



AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED
(formerly known as AVIC International Investments Limited)

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2016
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 First Quarter ended 31 March 2016

	First Quarter		Change
	Group 1 Jan 16 to 31 Mar 16	Group 1 Jan 15 to 31 Mar 15	
	(RMB'000)	(RMB'000)	%
Revenue	73,090	140,059	(48)
Cost of sales	(40,610)	(103,586)	(61)
Gross profit	32,480	36,473	(11)
Other income	1,113	598	86
Other gains/(losses)	14,220	(3,714)	N/M
Expenses			
- Distribution and marketing	(8,700)	(10,678)	(19)
- Administrative	(29,760)	(30,460)	(2)
- Finance	(4,960)	(2,648)	87
- Other	(623)	(1,044)	(40)
Share of results of associates	(23)	15	N/M
Profit/(loss) before income tax	3,747	(11,458)	N/M
Income tax	200	(936)	N/M
Profit/(loss) after income tax	3,947	(12,394)	N/M
<u>Profit attributable to:</u>			
Owner of the company	5,129	(11,590)	N/M
Non-controlling interests	(1,182)	(804)	47
Profit/(loss) after income tax	3,947	(12,394)	N/M
<u>Other comprehensive income/(loss)</u>			
Exchange differences arising on translation	(7,989)	(13,393)	(40)
Total comprehensive profit /(loss)	(4,042)	(25,787)	(84)

	First Quarter		
	Group	Group	Change
	1 Jan 16 to 31 Mar 16	1 Jan 15 to 31 Mar 15	
	(RMB'000)	(RMB'000)	%
<u>Total comprehensive profit/(loss) attributable to:</u>			
Owner of the company	(3,993)	(19,100)	(79)
Non-controlling interests	(49)	(6,687)	N/M
Total comprehensive profit /(loss)	(4,042)	(25,787)	(84)

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2016

	First Quarter		
	Group	Group	Change
	1 Jan 16 to 31 Mar 16	1 Jan 15 to 31 Mar 15	
	(RMB'000)	(RMB'000)	%
Interest income	675	598	13
Net foreign exchange (loss)/gain	14,220	(3,714)	N/M
Interest expenses on borrowings	(4,598)	(2,495)	84
Operating lease expenses	(4,286)	(4,297)	(1)
Depreciation of plant and equipment	(878)	(768)	14
Plant and equipment written off	(178)	-	N/M
Amortisation of intangible assets	(1,274)	(1,545)	(18)
Allowance for doubtful debts	-	(821)	N/M
Bad debts written off	(445)	-	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 31 March 2016

	Group		Company	
	31 Mar 2016 (RMB'000)	31 Dec 2015 (RMB'000)	31 Mar 2016 (RMB'000)	31 Dec 2015 (RMB'000)
Assets				
<u>Current assets</u>				
Cash and cash equivalents	265,926	316,963	2,268	900
Pledged cash placed with a bank	117,823	39,401	-	-
Trade receivables	205,986	236,898	-	-
Other receivables	297,399	48,536	143	269
Amount due from subsidiaries	-	-	4,230	7,296
Inventory	294,934	319,141	-	-
	1,182,068	960,939	6,641	8,465
<u>Non-current assets</u>				
Plant and equipment	8,402	8,648	-	-
Investment in subsidiaries	-	-	404,904	388,394
Investment in associates	1,810	1,773	-	-
Available-for-sale investments	11	11	-	-
Goodwill	107,056	103,497	-	-
Intangible assets	78,363	76,707	-	-
Deferred tax assets	946	919	-	-
Trade receivables	27,760	26,837	-	-
	224,348	218,392	404,904	388,394
Total assets	1,406,416	1,179,331	411,545	396,859
<u>Current liabilities</u>				
Short-term loan	236,987	174,514	-	-
Trade payables	9,194	3,859	-	-
Advance received	243,653	37,169	-	-
Other payables and accruals	76,530	110,350	2,297	3,029
Amount due to subsidiaries	-	-	162,488	154,476
Finance lease liabilities	1,011	935	-	-
Income tax payable	9,873	12,787	-	-
	577,248	339,614	164,785	157,505
<u>Non-current liabilities</u>				
Long-term loan	577,147	583,471	215,260	206,483
Finance lease liabilities	897	831	-	-
Deferred tax liabilities	18,321	18,535	-	-
Other non-current liabilities	-	35	-	-
	596,365	602,872	215,260	206,483
Total liabilities	1,173,613	942,486	380,045	363,988

	Group		Company	
	31 Mar 2016 (RMB'000)	31 Dec 2015 (RMB'000)	31 Mar 2016 (RMB'000)	31 Dec 2015 (RMB'000)
Capital and reserves				
Share capital	101,237	101,237	101,237	101,237
Capital reserve	11,944	11,944	10,429	10,429
Merger reserve	(3,664)	(3,664)	-	-
Statutory reserve	14,735	14,735	-	-
Translation reserve	(7,453)	1,669	(3,327)	(4,654)
Accumulated profits/(losses)	53,701	48,572	(76,839)	(74,141)
	170,500	174,493	31,500	32,871
Non-controlling interests	62,303	62,352	-	-
Total equity	232,803	236,845	31,500	32,871
Total Equity and Liabilities	1,406,416	1,179,331	411,545	396,866

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 31 Mar 2016	
Secured (RMB'000)	Unsecured (RMB'000)
1,011	236,987

As at 31 Dec 2015	
Secured (RMB'000)	Unsecured (RMB'000)
935	174,514

(B) Amount repayable after one year

As at 31 Mar 2016	
Secured (RMB'000)	Unsecured (RMB'000)
897	577,147

As at 31 Dec 2015	
Secured (RMB'000)	Unsecured (RMB'000)
831	583,471

(C) Details of any collaterals

Bank borrowings of the Group and the Company are guaranteed by immediate holding corporation and related corporations.

RMB48,572,000 of the loans from non-controlling interests are unsecured, interest free and are repayable on demand. RMB2,506,000 of the loans are unsecured and bear interest at 5% per annum, and are repayable on demand. These loans are denominated in United States Dollars ("USD") and their carrying amounts approximate their fair value.

The loan from related corporation is unsecured, interest-free and is repayable on demand. The loan is denominated in USD and carrying amount approximate its fair value.

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 First Quarter ended 31 March 2016

	First Quarter	
	Group	Group
	1 Jan 16 to 31 Mar 16 (RMB'000)	1 Jan 15 to 31 Mar 15 (RMB'000)
Operating activities		
Profit/(Loss) before income tax	3,747	(11,590)
Adjustments for:		
Share of results of associates	23	(15)
Interest income	(675)	(598)
Interest expenses	4,598	2,495
Depreciation of plant and equipment	878	768
Amortisation of intangible assets	1,274	1,545
Plant and equipment written off	178	-
Bad debts written off	445	-
Allowance for doubtful debts	-	821
Net foreign exchange unrealised loss/(gain)	(11,623)	3,628
Operating cash flows before movements in working capital	(1,155)	(2,946)
Trade receivables	38,736	(10,427)
Other receivables	(248,299)	(32,726)
Trade payables	2,030	(20,565)
Advance received	206,485	(31,370)
Other payables and accruals	(35,947)	12,679
Inventory	21,831	(209)
Cash from/(used in) operations	(16,319)	(85,564)
Income taxes paid	(2,718)	(1,173)
Interest received	539	206
Net cash used in operating activities	(18,498)	(86,531)
Investing activities		
Purchase of plant and equipment (Note A)	(448)	(812)
Purchase of intangible assets	(303)	(85)
Interest received	-	392
Partial repayment from EPC project customer	-	1,138
Net cash from (used in) investing activities	(751)	633
Financing activities		
(Repayment)/Proceeds from shareholder's loan	(3,166)	2,171
Proceeds on issue of subsidiary's shares to non-controlling shareholders	-	857
Decrease/(Increase) in pledged bank deposit	(78,422)	38,947
New bank loan raised	53,827	-
Interest paid	(3,266)	(1,286)
Repayment of finance lease	(319)	(274)
Net cash (used in)/from financing activities	(31,346)	40,415

Net decrease in cash and cash equivalent	(50,595)	(45,483)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(442)	647
Cash and cash equivalents at beginning of the financial period	316,963	208,763
Cash and cash equivalents at end of the financial period	265,926	163,927

Note A: Purchase of plant and equipment

During 1Q2016, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB847,000 (1Q2015: RMB1,092,000) of which RMB399,000 (1Q2015: RMB280,000) were acquired by means of finance leases, and cash payment of RMB448,000 (1Q2015: RMB812,000) 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	Capital reserve	Merger reserve	Statutory reserve	Translation reserve	Accumulated profits/ (losses)	Equity attributable to owners of the Company	Non- controlling interests	Total equity
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<u>The Group</u>									
Balance at 1 Jan 2016	101,237	11,944	(3,664)	14,735	1,669	48,572	174,493	62,352	236,845
Total comprehensive income /(loss) for the period									
Profit/(Loss) for the period	-	-	-	-	-	5,129	5,129	(1,182)	3,947
Other comprehensive income/(loss)	-	-	-	-	(9,122)	-	(9,122)	1,133	(7,989)
Total	-	-	-	-	(9,122)	5,129	(3,993)	(49)	(4,042)
Balance at 31 Mar 2016	<u>101,237</u>	<u>11,944</u>	<u>(3,664)</u>	<u>14,735</u>	<u>(7,453)</u>	<u>53,701</u>	<u>170,500</u>	<u>62,303</u>	<u>232,803</u>
Balance at 1 Jan 2015	101,237	12,470	-	11,988	10,914	55,530	192,139	50,185	242,324
Total comprehensive income /(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
Balance at 31 Mar 2015	<u>101,237</u>	<u>12,470</u>	<u>-</u>	<u>11,988</u>	<u>3,404</u>	<u>43,940</u>	<u>173,039</u>	<u>44,355</u>	<u>217,394</u>

Statement of Changes in Equity

	<u>Share capital</u> (RMB'000)	<u>Capital reserve</u> (RMB'000)	<u>Translation reserve</u> (RMB'000)	<u>Accumulated profits/ (losses)</u> (RMB'000)	<u>Equity attributable to owner of the Company</u> (RMB'000)
<u>The Company</u>					
Balance at 1 Jan 2016	101,237	10,429	(4,654)	(74,141)	32,871
Total comprehensive income/(loss) for the period					
Loss for the period	-	-	-	(2,698)	(2,698)
Other comprehensive income	-	-	1,327	-	1,327
Total	-	-	1,327	(2,698)	(1,371)
Balance at 31 Mar 2016	101,237	10,429	(3,327)	(76,839)	31,500
Balance at 1 Jan 2015	101,237	10,603	(4,146)	(69,955)	37,739
Total comprehensive income/(loss) for the period					
Loss for the period	-	-	-	(2,829)	(2,829)
Other comprehensive income	-	-	(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

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 2013. As at 31 March 2016, 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 shares held as treasury shares of the Company as at 31 March 2016 (31 March 2015: 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 2015 and 31 March 2016, 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 31 March 2016 (31 March 2015: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 31 March 2016.

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 2015.

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.

As items mentioned in 4 above.

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.

	<u>First Quarter</u>	
	<u>1 Jan 2016 to 31 Mar 2016</u>	<u>1 Jan 2015 to 31 Mar 2015</u>
Earnings per ordinary share attributable to owners of the Company		
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	1.80	(4.06)
Weighted average number of ordinary shares	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	1.80	(4.06)
Weighted average number of ordinary shares	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.

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2016</u>	<u>31 Dec 2015</u>	<u>31 Mar 2016</u>	<u>31 Dec 2015</u>
Net asset value per share based on issued share capital (RMB cents)	59.70	61.10	11.03	11.51
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>	First Quarter			
	1 Jan 16 to 31 Mar 16		1 Jan 15 to 31 Mar 15	
	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:				
Shipbuilding project management service	11,886	16.3	7,178	5.1
Marketing and consulting service	89	0.1	981	0.7
Shipbuilding construction service	21,238	29.0	76,104	54.3
EPC service	-	-	5,867	4.2
Ship-design service	39,877	54.6	49,929	35.7
Total revenue	73,090	100.0	140,059	100.0

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

Consolidated Statement of Comprehensive Income

Revenue

In 1Q2016, the Group's revenue was generated mainly from shipbuilding project management service, shipbuilding construction service and ship-design service businesses. Group revenue decreased by RMB67 million in 1Q2016 from 1Q2015, attributed mainly to: (1) shipbuilding construction service revenue declining by RMB54.9 million or 72% due to lesser percentage completion recognized as the shipbuilding contract approaches completion; (2) ship-design service revenue decreasing by RMB10.1 million or 20% due to variations in the milestones achieved in respect of designing work in progress and seasonal factors; and (3) EPC service generating no revenue in 1Q2016 following the completion of the Boresong contract. Partially offsetting the revenue decline, shipbuilding project management service revenue increased RMB4.7 million or 66% in 1Q2016 as the Group secured more projects.

In both 1Q2016 and 1Q2015, the shipbuilding project management service, Marketing and consulting service and Shipbuilding construction service 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. EPC project income was mainly derived from Europe.

Cost of sales and gross profit

Cost of sales decreased RMB63 million or 61% to RMB40.6 million in 1Q2016 as a result of lower revenue. Gross profit decreased 11%, however gross profit margin improved dramatically from 26% to 45% in 1Q2016, mainly attributed to increased contribution by higher margin business such as shipbuilding project management service business, and completion of the loss-making Boresong EPC contract in the previous quarter.

Other income

Other income consisted mainly of interest income and government grants. It increased 86% or RMB0.5 million to RMB1.1 million mainly due to interest income arising from a letter of refund guarantee provided for a shipbuilding management contract that was subsequently cancelled during the quarter.

Other gains/(losses)

Other gains for 1Q2016 increased significantly to RMB14.2 million, compared to a loss of 3.7 million in corresponding period of last year. The significant increase came from the translational gain arising from a SGD denominated loan provided by the Group's Hong Kong subsidiary to the Company as a result of SGD strengthening against USD.

Distribution and marketing expenses

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

Marketing and distribution expenses decreased approximately RMB2 million or 19%, to RMB8.7 million in 1Q2016, due mainly to Group's lower revenue and cost control efforts.

Operating lease expenses remained stable in RMB1.2 million in 1Q2016.

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 decreased slightly RMB0.7 million or 2% to RMB29.8 million in 1Q2016.

Operating lease expenses remained stable in RMB3.1 million in 1Q2016.

The depreciation charge for plant and equipment increased RMB0.1 million to RMB0.9 million in 1Q2016. Amortisation of intangible assets decreased RMB0.3 million to RMB1.2 million in 1Q2016 mainly arising from the amortisation of software from Deltamarin Group.

Finance costs

Finance costs increased RMB2.3 million or 87% to RMB5.0 million in 1Q2016, mainly due to a loan raised in the third quarter of 2015 which carried a higher interest rate.

Other expenses

Other operating expenses decreased RMB0.4 million to RMB0.6 million in 1Q2016 compared to RMB1 million in 1Q2015, mainly due to lower allowance for bad and doubtful debt.

Share of results of associates

The share of loss from associates in 1Q2016 amounted to RMB0.02 million compared to a profit of RMB0.01 million in 1Q2015, mainly due to decrease in associates' profit.

Income tax expense

The operating subsidiaries in China and Finland are subject to an income tax rate of 25% and 20% respectively. Income tax expense decreased RMB1.1 million to a negative figure RMB0.2 million in 1Q2016, mainly due to overprovision for tax expense in Deltamarin Group.

Profit/(Loss) for the period

After taking income tax expenses and non-controlling interests into account, net profit attributable to shareholders for 1Q2016 was RMB5.1 million, compared to net loss RMB11.6 million in 1Q2015.

Statement of Financial Position

Current assets

As at 31 March 2016, the Group's cash and bank balances amounted to RMB265.9 million, a decrease of RMB51.0 million from RMB317.0 million as at 31 December 2015 as more cash was deployed to finance working capital requirements. Pledged bank deposits increased from RMB39.4 million to RMB117.8 million to fund business activities arising from more shipbuilding project management contracts which the Group has secured.

Trade receivables decreased RMB30.9 million to RMB206 million as at 31 March 2016, comprising mainly: (1) RMB71.8 million due from clients, and (2) receivables from construction contract work in progress of RMB134.2 million, of which RMB99.4 million arose from shipbuilding business, RMB0.4 million from marine EPC projects and RMB34.2 million from ship-design business.

Other receivables, amounting to RMB297.4 million as at 31 March 2016, comprised mainly prepayments, other tax recoverable and deposits. Other receivables increased RMB248.9 million, mainly due to (1) advance payments of RMB 216.3 million made in respect of shipbuilding contracts, and (2) an increased amount of RMB11.6 million owing by related parties.

Inventory as at 31 March 2016 amounted to RMB294.9 million, compared to RMB319.1 million as at 31 December 2015. The decrease was mainly due to the cancellation of 1 vessel under construction at shipyard.

Non-current assets

Plant and equipment comprised a motor vehicle, computers and software, furniture and fixtures, and office equipment.

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 RMB78.4 million as at 31 March 2016, an increase of RMB1.6 million. The increase was due to a translation gain arising from the appreciation of the Euro against RMB and the addition of intangible assets amounting to RMB0.3 million, these was offset by the amortisation of RMB1.3 million.

The Group's goodwill had arisen from the acquisition of Deltamarin Group and the amount was recognised based on the purchase price allocation exercise. The goodwill amounted to RMB107.1 million as at 31 March 2016, RMB3.6 million higher than RMB103.5 million as at 31 December 2015. The increase was due to a translation gain arising from the appreciation of Euro against the RMB.

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

Current liabilities

Short-term loan and current portion of long-term loan represented that portion of the loans raised which were repayable within 12 months as at 31 March 2016.

Trade payables amounting to RMB9.2 million as at 31 March 2016 compared to RMB3.9 million as at 31 December 2015.

Advances received represented amounts received on behalf of shipyards for the purpose of acquiring tools and equipment, which amounted to RMB243.7 million as compared to RMB37.2 million as at 31 December 2015.

Other payables and accruals consisted of withholding taxes payable, sales tax and surcharges payable, accrued operating and office expenses, and amount due to the Company's immediate and intermediate holding companies which was non-trade in nature. The decrease in other payables balance was mainly due to the payment made for the accrual for staff bonuses during the period.

Income tax payable decreased by RMB2.9 million from RMB12.8 million as at 31 December 2015 mainly due to the payment made during the period.

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 31 March 2016.

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.

Capital reserve

The amount of capital reserve as at 31 March 2016, 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 used in operating activities in 1Q2016 was RMB18.5 million compared to net cash outflow of RMB86.5 million in the corresponding quarter last year.

Net cash used in investing activities was RMB0.8 million in this quarter which was mainly due to purchase of plant and equipment, and intangible assets. In 1Q2016, RMB31.3 million of net cash used in financing activities, compared to net cash inflow RMB40.4 million in 1Q2015 and this was mainly due to the increase in pledged bank deposits.

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 previous results announcements ("Result Announcements").

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.

Global shipping, shipbuilding and related businesses saw further decline in 1Q2016 as overcapacity persists, coupled by the economic slowdown in major economies. The imbalance in these fundamentals continues to produce volatility in freight rates and the Baltic Dry Index, which fell to its all-time low once again in early February 2016. Though the index has since made a significant recovery fuelled by a seasonal increase in the transport of grains, and increased demand for the transport of steel and iron ore from China, underlying adversities still remain.

During the quarter, the Group delivered a total of 3 vessels. In 1QFY2016, Deltamarin, the Group's ship design arm, secured new designing contracts amounting to EUR 4.3 million.

The shipbuilding market has remained challenging and there is no sign of a quick recovery in the short term. We maintained our strategy in cost rationalization and to direct more resources in developing higher margin businesses. We shall focus on enhancing our performance through exploring to design and build specialized vessels, such as asphalt carriers and Ro Ro vessels, where there is more promising demand.

With its expertise and track record in designing complex and clean energy vessels, Deltamarin will continue to contribute positively to the Group, especially in areas where there are synergies with our other business segments such as EPC and shipbuilding services.

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 31 March 2016.

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)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	(RMB'000)	(RMB'000)
	Note (B)	
<u>1 Jan 2016 to 31 Mar 2016</u>		
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	100
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	5,723
AVIC Dingheng Shipbuilding Co., Ltd	-	6,969
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	15,242
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	21,238
Transaction for Rental expense		
AVIC International Kairong Limited	-	266
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	3,071
Transaction for Property management fees		
AVIC Property Management Co., Ltd	-	282
<u>1 Jan 2015 to 31 Mar 2015</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited	-	283
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	500
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	1,575
AVIC Dingheng Shipbuilding Co., Ltd	-	2,287
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	58,609
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	76,104

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.

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 31 March 2016, 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 31 March 2016 to be false or misleading in any material aspect.

16 Confirmation that the issuer has procured undertakings from all its Directors and Executive Off Officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual.

On Behalf of the Board of Directors

Dr Diao Weicheng
Executive Chairman
13 May 2016