



**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 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 Second Quarter ended 30 June 2017

	Second Quarter			Half Year		
	Group 1 Apr 17 to 30 Jun 17 (RMB'000)	Group 1 Apr 16 to 30 Jun 16 (RMB'000)	Change %	Group 1 Jan 17 to 30 Jun 17 (RMB'000)	Group 1 Jan 16 to 30 Jun 16 (RMB'000)	Change %
Revenue	171,928	91,691	88	258,032	164,782	57
Cost of sales	(91,146)	(57,356)	59	(126,039)	(97,966)	29
Gross profit	80,782	34,335	135	131,993	66,816	98
Other income	9,067	1,324	585	9,863	2,438	305
Other gains/(losses) - net	3,921	(6,657)	N/M	12,076	7,563	60
Expenses						
- Distribution and marketing	(11,470)	(10,348)	11	(18,724)	(19,048)	(2)
- Administrative	(41,530)	(28,309)	47	(70,409)	(58,071)	21
- Finance	(12,120)	(2,432)	398	(21,705)	(7,393)	194
- Other	2,080	478	335	3,610	(145)	N/M
Share of profit of associated companies	55	210	(74)	204	188	9
Profit/(loss) before income tax	30,785	(11,399)	N/M	46,908	(7,652)	N/M
Income tax expense	(10,330)	(2,748)	276	(13,660)	(2,548)	436
<b>Profit/(loss) after tax</b>	<b>20,455</b>	<b>(14,147)</b>	<b>N/M</b>	<b>33,248</b>	<b>(10,200)</b>	<b>N/M</b>
<b>Other comprehensive income/(loss):</b>						
Currency translation differences arising from consolidation	12,929	(10,296)	N/M	810	(18,285)	N/M
<b>Total comprehensive income/(loss)</b>	<b>33,384</b>	<b>(24,443)</b>	<b>N/M</b>	<b>34,058</b>	<b>(28,485)</b>	<b>N/M</b>
<b>Profit/(loss) attributable to:</b>						
Equity holders of the Company	19,828	(15,203)	N/M	31,619	(10,074)	N/M
Non-controlling interests	627	1,056	(41)	1,629	(126)	N/M
	<b>20,455</b>	<b>(14,147)</b>	<b>N/M</b>	<b>33,248</b>	<b>(10,200)</b>	<b>N/M</b>
<b>Total comprehensive income/(loss) attributable to:</b>						
Equity holders of the Company	28,437	(26,648)	N/M	27,925	(30,641)	N/M
Non-controlling interests	4,947	2,205	124	6,133	2,156	184
	<b>33,384</b>	<b>(24,443)</b>	<b>N/M</b>	<b>34,058</b>	<b>(28,485)</b>	<b>N/M</b>

**1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2017**

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 17 to 30 Jun 17	1 Apr 16 to 30 Jun 16		1 Jan 17 to 30 Jun 17	1 Jan 16 to 30 Jun 16	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
Amortisation of intangible assets	(1,434)	(1,285)	12	(2,745)	(2,559)	7
Depreciation of property, plant and equipment	(861)	(869)	(1)	(1,640)	(1,746)	(6)
Gain on disposal of property, plant and equipment	259	-	N/M	259	-	N/M
Interest expense on borrowings	(11,783)	(4,473)	163	(21,314)	(9,071)	135
Interest income	448	485	(8)	977	675	45
Net foreign exchange gain/(loss)	3,921	(6,657)	N/M	12,076	7,563	60
Property, plant and equipment written off	-	(2)	(100)	-	(180)	(100)
Rental expenses on operating leases	(5,308)	(4,247)	25	(9,704)	(8,532)	14
Writeback of provision for doubtful debts on non-trade receivables	2,022	481	320	3,610	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 2017**

	Group		Company	
	30 Jun 2017 (RMB'000)	31 Dec 2016 (RMB'000)	30 Jun 2017 (RMB'000)	31 Dec 2016 (RMB'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank and on hand	<b>233,748</b>	184,778	<b>32,942</b>	24,479
Fixed deposits	<b>315,302</b>	310,406	-	-
Cash pledged with bank	<b>60,323</b>	91,553	-	-
Trade receivables	<b>111,728</b>	114,794	-	-
Other receivables	<b>1,203,862</b>	748,138	<b>35,259</b>	28,311
Due from subsidiaries	-	-	<b>24,467</b>	76,495
Finance lease receivables	<b>14,105</b>	13,832	-	-
Inventories	<b>279,350</b>	278,962	-	-
	<b>2,218,418</b>	1,742,463	<b>92,668</b>	129,285

	Group		Company	
	30 Jun 2017 (RMB'000)	31 Dec 2016 (RMB'000)	30 Jun 2017 (RMB'000)	31 Dec 2016 (RMB'000)
<b>Non-current assets</b>				
Trade receivables	4,330	11,167	-	-
Due from subsidiaries	-	-	-	11,198
Finance lease receivables	42,645	50,551	-	-
Investment in associated companies	1,393	2,504	-	-
Investment in subsidiaries	-	-	589,793	575,124
Property, plant and equipment	8,965	7,006	123	136
Intangible assets – Brand, technical knowhow and ship-design engineering software licences	77,034	75,021	-	-
Intangible assets – Goodwill	113,207	106,796	-	-
Available-for-sale financial assets	12	11	-	-
Deferred tax assets	650	1,545	-	-
	<b>248,236</b>	<b>254,601</b>	<b>589,916</b>	<b>586,458</b>
<b>Total assets</b>	<b>2,466,654</b>	<b>1,997,064</b>	<b>682,584</b>	<b>715,743</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	333,521	253,917	52	28,027
Other payables and accruals	274,500	309,914	103,648	90,897
Due to subsidiaries	-	-	220,408	283,934
Borrowings	1,204,082	703,520	221,505	215,996
Finance lease liabilities	1,076	1,042	-	-
Current income tax liabilities	25,767	19,241	-	-
	<b>1,838,946</b>	<b>1,287,634</b>	<b>545,613</b>	<b>618,854</b>
<b>Non-current liabilities</b>				
Borrowings	378,989	492,240	-	-
Finance lease liabilities	695	755	-	-
Deferred tax liabilities	16,041	16,928	-	-
Due to subsidiaries (non-trade)	-	-	8,991	8,767
	<b>395,725</b>	<b>509,923</b>	<b>8,991</b>	<b>8,767</b>
<b>Total liabilities</b>	<b>2,234,671</b>	<b>1,797,557</b>	<b>554,604</b>	<b>627,621</b>
<b>NET ASSETS</b>	<b>231,983</b>	<b>199,507</b>	<b>127,980</b>	<b>88,122</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
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	(11,903)	(8,209)	(1,030)	(3,277)
Retained profits/(accumulated losses)	49,639	18,020	17,344	(20,267)
	<b>163,965</b>	<b>136,040</b>	<b>127,980</b>	<b>88,122</b>
<b>Non-controlling interests</b>	<b>68,018</b>	<b>63,467</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>231,983</b>	<b>199,507</b>	<b>127,980</b>	<b>88,122</b>

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

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

As at 30 Jun 2017		As at 31 Dec 2016	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
1,076	1,204,082	1,042	703,520

**(B)** Amount repayable after one year

As at 30 Jun 2017		As at 31 Dec 2016	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
695	378,989	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 RMB134,807,000) 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 Second Quarter ended 30 June 2017

	Second Quarter		Half Year	
	Group 1 Apr 17 to 30 Jun 17 (RMB'000)	Group 1 Apr 16 to 30 Jun 16 (RMB'000)	Group 1 Jan 17 to 30 Jun 17 (RMB'000)	Group 1 Jan 16 to 30 Jun 16 (RMB'000)
<b>Cash flow from operating activities</b>				
Profit/(loss) before income tax	30,785	(11,399)	46,908	(7,652)
Adjustments for:				
- Amortisation of intangible assets	1,434	1,285	2,745	2,559
- Depreciation of property, plant and equipment	861	869	1,640	1,746
- Gain on disposal of property, plant and equipment	(259)	-	(259)	-
- Interest expenses	11,783	4,473	21,314	9,071
- Interest income	(448)	(485)	(977)	(1,159)
- Property, plant and equipment written off	-	2	-	180
- Writeback of provision for doubtful debts on non-trade receivables	(2,022)	(481)	(3,610)	(36)
- Share of profit of associated companies	(55)	(210)	(204)	(188)
- Unrealised currency translation losses/(gains)	1,296	4,111	(12,892)	(7,513)
	43,375	(1,835)	54,665	(2,992)

	Second Quarter		Half Year	
	Group 1 Apr 17 to 30 Jun 17 (RMB'000)	Group 1 Apr 16 to 30 Jun 16 (RMB'000)	Group 1 Jan 17 to 30 Jun 17 (RMB'000)	Group 1 Jan 16 to 30 Jun 16 (RMB'000)
Changes in working capital:				
- Inventories	62	12,371	(388)	34,201
- Trade and other receivables	53,475	87,555	(449,431)	(122,008)
- Trade and other payables	1,120	(45,507)	44,190	127,062
Cash generated from/(used in) operations	98,032	52,584	(350,964)	36,263
Interest received	548	485	977	1,023
Income tax paid	(5,852)	(859)	(8,248)	(3,577)
<b>Net cash generated from/(used in) operating activities</b>	<b>92,728</b>	<b>52,210</b>	<b>(358,235)</b>	<b>33,709</b>
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment (Note A)	(99)	(3)	(1,895)	(451)
Additions to intangible assets	(95)	(679)	(197)	(982)
Proceeds from sale of property, plant and equipment	259	-	259	-
Dividends received	1,395	-	1,395	-
<b>Net cash provided by/(used in) investing activities</b>	<b>1,460</b>	<b>(682)</b>	<b>(438)</b>	<b>(1,433)</b>
<b>Cash flow from financing activities</b>				
Dividends paid to non-controlling interests	(1,539)	-	(1,539)	-
Interest paid	(8,754)	(4,415)	(17,018)	(7,682)
Increase/(decrease) in cash pledged with bank	6,044	(41,840)	31,230	(120,262)
Proceeds from borrowings	50,124	83,444	485,038	137,271
Proceeds from finance leases	6,271	-	9,875	-
Repayment of shareholder's loan	-	-	-	(3,166)
Repayment of finance lease liabilities	(410)	(309)	(738)	(628)
Repayment of borrowings	(57,952)	(126,761)	(91,425)	(126,761)
<b>Net cash (used in)/ provided by financing activities</b>	<b>(6,216)</b>	<b>(89,881)</b>	<b>415,423</b>	<b>(121,228)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>87,972</b>	<b>(38,353)</b>	<b>56,750</b>	<b>(88,952)</b>
<b>Cash and cash equivalents</b>				
Beginning of financial year	463,317	265,926	495,184	316,963
Effect of currency translation on cash and cash equivalents	(2,239)	3,479	(2,884)	3,041
<b>End of the financial period</b>	<b>549,050</b>	<b>231,052</b>	<b>549,050</b>	<b>231,052</b>

Note A: Purchase of plant and equipment

During 2Q2017, the Group acquired property, plant and equipment with an aggregate cost of RMB303,000 (2Q2016: RMB226,000) of which RMB204,000 (2Q2016: RMB223,000) was acquired by means of finance leases. Cash payments amounting to RMB99,000 (2Q2016: RMB3,000) 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	Capital reserve	Merger reserve	Statutory reserve	Currency translation reserve	Retained profits	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)
<b>The Group</b>									
<b>Balance at 1 Jan 2017</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>16,712</b>	<b>(8,209)</b>	<b>18,020</b>	<b>136,040</b>	<b>63,467</b>	<b>199,507</b>
Profit for the period	-	-	-	-	-	11,791	11,791	1,002	12,793
Other comprehensive (loss)/income	-	-	-	-	(12,300)	-	(12,300)	181	(12,119)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,300)</b>	<b>11,791</b>	<b>(509)</b>	<b>1,183</b>	<b>674</b>
<b>Balance at 31 Mar 2017</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>16,712</b>	<b>(20,509)</b>	<b>29,811</b>	<b>135,531</b>	<b>64,650</b>	<b>200,181</b>
Profit for the period	-	-	-	-	-	19,828	19,828	627	20,455
Other comprehensive income	-	-	-	-	8,606	-	8,606	4,323	12,929
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,606</b>	<b>19,828</b>	<b>28,434</b>	<b>4,950</b>	<b>33,384</b>
Distributions to non-controlling interests	-	-	-	-	-	-	-	(1,582)	(1,582)
<b>Total transactions with owners, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,582)</b>	<b>(1,582)</b>
<b>Balance at 30 Jun 2017</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>16,712</b>	<b>(11,903)</b>	<b>49,639</b>	<b>163,965</b>	<b>68,018</b>	<b>231,983</b>
<b>Balance at 1 Jan 2016</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>14,735</b>	<b>1,669</b>	<b>48,572</b>	<b>174,493</b>	<b>62,352</b>	<b>236,845</b>
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)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,122)</b>	<b>5,129</b>	<b>(3,993)</b>	<b>(49)</b>	<b>(4,042)</b>
<b>Balance at 31 Mar 2016</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>14,735</b>	<b>(7,453)</b>	<b>53,701</b>	<b>170,500</b>	<b>62,303</b>	<b>232,803</b>
(Loss)/profit for the period	-	-	-	-	-	(15,203)	(15,203)	1,056	(14,147)
Other comprehensive (loss)/income	-	-	-	-	(11,445)	-	(11,445)	1,149	(10,296)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,445)</b>	<b>(15,203)</b>	<b>(26,648)</b>	<b>2,205</b>	<b>(24,443)</b>
<b>Balance at 30 Jun 2016</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>14,735</b>	<b>(18,898)</b>	<b>38,498</b>	<b>143,852</b>	<b>64,508</b>	<b>208,360</b>

	Share capital	Capital reserve	Currency translation reserve	Retained profits/ (accumulated losses)	Total equity
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>The Company</b>					
<b>Balance at 1 Jan 2017</b>	<b>101,237</b>	<b>10,429</b>	<b>(3,277)</b>	<b>(20,267)</b>	<b>88,122</b>
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
<b>Balance at 31 Mar 2017</b>	<b>101,237</b>	<b>10,429</b>	<b>(896)</b>	<b>(21,848)</b>	<b>88,922</b>
Profit for the period	-	-	-	39,192	39,192
Other comprehensive loss	-	-	(134)	-	(134)
Total comprehensive (loss)/income for the period	-	-	(134)	39,192	39,058
<b>Balance at 30 Jun 2017</b>	<b>101,237</b>	<b>10,429</b>	<b>(1,030)</b>	<b>17,344</b>	<b>127,980</b>
<b>Balance at 1 Jan 2016</b>	<b>101,237</b>	<b>10,429</b>	<b>(4,654)</b>	<b>(74,141)</b>	<b>32,871</b>
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)
<b>Balance at 31 Mar 2016</b>	<b>101,237</b>	<b>10,429</b>	<b>(3,327)</b>	<b>(76,839)</b>	<b>31,500</b>
Loss for the period	-	-	-	(3,606)	(3,606)
Other comprehensive income	-	-	850	-	850
Total comprehensive income/(loss) for the period	-	-	850	(3,606)	(2,756)
<b>Balance at 30 Jun 2016</b>	<b>101,237</b>	<b>10,429</b>	<b>(2,477)</b>	<b>(80,445)</b>	<b>28,744</b>

- 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 30 June 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 30 June 2017 (30 June 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 30 June 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 30 June 2017 (30 June 2016: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 June 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.**

	Second Quarter		Half Year	
	1 Apr 2017 to 30 Jun 2017	1 Apr 2016 to 30 Jun 2016	1 Jan 2017 to 30 Jun 2017	1 Jan 2016 to 30 Jun 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)	6.94	(5.32)	11.07	(3.53)
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)	6.94	(5.32)	11.07	(3.53)
Weighted average number of ordinary shares	285,576,000	285,576,000	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 half year ended 30 June 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	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Net asset value per share based on issued share capital (RMB cents)	57.42	47.64	44.81	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.

The Group	Second Quarter				Half Year			
	1 Apr 17 to 30 Jun 17		1 Apr 16 to 30 Jun 16		1 Jan 17 to 30 Jun 17		1 Jan 16 to 30 Jun 16	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Ship-design service	73,932	43.0	41,712	45.5	130,901	50.7	81,590	49.5
Shipbuilding project services								
- Project management	15,092	8.8	12,987	14.2	32,476	12.6	24,873	15.1
- Project financing	23,302	13.6	-	-	32,790	12.7	-	-
Shipbuilding construction service	57,310	33.3	33,094	36.1	57,310	22.2	54,332	33.0
Finance lease income	1,825	1.1	-	-	3,810	1.5	-	-
Others	467	0.2	3,898	4.2	745	0.3	3,987	2.4
Total revenue	171,928	100.0	91,691	100.0	258,032	100.0	164,782	100.0

### Consolidated Statement of Comprehensive Income

#### Revenue

In 2Q2017, the Group's revenue was generated mainly from its ship-design service, shipbuilding construction service and shipbuilding project management and financing services. The Group's revenue increased by RMB80.2 million or 88% to RMB171.9 million in 2Q2017 compared with 2Q2016. The increase was mainly due to: (1) Shipbuilding construction service revenue increasing by RMB24.2 million to RMB57.3 million due to a new shipbuilding contract for four vessels that commenced during the quarter; (2) Ship-design service revenue increasing by RMB32.2 million to RMB73.9 million; (3) Shipbuilding project management services income increasing by RMB2.1 million to RMB15.1 million, due to more projects being recognised during the period; (4) Shipbuilding project financing income increasing by RMB23.3 million arising from provision of financing to related party shipyards for the construction of vessels. No such income was earned in 2Q2016; and (5) Finance lease income increasing by RMB1.8 million arising from the sale of tug boats under finance lease agreement. No finance leasing income was earned in 2Q2016.

#### Cost of sales and gross profit

Cost of sales increased RMB33.8 million or 59% to RMB91.1 million in 2Q2017, attributed mainly to the new shipbuilding contract. Gross profit increased 135% in 2Q2017, due mainly to increased contributions from the ship-design service, shipbuilding project management and financing services, and shipbuilding construction service.

Gross profit margin increased from 37% to 47%, mainly attributed to the increase in revenue from ship-design service, and shipbuilding project management and financing services.

#### Other income

Other income consisted mainly of government grants and interest income. Other income increased by RMB7.7 million to RMB9.1 million in 2Q2017, mainly due to increase in government grants.

#### Other gains/(losses) - net

Other gains in 2Q2017 amounted to RMB3.9 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 2Q2017, the increase in marketing and distribution expense of RMB1.1 million was mainly due to the increase of employee benefits and operating lease expenses.

#### Administrative expenses

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

Administrative expenses increased RMB13.2 million or 47% to RMB41.5 million in 2Q2017. The increase was mainly due to increase in research and development expenses and accrual of staff incentive payments.

The depreciation charge for plant and equipment amounted to RMB0.9 million in 2Q2017. Amortisation of intangible assets amounted to RMB1.4 million in 2Q2017, mainly arising from the amortisation of software, technical knowhow and brand name from Deltamarin Group.

#### Finance expenses

Finance expenses increased RMB9.7 million or 398% to RMB12.1 million in 2Q2017, mainly due to increased borrowings.

#### Share of profit of associated companies

The share of profit from associated companies in 2Q2017 amounted to RMB0.1 million compared to RMB0.2 million in 2Q2016.

#### 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 RMB7.6 million to RMB10.3 million in 2Q2017. 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 2Q2017 was RMB19.8 million, compared to a RMB15.2 million loss in 2Q2016.

### **Statement of Financial Position**

#### Current assets

As at 30 June 2017, the Group's cash at bank and on hand balances and fixed deposits amounted to RMB549.1 million, an increase of RMB53.9 million from RMB495.2 million as at 31 December 2016. Cash pledged with bank decreased RMB31.2 million to RMB60.3 million and this was mainly due to release of payment for shipbuilding supplies.

Trade receivables comprised mainly advance payment on construction contracts, receivables arising from ship-design service and receivables arising from shipbuilding project management services. There was no material change in the aggregate trade receivables.

Other receivables, amounting to RMB1,203.9 million as at 30 June 2017, comprised mainly non-trade receivables due from related corporation and prepayments. Other receivables increased RMB455.7 million, mainly due to an increased amount of RMB497.0 million receivables arising from shipbuilding project financing services provided to related party shipyards, partially offset by a RMB63.7 million decrease in receivables from a third party shipyard.

Finance lease receivables, amounting to RMB14.1 million as at 30 June 2017, arose from the sale of two tug boats under a finance lease agreement.

#### 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 RMB77.0 million as at 30 June 2017, an increase of RMB2.0 million. The increase was due to a translation gain arising from the appreciation of Euro against the RMB, partially offset by the current amortisation.

The Group's goodwill had arisen from the acquisition of the Deltamarin Group in 2013. The goodwill amounted to RMB113.2 million as at 30 June 2017, RMB6.4 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 were derived from the operating subsidiaries in China and Finland.

Non-current portion of finance lease receivables decreased RMB7.9 million to RMB42.6 million as at 30 June 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 30 June 2017. Short term loans totalled RMB1,204.1 million due to reclassification of long term loans to short term loans, and further bank loans obtained to finance working capital requirements.

Trade payables amounted to RMB333.5 million as at 30 June 2017 compared to RM253.9 million as at 31 December 2016. The increase was mainly attributed to increase of advance receipts from shipbuilding management services.

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 RMB35.4 million, attributed mainly to decrease in amount due to related parties from shipbuilding management services.

Income tax payable increased by RMB6.5 million from RMB19.2 million to RMB25.8 million as at 30 June 2017 mainly due to accruals of income tax for current 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 2017. Long-term borrowings decreased by RMB113.3 million to RMB379.0 million as at 30 June 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 30 June 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 was no movement in capital reserve in 2Q2017.

## **Consolidated cash flow statements**

Net cash inflow from operating activities in 2Q2017 was RMB92.7 million compared to net cash inflow of RMB52.2 million in the corresponding quarter last year. The increased cash inflow was due to increase in operating profit and changes in receivables.

In 2Q2017, net cash outflow from financing activities amounted to RMB6.2 million, compared to net cash outflow of RMB89.9 million in 2Q2016 and this was mainly due to decrease in cash pledged with bank, and decrease in repayment of bank loans.

**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.**

After years of cyclical downturn in the shipbuilding market, some segments, such as dry bulk carriers, started to show signs of recovery in 2017. The spike in vessel scraping rate eased the overcapacity, and shipping demand and charter rates stabilized, supported by higher volume of iron ore transportation and other international trades. While there were signs of recovery in certain segments so far in 2017, such as dry bulk carriers, the overall shipbuilding market remained tepid. The 53 key shipbuilding companies in China collectively received new shipbuilding orders of 10.4 million DWT in 1H2017, 30.7% lower compared to 1H2016; total outstanding order book was 78.3 million DWT as of 30 June, 2017, 31.7% lower compared to 30 June, 2016<sup>1</sup>.” In the near term, while uncertainties will remain in the overall shipbuilding market, demand and the outlook for certain types, such as clean-energy vessels and specialized vessels, are more promising. Seaborne trade will remain a dominant part in international trade. As China’s Belt and Road initiative gains momentum, it will further stimulate the demand for international shipping and infrastructure-related vessels. The rules and regulations enforced by the International Maritime Organization are expected to have profound impact to the shipbuilding and shipping industries, both in terms of triggering demand for green vessels, and changing the landscape of the industry.

In close partnership with our related shipyards in the AVIC Group, we established a strong position in building specialized vessels. AVIC Dingheng, a related shipyard, strengthened its competitive position in small-size (30,000 DWT and below) chemical tanker category, with its outstanding order book ranking No.1 in the world<sup>2</sup>. AVIC Weihai, another related shipyard, also made good progress in upgrading its capability and product mix. In June 2017, AVIC Weihai delivered the 6000-ton subsea rock installation vessel to the customer. The vessel, the first of its kind ever built and delivered by a Chinese shipyard, is designed with world-leading technologies.

In July 2017, Deltamarin entered into contracts with Xiamen Shipbuilding Industry Co., Ltd in China to provide basic and detailed design, engineering and construction support services for a ro-pax vessel to be built for an established Finland customer. The aggregate value of the contracts exceeds Euro 11 million. Together with the largest mega passenger vessel design contract received in 2016, Deltamarin will see high capacity utilization in 2017 and 2018. With its expertise and track record in designing complex and clean energy vessels, Deltamarin is expected to continue to contribute positively to the Group, capitalizing on the synergies between Deltamarin and other business segments of the Group.

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<sup>1</sup> [http://www.eworldship.com/html/2017/LocalShipbuilding\\_0721/130280.html](http://www.eworldship.com/html/2017/LocalShipbuilding_0721/130280.html)

<sup>2</sup> As of May 2017

**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 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)
<b><u>1 Apr 2017 to 30 Jun 2017</u></b>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	8,103
AVIC Dingheng Shipbuilding Co., Ltd	-	6,575
Transaction for Financial income		
AVIC Weihai Shipyard Co., Ltd	-	10,016
AVIC Dingheng Shipbuilding Co., Ltd	-	13,447
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	15,457
AVIC Dingheng Shipbuilding Co., Ltd		690
Transaction for Rental expense		
Beijing CATIC Kaichang Industry & Trade Development Co., Ltd.	-	19
Transaction for Property management fees		
AVIC Property Management Co., Ltd.	-	448
Xiamen AVIC Property Management Co., Ltd.		14
Transaction for Training expense		
AVIC International Holding Corporation	-	6
<b><u>1 Jan 2017 to 30 Jun 2017</u></b>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	18,042
AVIC Dingheng Shipbuilding Co., Ltd	-	13,099
Transaction for Financial income		
AVIC Weihai Shipyard Co., Ltd	-	12,815
AVIC Dingheng Shipbuilding Co., Ltd	-	20,137

Transaction for Sale of good		
AVIC Dingheng Shipbuilding Co., Ltd	-	267
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	26,655
AVIC Dingheng Shipbuilding Co., Ltd		690
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd	-	120,000
AVIC Weihai Shipyard Co., Ltd	-	377,000
Transaction for Rental expense		
Beijing CATIC Kaichang Industry & Trade Development Co., Ltd.	-	19
Transaction for Property management fees		
AVIC Property Management Co., Ltd.	-	448
Xiamen AVIC Property Management Co., Ltd.		14
Transaction for Training expense		
AVIC International Holding Corporation	-	6
<b><u>1 Apr 2016 to 30 Jun 2016</u></b>		
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
<b><u>1 Jan 2016 to 30 Jun 2016</u></b>		
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

**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 June 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 half year ended 30 June 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 half year ended 30 June 2017 to be false or misleading in any material aspect.

### On behalf of the Board of Directors

Dr Diao Weicheng  
Executive Chairman  
14 Aug 2017

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*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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