



AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(formerly known as AVIC International Investments Limited)

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2015

PART 1- INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1 (a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediate preceding financial year.

1(a)(i) Consolidated Statement of Comprehensive Income for the Second Quarter and Half Year ended 30 June 2015

	Second Quarter			Half Year		
	Group 1 Apr 15 to 30 Jun 15	Group 1 Apr 14 to 30 Jun 14	Change	Group 1 Jan 15 to 30 Jun 15	Group 1 Jan 14 to 30 Jun 14	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	146,958	43,830	235	287,016	149,275	92
Cost of sales	(95,278)	4,630	N/M	(198,863)	(69,067)	188
Gross profit	51,680	48,460	7	88,153	80,208	10
Other operating income	617	4,234	(85)	1,215	6,691	(82)
Marketing and distribution expenses	(7,101)	(7,689)	(8)	(17,780)	(16,466)	8
Administrative expenses	(33,275)	(29,524)	13	(63,736)	(54,589)	17
Finance cost	(2,911)	(3,453)	(16)	(5,558)	(6,716)	(17)
Other operating expenses	68	45	51	(4,690)	(2)	N/M
Share of results of associates	401	(239)	N/M	417	41	917
Profit/(Loss) before income tax	9,479	11,834	(20)	(1,979)	9,167	N/M
Income tax expense	(2,319)	(5,617)	(59)	(3,255)	(7,639)	(57)
Profit/(Loss) for the period	7,160	6,217	15	(5,234)	1,528	N/M
<u>Profit attributable to:</u>						
Owner of the company	7,933	3,731	113	(3,657)	(1,828)	100
Non-controlling interests	(773)	2,486	N/M	(1,577)	3,356	N/M
Profit/(Loss) for the period	7,160	6,217	15	(5,234)	1,528	N/M

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 15 to 30 Jun 15	1 Apr 14 to 30 Jun 14		1 Jan 15 to 30 Jun 15	1 Jan 14 to 30 Jun 14	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
<u>Other comprehensive income (loss)</u>						
Exchange differences arising on translation	(1,001)	(4,633)	(78)	(14,394)	(5,053)	185
Total comprehensive profit (loss) for the period	6,159	1,584	289	(19,628)	(3,525)	457
<u>Total comprehensive profit(loss) attributable to:</u>						
Owner of the company	5,959	(399)	N/M	(13,141)	(7,497)	75
Non-controlling interests	200	1,983	(90)	(6,487)	3,972	N/M
	6,159	1,584	289	(19,628)	(3,525)	457

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Second Quarter and Half Year ended 30 June 2015

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 15 to 30 Jun 15	1 Apr 14 to 30 Jun 14		1 Jan 15 to 30 Jun 15	1 Jan 14 to 30 Jun 14	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
Interest income	520	820	(37)	1,118	936	19
Net foreign exchange (loss)/gain	(30)	3,202	N/M	(3,744)	5,542	N/M
Interest expenses on borrowings	(2,807)	(2,977)	(6)	(5,302)	(5,885)	(10)
Operating lease expenses	(4,074)	(4,163)	(2)	(8,371)	(8,604)	(3)
Depreciation of plant and equipment	(783)	(847)	(8)	(1,551)	(1,855)	(16)
Fixed assets written off	-	-	N/M	-	(35)	N/M
Amortisation of intangible assets	(1,501)	(354)	324	(3,046)	(1,362)	124
Reversal/(Allowance) for doubtful debts	324	-	N/M	(496)	-	N/M

N/M – Not meaningful

when differences +/- greater than 1000%

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

1(b)(i) Unaudited Statements of Financial Position as at 30 June 2015

	Group		Company	
	30 Jun 2015 (RMB'000)	31 Dec 2014 (RMB'000)	30 Jun 2015 (RMB'000)	31 Dec 2014 (RMB'000)
Assets				
<u>Current assets</u>				
Cash and cash equivalents	181,083	208,763	2,432	10,373
Pledged cash placed with a bank	42,458	92,475	-	-
Trade receivables	219,591	220,917	-	-
Other receivables	62,669	79,391	115	335
Amount due from subsidiaries	-	-	7,454	2,089
Inventory	705	481	-	-
	506,506	602,027	10,001	12,797
<u>Non-current assets</u>				
Plant and equipment	7,787	8,094	-	10
Investment in subsidiaries	-	-	382,892	393,143
Investment in associates	781	405	-	-
Available-for-sale investments	44	49	-	-
Goodwill	99,076	109,203	-	-
Intangible assets	87,257	98,381	-	-
Deferred tax assets	317	497	-	-
Trade receivables	33,317	-	-	-
	228,579	216,629	382,892	393,153
Total assets	735,085	818,656	392,893	405,950
<u>Current liabilities</u>				
Current portion of long-term loan	153,403	136,030	133,987	136,030
Short-term loan	14,157	9,289	-	-
Trade payables	19,177	49,905	-	-
Advance received	8,831	38,744	-	-
Other payables and accruals	75,915	85,201	19,298	23,174
Finance lease liabilities	862	967	-	-
Income tax payable	2,182	1,377	-	-
	274,527	321,513	153,285	159,204
<u>Non-current liabilities</u>				
Long-term loan	215,775	228,239	203,557	209,007
Finance lease liabilities	676	806	-	-
Deferred tax liabilities	18,859	22,039	-	-
Other non-current liabilities	1,695	3,735	-	-
	237,005	254,819	203,557	209,007
Total liabilities	511,532	576,332	356,842	368,211

	Group		Company	
	30 Jun 2015 (RMB'000)	31 Dec 2014 (RMB'000)	30 Jun 2015 (RMB'000)	31 Dec 2014 (RMB'000)
Capital and reserves				
Share capital	101,237	101,237	101,237	101,237
Capital reserve	12,470	12,470	10,603	10,603
Statutory reserve	11,988	11,988	-	-
Translation reserve	1,430	10,914	(5,127)	(4,146)
Accumulated profits/(losses)	51,873	55,530	(70,662)	(69,955)
	178,998	192,139	36,051	37,739
Non-controlling interests	44,555	50,185	-	-
Total equity	223,553	242,324	36,051	37,739
Total Equity and Liabilities	735,085	818,656	392,893	405,950

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

(A) Amount repayable in one year or less, or on demand

As at 30 Jun 2015	
Secured (RMB'000)	Unsecured (RMB'000)
862	167,560

As at 31 Dec 2014	
Secured (RMB'000)	Unsecured (RMB'000)
967	145,319

(B) Amount repayable after one year

As at 30 Jun 2015	
Secured (RMB'000)	Unsecured (RMB'000)
676	215,775

As at 31 Dec 2014	
Secured (RMB'000)	Unsecured (RMB'000)
806	228,239

(C) Details of any collaterals

- In connection with the intra-group restructuring ("Intra-group Restructuring") as disclosed on pages 100 and 101 of the Company's information memorandum dated 10 August 2011, AVIC International Kairong Limited ("AVIC Kairong"), the former majority shareholder of the Company, funded the Intra-group Restructuring by extending two unsecured shareholder's loans (the "Shareholder's Loan") to the Company, amounting to an aggregate principal amount of USD24,000,000 ("Principal Sum") with a term of three years (maturing on 27 August 2015). The Shareholder's Loan shall bear an interest rate of 0.85% per annum ("Interest Per Annum"), with the cumulative interest payable to AVIC Kairong being USD612,000 ("Cumulative Interest"). For the avoidance of doubt, the Interest Per Annum and the Cumulative Interest are less than 3% of the Group's audited net tangible assets as at 31 December 2011. The terms of repayment will be negotiated six months before the end of the loan tenure.
- On 8 April 2013, the Company and AVIC Kairong entered into a supplementary agreement, in which both parties agreed that in relation to the repayment of the loan principal of USD24,000,000, the Company will repay the principal loan amount at SGD29,769,600, based on the exchange rate of 1.2404 against USD. With effect from 1 April 2013, the principal interest will remain unchanged at 0.85% and will be payable based on principal amount of SGD29,769,600 instead.
- For the purposes of the Intra-group Restructuring, on 20 March 2013, AVIC Kairong granted an additional USD3,250,000 interest free loan to AVIC International Ship Development Pte Ltd ("AISD"), a

wholly-own subsidiary of the Company with the loan tenure of three years commencing from 20 March 2013.

4. On 5 November 2014, the Group obtained a three years loan amounting to SGD45,000,000 from BOC Bank secured by the corporate guarantee of AVIC International Holding Limited, an immediate holding company of the Group. The principal of loan is due to be repaid in three years from the date of the loan drawdown in December 2014. The loan carries floating interest rate of 2.00% per annum over SIBOR. The loan was obtained mainly to refinance the acquisition of Deltamarin Oy, the details of which are set out in the circular to Shareholders dated 10 December 2012.
5. On 20 August 2013, the Group entered into a revolving credit facility arrangement with OCBC Bank for a limit of SGD17,900,000. In January 2014, the Group had drawn down SGD2,000,000, to be rolled over every 3 months. The loan carries a fixed interest rate of 2.22% (30 June 2014: 1.61%). As at 30 June 2015, the principal loan amount of SGD2,000,000 (30 June 2014: SGD2,000,000) remains outstanding, and is due within 12 months.
6. As at 30 June 2015, certain plant and equipment with carrying amount of EUR223,118 or RMB 1,512,291 equivalent (30 June 2014: EUR265,785 or RMB2,216,427) are secured by the lessors' titles to the leased assets.
7. On 6 March 2015 and 14 April 2015, Tides Fast Offshore Pte. Ltd. (35% shareholder of ATFO) granted to AVIC Tidestar Fast Offshore Pte Ltd("ATFO") two unsecured loans of USD353,500 and USD483,000 respectively with an interest rate of 5% per annum and repayable on demand.
8. On 31 October 2014, the Group entered into a 2-year transferable term loan facility arrangement with China Construction Bank (CCBC) for a limit of USD3,000,000. On 10 April 2015, the Group had drawn down USD2,000,000. The principal of loan is due to be repaid in two years from the date of the loan drawdown on 10 April 2015 .The loan carries a floating interest rate of 2.70% per annum over LIBOR.

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

Consolidated Cash Flow Statements for the Second Quarter and Half Year ended 30 June 2015

	Second Quarter		Half Year	
	Group	Group	Group	Group
	1 Apr 15 to 30 Jun 15 (RMB'000)	1 Apr 14 to 30 Jun 14 (RMB'000)	1 Jan 15 to 30 Jun 15 (RMB'000)	1 Jan 14 to 30 Jun 14 (RMB'000)
Operating activities				
Profit/(Loss) before income tax	9,479	11,834	(1,979)	9,167
Adjustments for:				
Share of results of associates	(402)	239	(417)	(41)
Interest income	(520)	(820)	(1,118)	(936)
Interest expenses	2,807	2,977	5,302	5,885
Depreciation of plant and equipment	782	847	1,551	1,855
Amortisation of intangible assets	1,501	354	3,046	1,362
Plant and equipment written off	-	-	-	35
(Reversal)/Allowance for doubtful debt	(324)	-	496	-
Net foreign exchange unrealised (gain)/loss	(602)	(3,848)	2,895	(6,014)
Operating cash flows before movements in working capital	12,721	11,583	9,776	11,313
Trade receivables	(40,606)	(96,147)	(51,033)	(96,772)
Other receivables	46,643	(9,484)	13,917	(29,405)
Trade payables	(8,896)	(11,125)	(29,462)	7,654
Advance received	1,457	50,739	(29,913)	50,407
Other payables and accruals	(16,709)	89,076	(4,030)	80,147
Inventory	-	-	(209)	-
Cash (used in)/from operations	(5,390)	34,642	(90,954)	23,344

	Second Quarter		Half Year	
	Group 1 Apr 15 to 30 Jun 15 (RMB'000)	Group 1 Apr 14 to 30 Jun 14 (RMB'000)	Group 1 Jan 15 to 30 Jun 15 (RMB'000)	Group 1 Jan 14 to 30 Jun 14 (RMB'000)
Income taxes paid	(2,166)	(3,881)	(3,339)	(10,478)
Interest received	214	820	420	936
Net cash (used in)/from operating activities	(7,342)	31,581	(93,873)	13,802
Investing activities				
Purchase of plant and equipment (Note A)	(490)	(924)	(1,302)	(2,574)
Purchase of intangible assets	(2,644)	(16,342)	(2,729)	(17,869)
Interest received	306	-	698	-
Partial repayment from EPC project customer	3,570	-	4,708	-
Net cash from/(used in) investing activities	742	(17,266)	1,375	(20,443)
Financing activities				
Proceeds from shareholder's loan	2,946	-	5,117	-
Proceeds on issue of subsidiary's shares to non-controlling shareholders	-	-	857	-
Decrease/(Increase) in pledged bank deposit	11,069	(6,170)	50,016	(6,249)
New bank loan raised	12,200	-	12,200	9,794
Interest paid	(1,788)	(1,485)	(3,074)	(2,998)
Repayment of finance lease	(282)	(371)	(556)	(719)
Net cash from/(used in) financing activities	24,145	(8,026)	64,560	(172)
Net increase/(decrease) in cash and cash equivalent	17,545	6,290	(27,938)	(6,813)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(389)	(120)	258	712
Cash and cash equivalents at beginning of the financial period	163,927	390,963	208,763	403,234
Cash and cash equivalents at end of the financial period	181,083	397,133	181,083	397,133

Note A: Purchase of plant and equipment

During 2Q2015, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB695,000 (2Q2014: RMB1,736,000) of which RMB205,000 (2Q2014: RMB812,000) were acquired by means of finance leases, and cash payment of RMB490,000 (2Q2014: RMB924,000) were made to purchase the property, plant and equipment.

During 1H2015, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB1,787,000 (1H2014: RMB3,657,000) of which RMB485,000 (1H2014: RMB1,086,000) were acquired by means of finance leases, and cash payment of RMB1,302,000 (1H2014: 2,574,000) were made to purchase the property, plant and equipment.

1(d) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

	Share capital (RMB'000)	Capital reserve (RMB'000)	Statutory reserve (RMB'000)	Translation reserve (RMB'000)	Accumulated profits/ (losses) (RMB'000)	Equity attributable to owners of the Company (RMB'000)	Non- controlling interests (RMB'000)	Total equity (RMB'000)
The Group								
Balance at 1 Jan 2015	101,237	12,470	11,988	10,914	55,530	192,139	50,185	242,324
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(11,590)	(11,590)	(804)	(12,394)
Other comprehensive loss	-	-	-	(7,510)	-	(7,510)	(5,883)	(13,393)
Total	-	-	-	(7,510)	(11,590)	(19,100)	(6,687)	(25,787)
Transactions with owners, recognised directly in equity								
Non-controlling interest arising from issue of subsidiary's shares to non- controlling shareholders	-	-	-	-	-	-	857	857
Total	-	-	-	-	-	-	857	857
Balance at 31 Mar 2015	101,237	12,470	11,988	3,404	43,940	173,039	44,355	217,394
Total comprehensive income /(loss) for the period								
Profit/(Loss) for the period	-	-	-	-	7,933	7,933	(773)	7,160
Other comprehensive loss/(income)	-	-	-	(1,974)	-	(1,974)	973	(1,001)
Total	-	-	-	(1,974)	7,933	5,959	200	6,159
Balance at 30 Jun 2015	101,237	12,470	11,988	1,430	51,873	178,998	44,555	223,553

	Share capital (RMB'000)	Capital reserve (RMB'000)	Statutory reserve (RMB'000)	Translation reserve (RMB'000)	Accumulated profits/ (losses) (RMB'000)	Equity attributable to owners of the Company (RMB'000)	Non- controlling interests (RMB'000)	Total equity (RMB'000)
The Group								
Balance at 1 Jan 2014	101,237	12,470	10,209	21,231	42,868	188,015	54,508	242,523
Total comprehensive income/(loss) for the period								
(Loss)/Income for the period	-	-	-	-	(5,559)	(5,559)	870	(4,689)
Other comprehensive (loss)/income	-	-	-	(1,540)	-	(1,540)	1,120	(420)
Total	-	-	-	(1,540)	(5,559)	(7,099)	1,990	(5,109)
Balance at 31 Mar 2014	101,237	12,470	10,209	19,691	37,309	180,916	56,498	237,414
Total comprehensive income/(loss) for the period								
Profit for the period	-	-	-	-	3,731	3,731	2,486	6,217
Other comprehensive loss	-	-	-	(4,129)	-	(4,129)	(504)	(4,633)
Total	-	-	-	(4,129)	3,731	(398)	1,982	1,584
Balance at 30 Jun 2014	101,237	12,470	10,209	15,562	41,040	180,518	58,480	238,998

Statement of Changes in Equity

	Share capital	Capital reserve	Translation reserve	Accumulated profits/ (losses)	Equity attributable to owner of the Company
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<u>The Company</u>					
Balance at 1 Jan 2015	101,237	10,603	(4,146)	(69,955)	37,739
Total comprehensive loss for the period					
Loss for the period	-	-	-	(2,829)	(2,829)
Other comprehensive loss	-	-	(1,496)	-	(1,496)
Total	-	-	(1,496)	(2,829)	(4,325)
Balance at 31 Mar 2015	101,237	10,603	(5,642)	(72,784)	33,414
Total comprehensive income for the period					
Profit for the period	-	-	-	2,122	2,122
Other comprehensive income	-	-	515	-	515
Total	-	-	515	2,122	2,637
Balance at 30 Jun 2015	<u>101,237</u>	<u>10,603</u>	<u>(5,127)</u>	<u>(70,662)</u>	<u>36,051</u>
<u>The Company</u>					
Balance at 1 Jan 2014	101,237	10,603	(2,782)	(63,040)	46,018
Total comprehensive income/(loss) for the period					
Loss for the period	-	-	-	(1,998)	(1,998)
Other comprehensive income	-	-	719	-	719
Total	-	-	719	(1,998)	(1,279)
Balance at 31 Mar 2014	101,237	10,603	(2,063)	(65,038)	44,739
Total comprehensive income/(loss) for the period					
Loss for the period	-	-	-	(1,152)	(1,152)
Other comprehensive income	-	-	272	-	272
Total	-	-	272	(1,152)	(880)
Balance at 30 Jun 2014	<u>101,237</u>	<u>10,603</u>	<u>(1,791)</u>	<u>(66,190)</u>	<u>43,859</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes to the issued share capital of the Company since 31 December 2014. As at 30 June 2015, the issued share capital of the Company was RMB101,237,000 comprising 285,576,000 ordinary shares.

There were no outstanding convertibles as well as number of shares held as treasury shares of the Company as at 30 June 2015 (30 June 2014: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 December 2014 and 30 June 2015, the share capital of the Company comprised 285,576,000 ordinary shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company did not hold any treasury shares as at 30 June 2015 (30 June 2014: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 June 2015.

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

The figures presented in this announcement have not been audited or reviewed by the Company's auditors.

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

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

There were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements for the financial year ended 31 December 2014.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Second Quarter		Half Year	
	1 Apr 2015 to 30 Jun 2015	1 Apr 2014 to 30 Jun 2014	1 Jan 2015 to 30 Jun 2015	1 Jan 2014 to 30 Jun 2014
Earnings/(Losses) per ordinary share attributable to owners of the Company				
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	2.78	1.31	(1.28)	(0.64)
Weighted average number of ordinary shares	285,576,000	285,576,000	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	2.78	1.31	(1.28)	(0.64)
Weighted average number of ordinary shares	285,576,000	285,576,000	285,576,000	285,576,000

Earnings per ordinary share is calculated by dividing the consolidated profit after tax attributable to owners of the Company over the weighted average number of ordinary shares in issue during the period.

There is no difference between the basic and diluted earnings per share.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
Net asset value per share based on issued share capital (RMB cents)	62.68	67.28	12.62	13.22
Number of ordinary shares issued at the end of period / year	285,576,000	285,576,000	285,576,000	285,576,000

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

<u>The Group</u>	<u>Second Quarter</u>				<u>Half Year</u>			
	<u>1 Apr 15 to 30 Jun 15</u>		<u>1 Apr14 to 30 Jun 14</u>		<u>1 Jan 15 to 30 Jun 15</u>		<u>1 Jan 14 to 30 Jun 14</u>	
	(RMB'000) 0	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Agency service fee	12,969	8.8	8,486	19.4	20,147	7.0	11,874	8.0
Management service fee	1,693	1.2	5,600	12.8	2,675	0.9	9,544	6.4
Shipbuilding revenue	71,990	49.0	(45,271)	(103.3)	148,094	51.6	(14,681)	(9.8)
EPC project income	62	0.1	-	-	5,929	2.1	-	-
Ship-design fee income	60,244	40.9	75,015	171.1	110,171	38.4	138,751	92.9
Other income	-	-	-	-	-	-	3,787	2.5
Total revenue	146,958	100.0	43,830	100.0	287,016	100.0	149,275	100.0

Note: EPC is acronym for "Engineering, Procurement and Construction"

Consolidated Statement of Comprehensive Income

Revenue

The main drivers of Group's revenue continued to be shipbuilding and ship-design businesses. The RMB103.1 million increase in revenue in 2Q15 was mainly attributed to: (1) the shipbuilding segment contributing revenue of RMB72.0 million in 2Q2015. This business segment reported a revenue of (RMB45.3 million) for 2Q2014 as a result of recomputation and adjustment of the shipbuilding revenue following adjustment made to a shipbuilding contract in 2Q2014 as agreed with the ship-owner; and (2) RMB4.5 million or 53% increase in agency service fee in accordance with the milestones achieved in respect of projects. Partially offsetting the revenue increase was the RMB14.8 million or 20% decline in ship-design income in 2Q2015 due to variation in project progress achieved and depreciation of the Euro against RMB. Management service fee also declined, as there were fewer management service contracts entered into.

In both 2Q2015 and 2Q2014, the M&C service income, management service fee and shipbuilding revenues were derived from Asia. Ship-design fee income was mainly derived from Europe and Asia, with contribution from North America, South America, Africa and Australia.

1H2015 Group revenue was RMB137.7 million or 92% higher, due mainly to the adjustment made to the shipbuilding revenue as a result of adjustment to the shipbuilding contract as agreed with the ship-owner. The revenue increase was partially offset by the RMB28.6 million or 21% decline in ship-design fee income during the period.

Cost of sales and gross profit

Cost of sales in 2Q2015 amounted to RMB95.3 million, giving rise to a gross profit of RMB51.7 million. Gross profit in the previous corresponding period was RMB48.5 million, after adjustments made to the revenue and cost of sales in 2Q2014 following adjustment made to a shipbuilding contract as agreed with the ship-owner.

Other operating income

Other operating income in 2Q2015 decreased 85% to RMB0.6 million. Other operating income in 2Q2014 was boosted by a RMB3.2 million net foreign exchange gain arising from the long-term loan

denominated in Euro as a result of the movement of the Euro against the SGD. For 2Q2015, a small net foreign exchange loss was recorded.

Marketing and distribution expenses

Marketing and distribution expenses consisted mainly of sales and marketing department's office rental, employee benefits expenses and travelling expenses.

Marketing and distribution expenses declined slightly from RMB7.7 million to RMB7.1 million in 2Q2015.

Operating lease expenses increased RMB0.6 million or 113% to RMB1.2 million in 2Q2015 due mainly to the increase in leasing expenses from China subsidiary.

Administrative expenses

Administrative expenses comprised office rental and office expenses, depreciation expenses, amortisation expenses, professional fees incurred to maintain the Group's listing status, employee benefits and travelling expenses.

Administrative expenses increased RMB3.8 million or 13% to RMB33.3 million in 2Q2015 due largely to increase in amortisation expenses, general office expenses and employee salary and benefits expenses as a result of higher headcount.

Operating lease expenses decreased RMB0.7 million or 20% to RMB2.9 million in 2Q2015, mainly due to the depreciation of the Euro which reduced the leasing expenses of our Finland subsidiary..

The depreciation charge for plant and equipment showed no material change. Amortisation of intangible assets increased RMB1.2 million or 329% to RMB1.5 million in 2Q2015 due mainly to the amortisation of software from Deltamarin Group.

Finance costs

Finance costs in 2Q2015 declined RMB0.5 million to RMB2.9 million due mainly to repayment of loan from a related party and lower interest rate on new loan raised in 2015.

Other operating expenses

Other operating expenses were negligible in 2Q2015. In 1H2015, other operating expenses amounted to RMB4.69 million compared to a negligible amount in 1H2014, due mainly to net foreign exchange loss of RMB3.7 million in 1Q2015 arising from the Group's payables denominated in Euro.

Share of results of associates

The share of profit from associates in 2Q2015 amounted to RMB0.4 million compared to a loss of RMB0.2 million in 2Q2014, mainly due to increase in associates' profit.

Income tax expense

The operating subsidiaries in China and Finland are subject to income tax rate of 25% and 20% respectively. Income tax expense decreased RMB3.30 million or 59% to RMB2.32 million in 2Q2015, mainly due to the lower profit generated by China subsidiaries and Deltamarin Group.

Profit for the period

After taking income tax expenses and non-controlling interests into account, net profit attributable to shareholders for 2Q2015 was RMB7.9 million, compared to RMB3.7 million in 2Q2014. For 1H2015, loss attributable to shareholders amounted to RMB3.7 million compared to loss of RMB1.8 million in 1H2014.

Statement of Financial Position

Current assets

As at 30 June 2015, the Group's cash and bank balances amounted to RMB181.1 million, a decrease of RMB27.7 million from the RMB208.8 million as at 31 December 2014 as more cash was deployed to finance working capital requirements. Pledged bank deposit decreased from RMB92.5 million to

RMB42.5 million due to maturity of the pledge deposit and released for use for other business requirements.

There was no material change in trade receivables which amounted to RMB219.6 million as at 30 June 2015. Trade receivables comprised mainly: (1) RMB94.9 million due from clients, and (2) receivables from construction contract work in progress of RMB124.7 million, of which RMB73.8 million arose from shipbuilding business and RMB50.9 million from ship-design business.

The Group's other receivables as at 30 June 2015 comprised mainly prepayments, other tax recoverable, staff advances and deposits. Other receivables decreased RMB16.7 million or 21%, mainly due to decrease of RMB40 million in tax recoverable during the period, and the decrease of RMB10.2 million receivable from a shipyard as a result of cancellation of a shipbuilding contract, partially offset by increase in prepayment of RMB32.8 million.

Non-current assets

Plant and equipment comprised a motor vehicle, computers and software, furniture and fixtures, and office equipment. The decrease in plant and equipment of RMB0.3 million was mainly due to the depreciation amounting to RMB1.6 million and negative impact amounting to RMB0.5 million on the translation of plant and equipment denominated in Euro to RMB, offset by addition of plant and equipment amounting to RMB1.8 million.

The investment in associates represented the total amount of investment in non-controlling entities held by the Deltamarin Group.

The available-for-sale investments represented investment shares held by the Deltamarin Group.

Intangible assets comprised software licenses, Brand name and Technical knowhow. Intangible assets amounted to RMB87.3 million as at 30 June 2015, a decrease of RMB11.1 million compared to RMB98.4 million as at 31 December 2014. The decrease was mainly due to amortisation made in the financial period and in the effect of the depreciation of the Euro against the RMB on the translation of the intangible assets denominated in Euro.

The Group's goodwill arose from the acquisition of Deltamarin Group and the amount was recognised based on the purchase price allocation exercise. The goodwill amounted to RM99.1 million as at 30 June 2015, RMB10.1 million lower than RMB109.2 million as at 31 December 2014 due to the depreciation of Euro which had an impact on the translation of the goodwill denominated in Euro to RMB.

The Deferred tax assets represented the timing differences between accounting and tax bases, and were derived from the Deltamarin Group.

Current liabilities

Short-term loan and current position of long-term loan represented that portion of the loans raised which were repayable within 12 months as at 30 June 2015, the details of which are set out in 1(b)(ii)(C)1, 2, 3 & 5.

Trade payables comprised mainly (1) amounts due to suppliers (RMB9.8 million), and (2) amounts due to construction contract customers (RMB9.4 million). Trade payables amounted to RMB19.2 million as at 30 June 2015, RMB30.7 million lower compared to RMB49.91 million as at 31 December 2014, mainly as the reason of the decrease of RMB28.5 million in trade payables to suppliers in Beijing and Finland branches.

Advances received represented amounts received on behalf of shipyards for acquiring tools and equipment which amounts to RMB8.8 million as at 30 June 2015, RMB29.9 million decreased compared to RMB38.7 million as at 31 December 2014 mainly due to the progress of shipbuilding contract which the advance received amount was paid to procure the shipbuilding tools.

Other payables consisted of withholding taxes payable, sales tax and surcharges payable, accrued operating and office expenses, and amount due to the Company's related party companies which was non-trade in nature. The RMB9.3 million decrease in other payables balance from RMB85.2 million as at 31 December 2014 to RMB75.9 million as at 30 June 2015, was mainly due to the decrease in other payables and accrued operating and office expenses in the financial period.

Income tax payable increased by RMB0.8 million from RMB1.4 million as at 31 December 2014 to RMB2.2 million as at 30 June 2015 mainly due to the provision for income tax expenses incurred in 1H2015.

Non-current liabilities

Long-term portion of loan and shareholder's loan represented that portion of the loans raised that were repayable after 12 months as at 30 June 2015, the details of which are set out in 1(b)(ii)(C) 4 & 8.

Deferred tax liabilities represented the tax liabilities for the timing differences arising from the recognition of the intangible assets, deferred ship-design fee income and fair valuation of the Deltamarin Group's assets. Other non-current liabilities represented the outstanding amount of Technology patent which is repayable. The decrease was due to partial settlement of the outstanding amount in 1H2015.

Capital reserve

The amount of capital reserve as at 30 June 2015, comprised a deemed contribution from the former immediate holding company as a result of initial recognition of shareholder's loan at fair value.

Consolidated cash flow statements

Net cash outflow used in operating activities in 2Q2015 was RMB7.3 million compared to net cash inflow of RMB31.6 million in the corresponding quarter last year. The higher cash outflow used in operating activities was mainly due to the decrease in advance received and other payables and accruals. For 1H2015, net cash outflow used in operating activities amounted to RMB93.9 million compared to cash inflow of RMB13.8 million in 1H2014, due to decrease in trade payable and advance received.

Net cash from investing activities was RMB0.7 million in this quarter which was mainly due to receipt of trade receivable arising from marine EPC projects and interest received. In the previous corresponding quarter, net cash used in investing activities amounted to RMB17.3 million, of which RMB16.3 million was incurred for the purchase of intangible assets. In 2Q2015, RMB24.1 million of net cash inflow was generated from financing activities, compared to net cash outflow RMB8.0 million in 2Q2014 and this was mainly due to the release of pledged bank deposit and new bank loan raised. In 1H2015, net cash flow generated from financing activities amounted to RMB64.6 million compared to cash outflow of 0.2 million in 1H2014 and this was mainly due to release of pledged bank deposit and new bank loan raised.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was given in our results announcements made in the current financial year.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Overall conditions in the global maritime industry continue to remain challenging, affected by reduced orders for new vessels amidst an oversupply of commercial vessels and a sluggish global economy.

However, low oil prices and low-carbon environmental protection initiatives may provide some impetus to demand for certain vessel types.

Moreover, China's "one road, one belt" policy initiative and the emphasis it puts on Asian-European connectivity can be expected to create higher demand and more business activities for the shipping and shipbuilding industry, especially in Singapore and the ASEAN region, as the initiative pans out.

Amidst the challenging market conditions, the Group has secured 24 new designing contracts in 2Q2015 amounting to EUR2.2 million. The Group has also won M&C contracts amounting to approximately USD0.7 million for two 37400DWT Bulk Carriers.

The Group is pleased to note that Deltamarin's design of the New Horizon class Pure Car Truck Carrier ("PCTC"), in close cooperation with the owner Höegh Autoliners, was shortlisted as one of the four nominees for the Nor-Shipping Energy Efficiency Award. The first of the six such vessels ordered, the

Hoegh Target, will soon be delivered from the Xiamen shipyard in China. The rest are scheduled for delivery later this year and next year.

Among its design wins in 1Q15, Deltamarin had secured a design contract with Vulica Shipping Co. Ltd for the first ever B.Delta68 SUL self-unloading vessels. The order for the two bulk carriers was placed with the Chinese Jiangsu Hantong Ship Heavy Industry Co. Ltd. A Panamax sized self-unloading bulk carrier, the B.Delta68 SUL features state of the art, fuel efficient and environmental friendly design. The deliveries of the vessels are planned to take place before July 2017.

As announced previously, AVIC International Offshore Pte. Ltd., a wholly-owned subsidiary of the Group, had entered into an agreement to acquire 60% of the issued and paid-up share capital of AVIC Zhenjiang Shipyard Marine Pte. Ltd. ("the acquisition"), a joint venture company engaged in the business and trade of acquiring, owning, selling, brokering and chartering of various types of vessels, with a focus on vessel investment. At an EGM held on 5 August 2015, shareholders of the Company approved the resolutions to approve the acquisition and to expand into ship investment business.

11 Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) The date the Dividend is payable

Not applicable.

(d) Books closure date

Not applicable.

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

No interim dividend has been declared or recommended for the quarter ended 30 June 2015.

13 Summary of Interested Person Transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000) Note (B)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB'000)
<u>1 Apr 2015 to 30 Jun 2015</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited (Note C)	-	286
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	500
AVIC Zhengjiang Shipyard Marine Pte Ltd	-	137
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	2,260
AVIC Dingheng Shipbuilding Co., Ltd	-	7,555
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	54,719
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	71,990
<u>1 Jan 2015 to 30 Jun 2015</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited (Note C)	-	569
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	1,000
AVIC Zhengjiang Shipyard Marine Pte Ltd	-	137
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	5,059
AVIC Dingheng Shipbuilding Co., Ltd	-	10,635
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	113,328
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	148,094
<u>1 Apr 2014 to 30 Jun 2014</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited (Note C)		307
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd		3,430
AVIC Zhengjiang Shipyard Marine Pte Ltd		259

Transaction for Service fee income		
AVIC International Beijing Co., Ltd	930	
AVIC Dingheng Shipbuilding Co., Ltd	-	2,936
AVIC Weihai Shipyard Co., Ltd	-	1,731
 <u>1 Jan 2014 to 30 Jun 2014</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited (Note C)	-	608
 Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	5,580
AVIC Zhengjiang Shipyard Marine Pte Ltd	-	361
 Transaction for Service fee income		
AVIC International Beijing Co., Ltd	930	
AVIC Dingheng Shipbuilding Co., Ltd	-	3,866
Taizhou CATIC Shipbuilding Heavy Industry Limited	-	651
AVIC Weihai Shipyard Co., Ltd	-	1,731
 Transaction for Ship-designing fee income		
AVIC International Kairong Limited	-	1,641

Note:

- (A) The amounts of the transactions are before sales taxes and surcharges.
- (B) The details of the interested person transactions are disclosed on page 97 and 98 of the Information Memorandum.
- (C) The details of the interest expenses to AVIC Kairong are disclosed in **1(b)(ii)(C)**1,2 & 3 of the announcement.

14 Update on utilisation of Placement Proceeds

Based on the Placement Price of SGD0.285 and the 53,576,000 Placement Shares subscribed for, the net proceeds raised from the Placement are approximately SGD10.6 million (after deducting listing expenses approximately SGD4.7 million). The net proceeds will be used for the same purposes as set out on page 19 of the Offer Information Statement in the following proportion:

- (i) Approximately SGD8.0 million to partly finance acquisition; and
- (ii) The balance of approximately SGD2.6 million for our working capital purposes and any future acquisitions, joint ventures and strategic alliances.

As at 30 June 2015, the Group had revised the use of compliance proceeds amount approximately SGD10.6 million into general working capital purpose and any future acquisitions, joint ventures and strategic alliances as set out on the Company's 21 November 2014 announcement on Change Of Use Of Compliance Placement Proceeds.

15 Confirmation of the Board

The directors of the Company have confirmed that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the unaudited financial results for the three months ended 30 June 2015 to be false or misleading in any material aspect.

On Behalf of the Board of Directors

Dr Diao Weicheng
Executive Chairman
14 August 2015