



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

(Company Registration No. 201024137N)

**UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 Third Quarter ended 30 September 2017

	Third Quarter			Nine Months		
	Group 1 Jul 17 to 30 Sep 17 (RMB'000)	Group 1 Jul 16 to 30 Sep 16 (RMB'000)	Change %	Group 1 Jan 17 to 30 Sep 17 (RMB'000)	Group 1 Jan 16 to 30 Sep 16 (RMB'000)	Change %
Revenue	208,165	149,502	39	466,197	314,284	48
Cost of sales	(155,157)	(109,066)	42	(281,196)	(207,032)	36
Gross profit	53,008	40,436	31	185,001	107,252	72
Other income	1,857	1,199	55	11,720	3,636	222
Other gains/(losses) - net	2,387	(1,450)	N/M	14,463	6,113	137
Expenses						
- Distribution and marketing	(9,324)	(13,868)	(33)	(28,048)	(32,916)	(15)
- Administrative	(29,991)	(24,378)	23	(100,400)	(82,449)	22
- Finance	(12,389)	(5,940)	109	(34,094)	(13,332)	156
- Other	(4,205)	(2,758)	52	(595)	(2,902)	(79)
Share of profit of associated companies	1,643	(121)	N/M	1,847	66	N/M
Profit/(loss) before income tax	2,986	(6,880)	N/M	49,894	(14,532)	N/M
Income tax expense	(490)	(1,691)	(71)	(14,150)	(4,239)	234
<b>Profit/(loss) after tax</b>	<b>2,496</b>	<b>(8,571)</b>	<b>N/M</b>	<b>35,744</b>	<b>(18,771)</b>	<b>N/M</b>
<b>Other comprehensive income/(loss):</b>						
Currency translation differences arising from consolidation	1,648	6,837	(76)	2,458	(11,448)	N/M
<b>Total comprehensive income/(loss)</b>	<b>4,144</b>	<b>(1,734)</b>	<b>N/M</b>	<b>38,202</b>	<b>(30,219)</b>	<b>N/M</b>
<b>Profit/(loss) attributable to:</b>						
Equity holders of the Company	1,342	(5,733)	N/M	32,961	(15,807)	N/M
Non-controlling interests	1,154	(2,838)	N/M	2,783	(2,964)	N/M
	<b>2,496</b>	<b>(8,571)</b>	<b>N/M</b>	<b>35,744</b>	<b>(18,771)</b>	<b>N/M</b>
<b>Total comprehensive income/(loss) attributable to:</b>						
Equity holders of the Company	3,168	345	818	31,093	(30,296)	N/M
Non-controlling interests	976	(2,079)	N/M	7,109	77	N/M
	<b>4,144</b>	<b>(1,734)</b>	<b>N/M</b>	<b>38,202</b>	<b>(30,219)</b>	<b>N/M</b>

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

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 17 to 30 Sep 17	1 Jul 16 to 30 Sep 16		1 Jan 17 to 30 Sep 17	1 Jan 16 to 30 Sep 16	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
Amortisation of intangible assets	(1,346)	(1,330)	1	(4,091)	(3,889)	5
Depreciation of property, plant and equipment	(845)	(835)	1	(2,485)	(2,582)	(4)
(Loss)/Gain on disposal of property, plant and equipment	(1)	(103)	(99)	258	(103)	N/M
Interest expense on borrowings	(12,063)	(4,738)	155	(33,377)	(13,809)	142
Interest income	611	867	(30)	1,588	2,026	(22)
Net foreign exchange gain/(loss)	2,387	(1,450)	N/M	14,463	6,113	137
Property, plant and equipment written-off	(171)	(3)	N/M	(171)	(183)	(7)
Provision for doubtful debts on trade receivables	(4,250)	-	N/M	(4,250)	-	N/M
Rental expenses on operating leases	(4,180)	(4,210)	(1)	(13,884)	(12,742)	9
Writeback of provision for doubtful debts on non-trade receivables	216	-	N/M	3,826	-	N/M

N/M – Not meaningful  
when differences +/- greater than 1000%

**1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediate preceding financial year**

**1(b)(i) Unaudited Statements of Financial Position as at 30 September 2017**

	Group		Company	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank and on hand	<b>221,797</b>	184,778	<b>18,058</b>	24,479
Fixed deposits	-	310,406	-	-
Cash pledged with bank	<b>31,861</b>	91,553	-	-
Trade receivables	<b>175,789</b>	114,794	-	-
Other receivables	<b>1,486,432</b>	748,138	<b>37,531</b>	28,311
Due from subsidiaries	-	-	<b>28,194</b>	76,495
Finance lease receivables	<b>14,152</b>	13,832	-	-
Inventories	<b>197,672</b>	278,962	-	-
	<b>2,127,703</b>	1,742,463	<b>83,783</b>	129,285

	Group		Company	
	30 Sep 2017 (RMB'000)	31 Dec 2016 (RMB'000)	30 Sep 2017 (RMB'000)	31 Dec 2016 (RMB'000)
<b>Non-current assets</b>				
Trade receivables	4,396	11,167	-	-
Due from subsidiaries	-	-	-	11,198
Finance lease receivables	38,285	50,551	-	-
Investment in associated companies	3,121	2,504	-	-
Investment in subsidiaries	-	-	587,266	575,124
Property, plant and equipment	8,744	7,006	115	136
Intangible assets – Brand, technical knowhow and ship-design engineering software licences	76,817	75,021	-	-
Intangible assets – Goodwill	114,928	106,796	-	-
Available-for-sale financial assets	12	11	-	-
Deferred tax assets	1,064	1,545	-	-
	<b>247,367</b>	254,601	<b>587,381</b>	586,458
<b>Total assets</b>	<b>2,375,070</b>	1,997,064	<b>671,164</b>	715,743
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	279,246	253,917	52	28,027
Other payables and accruals	255,630	309,914	97,575	90,897
Due to subsidiaries	-	-	252,413	283,934
Borrowings	1,567,021	703,520	220,556	215,996
Finance lease liabilities	1,045	1,042	-	-
Current income tax liabilities	18,599	19,241	-	-
	<b>2,121,541</b>	1,287,634	<b>570,596</b>	618,854
<b>Non-current liabilities</b>				
Borrowings	-	492,240	-	-
Finance lease liabilities	634	755	-	-
Deferred tax liabilities	16,768	16,928	-	-
Due to subsidiaries (non-trade)	-	-	9,594	8,767
	<b>17,402</b>	509,923	<b>9,594</b>	8,767
<b>Total liabilities</b>	<b>2,138,943</b>	1,797,557	<b>580,190</b>	627,621
<b>NET ASSETS</b>	<b>236,127</b>	199,507	<b>90,974</b>	88,122
<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	(10,077)	(8,209)	(1,416)	(3,277)
Retained profits/(accumulated losses)	50,981	18,020	(19,276)	(20,267)
	<b>167,133</b>	136,040	<b>90,974</b>	88,122
<b>Non-controlling interests</b>	<b>68,994</b>	63,467	-	-
<b>Total equity</b>	<b>236,127</b>	199,507	<b>90,974</b>	88,122

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

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

As at 30 Sep 2017		As at 31 Dec 2016	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
1,045	1,567,021	1,042	703,520

(B) Amount repayable after one year

As at 30 Sep 2017		As at 31 Dec 2016	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
634	-	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 RMB129,180,000) 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 Third Quarter ended 30 September 2017

	Third Quarter		Nine Months	
	Group 1 Jul 17 to 30 Sep 17 (RMB'000)	Group 1 Jul 16 to 30 Sep 16 (RMB'000)	Group 1 Jan 17 to 30 Sep 17 (RMB'000)	Group 1 Jan 16 to 30 Sep 16 (RMB'000)
<b>Cash flow from operating activities</b>				
Profit/(loss) before income tax	2,986	(6,880)	49,894	(14,532)
Adjustments for:				
- Amortisation of intangible assets	1,346	1,330	4,091	3,889
- Depreciation of property, plant and equipment	845	835	2,485	2,582
- Gain on disposal of property, plant and equipment	1	103	(258)	103
- Interest expenses	12,063	4,738	33,377	13,809
- Interest income	(611)	(867)	(1,588)	(2,026)
- Property, plant and equipment written-off	171	3	171	183
- Writeback of provision for doubtful debts on non-trade receivables	(216)	-	(3,826)	-
- Provision for doubtful debts on trade receivables	4,250	-	4,250	-
- Share of profit of associated companies	(1,643)	121	(1,847)	(66)
- Unrealised currency translation losses/(gains)	(4,016)	700	(16,908)	(6,813)
	15,176	83	69,841	(2,871)

	Third Quarter		Nine Months	
	Group 1 Jul 17 to 30 Sep 17 (RMB'000)	Group 1 Jul 16 to 30 Sep 16 (RMB'000)	Group 1 Jul 17 to 30 Sep 17 (RMB'000)	Group 1 Jul 16 to 30 Sep 16 (RMB'000)
Changes in working capital:				
- Inventories	81,678	(8,438)	81,290	25,762
- Trade and other receivables	(403,663)	(293,996)	(853,094)	(416,041)
- Trade and other payables	(42,655)	166,718	2,930	293,780
Cash used in operations	(349,464)	(135,633)	(699,033)	(99,370)
Interest received	611	481	1,588	1,505
Income tax paid	(7,804)	(2,538)	(16,052)	(6,115)
<b>Net cash used in operating activities</b>	<b>(356,657)</b>	<b>(137,690)</b>	<b>(713,497)</b>	<b>(103,980)</b>
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment (Note A)	(362)	(271)	(2,257)	(722)
Additions to intangible assets	(27)	(9)	(224)	(991)
Proceeds from sale of property, plant and equipment	(1)	696	258	696
<b>Net cash (used in)/provided by investing activities</b>	<b>(390)</b>	<b>416</b>	<b>(2,223)</b>	<b>(1,017)</b>
<b>Cash flow from financing activities</b>				
Dividends paid to non-controlling interests	-	-	(1,539)	-
Interest paid	(6,284)	(4,177)	(23,302)	(11,859)
Increase/(decrease) in cash pledged with bank	28,462	(69,590)	59,692	(189,852)
Proceeds from borrowings	53,455	273,054	538,493	410,325
Proceeds from finance leases	4,991	-	14,866	-
Repayment of shareholder's loan	-	-	-	(3,166)
Repayment of finance lease liabilities	12	(299)	(726)	(927)
Repayment of borrowings	(59,993)	(29,697)	(151,418)	(156,458)
<b>Net cash provided by/(used in) financing activities</b>	<b>20,643</b>	<b>169,291</b>	<b>436,066</b>	<b>(48,063)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(336,404)</b>	<b>32,017</b>	<b>(279,654)</b>	<b>(56,934)</b>
<b>Cash and cash equivalents</b>				
Beginning of financial year	549,050	231,052	495,184	316,963
Effect of currency translation on cash and cash equivalents	9,151	6,647	6,267	9,687
<b>End of the financial period</b>	<b>221,797</b>	<b>269,716</b>	<b>221,797</b>	<b>269,716</b>

Note A: Purchase of plant and equipment

During 3Q2017, the Group acquired property, plant and equipment with an aggregate cost of RMB556,000 (3Q2016: RMB448,000) of which RMB194,000 (3Q2016: RMB177,000) was acquired by means of finance leases. Cash payments amounting to RMB362,000 (3Q2016: RMB271,000) 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
<b>The Group</b>	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<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	-	-	-	-	-	31,619	31,619	1,629	33,248
Other comprehensive (loss)/income	-	-	-	-	(3,694)	-	(3,694)	4,504	810
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,694)</b>	<b>31,619</b>	<b>27,925</b>	<b>6,133</b>	<b>34,058</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>
Profit for the period	-	-	-	-	-	1,342	1,342	1,154	2,496
Other comprehensive income	-	-	-	-	1,826	-	1,826	(178)	1,648
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,826</b>	<b>1,342</b>	<b>3,168</b>	<b>976</b>	<b>4,144</b>
<b>Balance at 30 Sep 2017</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>16,712</b>	<b>(10,077)</b>	<b>50,981</b>	<b>167,133</b>	<b>68,994</b>	<b>236,127</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	-	-	-	-	-	(10,074)	(10,074)	(126)	(10,200)
Other comprehensive (loss)/income	-	-	-	-	(20,567)	-	(20,567)	2,282	(18,285)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,567)</b>	<b>(10,074)</b>	<b>(30,641)</b>	<b>2,156</b>	<b>(28,485)</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>
(Loss)/profit for the period	-	-	-	-	-	(5,733)	(5,733)	(2,838)	(8,571)
Other comprehensive (loss)/income	-	-	-	-	6,078	-	6,078	759	6,837
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,078</b>	<b>(5,733)</b>	<b>345</b>	<b>(2,079)</b>	<b>(1,734)</b>
<b>Balance at 30 Sep 2016</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>14,735</b>	<b>(12,820)</b>	<b>32,765</b>	<b>144,197</b>	<b>62,429</b>	<b>206,626</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	-	-	-	37,611	37,611
Other comprehensive income	-	-	2,247	-	2,247
Total comprehensive income/(loss) for the period	-	-	2,247	37,611	39,858
<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>
Profit for the period	-	-	-	(36,620)	(36,620)
Other comprehensive loss	-	-	(386)	-	(386)
Total comprehensive (loss)/income for the period	-	-	(386)	(36,620)	(37,006)
<b>Balance at 30 Sep 2017</b>	<b>101,237</b>	<b>10,429</b>	<b>(1,416)</b>	<b>(19,276)</b>	<b>90,974</b>
<b>Balance at 1 Jan 2016</b>	<b>101,237</b>	<b>10,429</b>	<b>(4,654)</b>	<b>(71,141)</b>	<b>32,871</b>
Loss for the period	-	-	-	(6,304)	(6,304)
Other comprehensive income	-	-	2,177	-	2,177
Total comprehensive income/(loss) for the period	-	-	2,177	(6,304)	(4,127)
<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>
Loss for the period	-	-	-	48,590	48,590
Other comprehensive income	-	-	745	-	745
Total comprehensive income/(loss) for the period	-	-	745	48,590	49,335
<b>Balance at 30 Sep 2016</b>	<b>101,237</b>	<b>10,429</b>	<b>(1,732)</b>	<b>(31,855)</b>	<b>78,079</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 September 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 September 2017 (30 September 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 September 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 September 2017 (30 September 2016: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 September 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.**

	Third Quarter		Nine Months	
	1 Jul 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 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)	0.47	(2.01)	11.54	(5.54)
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)	0.47	(2.01)	11.54	(5.54)
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 nine months ended 30 September 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 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Net asset value per share based on issued share capital (RMB cents)	58.52	47.64	31.86	30.86
Number of ordinary shares issued at the end of period / year	285,576,000	285,576,000	285,576,000	285,576,000

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

<u>The Group</u>	<u>Third Quarter</u>				<u>Nine Months</u>			
	<u>1 Jul 17 to</u>		<u>1 Jul 16 to</u>		<u>1 Jan 17 to</u>		<u>1 Jan 16 to</u>	
	<u>30 Sep 17</u>		<u>30 Jun 16</u>		<u>30 Sep 17</u>		<u>30 Sep 16</u>	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Ship-design service	63,314	30.4	47,861	32.0	194,215	41.7	129,450	41.2
Shipbuilding project services								
- Project management	10,999	5.3	17,656	11.8	43,475	9.3	42,532	13.5
- Project financing	13,512	6.5	1,887	1.3	46,302	9.9	1,887	0.6
Shipbuilding construction service	42,257	20.3	747	0.5	99,567	21.4	55,079	17.5
Sale of vessels	76,301	36.7	78,963	52.8	76,301	16.4	78,963	25.1
Finance lease income	1,698	0.8	1,960	1.3	5,508	1.2	1,960	0.6
Others	84	-	428	0.3	829	0.1	4,413	1.5
Total revenue	<u>208,165</u>	<u>100.0</u>	<u>149,502</u>	<u>100.0</u>	<u>466,197</u>	<u>100.0</u>	<u>314,284</u>	<u>100.0</u>

### Consolidated Statement of Comprehensive Income

#### Revenue

In 3Q2017, the Group's revenue was generated mainly from its ship-design service, sale of vessels, shipbuilding construction service and shipbuilding project management and financing services. The Group's revenue increased by RMB58.7 million or 39% to RMB208.2 million in 3Q2017 compared with 3Q2016. The increase was mainly due to: (1) Shipbuilding construction service revenue increasing by RMB41.5 million to RMB42.3 million contributed by a new shipbuilding contract for four vessels that commenced during the current year; (2) Ship-design service revenue increasing by RMB15.5 million to RMB63.3 million; and (3) Shipbuilding project financing income increasing by RMB11.6 million to RMB13.5 million arising from provision of financing to related party shipyards for the construction of vessels. Partially offsetting the increase was the RMB6.7 million reduction in Shipbuilding Project management service income.

#### Cost of sales and gross profit

Cost of sales increased RMB46.1 million or 42% to RMB155.2 million in 3Q2017, attributed mainly to the new shipbuilding contract. Gross profit increased 31% to RMB53.0 million in 3Q2017, due mainly to increased contributions from shipbuilding project financing services, ship-design service and shipbuilding construction service.

Gross profit margin decreased from 27% to 25%, mainly attributed to the increase in revenue from shipbuilding construction service which had a lower gross profit margin.

#### Other income

Other income consisted mainly of government grants and interest income. Other income increased by RMB0.7 million to RMB1.9 million in 3Q2017, mainly due to increase in government grants.

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

Other gains in 3Q2017 amounted to RMB2.4 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 3Q2017, the decrease in marketing and distribution expense of RMB4.5 million was mainly due to reclassification of certain staff expenses to administrative 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 RMB5.6 million or 23% to RMB30.0 million in 3Q2017. The increase was mainly due to reclassification of certain staff expenses as research and development expenses and accrual of staff incentive payments.

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

#### Finance expenses

Finance expenses increased RMB6.4 million or 109% to RMB12.4 million in 3Q2017, mainly due to increased borrowings.

#### Share of profit of associated companies

The share of profit from associated companies in 3Q2017 amounted to RMB1.6 million compared to loss of RMB0.1 million in 3Q2016.

#### 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 RMB1.2 million to RMB0.5 million in 3Q2017. The decrease was due to lower profits 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 3Q2017 was RMB1.3 million, compared to a RMB5.7 million loss in 3Q2016.

### **Statement of Financial Position**

#### Current assets

As at 30 September 2017, the Group's cash at bank and on hand balances amounted to RMB221.8 million, an increase of RMB37.0 million from RMB184.8 million as at 31 December 2016. As at 30 September 2017, all of the Group's fixed deposits had matured, and were not renewed. Cash pledged with bank decreased RMB59.7 million to RMB31.9 million and this was mainly due to release of payment for shipbuilding supplies.

Trade receivables comprised mainly advance payments on construction contracts, receivables arising from ship-design service and receivables arising from shipbuilding project management services. Trade receivables increased RMB61.0 million to RMB175.8 million and this was mainly due to an increase of RMB64.4 million receivables arising from sale of vessels.

Other receivables, amounting to RMB1,486.4 million as at 30 September 2017, comprised mainly non-trade receivables due from related corporations and prepayments. Other receivables increased RMB738.3 million, mainly due to an increased amount of RMB807.4 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 RMB14.2 million as at 30 September 2017, arose from the sale of 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 RMB76.8 million as at 30 September 2017, an increase of RMB1.8 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 RMB114.9 million as at 30 September 2017, RMB8.1 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 RMB12.3 million to RMB38.3 million as at 30 September 2017 as a result of payment received for vessels 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 September 2017. Short-term loans totalled RMB1,567.0 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 RMB279.2 million as at 30 September 2017 compared to RM253.9 million as at 31 December 2016. The increase was mainly attributed to increase of accrued construction costs and 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 RMB54.3 million, attributed mainly to decrease in amount due to related parties from shipbuilding management services.

Income tax payable decreased by RMB0.6 million from RMB19.2 million to RMB18.6 million as at 30 September 2017.

#### Non-current liabilities

Long-term loan amounting to RMB492.2 million as at 31 December 2016 became current as at 30 September 2017 and was reclassified to short term borrowings.

Deferred tax liabilities represented the tax liabilities for the timing differences arising from the recognition of the intangible assets, deferred ship-design fee income and fair valuation of the Deltamarin Group's assets.

#### Capital reserve

The amount of capital reserve as at 30 September 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 3Q2017.

## **Consolidated cash flow statements**

Net cash outflow from operating activities in 3Q2017 was RMB356.7 million compared to net cash outflow of RMB137.7 million in the corresponding quarter last year. The increased cash outflow was due mainly to increase in receivables arising from increased shipbuilding project financing services provided to related party shipyards.

In 3Q2017, net cash inflow from financing activities amounted to RMB20.6 million, compared to net cash inflow of RMB169.3 million in 3Q2016 and this was mainly due to decrease in proceeds from borrowings offset by decrease in cash pledged with bank.

**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.**

The mild recovery in China and other major economies in the world, higher demand for commodities and higher volume of international trade led to a strong rebound in the Baltic Dry Index<sup>1</sup>, easing the overcapacity situation in the shipping and shipbuilding market. In the first 9 months of 2017, China shipbuilding companies received new orders of 201.3 million DWT, an increase of 8.7% compared to the same period last year<sup>2</sup>.

The business environment for shipbuilding industry has become more favourable generally compared to last year. While the sustainability and the strength of the recovery on the shipbuilding market remain uncertain, the Group will continue its strategy to focus on specialized, high-tech and high value-added vessels, where demand is more resilient and promising, and enhance its competitiveness in these areas.

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 a renowned Finnish customer. In August 2017, Deltamarin signed contracts with Rauma Marine Constructions (RMC) for the basic design of deck outfitting and machinery for four multi-role corvettes. In view of the increasing utilisation of inland waterways, Deltamarin has developed a multipurpose inland vessel, DeltaBreaker. Together with the largest mega passenger vessel design contract received in 2016, Deltamarin will see high capacity utilization in 2017 and 2018.

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<sup>1</sup> [http://www.eworldship.com/html/2017/bulk\\_market\\_1027/133083.html](http://www.eworldship.com/html/2017/bulk_market_1027/133083.html)

<sup>2</sup> [http://www.eworldship.com/html/2017/ship\\_market\\_observation\\_1019/132819.html](http://www.eworldship.com/html/2017/ship_market_observation_1019/132819.html)

**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 September 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)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	(RMB'000)	(RMB'000)
	Note (A) and (B)	Note (A)
<b><u>1 Jul 2017 to 30 Sep 2017</u></b>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	5,024
AVIC Dingheng Shipbuilding Co., Ltd	-	5,851
Transaction for Financial income		
AVIC Weihai Shipyard Co., Ltd	-	7,598
AVIC Dingheng Shipbuilding Co., Ltd	-	5,993
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	8,373
AVIC Dingheng Shipbuilding Co., Ltd	-	920
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd	-	53,650
Transaction for Rental expense		
AVIC Property Management Co., Ltd	-	615
Transaction for Property management fees		
AVIC Property Management Co., Ltd.	-	494
Xiamen AVIC Property Management Co., Ltd.	-	12
<b><u>1 Jan 2017 to 30 Sep 2017</u></b>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	23,066
AVIC Dingheng Shipbuilding Co., Ltd	-	18,950
Transaction for Financial income		
AVIC Weihai Shipyard Co., Ltd	-	20,412
AVIC Dingheng Shipbuilding Co., Ltd	-	26,131

Transaction for Sale of good		
AVIC Dingheng Shipbuilding Co., Ltd	-	267
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	35,028
AVIC Dingheng Shipbuilding Co., Ltd		1,610
Balance for Provision of financial assistance		
AVIC Weihai Shipyard Co., Ltd	-	377,000
AVIC Dingheng Shipbuilding Co., Ltd	-	173,650
Transaction for Rental expense		
Beijing CATIC Kaichang Industry & Trade Development Co., Ltd.	-	19
China National Aero-Technology Shanghai Co., Ltd.	-	615
Transaction for Property management fees		
AVIC Property Management Co., Ltd.	-	942
Xiamen AVIC Property Management Co., Ltd.		26
Transaction for Training expense		
AVIC International Holding Corporation	-	6
<b><u>1 Jul 2016 to 30 Sep 2016</u></b>		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	9,916
AVIC Dingheng Shipbuilding Co., Ltd	-	5,626
Transaction for Financial income		
AVIC Dingheng Shipbuilding Co., Ltd	-	1,887
Transaction for Sale of goods		
AVIC Dingheng Shipbuilding Co., Ltd	-	533
Transaction for Rental expense		
AVIC International Kairong Limited	-	3
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	6,248
Transaction for Property management fees		
AVIC Property Management Co., Ltd	-	544
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd	-	246,826
AVIC Weihai Shipyard Co., Ltd	-	52,000
<b><u>1 Jan 2016 to 30 Sep 2016</u></b>		
Transaction for Management fee income		
AVIC Dingheng Shipbuilding Co., Ltd	-	100
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	22,724
AVIC Dingheng Shipbuilding Co., Ltd	-	16,801
Transaction for Financial income		
AVIC Dingheng Shipbuilding Co., Ltd	-	1,887
Transaction for Sale of goods		
AVIC Dingheng Shipbuilding Co., Ltd	-	533
Transaction for shipbuilding contract cost		
AVIC Weihai Shipyard Co., Ltd	-	36,833
Transaction for Shipbuilding contract income		
CATIC Beijing Co., Ltd	-	54,332

Transaction for Rental expense		
AVIC International Kairong Limited	-	455
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	12,898
Transaction for Property management fees		
AVIC Property Management Co., Ltd	-	922
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd	-	246,826
AVIC Weihai Shipyard Co., Ltd	-	52,000

**Note:**

- (A) The amounts of the transactions are before sales taxes and surcharges.
- (B) The details of the interested person transactions under the shareholder's mandate are disclosed on pages 97 and 98 of the Information Memorandum which can be found via the Company website.

**14 Update on utilisation of Placement Proceeds**

Based on the Placement Price of SGD0.285 and the 53,576,000 Placement Shares subscribed for, the net proceeds raised from the Placement are approximately SGD10.6 million (after deducting listing expenses approximately SGD4.7 million). The net proceeds were originally stated to be used for the purposes as set out on page 19 of the Offer Information Statement in the following proportion:

- (i) Approximately SGD8.0 million to partly finance acquisition; and
- (ii) The balance of approximately SGD2.6 million for our working capital purposes and any future acquisitions, joint ventures and strategic alliances.

As at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2017 to be false or misleading in any material aspect.

### On behalf of the Board of Directors

Dr Diao Weicheng  
Executive Chairman  
15 Nov 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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