



**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 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 30 June 2018

	Second Quarter			Half Year		
	Group 1 Apr 18 to 30 Jun 18 (RMB'000)	Group 1 Apr 17 to 30 Jun 17 (RMB'000)	Change %	Group 1 Jan 18 to 30 Jun 18 (RMB'000)	Group 1 Jan 17 to 30 Jun 17 (RMB'000)	Change %
Revenue	152,613	171,928	(11)	292,218	258,032	13
Cost of sales	(59,258)	(91,146)	(35)	(124,994)	(126,039)	(1)
Gross profit	93,355	80,782	16	167,224	131,993	27
Other income	2,332	9,067	(74)	4,792	9,863	(51)
Other gains - net	(4,331)	3,921	N/M	(1,982)	12,076	N/M
Expenses						
- Distribution and marketing	(7,706)	(11,470)	(33)	(15,308)	(18,724)	(18)
- Administrative	(42,358)	(41,530)	2	(72,631)	(70,409)	3
- Finance	(20,579)	(12,120)	70	(40,402)	(21,705)	86
- Other	(10)	2,080	N/M	(157)	3,610	N/M
Share of profit of associated companies	241	55	338	499	204	145
Profit before income tax	20,944	30,785	(32)	42,035	46,908	(10)
Income tax expense	(9,526)	(10,330)	(8)	(14,413)	(13,660)	6
<b>Profit after tax</b>	<b>11,418</b>	<b>20,455</b>	<b>(44)</b>	<b>27,622</b>	<b>33,248</b>	<b>(17)</b>
<b>Other comprehensive loss:</b>						
Currency translation differences arising from consolidation	(6,074)	12,929	N/M	(1,117)	810	N/M
<b>Total comprehensive income</b>	<b>5,344</b>	<b>33,384</b>	<b>(84)</b>	<b>26,505</b>	<b>34,058</b>	<b>(22)</b>
<b>Profit attributable to:</b>						
Equity holders of the Company	8,060	19,828	(59)	21,167	31,619	(33)
Non-controlling interests	3,358	627	436	6,455	1,629	296
	<b>11,418</b>	<b>20,455</b>	<b>(44)</b>	<b>27,622</b>	<b>33,248</b>	<b>(17)</b>

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 18 to 30 Jun 18	1 Apr 17 to 30 Jun 17		1 Jan 18 to 30 Jun 18	1 Jan 17 to 30 Jun 17	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
<b>Total comprehensive income/(loss) attributable to:</b>						
Equity holders of the Company	1,821	28,437	(94)	21,041	27,925	(25)
Non-controlling interests	3,523	4,947	(29)	5,464	6,133	(11)
	5,344	33,384	(84)	26,505	34,058	(22)

**1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2018**

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 18 to 30 Jun 18	1 Apr 17 to 30 Jun 17		1 Jan 18 to 30 Jun 18	1 Jan 17 to 30 Jun 17	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
Amortisation of intangible assets	(1,398)	(1,434)	(3)	(2,826)	(2,745)	3
Depreciation of property, plant and equipment	(882)	(861)	2	(1,754)	(1,640)	7
Gain on disposal of property, plant and equipment	-	259	N/M	-	259	N/M
Government grants	2,517	8,981	(72)	2,517	8,981	(72)
Interest expense on borrowings	(22,506)	(11,783)	91	(42,196)	(21,314)	N/M
Interest income	372	448	(17)	1,571	977	61
Net foreign exchange gain/(loss)	(5,543)	3,921	N/M	(3,194)	12,076	N/M
Rental expenses on operating leases	(4,276)	(5,308)	(19)	(8,256)	(9,704)	(15)
Reversal of impairment loss on non-trade receivables	(12)	2,022	N/M	(12)	3,610	N/M
Reversal of impairment loss on trade receivables	2	-	N/M	(145)	-	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 2018**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2018</b> (RMB'000)	<b>31 Dec 2017</b> (RMB'000)	<b>30 Jun 2018</b> (RMB'000)	<b>31 Dec 2017</b> (RMB'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank and on hand	187,566	135,024	6,068	4,373
Cash pledged with bank	16,041	25,555	-	-
Trade and other receivables	2,288,424	2,342,216	661	387
Due from subsidiaries	-	-	7,351	25,221
Finance lease receivables	20,210	14,411	-	-
Inventories	145,012	139,885	-	-
	<b>2,657,253</b>	<b>2,657,091</b>	<b>14,080</b>	<b>29,981</b>
<b>Non-current assets</b>				
Finance lease receivables	26,820	34,136	-	-
Investment in associated companies	5,811	5,371	-	-
Investment in subsidiaries	-	-	579,761	585,093
Property, plant and equipment	8,379	8,381	89	106
Intangible assets	71,723	74,917	-	-
Goodwill	111,845	114,049	-	-
Deferred tax assets	2,034	1,721	-	-
	<b>226,612</b>	<b>238,575</b>	<b>579,850</b>	<b>585,199</b>
<b>Total assets</b>	<b>2,883,865</b>	<b>2,895,666</b>	<b>593,930</b>	<b>615,180</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	286,946	313,162	33,455	55,845
Due to holding companies	629	2,789	-	-
Due to subsidiaries	-	-	234,547	234,811
Borrowings	2,156,665	1,918,705	193,544	195,324
Finance lease liabilities	981	953	-	-
Current income tax liabilities	26,286	18,538	-	-
	<b>2,471,507</b>	<b>2,254,147</b>	<b>461,546</b>	<b>485,980</b>
<b>Non-current liabilities</b>				
Borrowings	142,708	395,033	-	-
Finance lease liabilities	1,005	553	-	-
Deferred tax liabilities	14,404	15,556	-	-
Due to subsidiaries (non-trade)	-	-	9,353	9,488
	<b>158,117</b>	<b>411,142</b>	<b>9,353</b>	<b>9,488</b>
<b>Total liabilities</b>	<b>2,629,624</b>	<b>2,665,289</b>	<b>470,899</b>	<b>495,468</b>
<b>NET ASSETS</b>	<b>254,241</b>	<b>230,377</b>	<b>123,031</b>	<b>119,712</b>

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2018</b> (RMB'000)	<b>31 Dec 2017</b> (RMB'000)	<b>30 Jun 2018</b> (RMB'000)	<b>31 Dec 2017</b> (RMB'000)
<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	19,895	19,895	-	-
Currency translation reserve	(6,256)	(6,130)	(2,864)	(1,810)
Retained profits	62,833	41,666	14,229	9,856
	<b>185,989</b>	<b>164,948</b>	<b>123,031</b>	<b>119,712</b>
<b>Non-controlling interests</b>	<b>68,252</b>	<b>65,429</b>	-	-
<b>Total equity</b>	<b>254,241</b>	<b>230,377</b>	<b>123,031</b>	<b>119,712</b>

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

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

<b>As at 30 Jun 2018</b>	
Secured (RMB'000)	Unsecured (RMB'000)
981	2,156,665

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

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

<b>As at 30 Jun 2018</b>	
Secured (RMB'000)	Unsecured (RMB'000)
1,005	142,708

<b>As at 31 Dec 2017</b>	
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.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

**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 2018

	Second Quarter		Half Year	
	Group	Group	Group	Group
	1 Apr 18 to 30 Jun 18 (RMB'000)	1 Apr 17 to 30 Jun 17 (RMB'000)	1 Jan 18 to 30 Jun 18 (RMB'000)	1 Jan 17 to 30 Jun 17 (RMB'000)
<b>Cash flow from operating activities</b>				
Profit before income tax	20,944	30,785	42,035	46,908
Adjustments for:				
Amortisation of intangible assets	1,398	1,434	2,826	2,745
Depreciation of property, plant and equipment	882	861	1,754	1,640
Gain on disposal of property, plant and equipment	-	(259)	-	(259)
Interest expenses	22,506	11,783	42,196	21,314
Interest income	(372)	(448)	(1,571)	(977)
Allowance for doubtful debts on non-trade receivables	12	(2,022)	12	(3,610)
Allowance for doubtful debts on trade receivables	(2)	-	145	-
Share of (profit)/loss of associated companies	(241)	(55)	(499)	(204)
Unrealised currency translation gains	11,397	1,296	7,166	(12,892)
	<u>56,524</u>	<u>43,375</u>	<u>94,064</u>	<u>54,665</u>
Changes in working capital:				
Inventories	(10,391)	62	(5,127)	(388)
Trade and other receivables	(53,082)	53,475	53,949	(449,431)
Trade and other payables	(41,047)	1,120	(23,879)	44,190
Cash (used in)/ provided by operations	<u>(47,996)</u>	<u>98,032</u>	<u>119,007</u>	<u>(350,964)</u>
Interest received	372	548	1,571	977
Income tax paid	<u>(1,569)</u>	<u>(5,852)</u>	<u>(7,679)</u>	<u>(8,248)</u>
<b>Net cash (used in)/provided by operating activities</b>	<u>(49,193)</u>	<u>92,728</u>	<u>112,899</u>	<u>(358,235)</u>
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment (Note A)	(1,233)	(99)	(984)	(1,895)
Additions to intangible assets	10	(95)	(1,066)	(197)
Proceeds from sale of property, plant and equipment	-	259	-	259
Dividends received	-	1,395	-	1,395
<b>Net cash (used in)/provided by investing activities</b>	<u>(1,223)</u>	<u>1,460</u>	<u>(2,050)</u>	<u>(438)</u>

	Second Quarter		Half Year	
	Group	Group	Group	Group
	1 Apr 18 to 30 Jun 18 (RMB'000)	1 Apr 17 to 30 Jun 17 (RMB'000)	1 Jan 18 to 30 Jun 18 (RMB'000)	1 Jan 17 to 30 Jun 17 (RMB'000)
<b>Cash flow from financing activities</b>				
Dividends paid to non-controlling interests	(2,641)	(1,539)	(2,641)	(1,539)
Interest paid	(8,251)	(8,754)	(16,207)	(17,018)
(Decrease)/increase in cash pledged with bank	(4,038)	6,044	9,514	31,230
Proceeds from borrowings	170,000	50,124	245,000	485,038
(Repayment)/proceeds from finance leases	(1,159)	6,271	2,279	9,875
Repayment of related parties' loan	(21,107)	-	(21,107)	-
Repayment of finance lease liabilities	12	(410)	(902)	(738)
Repayment of borrowings	(150,000)	(57,952)	(259,493)	(91,425)
<b>Net cash (used in)/provided by financing activities</b>	<b>(17,184)</b>	<b>(6,216)</b>	<b>(43,557)</b>	<b>415,423</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(67,600)</b>	<b>87,972</b>	<b>67,292</b>	<b>56,750</b>
<b>Cash and cash equivalents</b>				
Beginning of financial year	261,626	463,317	134,754	495,184
Effect of currency translation on cash and cash equivalents	(6,460)	(2,239)	(14,480)	(2,884)
<b>Cash and cash equivalents at end of the financial period</b>	<b>187,566</b>	<b>549,050</b>	<b>187,566</b>	<b>549,050</b>

Note A: Purchase of plant and equipment

During 2Q2018, the Group acquired property, plant and equipment with an aggregate cost of RMB1,179,000 (2Q2017: RMB303,000) of which RMB480,000 (2Q2017: RMB204,000) was acquired by means of finance leases. Cash payments amounting to RMB2,382,000 (2Q2017: RMB99,000) 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)
<b><u>The Group</u></b>									
<b>Balance at 1 Jan 2018</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>19,895</b>	<b>(6,130)</b>	<b>41,666</b>	<b>164,948</b>	<b>65,429</b>	<b>230,377</b>
Profit for the period	-	-	-	-	-	13,991	13,991	3,097	17,088
Other comprehensive income/(loss)	-	-	-	-	6,113	-	6,113	(1,156)	4,957
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,113</b>	<b>13,991</b>	<b>20,104</b>	<b>1,941</b>	<b>22,045</b>
<b>Balance at 31 Mar 2018</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>19,895</b>	<b>(17)</b>	<b>55,657</b>	<b>185,052</b>	<b>67,370</b>	<b>252,422</b>
Profit for the period	-	-	-	-	-	7,176	7,176	3,358	10,534
Other comprehensive (loss)/income	-	-	-	-	(6,239)	-	(6,239)	165	(6,074)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,239)</b>	<b>7,176</b>	<b>937</b>	<b>3,523</b>	<b>4,460</b>
Distributions to non-controlling interests	-	-	-	-	-	-	-	(2,641)	(2,641)
<b>Balance at 30 Jun 2018</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>19,895</b>	<b>(6,256)</b>	<b>62,833</b>	<b>185,989</b>	<b>68,252</b>	<b>254,241</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/(loss) 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 (loss)/income	-	-	-	-	8,606	-	8,606	4,323	12,929
<b>Total comprehensive (loss)/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)

interests			-						
<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>



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)
<b><u>The Company</u></b>					
<b>Balance at 1 Jan 2018</b>	<b>101,237</b>	<b>10,429</b>	<b>(1,810)</b>	<b>9,856</b>	<b>119,712</b>
Loss for the period	-	-	-	(878)	(878)
Other comprehensive income	-	-	(2,156)	-	(2,156)
Total comprehensive loss for the period	-	-	(2,156)	(878)	(3,034)
<b>Balance at 31 Mar 2018</b>	<b>101,237</b>	<b>10,429</b>	<b>(3,966)</b>	<b>8,978</b>	<b>116,678</b>
Profit/(loss) for the period	-	-	-	5,251	5,251
Other comprehensive income	-	-	1,102	-	1,102
Total comprehensive income for the period	-	-	1,102	5,251	6,353
<b>Balance at 30 Jun 2018</b>	<b>101,237</b>	<b>10,429</b>	<b>(2,864)</b>	<b>14,229</b>	<b>123,031</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/(loss) 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>

**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 March 2018. As at 30 June 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 30 June 2018 (30 June 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 30 June 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 30 June 2018 (30 June 2017: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 June 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 30 June 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.**

	Second Quarter		Half Year	
	1 Apr 2018 to 30 Jun 2018	1 Apr 2017 to 30 Jun 2017	1 Jan 2018 to 30 Jun 2018	1 Jan 2017 to 30 Jun 2017
Earnings per ordinary share attributable to owners of the Company				
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	2.82	6.94	7.41	11.07
Weighted average number of ordinary shares	285,576,000	285,576,000	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	2.82	6.94	7.41	11.07
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 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.**

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Net asset value per share based on issued share capital (RMB cents)	65.13	57.76	43.08	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>	Second Quarter				Half Year			
	1 Apr 18 to 30 Jun 18		1 Apr 17 to 30 Jun 17		1 Jan 18 to 30 Jun 18		1 Jan 17 to 30 Jun 17	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Ship-design service	97,244	63.7	73,932	43.0	183,709	62.9	130,901	50.7
Shipbuilding project services								
- Project management	12,480	8.2	15,092	8.8	22,373	7.7	32,476	12.6
- Project financing	30,058	19.7	23,302	13.6	57,712	19.7	32,790	12.7
Shipbuilding construction service	10,213	6.7	57,310	33.3	24,336	8.3	57,310	22.2
Finance lease income	1,311	0.9	1,825	1.1	2,619	0.9	3,810	1.5
Others	1,307	0.8	467	0.2	1,469	0.5	745	0.3
Total revenue	<u>152,613</u>	<u>100.0</u>	<u>171,928</u>	<u>100.0</u>	<u>292,218</u>	<u>100.0</u>	<u>258,032</u>	<u>100.0</u>

### Consolidated Statement of Comprehensive Income

#### Revenue

In 2Q2018, 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 decreased by RMB19.3 million or 11% to RMB152.6 million in 2Q2018 compared with 2Q2017. The decrease was mainly due to: (1) shipbuilding construction service revenue decreasing by RMB47.1 million to RMB10.2 million due to the completion stage of Fiji project, and (2) shipbuilding project management service revenue decreasing by RMB2.6 million to RMB12.5 million in 2Q2018. However, the revenue decrease was partially offset by: (1) RMB23.3 million increase in ship-design service revenue to RMB 97.2 million, and (2) shipbuilding project financing income increasing by RMB6.8 million to RMB30.1 million arising from provision of financing to related party shipyards for the construction of vessels.

#### Cost of sales and gross profit

Cost of sales decreased by RMB31.9 million or 35% to RMB59.3 million in 2Q2018, attributed mainly to the significant decrease in the value of shipbuilding construction work recognised in 2Q2018. Gross profit increased 16% in 2Q2018, due mainly to increased contributions from the shipbuilding project financing service and ship-design service. As a result, gross profit margin increased from 47% to 61%, mainly attributed to the decreasing contribution from lower margin shipbuilding construction service.

#### Other income

Other income consisted mainly of interest income and government grants. Other income decreased from RMB9.1 million in 2Q2017 to RMB2.3 million in 2Q2018, mainly due to lower government grants received.

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

Other losses in 2Q2018 amounted to RMB4.3 million which was attributed mainly to foreign exchange losses amounting to RMB5.5 million arising from receivables denominated in SGD which had weakened against the USD. In 2Q2017, foreign exchange gains amounted to RMB3.9 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 2Q2018, the marketing and distribution expense decreased by RMB3.8 million or 33% to RMB7.7 million, mainly due to downsizing of the Group's Beijing office space.

Operating lease expenses amounted to RMB2.1 million in 2Q2018.

#### 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 RMB1.3 million or 3% to RMB42.9 million in 2Q2018, due mainly to increase of R&D expenditure and overall headcounts in China.

Operating lease expenses amounted to RMB6.2 million in 2Q2018.

The depreciation charge for plant and equipment amounted to RMB0.9 million in 2Q2018. 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 RMB8.5 million or 70% to RMB20.6 million in 2Q2018, 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 2Q2018 amounted to RMB0.2 million compared to RMB0.1 million in 2Q2017.

#### Income tax expense

The operating subsidiaries in China and Finland are subject to income tax rates of 25% and 20% respectively. Income tax expense decreased RMB0.8 million to RMB9.5 million in 2Q2018. The decrease was due to lower profits in shipbuilding construction service earned by the Group's subsidiaries in China during the period.

#### Profit for the period

After taking into account income tax expense and non-controlling interests, net profit attributable to shareholders for 2Q2018 was RMB8.1 million, a decrease of 59% from the RMB19.8 million profits in 2Q2017.

### **Statement of Financial Position**

#### Current assets

As at 30 June 2018, the Group's cash at bank and on hand balances amounted to RMB187.6 million, an increase of RMB52.5 million over the RMB135.0 million as at 31 December 2017. Cash pledged with bank decreased RMB9.5 million to RMB16 million and this is mainly due to release of payments for shipbuilding supplies.

Trade and receivables decreased RMB53.8 million to RMB2,288.4 million as at 30 June 2018, comprising mainly: (1) RMB44.0 million due from customers on construction contracts, (2) RMB128 million arising from shipbuilding project management services and (3) RMB2,116.5 million arising from shipbuilding project financing service.

Inventories as at 30 June 2018 amounted to RMB145.0 million, compared to RMB139.9 million as at 31 December 2017.

Finance lease receivables as at 30 June 2018 amounted to RMB20.2 million, an increase of RMB5.8 million from 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 RMB71.7 million as at 30 June 2018, a decrease of RMB3.2 million. The decrease was mainly due to amortisation of RMB2.8 million.

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 RMB111.8 million as at 30 June 2018, RMB2.2 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 RMB7.3 million to RMB26.8 million as at 30 June 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 30 June 2018. Short term loans totalled RMB2,156.7 million, RMB238.0 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 RMB286.9 million as at 30 June 2018 compared to RMB313.2 million as at 31 December 2017. The decrease was mainly attributed to trade payable to third parties under shipbuilding contracts declining from RMB71.2 million as at 31 December 2017 to RMB43.0 million as at 30 June 2018.

Income tax payable increased by RMB7.7 million from RMB18.5 million to RMB26.3 million as at 30 June 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 30 June 2018. Long-term borrowings decreased by RMB252.3 million to RMB142.7 million as at 30 June 2018.

Deferred tax liabilities represented the tax liabilities due to 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 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 2Q2018.

### **Consolidated cash flow statements**

Net cash outflow from operating activities in 2Q2018 was RMB49.2 million compared to net cash inflow of RMB92.7 million in the corresponding quarter last year. The increased cash outflow was due to the increase of trade and other receivables, and the decrease of trade and other payables following the completion and delivery of several vessels in 2Q2018.

Net cash used in investing activities was RMB1.2 million in this quarter compared to net cash inflow RMB1.5 million in the corresponding quarter of last year, mainly due to acquire of new property, plant and equipment this quarter.

In 2Q2018, net cash outflow from financing activities amounted to RMB17.2 million, compared to net cash outflow of RMB6.2 million in 2Q2017 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.**

According to Clarksons Research, 472 new shipbuilding orders (35.2 million DWT) became effective globally in 1H2018, compared to 602 new shipbuilding orders (30.0 million DWT) in 1H2017<sup>1</sup>. The shipbuilding market is still on a recovery phase from the downturn, and the business environment has become more favourable, especially for dry bulkers and chemical tankers. Globally, the demand for high-tech and clean-energy-ready vessels remains more promising, due to environmental protection concerns. Against these positive macro factors, the continuing trade tensions could cause some uncertainties to the industry outlook..

The Group continues its strong working relationship with AVIC Dingheng Shipbuilding Co., Ltd and AVIC Weihai Shipyard Co., Ltd, both being related shipyards in the AVIC Group. The Group maintains close collaboration with these shipyards in shipbuilding design and the provision of maritime management and consultancy services, including shipbuilding project financing and management services. In collaboration with these shipyards, a number of vessels had been completed and delivered, , including small containerships, chemical tankers and RO-PAX vessels.

Deltamarin has continued to build up its ship design order book, upholding a 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 RO-PAX 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 30 June 2018.

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<sup>1</sup> [http://www.eworldship.com/html/2018/NewShipMarket\\_0720/141200.html](http://www.eworldship.com/html/2018/NewShipMarket_0720/141200.html)



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>1 Apr 2018 to 30 Jun 2018</b>		
<b>Transaction for Service fee income</b>		
AVIC Weihai Shipyard Co., Ltd		5,487
AVIC Dingheng Shipbuilding Co., Ltd		7,043
<b>Transaction for Financial income</b>		
AVIC Weihai Shipyard Co., Ltd		12,648
AVIC Dingheng Shipbuilding Co., Ltd		17,540
<b>Transaction for Ship-designing fee income</b>		
AVIC Weihai Shipyard Co., Ltd		9,936
AVIC Dingheng Shipbuilding Co., Ltd		25
<b>Balance for Provision of financial assistance</b>		
AVIC Weihai Shipyard Co., Ltd		884,000
AVIC Dingheng Shipbuilding Co., Ltd		1,244,930
<b>Transaction for Rental expense</b>		
Beijing Kaichangji Trading Development Co., Ltd		-
China National Aero-Technology Shanghai Co., Ltd		217
<b>Transaction for Property management fees</b>		
AVIC Property Management Co., Ltd		442
Xiamen AVIC Property Management Co., Ltd		9
<b>Transaction for Other expenses</b>		
Beijing Fashion Rainbow Department Store Co. Ltd		29
Grand Skylight Hotel Management Co. Ltd		-
<b>1 Jan 2018 to 30 Jun 2018</b>		
<b>Transaction for Service fee income</b>		
AVIC Weihai Shipyard Co., Ltd		10,126
AVIC Dingheng Shipbuilding Co., Ltd		12,330
<b>Transaction for Financial income</b>		
AVIC Weihai Shipyard Co., Ltd		25,158
AVIC Dingheng Shipbuilding Co., Ltd		32,483
<b>Transaction for Ship-designing fee income</b>		
AVIC Weihai Shipyard Co., Ltd		14,483
AVIC Dingheng Shipbuilding Co., Ltd		45
<b>Balance for Provision of financial assistance</b>		
AVIC Weihai Shipyard Co., Ltd		884,000
AVIC Dingheng Shipbuilding Co., Ltd		1,244,930
<b>Transaction for Rental expense</b>		

Beijing Kaichangji Trading Development Co., Ltd	19
China National Aero-Technology Shanghai Co., Ltd	435
<b>Transaction for Property management fees</b>	
AVIC Property Management Co., Ltd	695
Xiamen AVIC Property Management Co., Ltd	17
<b>Transaction for Other expenses</b>	
Beijing Fashion Rainbow Department Store Co. Ltd	60
Grand Skylight Hotel Management Co. Ltd	1
<b><u>1 Apr 2017 to 30 Jun 2017</u></b>	
<b>Transaction for Service fee income</b>	
AVIC Weihai Shipyard Co., Ltd	8,103
AVIC Dingheng Shipbuilding Co., Ltd	6,575
<b>Transaction for Financial income</b>	
AVIC Weihai Shipyard Co., Ltd	10,016
AVIC Dingheng Shipbuilding Co., Ltd	13,447
<b>Transaction for Ship-designing fee income</b>	
AVIC Weihai Shipyard Co., Ltd	15,457
AVIC Dingheng Shipbuilding Co., Ltd	690
<b>Balance for Provision of financial assistance</b>	
AVIC Dingheng Shipbuilding Co., Ltd	120,000
AVIC Weihai Shipyard Co., Ltd	377,000
<b>Transaction for Rental expense</b>	
Beijing CATIC Kaichang Industry & Trade Development Co., Ltd	19
<b>Transaction for Property management fees</b>	
AVIC Property Management Co., Ltd	448
Xiamen AVIC Property Management Co., Ltd	14
<b>Transaction for Training expense</b>	
AVIC International Holdings Corporation	6
<b><u>1 Jan 2017 to 30 Jun 2017</u></b>	
<b>Transaction for Service fee income</b>	
AVIC Weihai Shipyard Co., Ltd	18,042
AVIC Dingheng Shipbuilding Co., Ltd	13,099
<b>Transaction for Financial income</b>	
AVIC Weihai Shipyard Co., Ltd	12,815
AVIC Dingheng Shipbuilding Co., Ltd	20,137
<b>Transaction for Sale of good</b>	
AVIC Dingheng Shipbuilding Co., Ltd	267
<b>Transaction for Ship-designing fee income</b>	
AVIC Weihai Shipyard Co., Ltd	26,655
AVIC Dingheng Shipbuilding Co., Ltd	690
<b>Balance for Provision of financial assistance</b>	
AVIC Dingheng Shipbuilding Co., Ltd	120,000
AVIC Weihai Shipyard Co., Ltd	377,000
<b>Transaction for Rental expense</b>	
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 Holdings Corporation

6

**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 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 half year ended 30 June 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 second quarter and half year ended 30 June 2018 to be false or misleading in any material aspect.

**On behalf of the Board of Directors**

Dr Diao Weicheng  
Executive Chairman  
14 August 2018

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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 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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