,095)**	**(333,774)**
(Credited)/charged to profit or loss	**(155,045)**	**–**	**4,229**	**(150,816)**
Credited to other comprehensive income [Note 35(e)]	**–**	**(3,580)**	**–**	**(3,580)**
As at 31 December	**(420,724)**	**(3,580)**	**(63,866)**	**(488,170)**
2015				
As at 1 January	(180,626)	(12,459)	(81,781)	(274,866)
Disposal of subsidiaries	49,453	–	–	49,453
(Credited)/charged to profit or loss	(134,506)	12,459	13,686	(108,361)
As at 31 December	(265,679)	–	(68,095)	(333,774)

Deferred income tax liabilities

	Fair value gains – net RMB'000	Undistributed profits of subsidiaries RMB'000	Others RMB'000	Total RMB'000
2016				
As at 1 January	**–**	**982,822**	**14,771**	**997,593**
Charged/(credited) to profit or loss	**–**	**160,584**	**(1,544)**	**159,040**
Transferred to current income tax liabilities	**–**	**(118,634)**	**–**	**(118,634)**
As at 31 December	**–**	**1,024,772**	**13,227**	**1,037,999**
2015				
As at 1 January	36,381	956,911	150,603	1,143,895
Disposal of subsidiaries	(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	–	(181,754)	–	(181,754)
As at 31 December	–	982,822	14,771	997,593

33. DEFERRED INCOME TAX (CONTINUED)

Company

Deferred income tax liabilities

	Undistributed profits of subsidiaries RMB'000
2016	
As at 1 January	**343,418**
Transferred to current income tax liabilities	**(118,634)**
As at 31 December	**224,784**
2015	
As at 1 January	525,172
Transferred to current income tax liabilities	(181,754)
As at 31 December	343,418

34. SHARE CAPITAL

	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital RMB'000	Treasury shares RMB'000
Group				
2016				
As at 1 January	**3,837,077**	**(5,239)**	**6,263,016**	**(20,979)**
Transfer from warrant reserve (Note a)	**–**	**–**	**91,080**	**–**
As at 31 December	**3,837,077**	**(5,239)**	**6,354,096**	**(20,979)**
2015				
As at 1 January and 31 December	3,837,077	(5,239)	6,263,016	(20,979)
Company				
2016				
As at 1 January	**3,837,077**	**(5,239)**	**6,227,799**	**(20,979)**
Transfer from warrant reserve (Note a)	**–**	**–**	**91,080**	**–**
As at 31 December	**3,837,077**	**(5,239)**	**6,318,879**	**(20,979)**
2015				
As at 1 January and 31 December	3,837,077	(5,239)	6,227,799	(20,979)

(a) No warrant holders exercised their rights to subscribe for the Company's shares before expiry date on 29 April 2016 [Note 35(d)]. Therefore, the whole warrant reserve was transferred to share capital upon expiration of the warrants.

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

35. OTHER RESERVES

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Composition:				
Statutory reserves [Note (a)]	**3,329,625**	3,068,083	**–**	–
Capital reserve [Note (b)]	**(2,928,330)**	(2,930,480)	**(40,192)**	(40,192)
Currency translation reserve [Note (c)]	**(56,073)**	(4,117)	**–**	–
Warrant reserve [Note (d)]	**–**	91,080	**–**	91,080
Fair value reserve [Note (e)]	**(20,284)**	(28,704)	**–**	–
	324,938	195,862	**(40,192)**	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".

In 2016, the Group's subsidiaries have appropriated RMB261,542,000 (2015: RMB378,048,000) from their profits to statutory reserves.

(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 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, subject to adjustment for subsequent payments of dividends. The warrant strike price prior to expiry of the warrants has been adjusted to RMB6.602 per share. The warrants expired on 29 April 2016. None of the warrant holders have exercised their rights to subscribe the Company's shares. The net proceeds from the issue of these warrants amounting to RMB91,080,000 have been transferred to share capital upon the expiry.

35. OTHER RESERVES (CONTINUED)

(e) Fair value reserve

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Fair value reserve		
Beginning of financial year	**(28,704)**	137,159
Available-for-sale financial assets		
– Fair value (losses)/gains (Note 15)	**(23,864)**	96,910
– Tax on fair value changes (Note 33)	**3,580**	(51,553)
	(20,284)	45,357
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	**–**	60,994
	–	(182,982)
Reclassification to profit or loss (Note 6)	**28,704**	(26,474)
Tax on reclassification (Note 33)	**–**	26,940
	28,704	466
End of financial year	**(20,284)**	(28,704)

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	
	2016	**2015**
	RMB'000	**RMB'000**
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of SGD4.5 cents (2015: SGD5.5 cents) per share	**818,469**	957,933

A final exempt (one-tier) dividend of SGD4 cents per share amounting to approximately SGD153,274,000 (equivalent of RMB750,824,000) has been recommended for the shareholders' approval at the Annual General Meeting on 28 April 2017. 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 2017.

37. COMMITMENTS

(a) Capital commitments

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Property, plant and equipment	**32,703**	162,561

(b) Operating lease commitments – where the Group is a lessee

The Group leases office from a non-related party under a non-cancellable operating lease agreement.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Not later than one year	**320**	–

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 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 USD borrowings. The Group aims to mitigate the currency risk by entering into currency options, in accordance with the Group's financial risk management policies.

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 RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Others RMB'000	Total RMB'000
Group						
At 31 December 2016						
Financial assets						
Trade and other receivables	3,169,879	1,347,236	–	76	–	4,517,191
Due from customers on construction contracts	35,520	3,893,958	–	–	–	3,929,478
Financial assets, available-for-sale	848,843	–	–	–	–	848,843
Financial assets, fair value through profit or loss	–	605,429	–	–	–	605,429
Financial assets, held-to-maturity	10,906,634	–	–	–	–	10,906,634
Restricted cash	441,063	778,632	–	–	–	1,219,695
Cash and cash equivalents	911,304	6,007,911	151,792	7,317	7,472	7,085,796
	16,313,243	12,633,166	151,792	7,393	7,472	29,113,066
Financial liabilities						
Borrowings	(2,032,500)	(5,191,957)	–	–	–	(7,224,457)
Trade and other payables	(3,081,819)	(2,069,328)	(203)	(295,952)	–	(5,447,302)
	(5,114,319)	(7,261,285)	(203)	(295,952)	–	(12,671,759)
Net financial assets/(liabilities)	11,198,924	5,371,881	151,589	(288,559)	7,472	16,441,307
Less: Net financial assets denominated in the respective entities' functional currency	(11,198,924)	(726,547)	–	–	–	
Add: Highly probable forecasted transactions in foreign currencies	–	9,095,797	–	–	–	
Currency exposure	–	13,741,131	151,589	(288,559)	7,472	

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 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)	

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 2016					
Financial assets					
Trade and other receivables	**8,071,943**	**987,358**	**–**	**24,874**	**9,084,175**
Cash and cash equivalents	**–**	**1,415,858**	**–**	**6,157**	**1,422,015**
	8,071,943	**2,403,216**	**–**	**31,031**	**10,506,190**
Financial liabilities					
Borrowings	**–**	**(2,774,800)**	**–**	**–**	**(2,774,800)**
Other payables	**(2,686,389)**	**(905,815)**	**–**	**(277,744)**	**(3,869,948)**
	(2,686,389)	**(3,680,615)**	**–**	**(277,744)**	**(6,644,748)**
Net financial assets/(liabilities)	**5,385,554**	**(1,277,399)**	**–**	**(246,713)**	**3,861,442**
Less: Net financial assets denominated in the company's functional currency	**(5,385,554)**	**–**	**–**	**–**	
Currency exposure	**–**	**(1,277,399)**	**–**	**(246,713)**	
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	

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 7% (2015: 6%), 5% (2015: 11%) and 7% (2015: 4%) 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**	
	2016 RMB'000	**2015 RMB'000**	**2016 RMB'000**	**2015 RMB'000**
USD against RMB:				
– strengthened	**644,459**	208,779	**(59,910)**	(77,264)
– weakened	**(644,459)**	(208,779)	**59,910**	77,264
EUR against RMB:				
– strengthened	**5,078**	1,597	**–**	–
– weakened	**(5,078)**	(1,597)	**–**	–
SGD against RMB:				
– strengthened	**(13,533)**	223	**(11,571)**	795
– weakened	**13,533**	(223)	**11,571**	(795)

(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 that 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 2016 and 2015, 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.

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% (2015: 1%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by RMB6,141,000 and RMB34,440,000 respectively (2015: RMB11,059,000 and RMB30,682,000 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 or at fair value through profit or loss. 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% (2015: 10%) with all other variables including tax rate being held constant, the net of tax effects on other comprehensive income would have increased/decreased by RMB17,778,000 (2015: RMB5,604,000).

(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.

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 2016 and 2015 based on the information provided to key management is as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
By geographical areas		
PRC	**1,290,800**	1,934,405
Greece	**–**	755,663
Malaysia	**642,855**	412,982
Marshall Islands	**1,263,968**	863,683
Other Asian countries	**604,399**	112,468
Other European countries	**1,389,937**	1,203,606
Canada	**–**	601,228
	5,191,959	5,884,035

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
As at 1 January	**368,762**	–
Allowance made (Note 7)	**61,028**	368,762
As at 31 December	**429,790**	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.

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 2016 and 2015.

(iii) Trade receivables related to trading activities

The trade receivables related to trading activities are neither past due nor impaired as at 31 December 2016 and 2015. The trade receivables related to trading activities comprise 3 debtors (2015: 2 debtors) that represented 58% (2015: 65%) of trade receivables related to trading activities.

(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	
	2016	**2015**
	RMB'000	**RMB'000**
Collateralised by:		
– Listed shares in PRC	**26,337**	–
– Unlisted shares in PRC	**30,480**	76,524
– Properties and land use rights	**141,223**	257,843
– Guaranteed by non-related individuals	**10,156**	33,162
– Guaranteed by non-related corporations	**346,404**	315,458
	554,600	682,987

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.

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 2016 and 2015 based on the information provided to key management is as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
By risk profile category		
Category 1	**5,000**	480,790
Category 2	**312,672**	17,150
Category 3	**84,000**	30,000
Category 4	**131,316**	152,047
Category 5	**21,612**	3,000
	554,600	682,987
Less: Allowance for impairment	**(114,523)**	(86,866)
	440,077	596,121

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	
	2016	**2015**
	RMB'000	**RMB'000**
As at 1 January	**86,866**	152,243
Allowance made (Note 7)	**64,018**	87,176
Allowance reversed (Note 7)	**(29,555)**	(152,553)
Allowance utilised	**(6,806)**	–
As at 31 December	**114,523**	86,866

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 2016 and 2015.

(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 the subsidiaries (current) are neither past due nor impaired.

The carrying amount of other receivables from non-related parties individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Gross amount	**131,000**	–
Less: Allowance for impairment	**(32,750)**	–
	98,250	–
As at 1 January	**–**	–
Allowance made (Note 7)	**32,750**	–
As at 31 December	**32,750**	–

In 2016, there were two (2015: three) charter agreements cancelled as the charterers were unable to pay the charter hire on time during the financial year. As a result, the vessels were repossessed by the Group, upon which the related net finance lease receivable amounts of RMB191,561,000 (2015: RMB709,758,000), including an allowance of impairment of RMB323,815,000 (2015: 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).

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
As at 1 January	**323,815**	380,487
Allowance made (Note 7)	**–**	150,872
Allowance transferred	**(323,815)**	(207,544)
As at 31 December	**–**	323,815

Other than the allowance made for the impairment as set out above, there is no further impairment noted. None of the remaining other receivables and other financial assets is past due but not impaired as at 31 December 2016 and 2015.

(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	
	2016	**2015**
	RMB'000	**RMB'000**
Collateralised by:		
– Listed shares in PRC*	**1,746,720**	1,297,900
– Unlisted shares in PRC	**935,000**	1,025,000
– Properties and land use rights	**2,363,960**	3,942,810
– Guaranteed by non-related corporations	**6,853,500**	4,667,776
	11,899,180	10,933,486

* Included in the listed shares in PRC is an amount of RMB231,720,000 (2015: nil) of shares which will only be available for trading after the expiry of their restriction period.

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 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 is considered when providing impairment allowance.

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Real estate	**1,047,360**	3,098,286
Manufacturing	**3,381,100**	580,000
Trading	**400,000**	400,000
Services	**3,061,220**	2,239,400
Others	**4,009,500**	4,615,800
	11,899,180	10,933,486

The impairment on the held-to-maturity financial assets is assessed using an internal credit grading system which makes reference to industry practice. 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.

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

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Gross amount	**8,649,680**	8,260,480
Less: Allowance for impairment	**(992,546)**	(961,080)
	7,657,134	7,299,400
As at 1 January	**961,080**	949,770
Allowance made (Note 7)	**1,029,045**	671,885
Allowance reversed (Note 7)	**(914,709)**	(577,115)
Allowance utilised	**(82,870)**	(83,460)
As at 31 December	**992,546**	961,080

Other than the allowance made for the impairment as above, there is no further impairment noted. None of the other held-to-maturity financial assets is past due but not impaired as at 31 December 2016 and 2015.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(vii) Financial guarantees

As at 31 December 2016 and 2015, no corporate guarantees are issued to banks for borrowings of customers. The Company issues corporate guarantees to banks for borrowings of its subsidiaries. The carrying amount of these borrowings guaranteed by the Group and the Company is as follows:

	The Company	
	2016	**2015**
	RMB'000	**RMB'000**
For borrowings incurred by subsidiaries	**6,014,114**	2,285,188

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.

(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 2016				
Bank borrowings	**(2,770,581)**	**(3,821,502)**	**(319,405)**	**(702,469)**
Trade and other payables	**(5,447,302)**	**–**	**–**	**–**
	(8,217,883)	**(3,821,502)**	**(319,405)**	**(702,469)**
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)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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
Company				
As at 31 December 2016				
Bank borrowings	**(1,474,553)**	**(1,408,747)**	**–**	**–**
Trade and other payables	**(3,869,948)**	**–**	**–**	**–**
	(5,344,501)	**(1,408,747)**	**–**	**–**
Financial guarantees	**(6,014,114)**	**–**	**–**	**–**
As at 31 December 2015				
Bank borrowings	(267,298)	(1,369,027)	(1,315,852)	–
Trade and other payables	(4,002,888)	–	–	–
	(4,270,186)	(1,369,027)	(1,315,862)	–
Financial guarantees	(2,285,188)	–	–	–

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 2016		
Gross-settled currency forwards:		
– Receipts	**–**	–
– Payments	**–**	–
As at 31 December 2015		
Gross-settled currency forwards:		
– Receipts	**5,939,960**	–
– Payments	**5,908,761**	–
Company		
As at 31 December 2016		
Gross-settled currency forwards:		
– Receipts	**–**	–
– Payments	**–**	–
As at 31 December 2015		
Gross-settled currency forwards:		
– Receipts	**4,316,560**	–
– Payments	**4,274,346**	–

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 2016 and 31 December 2015 were as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Total liabilities	**18,035,074**	18,887,081
Total assets	**41,234,183**	41,246,062
Liability-to-asset ratio	**43.74%**	45.79%

The Group and the Company do not have any external imposed capital requirements for the financial years ended 31 December 2016 and 2015.

(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).

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
2016				
Group				
Assets				
Non-hedging derivatives	**–**	**59,373**	**–**	**59,373**
Financial assets, at fair value through profit or loss	**–**	**605,429**	**–**	**605,429**
Financial assets, available-for-sale	**237,043**	**–**	**–**	**237,043**
Liabilities				
Non-hedging derivatives	**–**	**(282,582)**	**–**	**(282,582)**
Company				
Assets				
Non-hedging derivatives	**–**	**59,373**	**–**	**59,373**
Liabilities				
Non-hedging derivatives	**–**	**(282,582)**	**–**	**(282,582)**
2015				
Group				
Assets				
Non-hedging derivatives	–	60,603	–	60,603
Financial assets, available-for-sale	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)

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 financial assets, at fair value through profit or loss, is determined by using the Black Scholes model, and by using quoted prices of a similar financial instrument. The significant inputs into the model are the initial stock price, risk-free rate, stock volatility, strike price and maturity of the conversation option. These instruments are included in Level 2.

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, Note 15 and Note 16 to the financial statements, except for the following:

	The Group		**The Company**	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loans and receivables	**12,822,682**	12,311,199	**10,506,190**	9,216,407
Financial liabilities at amortised cost	**12,671,759**	13,320,724	**6,644,748**	6,795,135

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 transactions with the following related parties.

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Purchase of materials from a related party	**43,010**	82,325
Sale of a previously defaulted held-to-maturity financial asset to a related party at a price determined through a court auction [Note 17(b)]	**208,790**	–

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 17.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	The Group	
	2016	**2015**
	RMB'000	**RMB'000**
Directors		
Basic salaries	**28**	28
Directors' fees	**655**	626
Contributions to defined contribution plans	**17**	17
Discretionary bonuses	**205**	205
Senior management		
Basic salaries	**1,648**	1,365
Contributions to defined contribution plans	**408**	383
Discretionary bonuses	**786**	855
	3,747	3,479

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 and vessel owning companies. 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 years ended 31 December 2016 and 2015 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 2016					
Total segment sales	10,514,972	1,067,305	4,578,089	270,401	16,430,767
Inter-segment sales	–	–	(1,341,329)	–	(1,341,329)
Sales to external parties	10,514,972	1,067,305	3,236,760	270,401	15,089,438
Segment result	2,875,824	526,006	407	(836,581)	2,565,656
Finance expenses	(82,062)	–	(45,746)	(40,564)	(168,372)
Fair value loss on financial assets, at fair value through profit or loss	–	(298,677)	–	–	(298,677)
Impairment loss on loans to non-related parties – microfinance	–	(34,463)	–	–	(34,463)
Impairment loss of held-to-maturity financial assets	–	(114,336)	–	–	(114,336)
Impairment loss on property, plant and equipment	(180,498)	–	–	(832,321)	(1,012,819)
Impairment loss of due from customers on construction contracts	(61,028)	–	–	–	(61,028)
Depreciation	(442,210)	(14)	(9)	(68,205)	(510,438)
Loss on disposal of available-for-sale financial assets	–	(28,704)	–	–	(28,704)
Share of losses of associated companies and a joint venture	(53,831)	–	–	(5,897)	(59,728)
Loss on disposal of property, plant and equipment	–	–	–	(10,335)	(10,335)
Business tax on interest income from held-to-maturity financial assets and loans to non-related parties – microfinance	–	(7,808)	–	–	(7,808)
Interest income – finance lease	–	–	–	65,612	65,612
Income from forfeiture of advances received	659,673	–	–	–	659,673
Segment assets	21,711,173	13,061,017	1,437,296	4,536,527	40,746,013
Investment in associated companies	748,560	–	–	134,062	882,622
Investment in a joint venture	–	–	–	4,796	4,796
Additions to property, plant and equipment	312,796	–	4	216,907	529,707
Segment liabilities	(9,165,233)	(300,228)	(1,797,912)	(1,828,882)	(13,092,255)

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					
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
Finance 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
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)

Sales between segments are carried out at market terms.

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.

40. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliation

(i) Segment profits

A reconciliation of segment results to profit before tax is as follows:

	2016 RMB'000	2015 RMB'000
Segment results for reportable segments	**3,402,237**	3,851,136
Segment results for other segments	**(836,581)**	(348,507)
Unallocated:		
Other income	**178,396**	202,820
Other gains – net	**684,108**	97,302
Administrative expenses	**(380,898)**	(353,165)
Finance expenses	**(274,496)**	(264,736)
Profit before tax	**2,772,766**	3,184,850

(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.

	2016 RMB'000	2015 RMB'000
Segment assets for reportable segments	**36,209,486**	34,663,250
Other segment assets	**4,536,527**	6,249,038
Unallocated:		
Deferred income tax assets	**488,170**	333,774
Total assets	**41,234,183**	41,246,062

(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.

40. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliation (continued)

(iii) Segment liabilities (continued)

Segment liabilities are reconciled to total liabilities as follows:

	2016 RMB'000	2015 RMB'000
Segment liabilities for reportable segments	**11,263,373**	11,358,928
Other segment liabilities	**1,828,882**	2,975,385
Unallocated:		
Current income tax liabilities	**1,130,020**	762,927
Deferred income tax liabilities	**1,037,999**	997,593
Borrowings	**2,774,800**	2,792,248
Total liabilities	**18,035,074**	18,887,081

(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 ship demolition, ship management services and sales of development properties. Breakdown of the revenue by major product types is as follows:

	2016 RMB'000	2015 RMB'000
Construction of container ships	**4,065,053**	3,100,804
Construction of multiple purpose cargo ships	**5,097,196**	8,276,544
Construction of LNG carriers	**569,317**	100,987
Construction of jack-up rig	**277,489**	214,953
Construction of other vessels	**216,800**	179,744
Sales of goods	**3,602,662**	2,499,591
Interest income from loans to non-related parties – microfinance	**63,491**	110,275
Interest income from held-to-maturity financial assets	**1,003,814**	1,215,369
Rendering of ship design services	**8,391**	26,766
Charter income	**182,646**	185,333
Sales of development properties	**–**	17,247
Others	**2,579**	86,735
	15,089,438	16,014,348

40. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's revenue based on the customers' locations are as follows:

	2016 RMB'000	2015 RMB'000
PRC and Taiwan	**4,799,288**	4,246,795
Germany	**853,359**	1,055,719
Marshall Islands	**3,070,950**	2,829,903
Other European countries	**2,475,837**	1,948,857
Other Asian countries	**3,393,351**	3,076,886
Canada	**166,925**	2,856,188
The Bahamas	**329,728**	–
	15,089,438	16,014,348

Revenues of approximately RMB3,526,704,000 (2015: RMB4,459,135,000) are derived from three (2015: three) major customers. These revenues are attributable to the shipbuilding segment. Revenue of approximately RMB354,937,000 (2015: RMB232,311,000) is derived from one (2015: one) customer from the trading business included in the trading segment.

The Group's non-current assets amounting to RMB13,714,796,000 (2015: RMB13,896,218,000) 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 2017 or later periods and which the Group has not early adopted:

- *FRS 115 Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

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.

  Financial assets held by the Group include:

  - equity instruments currently classified as available-for-sale for which fair value through OCI election is available;

  - debt instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under FRS109; and

  - debt instruments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under FRS 109.

  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. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- *FRS 116 Leases* (effective for annual periods beginning on or after 1 January 2019)

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB320,000 (Note 37(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

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 20 March 2017.

43. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES 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	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Jiangsu New Yangzi Shipbuilding Co., Ltd. ("JNYS")[(1)]	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**49**	49	**100**	100	**–**	–
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. ("JXSCO")[(1)]	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**12.5**	12.5	**80**	80	**20**	20
Jiangsu Yangzijiang Shipbuilding Co., Ltd. ("JYS")[(2)]	Shipbuilding, ship repairing, production and processing of large scale steel structures	PRC	**100**	100	**100**	100	**–**	–
Jiangsu Tianyuan Ships Import and Export Co., Ltd. ("JTSIECO")[(2)]	Facilitating the sale and export of ships for the shipbuilder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Tianchen Marine Import and Export Co., Ltd. ("JTMIECO")[(2)]	Facilitating the sale and export of ships for the ship builder and trading of ship related equipment	PRC	**–**	–	**100**	100	**–**	–
Jiangsu Yangchuan Equipment and Materials Co., Ltd. ("JYEMCO")[(2)]	Supply of marine equipment and materials	PRC	**–**	–	**100**	100	**–**	–
Jingjiang Runyuan Rural Micro-finance Co., Ltd. ("JRRM")[(2)]	Provide microcredit to enterprise and individual	PRC	**–**	–	**100**	100	**–**	–
Yangzijiang International Trading Pte. Ltd. ("YITPL")[(3)]	Trading of shipbuilding related materials/supplies	Singapore	**100**	100	**100**	100	**–**	–

43. LISTING OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES IN THE GROUP (CONTINUED)

Name of associated companies	Principal activities	Place of business/ country of incorporation	Effective equity holding 2016 %	2015 %
Everbright Venture Capital Jiangyin Co., Ltd. ("EVCJCO")(2)	Engaging in venture capital investment and providing seed capital	PRC	**21.36**	21.36
Jiangsu New Material Industrial Venture Capital Enterprise ("JNMIIV")(2)	Engaging in venture capital investment and providing seed capital	PRC	**38**	30
Shanghai Chengding Yangzi Investment Partnership Enterprise ("Limited Partnership") ("SCYI")(2)	Engaging in venture capital investment and providing seed capital	PRC	**29.15**	29.15
Shanghai Chengding New Yangzi Investment Partnership Enterprise ("Limited Partnership") ("SCNYI")(2)	Providing project investment and asset management services	PRC	**29.85**	29.85
Zhuhai Interconnect Leading High-Tech Industrial Investment Center ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**30**	30
Wuxi Jinrui Zhonghe Investment Enterprise ("Limited Partnership")(2)	Engaging in venture capital investment and providing seed capital	PRC	**32.8**	–

(1) JNYS and JXSCO are audited by Jiangyin Tian Cheng CPAs Co. Limited for local statutory purpose.

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

(3) The Company and YITPL are audited by PricewaterhouseCoopers LLP, Singapore for local statutory purpose.

(4) In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

STATISTICS OF **SHAREHOLDINGS**
AS AT 15 MARCH 2017

Issued and fully paid-up shares capital: S$1,240,693,280.38 (RMB6,354,096,000)
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	13	0.06	130	0.00
100 – 1,000	1,679	8.16	1,642,870	0.04
1,001 – 10,000	12,624	61.38	74,878,541	1.95
10,001 – 1,000,000	6,224	30.26	251,968,158	6.58
1,000,001 AND ABOVE	28	0.14	3,503,348,301	91.43
TOTAL	**20,568**	**100.00**	**3,831,838,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	1,624,366,563	42.39
2	CITIBANK NOMINEES SINGAPORE PTE LTD	944,218,698	24.64
3	DBS NOMINEES (PRIVATE) LIMITED	324,370,019	8.47
4	RAFFLES NOMINEES (PTE) LIMITED	259,050,009	6.76
5	DBSN SERVICES PTE. LTD.	157,813,474	4.12
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	54,933,011	1.43
7	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	27,136,500	0.71
8	DB NOMINEES (SINGAPORE) PTE LTD	20,765,684	0.54
9	MERRILL LYNCH (SINGAPORE) PTE LTD	14,522,469	0.38
10	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	12,403,380	0.32
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,892,564	0.21
12	OCBC SECURITIES PRIVATE LIMITED	6,937,600	0.18
13	UOB KAY HIAN PRIVATE LIMITED	6,802,000	0.18
14	SOCIETE GENERALE, SINGAPORE BRANCH	6,554,972	0.17
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,335,900	0.14
16	PHILLIP SECURITIES PTE LTD	5,252,851	0.14
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,719,632	0.12
18	HENG SIEW ENG	3,594,000	0.09
19	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,072,475	0.08
20	XU JIAN DONG	2,241,400	0.06
	TOTAL	**3,491,983,201**	**91.13**

	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
Yangzi International Holdings Limited	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	305,237,240	7.9658	–	–	7.9658
Chang Liang	–	–	305,237,240[3]	7.9658	7.9658

Notes:

(1) Ren Yuanlin (as Settlor of the YZJ Settlement) is deemed to be interested in the Shares through his interest in Yangzi International Holdings Limited, which is wholly-owned by Julius Baer Trust Company (Singapore) Limited as trustee of the YZJ Settlement, 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 50.69% of the shareholding of the Company is held in the hands of the public as at 15 March 2017 and Rule 723 of the Listing Manual is complied with.

NOTICE OF **ELEVENTH ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at 168 Robinson Road, #09-01 Capital Tower, STI Auditorium, Singapore 068912 on Friday, 28 April 2017 at 3.00 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 2016 and the Directors' Statements together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of S$0.04 per ordinary share in respect of the financial year ended 31 December 2016. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$136,500 for the financial year ended 31 December 2016. (2015: S$136,500) **(Resolution 3)**

4. To re-elect the following Directors who are retiring by rotation pursuant to Article 94 of the Company's Constitution:

   (a) Mr Ren Yuanlin *[See Explanatory Note (a)]* **(Resolution 4)**

   (b) Mr Teo Yi-dar *[See Explanatory Note (b)]* **(Resolution 5)**

5. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditor 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

(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)**

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);

"**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 2017
Singapore

Explanatory Notes:

(a) Key information on Mr Ren Yuanlin, who is seeking re-election as Director of the Company, is found on page 14 of the Annual Report. Mr Ren Yuanlin is the Executive Chairman of the Group and also the father of Mr Ren Letian, the Chief Executive Officer of the Company. Details of the share interests of Mr Ren Yuanlin in the Company can also be found on page 48 of the Annual Report.

(b) Key information of Mr Teo Yi-dar, who is seeking re-election as Director of the Company, is found on page 15 of the Annual Report. Mr Teo Yi-dar will remain as the Lead Independent Director, Chairman of the Nominating Committee and Remuneration Committee as well as the Member of the Audit 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. Details of the share interests of Mr Teo Yi-dar in the Company can also be found on page 48 of the Annual Report. Mr Teo Yi-dar has no relationships with the Company, its 10% shareholders or its Directors.

(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 2016 are set out in Appendix to the Notice of the above meeting and are for illustration only.

Notes:

(1) A shareholder of the Company entitled to attend and vote at the Eleventh 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 Eleventh 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 Eleventh Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Eleventh 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 Eleventh 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 Eleventh Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Eleventh 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 168 Robinson Road, #09-01, Capital Tower, STI Auditorium, Singapore 068912 on Friday, 28 April 2017 at 3.00 p.m. ("**2017 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**");
- Renewed the 2014 Mandate at the AGM held on 30 April 2015 ("**2015 Mandate**"); and
- Renewed the 2015 Mandate at the AGM held on 28 April 2016 ("**2016 Mandate**").

1.3 The 2016 Mandate will expire on the date of the forthcoming 2017 AGM. If the proposed resolution for the renewal of Share Purchase Mandate is approved at the 2017 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.

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.

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 forthcoming 2017 AGM), 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 15 March 2017, ("**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 2017 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 2017 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.

The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM (after the forthcoming 2017 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.

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.

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.

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.

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.

APPENDIX

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 period ended 31 December 2016 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$1.1634 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 RMB2,184,400,561; 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$1.3296 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 RMB2,496,457,784.

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 2017; 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 2016, 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,

on the financial statements of the Company and the Group for the financial period ended 31 December 2016 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 2016				
Issued capital and reserves	22,712,945	22,647,413	8,366,364	8,300,832
Treasury shares	(20,979)	(2,205,380)	(20,979)	(2,205,380)
Total shareholders' equity	22,691,966	20,442,033	8,345,385	6,095,452
NTA (excl. Non controlling interests)	22,691,966	20,442,033	8,345,385	6,095,452
Profit after taxation and minority interest	1,752,432	1,686,900	1,791,240	1,725,708
Net debt	Net Cash	1,103,367	1,352,785	3,537,186
Number of shares ('000)	3,831,838	3,448,654	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	592.20	592.75	217.79	176.75
Gross debt gearing (%)	31.84	35.34	33.25	58.03
Net debt gearing (%)	Net Cash	5.40	16.21	58.03
Current ratio (times)	2.12	1.94	1.38	1.00
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.27	7.21	7.42	6.01
Basic EPS (cents)				
(before exceptional items)	45.73	48.91	46.75	50.04
(after exceptional items)	45.73	48.91	46.75	50.04
Return on equity (%)	7.72	8.25	21.46	28.31

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.

(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 2016				
Issued capital and reserves	22,712,945	22,638,051	8,366,364	8,291,470
Treasury shares	(20,979)	(2,517,437)	(20,979)	(2,517,437)
Total shareholders' equity	22,691,966	20,120,614	8,345,385	5,774,033
NTA (excl. Non controlling interests)	22,691,966	20,120,614	8,345,385	5,774,033
Profit after taxation and minority interest	1,752,432	1,677,538	1,791,240	1,716,346
Net debt	Net Cash	1,415,424	1,352,785	3,849,243
Number of shares ('000)	3,831,838	3,448,654	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	592.20	583.43	217.79	167.43
Gross debt gearing (%)	31.84	35.91	33.25	66.66
Net debt gearing (%)	Net Cash	7.03	16.21	66.66
Current ratio (times)	2.12	1.91	1.38	0.95
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.27	7.08	7.42	5.85
Basic EPS (cents)				
(before exceptional items)	45.73	48.64	46.75	49.77
(after exceptional items)	45.73	48.64	46.75	49.77
Return on equity (%)	7.72	8.34	21.46	29.73

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.

(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 2016				
Issued capital and reserves/				
Total shareholders' equity	22,691,966	20,442,033	8,345,385	6,095,452
NTA (excl. Non controlling interests)	22,691,966	20,442,033	8,345,385	6,095,452
Profit after taxation and minority interest	1,752,432	1,686,900	1,791,240	1,725,708
Net debt	Net Cash	1,103,367	1,352,785	3,537,186
Number of shares ('000)	3,831,838	3,448,654	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	592.20	592.75	217.79	176.75
Gross debt gearing (%)	31.84	35.34	33.25	58.03
Net debt gearing (%)	Net Cash	5.40	16.21	58.03
Current ratio (times)	2.12	1.94	1.38	1.00
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.27	7.21	7.42	6.01
Basic EPS (cents)				
(before exceptional items)	45.73	48.91	46.75	50.04
(after exceptional items)	45.73	48.91	46.75	50.04
Return on equity (%)	7.72	8.25	21.46	28.31

(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 2016				
Issued capital and reserves/				
Total shareholders' equity	22,691,966	20,120,614	8,345,385	5,774,033
NTA (excl. Non controlling interests)	22,691,966	20,120,614	8,345,385	5,774,033
Profit after taxation and minority interest	1,752,432	1,677,538	1,791,240	1,716,346
Net debt	Net Cash	1,415,424	1,352,785	3,849,243
Number of shares ('000)	3,831,838	3,448,654	3,831,838	3,448,654
Financial Ratios				
NTA per share (cents)	592.20	583.43	217.79	167.43
Gross debt gearing (%)	31.84	35.91	33.25	66.66
Net debt gearing (%)	Net Cash	7.03	16.21	66.66
Current ratio (times)	2.12	1.91	1.38	0.95
Earnings before interest, tax, depreciation and amortisation divided by interest expenses (times)	8.27	7.08	7.42	5.85
Basic EPS (cents)				
(before exceptional items)	45.73	48.64	46.75	49.77
(after exceptional items)	45.73	48.64	46.75	49.77
Return on equity (%)	7.72	8.34	21.46	29.73

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.

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;

(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 Effect of Rule 14 and Appendix 2

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.

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 1,942,184,935 Shares, representing approximately 50.69% 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 1,559,001,135 Shares, representing approximately 45.21% 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.

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 28 April 2016.

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	
Director	**Direct Interest**	**Deemed Interest**
Ren Yuanlin	3,200,000	1,002,845,825[1]
Teo Yi-Dar	150,000	–
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
Yangzi International Holdings Limited	1,002,845,825	–	26.1714
Julius Baer Trust Company (Singapore) Limited as trustee of YZJ Settlement	–	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	305,237,240	–	7.9658
Chang Liang	–	305,237,240[4]	7.9658

[1] Ren Yuanlin (as Settlor of the YZJ Settlement) is deemed to be interested in the Shares through his interest in Yangzi International Holdings Limited, which is wholly-owned by Julius Baer Trust Company (Singapore) Limited as trustee of the YZJ Settlement, 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, 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.

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 2017 AGM.

5. **ANNUAL GENERAL MEETING**

The 2017 AGM, notice of which is set out on pages 148 to 153 of the Notice of AGM attached to the 2016 Annual Report of the Company, will be held at 168 Robinson Road, #09-01, Capital Tower, STI Auditorium, Singapore 068912 on Friday, 28 April 2017 at 3.00 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 2017 AGM.

6. **DOCUMENTS AVAILABLE 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 2017 AGM:

(a) the Constitution of the Company; and

(b) the audited consolidated financial statements of the Company for FY2016.

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

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.

Yangzijiang Shipbuilding (Holdings) Ltd.

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200517636Z)

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 AGM of the Company to be held at 168 Robinson Road, #09-01 Capital Tower, STI Auditorium, Singapore 068912 on Friday, 28 April 2017 at 3.00 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 2016 and the Statements by Directors together with the Independent Auditor's Report thereon.		
2.	To declare a tax exempt (one-tier) final dividend of S$0.04 per ordinary share for the financial year ended 31 December 2016.		
3.	To approve the payment of Directors' fees of S$136,500 by the Company for the financial year ended 31 December 2016.		
	To re-elect the following Directors who are retiring by rotation pursuant to Article 94 of the Company's Constitution:–		
4.	Mr Ren Yuanlin		
5.	Mr Teo Yi-dar		
6.	To re-appoint Messrs PricewaterhouseCoopers LLP as auditor 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 ______________, 2017

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

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

16 RAFFLES QUAY
#41-02 HONG LEONG BUILDING
SINGAPORE 048581