



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 2018
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 2018

	First Quarter		Change
	Group 1 Jan 18 to 31 Mar 18	Group 1 Jan 17 to 31 Mar 17	
	(RMB'000)	(RMB'000)	%
Revenue	140,784	86,104	64
Cost of sales	(65,736)	(34,893)	88
Gross profit	75,048	51,211	47
Other income	2,460	796	209
Other gains - net	2,349	8,155	(71)
Expenses			
- Distribution and marketing	(7,602)	(7,254)	5
- Administrative	(30,273)	(28,879)	5
- Finance	(19,823)	(9,585)	107
- Other	(147)	1,530	N/M
Share of profit of associated companies	258	149	73
Profit before income tax	22,270	16,123	38
Income tax expense	(5,182)	(3,330)	56
Profit after tax	17,088	12,793	34
Other comprehensive loss:			
Currency translation differences arising from consolidation	4,957	(12,119)	N/M
Total comprehensive income	22,045	674	N/M
Profit attributable to:			
Equity holders of the Company	13,991	11,791	19
Non-controlling interests	3,097	1,002	209
	17,088	12,793	34

	First Quarter		
	Group	Group	Change
	1 Jan 18 to 31 Mar 18	1 Jan 17 to 31 Mar 17	
	(RMB'000)	(RMB'000)	%
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	20,104	(512)	N/M
Non-controlling interests	1,941	1,186	64
	22,045	674	N/M

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2018

	First Quarter		
	Group	Group	Change
	1 Jan 18 to 31 Mar 18	1 Jan 17 to 31 Mar 17	
	(RMB'000)	(RMB'000)	%
Amortisation of intangible assets	(1,428)	(1,311)	9
Depreciation of property, plant and equipment	(872)	(779)	12
Interest expense on borrowings	(19,690)	(9,531)	107
Interest income	1,199	529	127
Net foreign exchange gain/(loss)	2,349	8,155	(71)
Rental expenses on operating leases	(3,980)	(4,396)	(9)
Reversal of impairment loss on non-trade receivables	-	(37)	N/M
Reversal of impairment loss on trade receivables	(147)	-	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 2018

	Group		Company	
	31 Mar 2018 (RMB'000)	31 Dec 2017 (RMB'000)	31 Mar 2018 (RMB'000)	31 Dec 2017 (RMB'000)
ASSETS				
Current assets				
Cash at bank and on hand	261,626	135,024	6,385	4,373
Cash pledged with bank	12,003	25,555	-	-
Trade and other receivables	2,236,711	2,342,216	900	387
Due from subsidiaries	-	-	27,306	25,221
Finance lease receivables	14,139	14,411	-	-
Inventories	134,621	139,885	-	-
	2,659,100	2,657,091	34,591	29,981
Non-current assets				
Finance lease receivables	29,124	34,136	-	-
Investment in associated companies	5,603	5,371	-	-
Investment in subsidiaries	-	-	574,536	585,093
Property, plant and equipment	8,267	8,381	96	106
Intangible assets	73,954	74,917	-	-
Goodwill	113,106	114,049	-	-
Deferred tax assets	1,673	1,721	-	-
	231,727	238,575	574,632	585,199
Total assets	2,889,827	2,895,666	609,223	615,180
LIABILITIES				
Current liabilities				
Trade and other payables	348,351	313,162	47,528	55,845
Due to holding companies	2,789	2,789	-	-
Due to subsidiaries	-	-	243,759	234,811
Borrowings	1,990,196	1,918,705	191,800	195,324
Finance lease liabilities	913	953	-	-
Current income tax liabilities	22,935	18,538	-	-
	2,365,384	2,254,147	483,087	485,980
Non-current liabilities				
Borrowings	257,203	395,033	-	-
Finance lease liabilities	589	553	-	-
Deferred tax liabilities	15,229	15,556	-	-
Due to subsidiaries (non-trade)	-	-	9,458	9,488
	273,021	411,142	9,458	9,488
Total liabilities	2,638,405	2,665,289	492,545	495,468
NET ASSETS	252,422	230,377	116,678	119,712

	Group		Company	
	31 Mar 2018 (RMB'000)	31 Dec 2017 (RMB'000)	31 Mar 2018 (RMB'000)	31 Dec 2017 (RMB'000)
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	19,895	19,895	-	-
Currency translation reserve	(17)	(6,130)	(3,966)	(1,810)
Retained profits	55,657	41,666	8,978	9,856
	185,052	164,948	116,678	119,712
Non-controlling interests	67,370	65,429	-	-
Total equity	252,422	230,377	116,678	119,712

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

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

As at 31 Mar 2018	
Secured (RMB'000)	Unsecured (RMB'000)
913	1,990,196

As at 31 Dec 2017	
Secured (RMB'000)	Unsecured (RMB'000)
953	1,918,705

(B) Amount repayable after one year

As at 31 Mar 2018	
Secured (RMB'000)	Unsecured (RMB'000)
589	257,203

As at 31 Dec 2017	
Secured (RMB'000)	Unsecured (RMB'000)
553	395,033

(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.

USD13,452,000 (equivalent to approximately RMB87,898,000) 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 2018

	First Quarter	
	Group	Group
	1 Jan 18 to 31 Mar 18 (RMB'000)	1 Jan 17 to 31 Mar 17 (RMB'000)
Cash flow from operating activities		
Profit before income tax	22,270	16,123
Adjustments for:		
Amortisation of intangible assets	1,428	1,311
Depreciation of property, plant and equipment	872	779
Write-back of doubtful debts (non-trade)		(1,625)
Interest expenses	19,690	9,531
Interest income	(1,199)	(529)
Allowance for doubtful debts on non-trade receivables	-	(1,588)
Allowance for doubtful debts on trade receivables	147	-
Share of (profit)/loss of associated companies	(258)	(149)
Unrealised currency translation gains	(3,028)	(14,187)
	<u>39,922</u>	<u>11,291</u>
 Changes in working capital:		
Inventories	5,264	(450)
Trade and other receivables	105,652	(502,907)
Trade and other payables	18,907	43,070
Cash provided by/(used in) operations	<u>169,754</u>	<u>(448,996)</u>
 Interest received	1,199	429
Income tax paid	(6,110)	(2,396)
Net cash provided by/(used in) operating activities	<u>164,834</u>	<u>(450,963)</u>
 Cash flow from investing activities		
Additions to property, plant and equipment (Note A)	(954)	(1,796)
Additions to intangible assets	(1,076)	(102)
Net cash used in investing activities	<u>(2,030)</u>	<u>(1,898)</u>

First Quarter

	Group 1 Jan 18 to 31 Mar 18 (RMB'000)	Group 1 Jan 17 to 31 Mar 17 (RMB'000)
Cash flow from financing activities		
Dividends paid to non-controlling interests	(1,539)	-
Interest paid	(7,956)	(8,264)
Decrease/(increase) in cash pledged with bank	13,552	25,186
Proceeds from borrowings	75,000	434,914
Proceeds from finance leases	3,438	3,604
Repayment of finance lease liabilities	(914)	(328)
Repayment of borrowings	(109,493)	(33,473)
Net cash (used in)/provided by financing activities	(27,912)	421,639
Net increase/(decrease) in cash and cash equivalents	134,892	(31,222)
Cash and cash equivalents		
Beginning of financial year	134,754	495,184
Effect of currency translation on cash and cash equivalents	(8,020)	(645)
Cash and cash equivalents at end of the financial period	261,626	463,317

Note A: Purchase of plant and equipment

During 1Q2018, the Group acquired property, plant and equipment with an aggregate cost of RMB1,137,000 (1Q2017: RMB2,126,000) of which RMB183,000 (1Q2017: RMB330,000) was acquired by means of finance leases. Cash payments amounting to RMB954,000 (1Q2017: RMB1,796,000) 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 2018	101,237	11,944	(3,664)	19,895	(6,130)	41,666	164,948	65,429	230,377
Profit for the period	-	-	-	-	-	13,991	13,991	3,097	17,088
Other comprehensive (loss)/income	-	-	-	-	6,113	-	6,113	-1,156	4,957
Total comprehensive (loss)/income for the period	-	-	-	-	6,113	13,991	20,104	1,941	22,045
Balance at 31 Mar 2018	101,237	11,944	(3,664)	19,895	(17)	55,657	185,052	67,370	252,422
Balance at 1 Jan 2017	101,237	11,944	(3,664)	16,712	(8,209)	18,020	136,040	63,467	199,507
Profit/(loss) 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

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 2018	101,237	10,429	(1,810)	9,856	119,712
Loss for the period	-	-	-	(878)	(878)
Other comprehensive income	-	-	(2,156)	-	(2,156)
Total comprehensive income/(loss) for the period	-	-	(2,156)	(878)	(3,034)
Balance at 31 Mar 2018	<u>101,237</u>	<u>10,429</u>	<u>(3,966)</u>	<u>(8,978)</u>	<u>116,678</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>

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 2017. As at 31 March 2018, 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 2018 (31 March 2017: 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 2017 and 31 March 2018, 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 2018 (31 March 2017: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 31 March 2018.

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.

The accounting policy and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements, except as disclosed under paragraph 5 below.

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.

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is equivalent to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore Financial Reporting Standards (International)' ("SFRS(I)") hereinafter. As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I)s on 1 January 2018 and the Group's financial statements for 1Q2018 have been prepared in accordance with SFRS(I).

a) Application of SFRS(I) 1

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The adoption of SFRS(I) 1 did not have a material impact on the financial statements as the Group has decided not to elect any of the optional exemptions provided by SFRS(I) 1.

b) Adoption of SFRS(I) 9

SFRS(I) 9 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under SFRS(I) 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The adoption of SFRS(I) 9 did not have a material impact on the financial statements for the quarter ended 31 March 2018.

c) Adoption of SFRS(I) 15

The core principle of SFRS(I) 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

SFRS(I) 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has assessed each of its existing contract under the requirements of SFRS(I) 15 and concluded that all of these contracts has one performance obligation. Accordingly there is no change to the basis of revenue recognition from the prior years.

Following the presentation requirements in SFRS(I) 15, the Group will present due from customers on construction contracts as contract assets and due to customers on construction contract as contract liabilities.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>First Quarter</u>	
	<u>1 Jan 2018 to 31 Mar 2018</u>	<u>1 Jan 2017 to 31 Mar 2017</u>
Earnings per ordinary share attributable to owners of the Company		
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	4.90	4.13
Weighted average number of ordinary shares	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	4.90	4.13
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 2018 and 2017 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.

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2018</u>	<u>31 Dec 2017</u>	<u>31 Mar 2018</u>	<u>31 Dec 2017</u>
Net asset value per share based on issued share capital (RMB cents)	64.80	57.76	40.86	41.92
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>First Quarter</u>			
	<u>1 Jan 18 to 31 Mar 18</u>		<u>1 Jan 17 to 31 Mar 17</u>	
	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:				
Ship-design service	87,644	62.3	56,969	66.2
Shipbuilding project services				
- Project management	9,893	7.0	17,384	20.2
- Project financing	27,654	19.6	9,488	11.0
Shipbuilding construction service	14,123	10.0	-	-
Finance lease income	1,308	0.9	1,985	2.3
Others	162	0.2	278	0.3
Total revenue	<u>140,784</u>	<u>100.0</u>	<u>86,104</u>	<u>100.0</u>

Consolidated Statement of Comprehensive Income

Revenue

In 1Q2018, the Group's revenue was generated mainly from its ship-design service, shipbuilding project management and project financing services, and shipbuilding construction service. The Group's revenue increased by RMB54.7 million or 64% to RMB140.8 million in 1Q2018 compared with 1Q2017. The increase was mainly due to: (1) ship-design service revenue increasing by RMB30.7 million to RMB87.6 million due to more high value ship-design contracts secured this quarter; (2) shipbuilding project financing income increasing by RMB18.2 million to RMB27.7 million arising from provision of financing to related party shipyards for the construction of vessels; and (3) shipbuilding construction service revenue amounting to RMB14.1 million in 1Q2018, while no such revenue was recognised in 1Q2017. The revenue increase was partially offset by the RMB7.5 million reduction in shipbuilding project management service revenue in 1Q201, as most of the project management service contracts have been delivered.

Cost of sales and gross profit

Cost of sales increased RMB30.8 million or 88% to RMB65.7 million in 1Q2018, attributed mainly to the cost incurred in shipbuilding contract in 1Q2018, while there were no such costs incurred in 1Q2017. Gross profit increased 47% in 1Q2018, due mainly to increased contributions from the shipbuilding project financing service and ship-design service.

Gross profit margin decreased from 59% to 53%, mainly attributed to the lower margin shipbuilding construction service.

Other income

Other income consisted mainly of interest income and gains arising from restructuring of a subsidiary. Other income increased from RMB1.7 million in 1Q2017 to RMB2.5 million in 1Q2018, of which RMB1.2 million gains were from the restructuring of a subsidiary.

Other gains - net

Other gains in 1Q2018 amounted to RMB2.3 million which was attributed mainly to foreign exchange gains arising from receivables denominated in SGD which had strengthened against the USD. In 1Q2017, other gains amounted to RMB8.2 million.

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 1Q2018, the marketing and distribution expense increased slightly by RMB0.3 million or 5% to RMB7.6 million, mainly due to increase in expenditure for business development.

Operating lease expenses remained stable at RMB1.4 million in 1Q2018.

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 RMB1.4 million or 5% to RMB30.3 million in 1Q2018, due mainly to an increase in business development.

Operating lease expenses remained stable at RMB3.0 million in 1Q2018.

The depreciation charge for plant and equipment amounted to RMB0.8 million in 1Q2018. Amortisation of intangible assets amounted to RMB1.4 million, mainly arising from the amortisation of software, technical knowhow and brand name from Deltamarin Group.

Finance expenses

Finance expenses increased RMB10.2 million or 107% to RMB19.8 million in 1Q2018, mainly due to increased borrowings obtained by the Group from banks in China. The borrowings were used to fund the increasing level of project financing of shipbuilding construction undertaken by the Company's related shipyards.

Share of profit of associated companies

The share of profit from associated companies in 1Q2018 amounted to RMB0.3 million compared to RMB0.2 million in 1Q2017.

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 RMB1.9 million to RMB5.2 million in 1Q2018. 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 1Q2018 was RMB14.0 million, an increase of 19% over the RMB11.8 million profit in 1Q2017.

Statement of Financial Position

Current assets

As at 1Q2018, the Group's cash at bank and on hand balances amounted to RMB261.6 million, representing an increase of RMB126.6 million from RMB135.0 million as at 31 December 2017. Cash pledged with bank decreased RMB13.6 million to RMB12 million and this is mainly due to release of payment for shipbuilding supplies.

Trade and receivables decreased RMB106.9 million to RMB2,236.7 million as at 31 March 2018, comprising mainly: (1) RMB47.9 million due from customers on construction contracts, (2) RMB113 million arising from shipbuilding project management services and (3) RMB2,035 million arising from shipbuilding project financing service.

Inventories as at 31 March 2018 amounted to RMB134.6 million, compared to RMB139.9 million as at 31 December 2017.

Finance lease receivables as at 31 March 2018 amounted to RMB14 million, not materially different from that of RMB14.4 million as at 31 December 2017.

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.

Intangible assets comprised software licenses, brand name and technical knowhow. Intangible assets amounted to RMB74.0 million as at 31 March 2018, a decrease of RMB0.9 million. The decrease was mainly due to amortisation of RMB0.9 million, a translation loss of RMB0.7 million arising from the depreciation of Euro against the RMB, partially offset by RMB0.7 million increase of software licensing in Deltamarin Group.

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 RMB113.1 million as at 31 March 2018, RMB0.9 million lower than the RMB114.0 million as at 31 December 2017. The decrease was due to a translation loss arising from the depreciation 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 RMB5.0 million to RMB29.1 million as at 31 March 2018 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 2018. Short term loans totalled RMB1,990.2 million, RMB71.5 million higher than that as at 31 December 2017. The bank loans were used mainly to finance construction of vessels undertaken by the Company's related shipyards.

Trade and other payables amounted to RMB348.4 million as at 31 March 2018 compared to RMB313.2 million as at 31 December 2017. The increase was mainly attributed to RMB26.4 million advance payments received from clients under shipbuilding contracts.

Income tax payable increased by RMB4.1 million from RMB18.5 million to RMB22.6 million as at 31 March 2018 mainly due to increase in business tax payable 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 2018. Long-term borrowings decreased by RMB137.8 million to RMB257.2 million as at 31 March 2018.

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 2018 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 1Q2018.

Consolidated cash flow statements

Net cash inflow from operating activities in 1Q2018 was RMB164.8 million compared to net cash outflow of RMB451.0 million in the corresponding quarter last year. The increased cash inflow was due to the decrease of trade and other receivables following the completion and delivery of several vessels in 1Q2018.

Net cash used in investing activities was RMB2.0 million in this quarter compared to RMB1.9 million in the corresponding quarter of last year

In 1Q2018, net cash outflow from financing activities amounted to RMB27.9 million, compared to net cash inflow of RMB421.6 million in 1Q2017 and this was mainly due to decrease 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.

According to Clarksons Research, 211 new shipbuilding orders (18.4 million DWT) became effective globally in 1Q2018, compared to 241 new shipbuilding orders (7.2 million DWT) in 1Q2017. The strong order book momentum was supported by a healthy growth in international trade¹, ship owners' confidence in global economy and their long-term plans to buildup their fleets. Overall, the business environment has become more favourable, especially for dry bulkers and chemical tankers. In China, the ongoing consolidation in the shipbuilding industry will benefit companies with a strong competitive edge. However, market uncertainties remain in view of the risk of possible escalation of international trade disputes, which could have an adverse impact on the shipping and shipbuilding sectors.

The Group continues its strong working relationship with AVIC Dingheng Shipbuilding Co., Ltd and AVIC Weihai Shipyard Co., Ltd, both of which are related shipyards in the AVIC Group. The Group maintains close collaboration with the related shipyards in the AVIC Group in the design, shipbuilding management and construction of vessels. The related AVIC shipyards in the AVIC Group have extended their track record in vessel deliveries so far this year, including small containerships, chemical tankers and RORO ("Roll-on/Roll-off") vessels. The successful vessel deliveries have built a strong foundation for order growth.

Deltamarin has continued to build up its ship design order book, strengthening its leading position in the design of high-tech and green vessels in the world. In March 2018, Deltamarin Ltd signed a contract with Chinese Guangzhou Shipyard International Co, Ltd for consultancy and engineering services for the DFDS (Det Forenede Dampskibs-Selskab) ro-pax ferries. Together with several major vessel design orders in its order book, including the largest mega passenger vessel design contract received in 2016, Deltamarin will see high capacity utilization in 2018 and 2019.

The Group will continue to strengthen its foothold in niche segments, such as small chemical tankers and RORO vessels, where demand is more resilient. In order to cope with the IMO's emission rules and the increasing demand for clean energy vessels, the Group will focus on enhancing R&D capabilities and introducing innovative products. It will also continue to optimize the management, operational and cost structures for efficiency improvement.

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 2018.

¹ http://www.xinhuanet.com/english/2018-04/18/c_137120365.htm; http://www.xinhuanet.com/english/2018-04/19/c_137122559.htm

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 2018 to 31 Mar 2018</u>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd		4,640
AVIC Dingheng Shipbuilding Co., Ltd		5,286
Transaction for Financial income		
AVIC Weihai Shipyard Co., Ltd		12,509
AVIC Dingheng Shipbuilding Co., Ltd		14,943
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd		4,546
AVIC Dingheng Shipbuilding Co., Ltd		20
Balance for Provision of financial assistance		
AVIC Weihai Shipyard Co., Ltd		884,000
AVIC Dingheng Shipbuilding Co., Ltd		1,170,063
Transaction for Rental expense		
Beijing Kaichangji Trading Development Co., Ltd		19
China National Aero-Technology Shanghai Co., Ltd		217
Transaction for Property management fees		
AVIC Property Management Co., Ltd		253
Xiamen AVIC Property Management Co., Ltd		8
Transaction for Other expenses		
Beijing Fashion Rainbow Department Store Co. Ltd		31
Grand Skylight Hotel Management Co. Ltd		1
<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

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 2018, 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 2018.

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 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dr Diao Weicheng
Executive Chairman
15 May 2018

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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