



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

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 Third Quarter and Nine Months ended 30 September 2016

	Third Quarter			Nine Months		
	Group 1 Jul 16 to 30 Sep 16	Group 1 Jul 15 to 30 Sep 15	Change	Group 1 Jan 16 to 30 Sep 16	Group 1 Jan 15 to 30 Sep 15	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	149,502	131,942	13	314,284	418,959	(25)
Cost of sales	(109,066)	(90,459)	21	(207,032)	(289,323)	(28)
Gross profit	40,436	41,483	(3)	107,252	129,636	(17)
Other income	1,199	741	62	3,636	1,967	85
Other (losses)/gains	(1,450)	3,653	N/M	6,113	(92)	N/M
Expenses						
- Distribution and marketing	(13,868)	(7,507)	85	(32,916)	(25,287)	30
- Administrative	(24,378)	(26,738)	(9)	(82,449)	(90,474)	(9)
- Finance	(5,940)	(4,312)	38	(13,332)	(9,870)	35
- Other	(2,758)	(349)	690	(2,902)	(1,305)	122
Share of results of associates	(121)	457	N/M	66	874	(92)
(Loss)/profit before income tax	(6,880)	7,428	(379)	(14,532)	5,449	N/M
Income tax	(1,691)	(4,192)	(60)	(4,239)	(7,447)	(43)
(Loss)/profit after income tax	(8,571)	3,236	N/M	(18,771)	(1,998)	N/M
(Loss)/profit <u>attributable to:</u>						
Owner of the company	(5,733)	3,586	N/M	(15,807)	(71)	N/M
Non-controlling interests	(2,838)	(350)	711	(2,964)	(1,927)	54
(Loss)/profit after income tax	(8,571)	3,236	N/M	(18,771)	(1,998)	N/M
<u>Other comprehensive income/(loss)</u>						
Exchange differences arising on translation	6,837	15,719	(57)	(11,448)	1,325	N/M
Total comprehensive (loss) /profit	(1,734)	18,955	N/M	(30,219)	(673)	N/M

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 16 to 30 Sep 16	1 Jul 15 to 30 Sep 15		1 Jan 16 to 30 Sep 16	1 Jan 15 to 30 Sep 15	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
<u>Total comprehensive profit/(loss) attributable to:</u>						
Owner of the company	345	16,550	N/M	(30,296)	3,409	N/M
Non-controlling interests	(2,079)	2,405	N/M	77	(4,082)	N/M
Total comprehensive (loss)/profit	(1,734)	18,955	N/M	(30,219)	(673)	N/M

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Third Quarter and Nine Months ended 30 September 2016

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 16 to 30 Sep 16	1 Jul 15 to 30 Sep 15		1 Jan 16 to 30 Sep 16	1 Jan 15 to 30 Sep 15	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
Interest income	867	741	17	2,026	1,859	9
Net foreign exchange (loss)/gain	(1,450)	3,653	N/M	6,113	(92)	N/M
Interest expenses on borrowings	(4,738)	(3,550)	33	(13,809)	(8,852)	56
Operating lease expenses	(4,210)	(4,813)	(13)	(12,742)	(13,184)	(5)
Depreciation of plant and equipment	(835)	(831)	1	(2,582)	(2,382)	8
Plant and equipment written off	(3)	-	N/M	(183)	-	N/M
Amortisation of intangible assets	(1,330)	(1,599)	(17)	(3,889)	(4,645)	(16)
Asset available for sales	-	(34)	NM	-	(34)	NM
Allowance for doubtful debts	-	(17)	NM	-	(513)	NM
Bad trade debts written off	(350)	-	N/M	(314)	-	N/M
Loss on disposal of plant and equipment	(103)	-	N/M	(103)	-	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 September 2016

	Group		Company	
	30 Sep 2016 (RMB'000)	31 Dec 2015 (RMB'000)	30 Sep 2016 (RMB'000)	31 Dec 2015 (RMB'000)
Assets				
<u>Current assets</u>				
Cash and cash equivalents	269,716	316,963	32,549	900
Pledged cash placed with a bank	229,253	39,401	-	-
Trade receivables	106,219	236,898	-	-
Other receivables	591,224	48,536	29,397	269
Amount due from subsidiaries	-	-	24,158	7,296
Inventories	262,553	319,141	-	-
Lease receivables	12,953	-	-	-
	1,471,918	960,939	86,104	8,465
<u>Non-current assets</u>				
Plant and equipment	6,951	8,648	146	-
Amount due from subsidiaries	-	-	21,483	-
Investment in subsidiaries	-	-	560,045	388,394
Investment in associates	1,940	1,773	-	-
Available-for-sale investments	11	11	-	-
Goodwill	109,311	103,497	-	-
Intangible assets	78,050	76,707	-	-
Deferred tax assets	856	919	-	-
Trade receivables	17,143	26,837	-	-
Lease receivables	51,733	-	-	-
	265,995	218,392	581,674	388,394
Total assets	1,737,913	1,179,331	667,778	396,859
<u>Current liabilities</u>				
Current portion of long-term loan	39,420	-	-	-
Short-term loans	329,249	174,514	-	-
Trade payables	88,696	3,859	44,285	-
Advance received	217,905	37,169	37,548	-
Other payables and accruals	170,734	110,350	2,029	3,029
Amount due to subsidiaries	-	-	276,947	154,476
Finance lease liabilities	1,052	935	-	-
Income tax payable	10,712	12,787	8,909	-
	857,768	339,614	369,718	157,505

	Group		Company	
	30 Sep 2016 (RMB'000)	31 Dec 2015 (RMB'000)	30 Sep 2016 (RMB'000)	31 Dec 2015 (RMB'000)
<u>Non-current liabilities</u>				
Long-term loan	654,692	583,471	219,981	206,483
Finance lease liabilities	681	831	-	-
Deferred tax liabilities	18,146	18,535	-	-
Other non-current liabilities	-	35	-	-
	673,519	602,872	219,981	206,483
Total liabilities	1,531,287	942,486	589,699	363,988
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	(12,820)	1,669	(1,732)	(4,654)
Accumulated profits/(losses)	32,765	48,572	(31,855)	(74,141)
	144,197	174,493	78,079	32,871
Non-controlling interests	62,429	62,352	-	-
Total equity	206,626	236,845	78,079	32,871
Total Equity and Liabilities	1,737,913	1,179,331	667,778	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 Sep 2016	
Secured (RMB'000)	Unsecured (RMB'000)
1,052	368,669

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

(B) Amount repayable after one year

As at 30 Sep 2016	
Secured (RMB'000)	Unsecured (RMB'000)
681	654,692

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.

USD19,411,000 (equivalent to approximately RMB129,478,000) 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 Third Quarter and Nine Months ended 30 September 2016

	Third Quarter		Nine Months	
	Group	Group	Group	Group
	1 Jul 16 to 30 Sep 16 (RMB'000)	1 Jul 15 to 30 Sep 15 (RMB'000)	1 Jan 16 to 30 Sep 16 (RMB'000)	1 Jan 15 to 30 Sep 15 (RMB'000)
Operating activities				
(Loss)/profit before income tax	(6,880)	7,428	(14,532)	5,449
Adjustments for:				
Share of results of associates	121	(457)	(66)	(874)
Interest income	(867)	(741)	(2,026)	(1,859)
Interest expenses	4,738	3,550	13,809	8,852
Depreciation of plant and equipment	835	831	2,582	2,382
Amortisation of intangible assets	1,330	1,599	3,889	4,645
Plant and equipment written off	3	-	183	-
Loss on disposal of plant and equipment	103	-	103	-
Assets available for sales written off	-	34	-	34
Allowance for doubtful debts	-	17	-	513
Net foreign exchange unrealised (gain)/loss	700	(2,687)	(6,813)	208
Operating cash flows before movements in working capital	83	9,574	(2,871)	19,350
Trade receivables	61,424	54,034	145,075	7,709
Other receivables	(355,420)	(3,521)	(561,116)	10,396
Trade payables	(9,319)	16,298	82,766	(13,164)
Advance received	188,480	2,195	180,736	(27,718)
Other payables and accruals	(12,443)	26,117	30,278	22,087
Inventories	(8,438)	(17,760)	25,762	(17,969)
Cash (used in)/ generated from operations	(135,633)	86,937	(99,370)	691
Income taxes paid	(2,538)	(2,215)	(6,115)	(5,554)
Interest received	481	741	1,505	1,859
Net cash (used in)/ generated from operating activities	(137,690)	85,463	(103,980)	(3,004)
Investing activities				
Purchase of plant and equipment (Note A)	(271)	(551)	(722)	(1,853)
Purchase of intangible assets	(9)	(121)	(991)	(2,850)
Proceed on disposal of plant and equipment	696	-	696	-
Net cash paid for acquisition of a subsidiary	-	(20,443)	-	(20,443)
Net cash from/(used in) investing activities	416	(21,115)	(1,017)	(25,146)
Financing activities				
Repayment of a former majority shareholder's loan	-	(155,052)	-	(155,052)
Repayment of term loan	(29,697)	-	(156,458)	-
(Repayment)/proceeds from shareholder's loan	-	14,198	(3,166)	19,315
Proceeds from issue of subsidiary's shares to non-controlling shareholders	-	-	-	857
Decrease/(increase) in pledged bank deposit	(69,590)	(95,513)	(189,852)	(45,497)
Proceeds from borrowings	273,054	267,383	410,325	279,583

Interest paid	(4,177)	(1,356)	(11,859)	(4,430)
Repayment of finance lease	(299)	(312)	(927)	(868)
Repayment of related party's loan	-	(31,169)	-	(31,169)
Net cash from/(used in) financing activities	<u>169,291</u>	<u>(1,821)</u>	<u>48,063</u>	<u>62,739</u>
Net increase/(decrease) in cash and cash equivalent	32,017	62,527	(56,934)	34,589
Effect of exchange rate changes on the balance of cash held in foreign currencies	6,647	3,470	9,687	3,728
Cash and cash equivalents at beginning of the financial period	<u>231,052</u>	<u>181,083</u>	<u>316,963</u>	<u>208,763</u>
Cash and cash equivalents at end of the financial period	<u>269,716</u>	<u>247,080</u>	<u>269,716</u>	<u>247,080</u>

Note A: Purchase of plant and equipment

During 3Q2016, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB448,000 (3Q2015: RMB1,023,000) of which RMB177,000 (3Q2015: RMB472,000) were acquired by means of finance leases, and cash payment of RMB271,000 (3Q2015: RMB551,000) 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)
<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	-	-	-	-	-	(10,074)	(10,074)	(126)	(10,200)
Other comprehensive income/(loss)	-	-	-	-	(20,567)	-	(20,567)	2,282	(18,285)
Total	-	-	-	-	(20,567)	(10,074)	(30,641)	2,156	(28,485)
Balance at 30 Jun 2016	101,237	11,944	(3,664)	14,735	(18,898)	38,498	143,852	64,508	208,360
Total comprehensive income / (loss) for the period									
Loss for the period	-	-	-	-	-	(5,733)	(5,733)	(2,838)	(8,571)
Other comprehensive loss	-	-	-	-	6,078	-	6,078	759	6,837
Total	-	-	-	-	6,078	(5,733)	345	(2,079)	(1,734)
Balance at 30 Sep 2016	<u>101,237</u>	<u>11,944</u>	<u>(3,664)</u>	<u>14,735</u>	<u>(12,820)</u>	<u>32,765</u>	<u>144,197</u>	<u>62,429</u>	<u>206,626</u>

	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)
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	-	-	-	-	-	(3,657)	(3,657)	(1,577)	(5,234)
Other comprehensive loss	-	-	-	-	(9,484)	-	(9,484)	(4,910)	(14,394)
Total	-	-	-	-	(9,484)	(3,657)	(13,141)	(6,487)	(19,628)
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 30 Jun 2015	101,237	12,470	-	11,988	1,430	51,873	178,998	44,555	223,553
Total comprehensive income /(loss) for the period									
Profit/(loss) for the period	-	-	-	-	-	3,586	3,586	(350)	3,236
Other comprehensive loss	-	-	-	-	12,964	-	12,964	2,755	15,719
Total	-	-	-	-	12,964	3,586	16,550	2,405	18,955
Transactions with owners, recognised directly in equity									
Merger reserve arising from acquisition of a subsidiary	-	-	(3,664)	-	-	-	(3,664)	-	(3,664)
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-	12,839	12,839
Total	-	-	(3,664)	-	-	-	(3,664)	12,839	9,175
Balance at 30 Sep 2015	101,237	12,470	(3,664)	11,988	14,394	55,459	191,884	59,799	251,683

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	-	-	-	(6,304)	(6,304)
Other comprehensive income	-	-	2,177	-	2,177
Total	-	-	2,177	(6,304)	(4,127)
Balance at 30 Jun 2016	101,237	10,429	(2,477)	(80,445)	28,744
Total comprehensive income/(loss) for the period					
Profit for the period	-	-	-	48,590	48,590
Other comprehensive income	-	-	745	-	745
Total	-	-	745	48,590	49,335
Balance at 30 Sep 2016	101,237	10,429	(1,732)	(31,855)	78,079
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	-	-	-	(707)	(707)
Other comprehensive income	-	-	(981)	-	(981)
Total	-	-	(981)	(707)	(1,688)
Balance at 30 Jun 2015	101,237	10,603	(5,127)	(70,662)	36,051
Total comprehensive income for the period					
Loss for the period	-	-	-	(3,789)	(3,789)
Other comprehensive income	-	-	(508)	-	(508)
Total	-	-	(508)	(3,789)	(4,297)
Balance at 30 Sep 2015	101,237	10,603	(5,635)	(74,451)	31,754

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

There were no changes noted. See 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.

	Third Quarter		Nine Months	
	1 Jul 2016 to 30 Sep 2016	1 Jul 2015 to 30 Sep 2015	1 Jan 2016 to 30 Sep 2016	1 Jan 2015 to 30 Sep 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)	(2.01)	1.26	(5.54)	(0.02)
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)	(2.01)	1.26	(5.54)	(0.02)
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 hold 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 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Net asset value per share based on issued share capital (RMB cents)	50.49	61.10	27.34	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>Third Quarter</u>				<u>Nine Months</u>			
	<u>1 Jul 16 to 30 Sep 16</u>		<u>1 Jul 15 to 30 Sep 15</u>		<u>1 Jan 16 to 30 Sep 16</u>		<u>1 Jan 15 to 30 Sep 15</u>	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Sales of vessels	78,963	52.8	-	-	78,963	25.1	-	-
Shipbuilding project management service	19,543	13.1	14,816	11.2	44,419	14.1	34,964	8.3
Marketing and consulting service	-	-	557	0.4	812	0.3	3,232	0.8
Shipbuilding construction service	747	0.5	60,101	45.6	55,079	17.5	208,195	49.7
EPC service	578	0.4	981	0.7	598	0.2	6,910	1.6
Ship-design service	47,861	32.0	55,487	42.1	129,450	41.2	165,658	39.6
Finance lease income	1,960	1.3	-	-	1,960	0.6	-	-
Other income	(150)	(0.1)	-	-	3,003	1.0	-	-
Total revenue	<u>149,502</u>	<u>100.0</u>	<u>131,942</u>	<u>100.0</u>	<u>314,284</u>	<u>100.0</u>	<u>418,959</u>	<u>100.0</u>

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

Consolidated Statement of Comprehensive Income

Revenue

In 3Q2016, the Group's revenue was generated mainly from its shipbuilding project management service, ship-design service and sales of vessels. Group revenue increased by RMB2.5 million or 2% to RMB149.5 million in 3Q2016 compared with 3Q2015. The increase was mainly due to: (1) income from sales of vessels amounting to RMB79.0 million and finance lease income of RMB2.0 million, both arising from the sale of two completed tug boats under a finance lease agreement, and (2) shipbuilding project management service revenue increasing by RMB4.7 million as more projects were recognized in the current period. Partially offsetting the increase in revenue were: (1) shipbuilding construction service revenue falling by RMB59.4 million to RMB0.7 million due to the completion of the Sri Lanka project, as well as lower percentage completion recognized in 3Q2016 compared to the previous corresponding period, and (2) ship-design service revenue declining by RMB7.6 million to RMB47.9 million due to lesser work in progress booked in 3Q2016.

Cost of sales and gross profit

Cost of sales increased RMB18.6 million or 21% to RMB109.1 million in 3Q2016, attributed mainly to the two completed tug boats that were sold under a finance lease agreement. Gross profit decreased 3% in 3Q2016, due mainly to reduced contribution from the shipbuilding construction service following the completion of the Sri Lanka project.

Other income

Other income consisted mainly of interest income and government grants. It increased RMB0.5 million to RMB1.2 million mainly due to interest income arising from increase in bank deposits in the current period.

Other gains/(losses)

Other losses in 3Q2016 amounted to RMB1.5 million which was foreign currency loss arising from receivables denominated in SGD which had weakened against the USD, compared to a gain of RMB3.6 million in the corresponding period of last year.

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 RMB6.4 million, or 85%, to RMB13.9 million in 3Q2016, due mainly to reclassification of certain staff expenses from administrative expenses, as well as hiring of additional technical staffs for the Stena project.

Operating lease expenses remained relatively stable at RMB1.1 million in 3Q2016.

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 RMB2.4 million or 9% to RMB24.4 million in 3Q2016. The decrease was mainly due to reclassification of certain staff expenses as marketing and distribution expenses.

Operating lease expenses decreased by RMB0.6 million to RMB3.1 million in 3Q2016.

The depreciation charge for plant and equipment amounted to RMB0.8 million in 3Q2016. Amortisation of intangible assets amounted to RMB1.3 million in 3Q2016, mainly arising from the amortisation of software and brand name from Deltamarin Group.

Finance costs

Finance costs increased RMB1.6 million or 38% to RMB5.9 million in 3Q2016, mainly due to bank term loans which carry higher interest rate compared to the previous corresponding period.

Share of results of associates

The share of losses from associates in 3Q2016 amounted to RMB0.1 million compared to a profit of RMB0.4 million in 3Q2015, mainly due to decrease in associates' profit.

Income tax expense

The operating subsidiaries in China and Finland are subject to income tax rates of 25% and 20% respectively. Income tax expense decreased RMB2.5 million to RMB4.1 million in 3Q2016, mainly due to lower profit during the period.

Profit/(loss) for the period

After taking income tax expenses and non-controlling interests into account, net loss attributable to shareholders for 3Q2016 was RMB5.7 million, compared to net profit of RMB3.6 million in 3Q2015.

Statement of Financial Position

Current assets

As at 30 September 2016, the Group's cash and bank balances amounted to RMB269.7 million, a decrease of RMB47.2 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 RMB229.3 million to fund business activities arising from more shipbuilding project management contracts secured.

Trade receivables decreased RMB130.7 million to RMB106.2 million as at 30 September 2016, comprising mainly: (1) RMB57.7 million due from clients, and (2) RMB48.5 million arising from ship design contract work in progress.

Other receivables, amounting to RMB591.2 million as at 30 September 2016, comprised mainly prepayments, other tax recoverables and deposits. Other receivables increased RMB542.7 million, mainly due to (1) vessels export tax refundable of RMB 41.8 million arising from delivery of vessels built under a shipbuilding contract for which tax was finalised in this quarter, (2) an increased amount of RMB403.2 million receivables from related party shipyards and RMB54 million receivables from third

party shipyards, being amounts extended to the shipyards to finance the construction of vessels pending receipt of the final payments from the shipowners, and (3) prepayment of RMB27.3 million for the purchase of shipbuilding material.

Inventories as at 30 September 2016 amounted to RMB262.6 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 a shipyard and two completed tug boats delivered to a buyer under a finance lease agreement.

Lease receivables as at 30 September 2016 amounted to RMB13 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 RMB78.1 million as at 30 September 2016, an increase of RMB1.3 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 RMB5.2 million. These were offset by amortisation amounting to RMB3.9 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 RMB109.3 million as at 30 September 2016, RMB5.8 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 lease receivables as at 30 September 2016 amounted to RMB51.7 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 September 2016. Short term loans increased RMB154.7 million to RMB329.2 million as more bank loans were obtained to finance working capital requirements.

Trade payables amounting to RMB88.7 million as at 30 September 2016 compared to RMB3.9 million as at 31 December 2015. The increase was mainly attributed to (1) trade payables of RMB17.8 million arising from shipbuilding contracts, (2) RMB43.9 million from ship-design business, and (3) RMB21.7 million from procurement of shipbuilding equipment.

Advances received represented amounts received on behalf of shipyards for the purpose of acquiring tools and equipment, which amounted to RMB217.9 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 RMB60.4 million, attributed mainly to vessels export tax amounting to RMB54.7 million claimed which was payable to a shipyard.

Income tax payable decreased by RMB2.1 million from RMB12.8 million as at 31 December 2015 mainly due to 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 September 2016. Long-term loan increased by RMB71.2 million to RMB655.0 million as at 30 September 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 September 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 outflow from operating activities in 3Q2016 was RMB137.7 million compared to net cash inflow of RMB85.5 million in the corresponding quarter last year.

Net cash generated from investing activities was RMB0.4 million in this quarter which was mainly due to disposal of motor vehicle. In 3Q2016, net cash inflow from financing activities amounted to RMB169.3 million, compared to net cash outflow of RMB1.8 million in 3Q2015 and this was mainly due to the increase in 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.

The shipbuilding market remains challenging, as the sluggish shipping demand continues. The oversupply of vessels results in substantial decrease in new orders and heightens pressure on pricing. In the third quarter of 2016, there were a total of 88 new shipbuilding orders globally, 81% lower compared to the 481 orders for the same quarter last year¹. Clarksons projected that global shipyard output will fall in 2017 as the order backlog declines, and non-delivery is anticipated to remain.²

Despite the challenging market conditions, the Group delivered a total of 7 vessels in 3Q2016. Deltamarin secured new design contracts of EUR 44.8 million.

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 a Global Class mega passenger vessel. In September 2016, Deltamarin secured a €3 million contract from Rauma Marine Construction (RMC) to perform a significant scope of engineering for a new 158-meter ro-pax vessel to be built for the Danish Mols-Linien A/S, to carry passengers and cargo between the Danish islands of Bornholm and Sjaelland, and the work will take an estimated period of 12 months. These contract orders well demonstrate Deltamarin's expertise and knowhow in passenger vessel design globally.

In October 2016, AVIC Dingheng, a leading shipyard and a business partner of the Group and an AVIC Group company, was awarded additional orders for two units of dual-fuel, 16,300 DWT chemical tankers. The AVIC Group commands a leading position in the world in the field of dual-fuel LNG/chemical vessels, with 4 vessels already delivered and 8 under production. According to Clarksons' Research, market conditions for chemical tankers have remained relatively positive in 2016, and the increased trade volumes, including on long-haul routes, has helped to support vessel demand³. The Group expects that there will be ample co-operation opportunities with AVIC Dingheng on these new orders which will contribute positively to its business revenues.

11 Dividend

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

None.

¹ http://www.eworldship.com/html/2016/ship_market_observation_1009/120570.html

² Clarksons Research – Shipping Review & Outlook, Autumn 2016, page 30

³ Clarksons Research – Shipping Review & Outlook, Autumn 2016, page 26

(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 September 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 Jul 2016 to 30 Sep 2016</u>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	9,916
AVIC Dingheng Shipbuilding Co., Ltd	-	5,626
Transaction for Financial service income		
AVIC Dingheng Shipbuilding Co., Ltd	-	1,887
Transaction for Sales of good		
AVIC Dingheng Shipbuilding Co., Ltd	-	533
Transaction for Rental expense		
AVIC International Kairong Limited	-	3
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	6,248
Transaction for Property management fees		
AVIC Property Management Co., Ltd	-	544
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd	-	246,826
AVIC Weihai Shipyard Co., Ltd	-	52,000
<u>1 Jan 2016 to 30 Sep 2016</u>		
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	100
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	22,724
AVIC Dingheng Shipbuilding Co., Ltd	-	16,801
Transaction for Financial service income		
AVIC Dingheng Shipbuilding Co., Ltd	-	1,887
Transaction for Sales of good		
AVIC Dingheng Shipbuilding Co., Ltd	-	533

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	-	455
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	12,898
Transaction for Property management fees		
AVIC Property Management Co., Ltd	-	922
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd	-	246,826
AVIC Weihai Shipyard Co., Ltd	-	52,000
<u>1 Jul 2015 to 30 Sep 2015</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited	-	201
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	500
AVIC Zhengjiang Shipyard Marine Pte Ltd	-	89
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	7,009
AVIC Dingheng Shipbuilding Co., Ltd	-	1,979
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	49,004
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	60,100
<u>1 Jan 2015 to 30 Sep 2015</u>		
Transaction for Interest expenses		
AVIC International Kairong Limited	-	770
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	1,500
AVIC Zhengjiang Shipyard Marine Pte Ltd	-	226
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	12,068
AVIC Dingheng Shipbuilding Co., Ltd	-	12,614
Transaction for Shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	162,332
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	208,195

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 which can be found via the Company website.

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 were originally stated to be used for the 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 September 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 third quarter and nine months ended 30 September 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
11 November 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.

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