



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 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 Second Quarter and Half Year ended 30 June 2016

	Second Quarter			Half year		
	Group 1 Apr 16 to 30 Jun 16	Group 1 Apr 15 to 30 Jun 15	Change	Group 1 Jan 16 to 30 Jun 16	Group 1 Jan 15 to 30 Jun 15	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	91,691	146,958	(38)	164,782	287,016	(43)
Cost of sales	(57,356)	(95,278)	(40)	(97,966)	(198,863)	(51)
Gross profit	34,335	51,680	(34)	66,816	88,153	(24)
Other income	1,324	617	115	2,438	1,215	101
Other gains/(losses)	(6,657)	(30)	N/M	7,563	(3,745)	N/M
Expenses						
- Distribution and marketing	(10,348)	(7,101)	46	(19,048)	(17,780)	7
- Administrative	(28,309)	(33,275)	(15)	(58,071)	(63,736)	(9)
- Finance	(2,432)	(2,911)	(16)	(7,393)	(5,558)	33
- Other	478	98	388	(145)	(945)	(85)
Share of results of associates	210	401	(48)	188	417	(55)
Profit/(loss) before income tax	(11,399)	9,479	N/M	(7,652)	(1,979)	287
Income tax	(2,748)	(2,319)	18	(2,548)	(3,255)	(22)
Profit/(loss) after income tax	(14,147)	7,160	N/M	(10,200)	(5,234)	95
<u>Profit/(loss) attributable to:</u>						
Owner of the company	(15,203)	7,933	N/M	(10,074)	(3,657)	175
Non-controlling interests	1,056	(773)	N/M	(126)	(1,577)	(92)
Profit/(loss) after income tax	(14,147)	7,160	N/M	(10,200)	(5,234)	95
<u>Other comprehensive income/(loss)</u>						
Exchange differences arising on translation	(10,296)	(1,001)	929	(18,285)	(14,394)	27
Total comprehensive profit/(loss)	(24,443)	6,159	N/M	(28,485)	(19,628)	45

	Second Quarter			Half year		
	Group	Group	Change	Group	Group	Change
	1 Apr 16 to 30 June 16	1 Apr 15 to 30 June 15		1 Jan 16 to 30 June 16	1 Jan 15 to 30 June 15	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
<u>Total comprehensive profit/(loss) attributable to:</u>						
Owner of the company	(26,648)	5,959	N/M	(30,641)	(13,141)	133
Non-controlling interests	2,205	200	N/M	2,156	(6,487)	N/M
Total comprehensive profit/(loss)	(24,443)	6,159	N/M	(28,485)	(19,628)	45

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Second Quarter and Half Year ended 30 June 2016

	Second Quarter			Half year		
	Group	Group	Change	Group	Group	Change
	1 Apr 16 to 30 June 16	1 Apr 15 to 30 June 15		1 Jan 16 to 30 June 16	1 Jan 15 to 30 June 15	
(RMB'000)	(RMB'000)		(RMB'000)	(RMB'000)	%	
Interest income	485	520	(7)	675	1,118	(40)
Net foreign exchange (loss)/gain	(6,657)	(30)	N/M	7,563	(3,744)	N/M
Interest expenses on borrowings	(4,473)	(2,807)	59	(9,071)	(5,302)	71
Operating lease expenses	(4,247)	(4,074)	4	(8,532)	(8,371)	2
Depreciation of plant and equipment	(869)	(783)	11	(1,746)	(1,551)	13
Plant and equipment written off	(2)	-	N/M	(180)	-	N/M
Amortisation of intangible assets	(1,285)	(1,501)	(14)	(2,559)	(3,046)	(16)
Reversal/(Allowance) for doubtful debts	-	324	N/M	-	(496)	N/M
Reversal of bad debts written off	481	-	N/M	36	-	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 2016

	Group		Company	
	30 Jun 2016 (RMB'000)	31 Dec 2015 (RMB'000)	30 Jun 2016 (RMB'000)	31 Dec 2015 (RMB'000)
Assets				
<u>Current assets</u>				
Cash and cash equivalents	231,052	316,963	693	900
Pledged cash placed with a bank	159,663	39,401	-	-
Trade receivables	162,550	236,898	-	-
Other receivables	254,938	48,536	259	269
Amount due from subsidiaries	-	-	1,415	7,296
Inventory	231,589	319,141	-	-
Finance lease receivables	11,398	-	-	-
	1,051,190	960,939	2,367	8,465
<u>Non-current assets</u>				
Plant and equipment	8,084	8,648	-	-
Investment in subsidiaries	-	-	417,149	388,394
Investment in associates	2,037	1,773	-	-
Available-for-sale investments	11	11	-	-
Goodwill	107,850	103,497	-	-
Intangible assets	78,322	76,707	-	-
Deferred tax assets	861	919	-	-
Trade receivables	21,092	26,837	-	-
Finance lease receivables	48,152	-	-	-
	266,409	218,392	417,149	388,394
Total assets	1,317,599	1,179,331	419,516	396,859
<u>Current liabilities</u>				
Current portion of long term loan	39,420	-	-	-
Short-term loan	199,202	174,514	-	-
Trade payables	99,249	3,859	-	-
Advance received	29,425	37,169	-	-
Other payables and accruals	156,639	110,350	1,772	3,029
Amount due to subsidiaries	-	-	167,231	154,476
Finance lease liabilities	1,031	935	-	-
Income tax payable	11,539	12,787	-	-
	536,505	339,614	169,003	157,505
<u>Non-current liabilities</u>				
Long-term loan	553,986	583,471	221,769	206,483
Finance lease liabilities	802	831	-	-
Deferred tax liabilities	17,946	18,535	-	-
Other non-current liabilities	-	35	-	-
	572,734	602,872	221,769	206,483
Total liabilities	1,109,239	942,486	390,772	363,988

	Group		Company	
	30 Jun 2016 (RMB'000)	31 Dec 2015 (RMB'000)	30 Jun 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	(18,898)	1,669	(2,477)	(4,654)
Accumulated profits/(losses)	38,498	48,572	(80,445)	(74,141)
	143,852	174,493	28,744	32,871
Non-controlling interests	64,508	62,352	-	-
Total equity	208,360	236,845	28,744	32,871
Total Equity and Liabilities	1,317,599	1,179,331	419,516	396,859

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 2016	
Secured (RMB'000)	Unsecured (RMB'000)
1,031	238,622

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

(B) Amount repayable after one year

As at 30 Jun 2016	
Secured (RMB'000)	Unsecured (RMB'000)
802	553,986

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 the immediate holding corporation and the related corporations of the borrowing entity.

USD21,070,000 (equivalent to approximately RMB139,995,000) of the loans from non-controlling interests are unsecured, interest free 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 a 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 Second Quarter and Half Year ended 30 June 2016

	Second Quarter		Half Year	
	Group	Group	Group	Group
	1 Apr 16 to 30 Jun 16 (RMB'000)	1 Apr 15 to 30 Jun 15 (RMB'000)	1 Jan 16 to 30 Jun 16 (RMB'000)	1 Jan 15 to 30 Jun 15 (RMB'000)
Operating activities				
(Loss)/Profit before income tax	(11,399)	9,479	(7,652)	(1,979)
Adjustments for:				
Share of results of associates	(210)	(402)	(188)	(417)
Interest income	(485)	(520)	(1,159)	(1,118)
Interest expenses	4,473	2,807	9,071	5,302
Depreciation of plant and equipment	869	782	1,746	1,551
Amortisation of intangible assets	1,285	1,501	2,559	3,046
Plant and equipment written off	2	-	180	-
Reversal of bad debts written off	(481)	-	(36)	-
(Reversal)/Allowance for doubtful debts	-	(324)	-	496
Net foreign exchange unrealised loss/(gain)	4,111	(602)	(7,513)	2,895
Operating cash flows before movements in working capital	(1,835)	12,721	(2,992)	9,776
Trade receivables	44,952	(37,036)	83,688	(46,325)
Other receivables	42,603	46,643	(205,696)	13,917
Trade payables	90,054	(8,896)	92,085	(29,462)
Advance received	(214,229)	1,457	(7,744)	(29,913)
Other payables and accruals	78,668	(16,709)	42,721	(4,030)
Inventory	12,371	-	34,201	(209)
Cash from/(used in) operations	52,584	(1,820)	36,263	(86,246)
Income taxes paid	(859)	(2,166)	(3,577)	(3,339)
Interest received	485	520	1,023	1,118
Net cash generated from/(used in) operating activities	52,210	(3,466)	33,709	(88,467)
Investing activities				
Purchase of plant and equipment (Note A)	(3)	(490)	(451)	(1,302)
Purchase of intangible assets	(679)	(2,644)	(982)	(2,729)
Net cash used in investing activities	(682)	(3,134)	(1,433)	(4,031)
Financing activities				
Repayment of term loan	(126,761)	-	(126,761)	-
(Repayment)/Proceeds from shareholder's loan	-	2,946	(3,166)	5,117
Proceeds on issue of subsidiary's shares to non-controlling shareholders	-	-	-	857
Decrease/(Increase) in pledged bank deposit	(41,840)	11,069	(120,262)	50,016
Proceeds from borrowings	83,444	12,200	137,271	12,200
Interest paid	(4,415)	(1,788)	(7,682)	(3,074)
Repayment of finance lease	(309)	(282)	(628)	(556)
Net cash (used in)/from financing activities	(89,881)	24,145	(121,228)	64,560

Net (decrease)/increase in cash and cash equivalent	(38,353)	17,545	(88,952)	(27,938)
Effect of exchange rate changes on the balance of cash held in foreign currencies	3,479	(389)	3,041	258
Cash and cash equivalents at beginning of the financial period	<u>265,926</u>	<u>163,927</u>	<u>316,963</u>	<u>208,763</u>
Cash and cash equivalents at end of the financial period	<u>231,052</u>	<u>181,083</u>	<u>231,052</u>	<u>181,083</u>

Note A: Purchase of plant and equipment

During 2Q2016, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB226,000 (2Q2015: RMB695,000) of which RMB223,000 (2Q2015: RMB205,000) were acquired by means of finance leases, and cash payment of RMB3,000 (2Q2015: RMB490,000) 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)	Merger 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 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	101,237	11,944	(3,664)	14,735	(7,453)	53,701	170,500	62,303	232,803
Total comprehensive income / (loss) for the period									
Loss for the period	-	-	-	-	-	(15,203)	(15,203)	1,056	(14,147)
Other comprehensive loss	-	-	-	-	(11,445)	-	(11,445)	1,149	(10,296)
Total	-	-	-	-	(11,445)	(15,203)	(26,648)	2,205	(24,443)
Balance at 30 Jun 2016	<u>101,237</u>	<u>11,944</u>	<u>(3,664)</u>	<u>14,735</u>	<u>(18,898)</u>	<u>38,498</u>	<u>143,852</u>	<u>64,508</u>	<u>208,360</u>

	<u>Share capital</u> (RMB'000)	<u>Capital reserve</u> (RMB'000)	<u>Statutory reserve</u> (RMB'000)	<u>Translation reserve</u> (RMB'000)	<u>Accumulated profits/ (losses)</u> (RMB'000)	<u>Equity attributable to owners of the Company</u> (RMB'000)	<u>Non-controlling interests</u> (RMB'000)	<u>Total equity</u> (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 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	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	(733)	7200
Other comprehensive loss	-	-	-	(1,974)	-	(1,974)	973	(1,001)
Total	-	-	-	(1,974)	7,933	5,959	240	6,199
Balance at 30 Jun 2015	<u>101,237</u>	<u>12,470</u>	<u>11,988</u>	<u>1,430</u>	<u>51,873</u>	<u>178,998</u>	<u>44,595</u>	<u>223,593</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
Total comprehensive income/(loss) for the period					
Loss for the period	-	-	-	(3,606)	(3,606)
Other comprehensive income	-	-	850	-	850
Total	-	-	850	(3,606)	(2,756)
Balance at 30 Jun 2016	101,237	10,429	(2,477)	(80,445)	28,744
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
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	101,237	10,603	(5,127)	(70,662)	36,051

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 2015. As at 30 June 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 30 June 2016 (30 June 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 30 June 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 30 June 2016 (30 June 2015: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 June 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.

	Second Quarter		Half Year	
	1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015
Earnings per ordinary share attributable to owners of the Company				
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	(5.32)	2.78	(3.53)	(1.28)
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)	(5.32)	2.78	(3.53)	(1.28)
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 as the Company does not have any outstanding convertibles.

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 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Net asset value per share based on issued share capital (RMB cents)	50.37	61.10	10.07	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>	<u>Second Quarter</u>				<u>Half Year</u>			
	<u>1 Apr 16 to 30 Jun 16</u>		<u>1 Apr 15 to 30 Jun 15</u>		<u>1 Jan 16 to 30 Jun 16</u>		<u>1 Jan 15 to 30 Jun 15</u>	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Shipbuilding project management service	12,987	14.2	12,969	8.8	24,873	15.1	20,147	7.0
Marketing and consulting service	723	0.8	1,693	1.2	812	0.5	2,675	0.9
Shipbuilding construction service	33,094	36.1	71,990	49.0	54,332	33.0	148,094	51.6
EPC service	20	0.1	62	0.1	20	0.1	5,929	2.1
Ship-design service	41,712	45.5	60,244	40.9	81,590	49.5	110,171	38.4
Other income	3,155	3.3	-	-	3,155	1.8	-	-
Total revenue	<u>91,691</u>	<u>100.0</u>	<u>146,958</u>	<u>100.0</u>	<u>164,782</u>	<u>100.0</u>	<u>287,016</u>	<u>100.0</u>

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

Consolidated Statement of Comprehensive Income

Revenue

In 2Q2016, the Group's revenue was generated mainly from its shipbuilding construction service and ship-design service businesses. Group revenue decreased by RMB55.2 million or 38% to RMB91.7 million in 2Q2016 from 2Q2015. The decline was mainly due to: (1) shipbuilding construction service revenue falling by RMB38.9 million to RMB33.1 million due to the completion of the Sri Lanka project, as well as lower percentage completion recognized in 2Q2016 compared to the previous corresponding period, and (2) ship-design service revenue declining by RMB18.5 million to RMB41.7 million due to variations in the milestones achieved in respect of designing work in progress as well as fewer design contracts secured. Partially offsetting the decline in revenue was an increase in other income to RMB3.2 million, attributed mainly to revenue from the sale of vessel equipment. Shipbuilding project management service revenue remained stable at RMB13.0 million.

Cost of sales and gross profit

Cost of sales decreased RMB37.9 million or 40% to RMB57.4 million in 2Q2016 as a result of lower revenue. Gross profit decreased 34% in 2Q2016, due mainly to reduced contribution from the ship-design service segment.

Other income

Other income consisted mainly of interest income and government grants. It increased RMB0.7 million to RMB1.3 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 losses in 2Q2016 increased significantly to RMB6.7 million, compared to a loss of less than RMB0.1 million in the corresponding period of last year. Foreign exchange losses were mainly due to receivables denominated in Euro which weakened against the SGD in the period.

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 increased RMB3.2 million, or 46%, to RMB10.3 million in 2Q2016, due mainly to reclassification of certain staff expenses from administrative expenses to marketing and distribution expenses.

Operating lease expenses remained relatively stable at RMB1.2 million in 2Q2016.

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 RMB5.0 million or 15% to RMB28.3 million in 2Q2016. The decrease was mainly due to certain staff expenses being reclassified as marketing and distribution expenses.

Operating lease expenses remained relatively stable at RMB3.1 million in 2Q2016.

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

Finance costs

Finance costs decreased RMB0.5 million or 16% to RMB2.4 million in 2Q2016, mainly due to a reversal of bank charges amounting to RMB2.1 million which was consumed by a shipyard in accordance with contractual terms. The decrease was partially offset by higher interest expenses due to higher interest rate.

Share of results of associates

The share of profit from associates in 2Q2016 amounted to RMB0.2 million compared to a profit of RMB0.4 million in 2Q2015, 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 increased RMB0.4 million to RMB2.7 million in 2Q2016, mainly due one of the subsidiaries paying higher tax in China.

Profit/(Loss) for the period

After taking income tax expenses and non-controlling interests into account, net loss attributable to shareholders for 2Q2016 was RMB15.2 million, compared to net profit of RMB7.9 million in 2Q2015.

Statement of Financial Position

Current assets

As at 30 June 2016, the Group's cash and bank balances amounted to RMB231.1 million, a decrease of RMB85.9 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 RMB159.7 million to fund business activities arising from more shipbuilding project management contracts secured.

Trade receivables decreased RMB74.3 million to RMB162.6 million as at 30 June 2016, comprising mainly: (1) RMB59.4 million due from clients, and (2) receivables from construction contract work in progress of RMB94.2 million, of which RMB56.6 million arose from the shipbuilding business and RMB37.6 million from the ship-design business.

Other receivables, amounting to RMB254.9 million as at 30 June 2016, comprised mainly prepayments, other tax recoverable and deposits. Other receivables increased RMB206.4 million, mainly due to (1) vessels export tax refundable of RMB 60.2 million arising from delivery of vessels built under a shipbuilding contract for which tax was finalised in this quarter, and (2) an increased amount of RMB105.6 million receivable from related parties and RMB52 million receivable from third party shipyards.

Inventory as at 30 June 2016 amounted to RMB231.6 million, compared to RMB319.1 million as at 31 December 2015. The decrease was mainly due to the cancellation of 2 vessels under construction at shipyard and the sale of two completed tug boats under a finance lease agreement.

Finance lease receivables as at 30 June 2016 amount to RMB11.4 million and this arose from the sale of two tug boats under a finance lease agreement.

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 RMB78.3 million as at 30 June 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 RMB0.9 million. These were offset by amortisation amounting to RMB2.5 million.

The Group's goodwill had arisen from the acquisition of the Deltamarin Group and the amount was recognised based on the purchase price allocation exercise. The goodwill amounted to RMB107.9 million as at 30 June 2016, RMB4.4 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.

Non-current portion of finance lease receivables as at 30 June 2016 amounted to RMB48.2 million and this had arisen from the sale of two tug boats under a finance lease agreement.

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 30 June 2016.

Trade payables amounting to RMB99.2 million as at 30 June 2016 compared to RMB3.9 million as at 31 December 2015. The increase was mainly attributed to trade payables arising from shipbuilding contracts.

Advances received represented amounts received on behalf of shipyards for the purpose of acquiring tools and equipment, which amounted to RMB29.4 million as compared to RMB37.2 million as at 31 December 2015.

Other payables and accruals consisted of VAT taxes payable, sales tax and surcharges payable, accrued operating and office expenses, and amount due to related parties. Other payables and accruals increased by RMB46.3 million, attributed mainly to vessels export tax received which was payable to a shipyard, partially offset by payment made for the accrual for staff bonuses and reversal of accrued payables pertaining to a vessel the construction of which was cancelled during the period.

Income tax payable decreased by RMB1.2 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 represented that portion of the loans raised that were repayable after 12 months as at 30 June 2016. Long-term loan declined by RMB29.5 million to RMB554.0 million as at 30 June 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 30 June 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 generated from operating activities in 2Q2016 was RMB52.2 million compared to net cash outflow of RMB3.4 million in the corresponding quarter last year.

Net cash used in investing activities was RMB0.6 million in this quarter which was mainly due to purchase of plant and equipment, and intangible assets. In 2Q2016, net cash outflow from financing activities amounted to RMB89.8 million, compared to net cash inflow of RMB24.1 million in 2Q2015 and this was mainly due to the increase in pledged bank deposits and repayment of term loans, partially offset by new loans 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 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.

Conditions in the shipping and shipbuilding industries continue to be difficult. Total new shipbuilding orders around the world decreased by 67% year on year to 17.7 million DWT in the first half of 2016¹, and global outstanding shipbuilding orders continued to decline in the first half of 2016 to 100 million CGT, the lowest level since June 2013². While the increase in commodities transportation in 2Q2016 propelled a short recovery in the charter rates and the Baltic Dry Index, the oversupply in the shipping industry persisted and a rebalance between supply and demand still falls short of supply.

In 2Q2016, the Group delivered a total of 7 vessels. Deltamarin secured new design contracts of EUR 9.6 million. In April 2016, the Group secured orders for the construction of four Ro-Pax ferries with the option for an additional four ferries, from Swedish shipowner Stena RoRo's subsidiary, Stena AB. The ferries will be constructed at AVIC Weihai Shipyard, and Deltamarin will deliver the engineering, procurement, construction ("EPC") service for the project. The ferries will have lane meters of 3,000m in a drive-through configuration capable of accommodating about 1,000 passengers and offering a full range of passenger services. The main engines will be 'gas ready' fuelled either by methanol or LNG.

In July 2016, Deltamarin and Elomatic Ltd jointly entered into a large scale tri-party engineering contract with MV Werften in Germany for the design of the largest Global Class mega passenger vessel ever built in Germany. It will be over 340 meters long, 45 meters wide and have a gross register tonnage of 200,001, one of the world's largest vessels for 5,400 passengers. The contract is the largest in Deltamarin's history, and will entail 4 years' work involving 100 designers from Deltamarin.

The Group will continue to implement the strategy in cost rationalization and direct more resources in developing higher margin businesses. It will focus on enhancing performance through exploring to designing and building 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 is expected to continue to contribute positively to the Group, especially with its recent entry into a tri-party engineering contract with MV Werften for the design of the Global Class mega passenger vessel, as well as in areas where there are synergies with the Group's other business segments such as EPC and shipbuilding services.

¹http://www.eworldship.com/html/2016/ship_market_observation_0722/117790.html

²http://www.eworldship.com/html/2016/ShipbuildingAbroad_0722/117798.html

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 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 Apr 2016 to 30 Jun 2016</u>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	7,085
AVIC Dingheng Shipbuilding Co., Ltd	-	4,206
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	21,591
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	33,094
Transaction for Rental expense		
AVIC International Kairong Limited	-	185
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	3,579
Transaction for Property management fees		
AVIC Property Management Co., Ltd	-	96
<u>1 Jan 2016 to 30 Jun 2016</u>		
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	100
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	12,808
AVIC Dingheng Shipbuilding Co., Ltd	-	11,175
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	36,833
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	54,332
Transaction for Rental expense		
AVIC International Kairong Limited	-	452

Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	6,650
Transaction for Property management fees		
AVIC Property Management Co., Ltd	-	378
<u>1 Apr 2015 to 30 Jun 2015</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited	-	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	-	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

Note:

- (A) The amounts of the transactions are before sales taxes and surcharges.
- (B) The details of the interested person transactions under the shareholder's mandate are disclosed on pages 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 30 June 2016, the Group had revised the use of proceeds amounting to approximately SGD10.6 million for general working capital purpose, and any future acquisitions, joint ventures and strategic

alliances, as set out in the Company's announcement dated 21 November 2014 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 half year ended 30 June 2016 to be false or misleading in any material aspect.

16 Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) 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 7H) pursuant to Rule 720(1) of the Catalist Rules.

On behalf of the Board of Directors

Dr Diao Weicheng
Executive Chairman
12 August 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this announcement.

*The contact person for the Sponsor is Mr Ng Joo Khin:
Telephone number: (65) 6389 3000
Email address: jookhin.ng@morganlewis.com*