



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 2017
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 2017

	First Quarter		Change
	Group 1 Jan 17 to 31 Mar 17	Group 1 Jan 16 to 31 Mar 16	
	(RMB'000)	(RMB'000)	%
Revenue	86,104	73,090	18
Cost of sales	(34,893)	(40,610)	(14)
Gross profit	51,211	32,480	58
Other income	796	1,113	(28)
Other gains - net	8,155	14,220	(43)
Expenses			
- Distribution and marketing	(7,254)	(8,700)	(17)
- Administrative	(28,879)	(29,760)	(3)
- Finance	(9,585)	(4,960)	93
- Other	1,530	(623)	N/M
Share of profit/(loss) of associated companies	149	(23)	N/M
Profit before income tax	16,123	3,747	330
Income tax expense	(3,330)	200	N/M
Profit after tax	12,793	3,947	224
Other comprehensive loss:			
Currency translation differences arising from consolidation	(12,119)	(7,989)	52
Total comprehensive income/(loss)	674	(4,042)	N/M
Profit attributable to:			
Equity holders of the Company	11,791	5,129	130
Non-controlling interests	1,002	(1,182)	N/M
	12,793	3,947	224

	First Quarter		Change %
	Group	Group	
	1 Jan 17 to 31 Mar 17 (RMB'000)	1 Jan 16 to 31 Mar 16 (RMB'000)	
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	(512)	(3,993)	(87)
Non-controlling interests	1,186	(49)	N/M
	674	(4,042)	N/M

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2017

	First Quarter		Change %
	Group	Group	
	1 Jan 17 to 31 Mar 17 (RMB'000)	1 Jan 16 to 31 Mar 16 (RMB'000)	
Amortisation of intangible assets	(1,311)	(1,274)	3
Bad debts written off			
- Trade	-	(445)	N/M
- Non-trade	(37)	-	N/M
Depreciation of property, plant and equipment	(779)	(878)	(11)
Interest expense on borrowings	(9,531)	(4,598)	107
Interest income	529	675	(22)
Net foreign exchange gain	8,155	14,220	(43)
Property, plant and equipment written off	-	(178)	N/M
Rental expenses on operating leases	(4,396)	(4,286)	3
Write-back of doubtful debts (Non-trade)	1,625	-	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 2017

	Group		Company	
	31 Mar 2017 (RMB'000)	31 Dec 2016 (RMB'000)	31 Mar 2017 (RMB'000)	31 Dec 2016 (RMB'000)
ASSETS				
Current assets				
Cash at bank and on hand	153,339	184,778	3,845	24,479
Fixed deposits	309,978	310,406		
Cash pledged with bank	66,367	91,553	-	-
Trade receivables	83,731	114,794	-	-
Other receivables	1,292,379	748,138	101,242	104,806
Finance lease receivables	13,998	13,832	-	-
Inventories	276,790	278,962	-	-
	2,196,582	1,742,463	105,087	129,285
Non-current assets				
Trade receivables	6,983	11,167	-	-
Other receivables	-	-	6,997	11,198
Finance lease receivables	46,781	50,551	-	-
Investment in associated companies	1,278	2,504	-	-
Investment in subsidiaries	-	-	590,808	575,124
Property, plant and equipment	8,407	7,006	132	136
Intangible assets – Brand, technical knowhow and ship-design engineering software licences	74,386	75,021	-	-
Intangible assets – Goodwill	107,602	106,796	-	-
Available-for-sale financial assets	11	11	-	-
Deferred tax assets	1,148	1,545	-	-
	246,596	254,601	597,937	586,458
Total assets	2,443,178	1,997,064	703,024	715,743
LIABILITIES				
Current liabilities				
Trade payables	70,589	67,541	13,795	28,027
Advances received	306,953	253,333	68,783	66,957
Other payables and accruals	230,191	242,957	19,280	23,940
Due to subsidiaries (non-trade)	-	-	281,421	283,934
Borrowings	1,144,812	703,520	221,886	215,996
Finance lease liabilities	1,059	1,042	-	-
Current income tax liabilities	18,107	19,241	-	-
	1,771,711	1,287,634	605,165	618,854

	Group		Company	
	31 Mar 2017 (RMB'000)	31 Dec 2016 (RMB'000)	31 Mar 2017 (RMB'000)	31 Dec 2016 (RMB'000)
Non-current liabilities				
Borrowings	454,560	492,240	-	-
Finance lease liabilities	755	755	-	-
Deferred tax liabilities	15,971	16,928	-	-
Due to subsidiaries (non-trade)	-	-	8,937	8,767
	471,286	509,923	8,937	8,767
Total liabilities	2,242,997	1,797,557	614,102	627,621
NET ASSETS	200,181	199,507	88,922	88,122

EQUITY

Capital and reserves attributable to equity holders of the Company

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	16,712	16,712	-	-
Currency translation reserve	(20,509)	(8,209)	(896)	(3,277)
Retained profits/(accumulated losses)	29,811	18,020	(21,848)	(20,267)
	135,531	136,040	88,922	88,122
Non-controlling interests	64,650	63,467	-	-
Total equity	200,181	199,507	88,922	88,122

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

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

As at 31 Mar 2017	
Secured (RMB'000)	Unsecured (RMB'000)
1,059	1,144,812

As at 31 Dec 2016	
Secured (RMB'000)	Unsecured (RMB'000)
1,042	703,520

(B) Amount repayable after one year

As at 31 Mar 2017	
Secured (RMB'000)	Unsecured (RMB'000)
755	454,560

As at 31 Dec 2016	
Secured (RMB'000)	Unsecured (RMB'000)
755	492,240

(C) Details of any collaterals

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

USD19,411,000 (equivalent to approximately RMB133,766,000) of the loans from non-controlling interests and related corporation 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.

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 2017

	First Quarter	
	Group	Group
	1 Jan 17 to 31 Mar 17 (RMB'000)	1 Jan 16 to 31 Mar 16 (RMB'000)
Cash flow from operating activities		
Profit before income tax	16,124	3,747
Adjustments for:		
Amortisation of intangible assets	1,311	1,274
Write-back of doubtful debts (non-trade)	(1,625)	-
Bad debts written off		
-Trade	-	445
- Non-trade	37	-
Depreciation of property, plant and equipment	779	878
Interest expenses	9,531	4,598
Interest income	(529)	(675)
Property, plant and equipment written off	-	178
Share of (profit)/loss of associated companies	(149)	23
Unrealised currency translation gains	(14,188)	(11,623)
	<u>11,291</u>	<u>(1,155)</u>
Changes in working capital:		
Inventories	(450)	21,831
Trade and other receivables	(502,907)	(209,563)
Trade and other payables	(10,549)	(33,917)
Advance received	53,619	206,485
Cash used in operations	<u>(448,996)</u>	<u>(16,319)</u>
Interest received	429	539
Income tax paid	<u>(2,396)</u>	<u>(2,718)</u>
Net cash used in operating activities	<u>(450,963)</u>	<u>(18,498)</u>

	First Quarter	
	Group 1 Jan 17 to 31 Mar 17 (RMB'000)	Group 1 Jan 16 to 31 Mar 16 (RMB'000)
Cash flow from investing activities		
Additions to property, plant and equipment (Note A)	(1,796)	(448)
Additions to intangible assets	(102)	(303)
Net cash used in investing activities	(1,898)	(751)
Cash flow from financing activities		
Interest paid	(8,264)	(3,266)
Decrease/(increase) in cash pledged with bank	25,186	(78,422)
Proceeds from borrowings	434,914	53,827
Proceeds from finance leases	3,604	-
Repayment of shareholder's loan	-	(3,166)
Repayment of finance lease liabilities	(328)	(319)
Repayment of borrowings	(33,473)	-
Net cash provided by/(used in) financing activities	421,639	(31,346)
Net decrease in cash and cash equivalents	(31,222)	(50,595)
Cash and cash equivalents		
Beginning of financial year	495,184	316,963
Effect of currency translation on cash and cash equivalents	(645)	(442)
Cash and cash equivalents at end of the financial period	463,317	265,926

Note A: Purchase of plant and equipment

During 1Q2017, the Group acquired property, plant and equipment with an aggregate cost of RMB2,126,000 (1Q2016: RMB847,000) of which RMB330,000 (1Q2016: RMB399,000) was acquired by means of finance leases. Cash payments amounting to RMB1,796,000 (1Q2016: RMB448,000) were made to purchase property, plant and equipment.

1(d)(i) 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)	Currency translation reserve (RMB'000)	Retained profits (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 2017	101,237	11,944	(3,664)	16,712	(8,209)	18,020	136,040	63,467	199,507
Profit for the period	-	-	-	-	-	11,791	11,791	1,002	12,793
Other comprehensive (loss)/income	-	-	-	-	(12,300)	-	(12,300)	181	(12,119)
Total comprehensive (loss)/income for the period	-	-	-	-	(12,300)	11,791	(509)	1,183	674
Balance at 31 Mar 2017	101,237	11,944	(3,664)	16,712	(20,509)	29,811	135,531	64,650	200,181
Balance at 1 Jan 2016	101,237	11,944	(3,664)	14,735	1,669	48,572	174,493	62,352	236,845
Profit/(loss) for the period	-	-	-	-	-	5,129	5,129	(1,182)	3,947
Other comprehensive (loss)/income	-	-	-	-	(9,122)	-	(9,122)	1,133	(7,989)
Total comprehensive (loss)/income for the period	-	-	-	-	(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

Statement of Changes in Equity

	<u>Share capital</u> (RMB'000)	<u>Capital reserve</u> (RMB'000)	<u>Currency translation reserve</u> (RMB'000)	<u>Accumulated losses</u> (RMB'000)	<u>Total equity</u> (RMB'000)
<u>The Company</u>					
Balance at 1 Jan 2017	101,237	10,429	(3,277)	(20,267)	88,122
Loss for the period	-	-	-	(1,581)	(1,581)
Other comprehensive income	-	-	2,381	-	2,381
Total comprehensive income/(loss) for the period	-	-	2,381	(1,581)	800
Balance at 31 Mar 2017	<u>101,237</u>	<u>10,429</u>	<u>(896)</u>	<u>(21,848)</u>	<u>88,922</u>
Balance at 1 Jan 2016	101,237	10,429	(4,654)	(74,141)	32,871
Loss for the period	-	-	-	(2,698)	(2,698)
Other comprehensive income	-	-	1,327	-	1,327
Total comprehensive income/(loss) for the period	-	-	1,327	(2,698)	(1,371)
Balance at 31 Mar 2016	<u>101,237</u>	<u>10,429</u>	<u>(3,327)</u>	<u>(76,839)</u>	<u>31,500</u>

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

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

There were no changes to the issued share capital of the Company since 31 December 2016. As at 31 March 2017, 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 2017 (31 March 2016: 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 2016 and 31 March 2017, 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 2017 (31 March 2016: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 31 March 2017.

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 2016.

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.

	First Quarter	
	1 Jan 2017 to 31 Mar 2017	1 Jan 2016 to 31 Mar 2016
Earnings per ordinary share attributable to owners of the Company		
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	4.13	1.80
Weighted average number of ordinary shares	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	4.13	1.80
Weighted average number of ordinary shares	285,576,000	285,576,000

Basic earnings per ordinary share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is the same as the basic earnings per share for the three months ended 31 March 2017 and 2016 as the Company has no potential dilutive ordinary shares.

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	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
Net asset value per share based on issued share capital (RMB cents)	47.46	47.64	31.14	30.86
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 17 to 31 Mar 17		1 Jan 16 to 31 Mar 16	
	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:				
Ship-design service	56,969	66.2	39,877	54.6
Shipbuilding project services				
- Project management	17,384	20.2	11,886	16.3
- Project financing	9,488	11.0	-	-
Shipbuilding construction service	-	-	21,238	29.0
Finance lease income	1,985	2.3	-	-
Others	278	0.3	89	0.1
Total revenue	86,104	100.0	73,090	100.0

Consolidated Statement of Comprehensive Income

Revenue

In 1Q2017, the Group's revenue was generated mainly from its ship-design service and shipbuilding project management and project financing services. The Group's revenue increased by RMB13 million or 18% to RMB86.1 million in 1Q2017 compared with 1Q2016. The increase was mainly due to: (1) Ship-design service revenue increasing by RMB17.1 million to RMB57.0 million due to variations in the percentage completion of ship-design work in progress; (2) Shipbuilding project management services income increasing by RMB5.5 million to RMB17.4 million, due to more projects being recognised during the period; (3) Shipbuilding project financing income increasing by RMB9.5 million arising from provision of financing to related party shipyards for the construction of vessels. No such income was earned in 1Q2016; and (4) Finance lease income increasing by RMB2.0 million arising from the sale of tug boats under finance lease agreement. No finance leasing income was earned in 1Q2016. The increase in revenue was partially offset by the decline in shipbuilding construction service revenue by RMB21.2 million due to completion of the Sri Lanka project in 2016.

Cost of sales and gross profit

Cost of sales decreased RMB5.7 million or 14% to RMB34.9 million in 1Q2017, attributed mainly to the completion of a shipbuilding contract. Gross profit increased 56% in 1Q2017, due mainly to increased contribution from the shipbuilding project management and project financing services, ship-design service and finance lease income.

Gross profit margin increased from 44% to 59%, mainly attributed to the increase in revenue from ship-design service, shipbuilding project management and financing services, and finance lease.

Other income

Other income consisted mainly of interest income. Other income decreased by RMB0.3 million to RMB0.8 million in 1Q2017, mainly due to decrease in interest income.

Other gains - net

Other gains in 1Q2017 amounted to RMB8.2 million which was attributed mainly to foreign exchange gains arising from receivables denominated in SGD which had strengthened against the 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.

For 1Q2017, the decrease in marketing and distribution expense of RMB1.4 million was mainly due to the reclassification of certain staff expenses incurred for research and development to administrative expenses.

Operating lease expenses remained stable at RMB1.4 million in 1Q2017.

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 RMB0.9 million or 3% to RMB28.9 million in 1Q2017. The decrease was mainly due to decline in legal and professional fee and office expenses.

Operating lease expenses remained stable at RMB3.0 million in 1Q2017.

The depreciation charge for plant and equipment amounted to RMB0.8 million in 1Q2017. Amortisation of intangible assets amounted to RMB1.3 million in 1Q2017, mainly arising from the amortisation of software, technical knowhow and brand name from Deltamarin Group.

Finance expenses

Finance expenses increased RMB4.6 million or 93% to RMB9.6 million in 1Q2017, mainly due to increased borrowings obtained by the Group from banks in China.

Share of profit of associated companies

The share of profit from associated companies in 1Q2017 amounted to RMB0.1 million compared to a marginal loss in 1Q2016.

Income tax expense

The operating subsidiaries in China and Finland are subject to income tax rates of 25% and 20% respectively. Income tax expense increased RMB3.4 million to RMB3.2 million in 1Q2017. The increase was due to higher profits earned by the Group's subsidiaries in China and Finland during the period.

Profit for the period

After taking into account income tax expense and non-controlling interests, net profit attributable to shareholders for 1Q2017 was RMB11.8 million, an increase of 130% over the RMB5.1 million profit in 1Q2016.

Statement of Financial Position

Current assets

As at 1Q2017, the Group's cash at bank and on hand balances and fixed deposits amounted to RMB463.3 million, representing a decrease of RMB31.9 million from RMB495.2 million as at 31 December 2016. Cash pledged with bank decreased RMB25.2 million to RMB66.4 million and this is mainly due to release of payment for shipbuilding supplies.

Trade receivables decreased RMB31.2 million to RMB83.7 million as at 31 March 2017, comprising mainly: (1) RMB21.4 million due from customers on construction contracts, (2) RMB10.4 million arising from ship-design and project consultancy services and (3) RMB51.8 million arising from shipbuilding project management services.

Other receivables, amounting to RMB1,292 million as at 31 March 2017, comprised mainly prepayments, other tax recoverable and non-trade receivables due from related corporation. Other receivables increased RMB544.2 million, mainly due to an increased amount of RMB559.5 million receivables from related party shipyards arising from shipbuilding project financing services provided to

the related party shipyards, and it is partially offset by (1) decrease in prepayment of RMB7.8 million for the purchase of shipbuilding material; and (2) decrease in tax recoverable amounted RMB5.2 million.

Inventories as at 31 March 2017 amounted to RMB276.8 million, compared to RMB279.0 million as at 31 December 2016.

Finance lease receivables as at 31 March 2017 amounted to RMB14 million, not materially different from that as at 31 December 2016.

Non-current assets

Property, plant and equipment comprised motor vehicles, computers and software, furniture and fixtures, and office equipment.

Investment in associated companies represented the total amount of investment in non-controlling entities held by the Deltamarin Group.

Available-for-sale financial assets represented investment shares held by the Deltamarin Group.

Intangible assets comprised software licenses, brand name and technical knowhow. Intangible assets amounted to RMB74.4 million as at 31 March 2017, a decrease of RMB0.6 million. The decrease was due to amortisation of RMB1.2 million, partially offset by the addition of intangible assets amounting to RMB0.1 million and a translation gain RMB0.5 million arising from the appreciation of the Euro against RMB.

The Group's goodwill had arisen from the acquisition of the Deltamarin Group in 2013 and the amount was recognised based on the purchase price allocation exercise performed previously in 2013. The goodwill amounted to RMB107.6 million as at 31 March 2017, RMB0.8 million higher than the RMB106.8 million as at 31 December 2016. The increase was due to a translation gain arising from the appreciation of Euro against the RMB.

Deferred tax assets represented the timing differences between accounting and tax bases, and are mainly derived from the operating subsidiaries in China.

Non-current portion of finance lease receivables decreased RMB3.8 million to RMB46.8 million as at 31 March 2017 as a result of payment from the buyer of tug boats which were sold 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 31 March 2017. Short term loans totalled RMB1,144.8 million due to classification of more long term loans as short term loans, and as more bank loans were obtained to finance working capital requirements.

Trade payables amounted to RMB70.6 million as at 31 March 2017 compared to RMB67.5 million as at 31 December 2016. The increase was mainly attributed to (1) RMB2.6 million from ship-design business, and (2) RMB0.5 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 RMB306.9 million as compared to RMB253.3 million as at 31 December 2016.

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 decreased by RMB12.4 million, attributed mainly to payment made for accrued staff cost of RMB15.5 million and it is partially offset by a RMB2.5 million increase in the amount due to related parties.

Income tax payable decreased by RMB1.3 million from RMB19.2 million to RMB18 million as at 31 March 2017 mainly due to payment of business tax during the financial period.

Non-current liabilities

Long-term portion of loan represented that portion of the loans raised that were repayable after 12 months as at 31 March 2017. Long-term borrowings decreased by RMB37.7 million to RMB454.6 million as at 31 March 2017.

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 2017 comprised a deemed contribution from the former immediate holding company as a result of initial recognition of shareholder's loan at fair value during the financial year ended 31 December 2012. There is no movement in capital reserve in 1Q2017.

Consolidated cash flow statements

Net cash outflow from operating activities in 1Q2017 was RMB451.0 million compared to net cash outflow of RMB18.5 million in the corresponding quarter last year. The increased cash outflow was due to increase in trade and other receivables arising from the substantial increase in project financing for vessel construction provided to related party shipyards.

Net cash used in investing activities was RMB1.9 million in this quarter. In 1Q2017, net cash inflow from financing activities amounted to RMB421.6 million, compared to net cash outflow of RMB31.3 million in 1Q2016 and this was mainly due to increase in new loans raised, partially offset by repayment of borrowings.

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.

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.

Despite some recent signs of recovery in the shipbuilding market, it will still take time for the oversupply of vessels to be absorbed. The market environment remains challenging.

The Group's strong capability in building dry bulk carriers positions it well to tap on the opportunities that may be brought about by the increase in demand for dry bulk. In addition, working closely in association with AVIC Dingheng, a shipyard within AVIC Group, AVIC Maritime is able to command a competitive position globally in the category of small-size (30,000 DWT and below) highly-specialized chemical tankers which are LNG ready and designed for operation in very cold waters. The Group, in association with its related shipyards, will continue to leverage on its expertise and further its track record in the building and delivery of specialized vessels, such as Ro-Pax vessels and chemical tankers, where demand is more resilient and promising.

Deltamarin will focus its resources on the design contracts it received in 2016, which included the design contract for the largest mega passenger vessel to be built. The contract was the largest Deltamarin had ever received. It is expected that the current design contracts in Deltamarin's order book will take up a high utilization rate for its design capacity for 2017 and following into 2018.

With its expertise and track record in designing complex and clean energy vessels, and its ability to integrate technology in ship design and shipbuilding, develop expertise in the R&D and the building of high-technology, high-value added vessels, Deltamarin is expected to continue to contribute positively to the Group, capitalizing on the synergies between Deltamarin and other members of the Group.

Shipbuilding project management service and ship-design service will continue to be our key drivers. We will continue to implement the strategy in cost rationalisation and direct more resources in developing higher margin businesses. With enhanced capital management and improve capital efficiency, as well as value creation through enhanced supply-chain related services and support from the AVIC Group, we shall strive to deliver better performance as market conditions become more favorable.

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 2017.

13 Summary of Interested Person Transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000) Note (A) and (B)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB'000) Note (A)
<u>1 Jan 2017 to 31 Mar 2017</u>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd		9,939
AVIC Dingheng Shipbuilding Co., Ltd		6,524
Transaction for Financial income		
AVIC Weihai Shipyard Co., Ltd		2,798
AVIC Dingheng Shipbuilding Co., Ltd		6,690
Transaction for Sales of good		
AVIC Dingheng Shipbuilding Co., Ltd		267
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd		11,197
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd		120,000
AVIC Weihai Shipyard Co., Ltd		377,000
<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

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 31 March 2017, 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 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.

16 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer.

Pursuant to Rule 704(10) of the Catalist Rules, the Board of Director of the Company would like to confirm that none of the persons occupying managerial positions in the Company or its principal subsidiaries are relatives of a Director or Chief Executive Officer or Substantial Shareholder of Company, for the three months ended 31 March 2017.

17 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 first quarter and three months ended 31 March 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dr Diao Weicheng
Executive Chairman
12 May 2017

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 Catalyst. 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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