



**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 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 Third Quarter ended 30 September 2018**

	Third Quarter			Nine Months		
	Group 1 Jul 18 to 30 Sep 18	Group 1 Jul 17 to 30 Sep 17	Change	Group 1 Jan 18 to 30 Sep 18	Group 1 Jan 17 to 30 Sep 17	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	134,829	208,165	(35)	427,047	466,197	(8)
Cost of sales	(54,423)	(155,157)	(65)	(179,418)	(281,196)	(36)
Gross profit	80,406	53,008	52	247,629	185,001	34
Other income	4,265	1,857	130	9,057	11,720	(23)
Other gains - net	649	2,387	(73)	(1,332)	14,463	N/M
Expenses						
- Distribution and marketing	(12,285)	(9,324)	32	(27,593)	(28,048)	(2)
- Administrative	(35,946)	(29,991)	20	(108,577)	(100,400)	8
- Finance	(26,297)	(12,389)	112	(66,699)	(34,094)	96
- Other	(3)	(4,205)	N/M	(160)	(595)	(73)
Share of profit of associated companies	298	1,643	(82)	797	1,847	(57)
Profit before income tax	11,087	2,986	271	53,122	49,894	6
Income tax expense	(2,701)	(490)	451	(17,114)	(14,150)	21
<b>Profit after tax</b>	<b>8,386</b>	<b>2,496</b>	<b>236</b>	<b>36,008</b>	<b>35,744</b>	<b>1</b>
<b>Other comprehensive loss:</b>						
Currency translation differences arising from consolidation	(6,163)	1,648	N/M	(7,280)	2,458	N/M
<b>Total comprehensive income</b>	<b>2,223</b>	<b>4,144</b>	<b>(46)</b>	<b>28,728</b>	<b>38,202</b>	<b>(25)</b>
<b>Profit attributable to:</b>						
Equity holders of the Company	5,152	1,342	284	26,319	32,961	(20)
Non-controlling interests	3,234	1,154	180	9,689	2,783	248
	<b>8,386</b>	<b>2,496</b>	<b>236</b>	<b>36,008</b>	<b>35,744</b>	<b>1</b>

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 18 to 30 Sep 18	1 Jul 17 to 30 Sep 17		1 Jan 18 to 30 Sep 18	1 Jan 17 to 30 Sep 17	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
<b>Total comprehensive income/(loss) attributable to:</b>						
Equity holders of the Company	(4,195)	3,168	N/M	16,846	31,093	(46)
Non-controlling interests	6,418	976	558	11,882	7,109	67
	2,223	4,144	(46)	28,728	38,202	(25)

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

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 18 to 30 Sep 18	1 Jul 17 to 30 Sep 17		1 Jan 18 to 30 Sep 18	1 Jan 17 to 30 Sep 17	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
Amortisation of intangible assets	(1,462)	(1,346)	9	(4,288)	(4,091)	5
Depreciation of property, plant and equipment	(950)	(845)	12	(2,704)	(2,485)	9
Gain on disposal of property, plant and equipment	-	(1)	N/M	-	258	N/M
Government grants	3,702	284	N/M	6,219	9,265	(33)
Interest expense on borrowings	(20,206)	(12,063)	68	(62,402)	(33,377)	87
Interest income	219	611	(64)	1,790	1,588	13
Net foreign exchange gain/(loss)	621	2,387	(74)	(2,573)	14,463	N/M
Property, plant and equipment written off	-	(171)	(100)	-	(171)	(100)
Rental expenses on operating leases	(3,819)	(4,180)	(9)	(12,075)	(13,884)	(13)
(Impairment loss)/reversal of impairment loss on non-trade receivables	(1)	216	N/M	(13)	3,826	N/M
Impairment loss on trade receivables	(1)	(4,250)	N/M	(146)	(4,250)	(97)

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 2018**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2018</b> (RMB'000)	<b>31 Dec 2017</b> (RMB'000)	<b>30 Sep 2018</b> (RMB'000)	<b>31 Dec 2017</b> (RMB'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank and on hand	321,774	135,024	11,775	4,373
Cash pledged with bank	69,034	25,555	-	-
Trade and other receivables	2,429,684	2,342,216	684	387
Due from subsidiaries	-	-	-	25,221
Finance lease receivables	19,126	14,411	-	-
Inventories	151,203	139,885	-	-
	<b>2,990,821</b>	<b>2,657,091</b>	<b>12,459</b>	<b>29,981</b>
<b>Non-current assets</b>				
Finance lease receivables	23,648	34,136	-	-
Investment in associated companies	6,270	5,371	-	-
Investment in subsidiaries	-	-	602,874	585,093
Property, plant and equipment	9,011	8,381	-	106
Intangible assets	73,975	74,917	-	-
Goodwill	117,101	114,049	-	-
Deferred tax assets	2,092	1,721	-	-
	<b>232,097</b>	<b>238,575</b>	<b>602,874</b>	<b>585,199</b>
<b>Total assets</b>	<b>3,222,918</b>	<b>2,895,666</b>	<b>615,333</b>	<b>615,180</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	255,451	313,162	25,759	55,845
Due to holding companies	904,629	2,789	-	-
Due to subsidiaries	-	-	253,726	234,811
Borrowings	1,508,698	1,918,705	201,260	195,324
Finance lease liabilities	1,136	953	-	-
Current income tax liabilities	21,744	18,538	-	-
	<b>2,691,658</b>	<b>2,254,147</b>	<b>480,745</b>	<b>485,980</b>
<b>Non-current liabilities</b>				
Borrowings	258,222	395,033	-	-
Finance lease liabilities	1,143	553	-	-
Deferred tax liabilities	15,431	15,556	-	-
Due to subsidiaries (non-trade)	-	-	9,752	9,488
	<b>274,796</b>	<b>411,142</b>	<b>9,752</b>	<b>9,488</b>
<b>Total liabilities</b>	<b>2,966,454</b>	<b>2,665,289</b>	<b>490,497</b>	<b>495,468</b>
<b>NET ASSETS</b>	<b>256,464</b>	<b>230,377</b>	<b>124,836</b>	<b>119,712</b>

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2018</b> (RMB'000)	<b>31 Dec 2017</b> (RMB'000)	<b>30 Sep 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	(15,603)	(6,130)	1,880	(1,810)
Retained profits	67,985	41,666	11,290	9,856
	<b>181,794</b>	<b>164,948</b>	<b>124,836</b>	<b>119,712</b>
<b>Non-controlling interests</b>	<b>74,670</b>	<b>65,429</b>	-	-
<b>Total equity</b>	<b>256,464</b>	<b>230,377</b>	<b>124,836</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 Sep 2018</b>	
Secured (RMB'000)	Unsecured (RMB'000)
1,136	1,508,698

<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 Sep 2018</b>	
Secured (RMB'000)	Unsecured (RMB'000)
1,143	258,222

<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 Third Quarter ended 30 September 2018

	Third Quarter		Nine Months	
	Group 1 Jul 18 to 30 Sep 18 (RMB'000)	Group 1 Jul 17 to 30 Sep 17 (RMB'000)	Group 1 Jan 18 to 30 Sep 18 (RMB'000)	Group 1 Jan 17 to 30 Sep 17 (RMB'000)
<b>Cash flow from operating activities</b>				
Profit before income tax	11,087	2,986	53,122	49,894
Adjustments for:				
Amortisation of intangible assets	1,462	1,346	4,288	4,091
Depreciation of property, plant and equipment	950	845	2,704	2,485
Gain on disposal of property, plant and equipment	-	1	-	(258)
Interest expenses	20,206	12,063	62,402	33,377
Interest income	(219)	(611)	(1,790)	(1,588)
Property, plant and equipment written off	-	171	-	171
Allowance for doubtful debts on non-trade receivables	1	(216)	13	(3,826)
Allowance for doubtful debts on trade receivables	1	4,250	146	4,250
Share of profit of associated companies	(298)	(1,643)	(797)	(1,847)
Unrealised currency translation gains	(52)	(4,016)	7,114	(16,908)
	<u>33,138</u>	<u>15,176</u>	<u>127,202</u>	<u>69,841</u>
Changes in working capital:				
Inventories	(6,191)	81,678	(11,318)	81,290
Trade and other receivables	(141,258)	(342,663)	(87,309)	(792,094)
Trade and other payables	6,232	(103,655)	(17,647)	(58,070)
Cash (used in)/ provided by operations	<u>(108,079)</u>	<u>(349,464)</u>	<u>10,928</u>	<u>(699,033)</u>
Interest received	219	611	1,790	1,588
Income tax paid	<u>(1,745)</u>	<u>(7,804)</u>	<u>(9,424)</u>	<u>(16,052)</u>
<b>Net cash (used in)/provided by operating activities</b>	<u>(109,605)</u>	<u>(356,657)</u>	<u>3,294</u>	<u>(713,497)</u>
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment (Note A)	(255)	(362)	(1,239)	(2,257)
Additions to intangible assets	(269)	(27)	(1,335)	(224)
Additions to investment in an associate	(2,500)	-	(2,500)	-
Proceeds from sale of property, plant and equipment	-	(1)	-	258
<b>Net cash used in investing activities</b>	<u>(3,024)</u>	<u>(390)</u>	<u>(5,074)</u>	<u>(2,223)</u>

	Third Quarter		Nine Months	
	Group	Group	Group	Group
	1 Jul 18 to 30 Sep 18 (RMB'000)	1 Jul 17 to 30 Sep 17 (RMB'000)	1 Jan 18 to 30 Sep 18 (RMB'000)	1 Jan 17 to 30 Sep 17 (RMB'000)
<b>Cash flow from financing activities</b>				
Dividends paid to non-controlling interests	-	-	(2,641)	(1,539)
Interest paid	(47,265)	(6,284)	(63,472)	(23,302)
(Decrease)/increase in cash pledged with bank	(52,993)	28,462	(43,479)	59,692
Proceeds from borrowings	1,342,315	53,455	1,587,315	538,493
Proceeds from finance leases	5,892	4,991	8,171	14,866
Repayment of related parties' loan	(536)	-	(21,643)	-
Repayment of finance lease liabilities	(8)	-	(910)	(738)
Repayment of borrowings	(1,009,733)	(59,993)	(1,269,226)	(151,418)
<b>Net cash provided by financing activities</b>	<b>237,672</b>	<b>20,631</b>	<b>194,115</b>	<b>436,054</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>125,043</b>	<b>(336,416)</b>	<b>192,335</b>	<b>(279,666)</b>
<b>Cash and cash equivalents</b>				
Beginning of financial year	187,566	549,050	134,754	495,184
Effect of currency translation on cash and cash equivalents	9,165	9,163	(5,315)	6,279
<b>Cash and cash equivalents at end of the financial period</b>	<b>321,774</b>	<b>221,797</b>	<b>321,774</b>	<b>221,797</b>

Note A: Purchase of plant and equipment

During 3Q2018, the Group acquired property, plant and equipment with an aggregate cost of RMB632,000 (3Q2017: RMB556,000) of which RMB377,000 (3Q2017: RMB194,000) was acquired by means of finance leases. Cash payments amounting to RMB255,000 (3Q2017: RMB362,000) 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>The Group</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	-	-	-	-	-	21,167	21,167	6,455	27,622
Other comprehensive loss	-	-	-	-	(126)	-	(126)	(991)	(1,117)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(126)</b>	<b>21,167</b>	<b>21,041</b>	<b>5,464</b>	<b>26,505</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>
Profit for the period	-	-	-	-	-	5,152	5,152	3,234	8,386
Other comprehensive (loss)/income	-	-	-	-	(9,347)	-	(9,347)	3,184	(6,163)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,347)</b>	<b>5,152</b>	<b>(4,195)</b>	<b>6,418</b>	<b>2,223</b>
<b>Balance at 30 Sep 2018</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>19,895</b>	<b>(15,603)</b>	<b>67,985</b>	<b>181,794</b>	<b>74,670</b>	<b>256,464</b>

	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>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	-	-	-	-	-	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>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 (loss)/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>



Statement of Changes in Equity

	Share capital (RMB'000)	Capital reserve (RMB'000)	Currency translation reserve (RMB'000)	Retained profits/ (accumulated losses) (RMB'000)	Total equity (RMB'000)
<b>The Company</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>
Profit for the period	-	-	-	4,373	4,373
Other comprehensive income	-	-	(1,054)	-	(1,054)
Total comprehensive income/(loss) for the period	-	-	(1,054)	4,373	3,319
<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>
Loss for the period	-	-	-	(2,939)	(2,939)
Other comprehensive income	-	-	4,744	-	4,744
Total comprehensive income/(loss) for the period	-	-	4,744	(2,939)	1,805
<b>Balance at 30 Sep 2018</b>	<b>101,237</b>	<b>10,429</b>	<b>1,880</b>	<b>11,290</b>	<b>124,836</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>
Profit for the period	-	-	-	37,611	37,611
Other comprehensive income	-	-	2,247	-	2,247
Total comprehensive income 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>
Loss for the period	-	-	-	(36,620)	(36,620)
Other comprehensive loss	-	-	(386)	-	(386)
Total comprehensive loss 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>

**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 30 September 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 September 2018 (30 September 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 September 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 September 2018 (30 September 2017: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 September 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 3Q2018 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 September 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.**

	Third Quarter		Nine Months	
	1 Jul 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 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)	1.80	0.47	9.22	11.54
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)	1.80	0.47	9.22	11.54
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 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 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Net asset value per share based on issued share capital (RMB cents)	63.66	57.76	43.71	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>	Third Quarter				Nine Months			
	1 Jul 18 to 30 Sep 18		1 Jul 17 to 30 Sep 17		1 Jan 18 to 30 Sep 18		1 Jan 17 to 30 Sep 17	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Ship-design service	90,175	66.90	63,314	30.40	273,884	64.10	194,215	41.70
Shipbuilding project services								
- Project management	10,679	7.90	10,999	5.30	33,052	7.70	43,475	9.30
- Project financing	32,736	24.30	13,512	6.50	90,694	21.20	46,302	9.90
Shipbuilding construction service	36	-	42,257	20.30	24,372	5.70	99,567	21.40
Sale of vessels	-	-	76,301	36.70	-	0.00	76,301	16.40
Finance lease income	1,161	0.90	1,698	0.80	3,780	0.90	5,508	1.20
Others	77	-	84	-	1,265	0.40	829	0.10
Total revenue	<u>134,829</u>	<u>100</u>	<u>208,165</u>	<u>100</u>	<u>427,047</u>	<u>100.00</u>	<u>466,197</u>	<u>100</u>

### Consolidated Statement of Comprehensive Income

#### Revenue

In 3Q2018, the Group's revenue was generated mainly from its ship-design service, shipbuilding project management and project financing services. The Group's revenue decreased by RMB73.3 million or 35% to RMB134.8 million in 3Q2018 compared with RMB208.2 million 3Q2017. The decrease was mainly due to: (1) shipbuilding construction service revenue decreasing by RMB42.2 million to RMB0.04 million due to the completion of Fiji project, and (2) revenue from sale of vessels declining by RMB76.3 million to nil as there was no vessel sale in 3Q18. However, the revenue decrease was partially offset by: (1) RMB26.9 million increase in ship-design service revenue to RMB 90.2 million, and (2) shipbuilding project financing income increasing by RMB19.5 million to RMB32.7 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 RMB100.7 million or 65% to RMB54.4 million in 3Q2018 compared to RMB155.2 million in 3Q2017, attributed mainly to the significant decrease in shipbuilding construction work in 3Q2018. Gross profit increased 52% in 3Q2018, due mainly to increased contributions from the shipbuilding project financing service and ship-design service. As a result, gross profit margin increased from 25% to 60%, mainly attributed to increased contribution from higher margin ship-design and shipbuilding project financing service.

#### Other income

Other income consisted mainly of interest income and government grants. Other income increased from RMB1.9 million in 3Q2017 to RMB4.3 million in 3Q2018, mainly due to higher government grants received.

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

Other gains in 3Q2018 amounted to RMB0.6 million, compared to RMB2.4 million in 3Q2017, attributed mainly to foreign exchange gain arising from the movement of SGD 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 3Q2018, the marketing and distribution expense increased by RMB3.0 million or 32% to RMB12.3 million, mainly due to reclassification of staff bonus arising during the period.

Operating lease expenses amounted to RMB3.0 million in 3Q2018.

#### 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 RMB6.0 million or 20% from RMB30.0 million in 3Q2017 to RMB36.0 million in 3Q2018, mainly due to increase of R&D expenditure and overall headcounts in China. The Administrative expenses in 3Q2017 included reversal of impairment on receivables amounting to RMB4.0 million.

Operating lease expenses amounted to RMB2.9 million in 3Q2018.

The depreciation charge for plant and equipment amounted to RMB1.0 million in 3Q2018. Amortisation of intangible assets amounted to RMB1.5 million, mainly arising from the amortisation of software, technical knowhow and brand name from Deltamarin Group.

#### Finance expenses

Finance expenses increased RMB13.9 million or 112% to RMB26.3 million in 3Q2018, mainly due to increased borrowings obtained by the Group from banks in China 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 3Q2018 amounted to RMB0.3 million compared to RMB1.6 million in 3Q2017.

#### Income tax expenses

The operating subsidiaries in China and Finland are subject to income tax rates of 25% and 20% respectively. Income tax expenses increased RMB2.2 million to RMB2.7 million in 3Q2018. The increase was due to higher profits generated from business during the period.

#### Profit for the period

After taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders for 3Q2018 was RMB 5.2 million, a increase of 284% from the RMB 1.3 million profits attributable in 3Q2017.

### **Statement of Financial Position**

#### Current assets

As at 30 September 2018, the Group's cash at bank and on hand balances amounted to RMB321.8 million, an increase of RMB186.8 million over the RMB135.0 million as at 31 December 2017. Cash pledged with bank increased RMB43.5 million to RMB69 million and this was mainly due to deposits made for shipbuilding bank guarantee.

Trade and other receivables increased RMB87.5 million to RMB2,429.7 million as at 30 September 2018, comprising mainly: (1) RMB49.7 million due from customers on construction contracts, (2) RMB90.5 million arising from shipbuilding project management services and (3) RMB2,289.4 million arising from shipbuilding project financing service.

Inventories as at 30 September 2018 amounted to RMB151.2 million, compared to RMB139.9 million as at 31 December 2017.

Finance lease receivables as at 30 September 2018 amounted to RMB19.1 million, an increase of RMB4.7 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 RMB74 million as at 30 September 2018, a decrease of RMB0.9 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 in 2013. The goodwill amounted to RMB117.1 million as at 30 September 2018, RMB3.1 million higher than the RMB114.0 million as at 31 December 2017. 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 mainly derived from the operating subsidiaries in China.

Non-current portion of finance lease receivables decreased RMB10.5 million to RMB23.6 million as at 30 September 2018 as a result of payments received 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 September 2018. Short term loans totalled RMB1,508.7 million, RMB410 million lower 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 RMB1,160.1 million as at 30 September 2018 compared to RMB316 million as at 31 December 2017. The increase was mainly attributed to non-trade payable to parent company under shipbuilding contracts arising from the receipt of bridging loans from the parent company amounting to RMB904.6 million at 30 September 2018, compared to RMB2.8 million as at 31 December 2018, pending the completion of refinancing from banks in China.

Income tax payable increased by RMB3.2 million from RMB18.5 million to RMB21.7 million as at 30 September 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 September 2018. Long-term borrowings decreased by RMB136.8 million to RMB258.2 million as at 30 September 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 September 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 was no movement in capital reserve in 3Q2018.

#### **Consolidated cash flow statements**

Net cash outflow from operating activities in 3Q2018 was RMB109.6 million compared to net cash outflow of RMB356.7 million in the corresponding quarter last year. The decreased cash outflow was due to a smaller increase in trade and other receivables and a slight increase in trade and other payables in 3Q2018, as compared to 3Q2017.

Net cash used in investing activities was RMB3.0 million in this quarter compared to net cash outflow RMB0.4 million in the corresponding quarter of last year. The net cash used in 3Q2018 was mainly investments in associate company.

In 3Q2018, net cash inflow from financing activities amounted to RMB237.7 million, compared to net cash inflow of RMB20.6 million in 3Q2017 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.**

As of September 2018, the global shipbuilding industry has secured 623 newbuild vessel orders for the year, amounting to US\$40 billion in contract value, 7% lower compared to a year ago, raising the global shipping industry's orderbook to fleet ratio to 10%, a relative benign level compared to history years<sup>1</sup>.

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. In 3Q2018, AVIC Dingheng successfully delivered its 8th Dual-Fuel ship, which fully meets the latest environmental protection regulations of the IMO NOx Tier III requirements, and also held naming ceremony for two of its 7999-ton chemical tankers built for Swedish shipowners, SIRIUS Shipping. In the same quarter, AVIC Weihai also successfully piloted the 880-passenger RORO ("Roll-on/Roll-off") vessel built for Jiaodong Shipping Co., Ltd, marking the significant progress made by AVIC Weihai in the construction of RORO vessels.

Working in cooperation with these shipyards, the Group will continue to enhance its foothold in the niche market of producing containerships, small chemical tankers and RORO vessels which meet new and increasingly stringent environmental protection regulations.

Deltamarin has a strong order book and continues to maintain a leading position in the design of high-tech and green vessels. Deltamarin has entered into a contract with MV Werften in Germany to provide basic and detail design as well as site assistance services for a Global Class mega cruise ship. The value of the Contract is approximately Euro 16.5 million and the services are to be rendered over an estimated period of three years. Together with the several major vessel design orders in its order book, Deltamarin will see high capacity utilization through to 2020.

In October 2018, the Company announced that its controlling shareholder ,AVIC International Holdings Limited ("AIHL", listed on Hong Kong Stock Exchange, stock code: 00161), which directly holds 73.78% of the shareholding interest in the capital of the Company, has informed the Company that it is in preliminary discussion with potential investors in relation to a possible disposal of AIHL's ship business ("Potential Transaction"), which if consummated may include the disposal of AIHL's entire shareholding interest in the Company to such potential investors. The discussions are on-going and no definitive agreements have been agreed upon between the parties. There is no certainty or assurance that (i) any definitive agreement will be entered into or (ii) the Potential Transaction will be proceeded with. The Board will make the appropriate announcements when there is further material development regarding the Potential Transaction accordingly in compliance with the relevant provisions of the Rules of Catalist of the Singapore Exchange Securities Trading Limited.

**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.

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<sup>1</sup> <https://crucialperspective.com/usd40-billion-newbuild-vessel-orders/>



**(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 2018.

**13 Summary of Interested Person Transactions**

	<b>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)</b>	<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>
<b><u>1 Jul 2018 to 30 Sep 2018</u></b>		
<b>Transaction for Service fee income</b>		
AVIC Weihai Shipyard Co., Ltd		3,486
AVIC Dingheng Shipbuilding Co., Ltd		7,327
<b>Transaction for Financial income</b>		
AVIC Weihai Shipyard Co., Ltd		12,787
AVIC Dingheng Shipbuilding Co., Ltd		20,161
<b>Transaction for Ship-designing fee income</b>		
AVIC Weihai Shipyard Co., Ltd		818
<b>Balance for Provision of financial assistance</b>		
AVIC Weihai Shipyard Co., Ltd		884,000
AVIC Dingheng Shipbuilding Co., Ltd		1,433,113
<b>Transaction for Deposit Service</b>		
AVIC Finance Co., LTD.		83,600
<b>Transaction for Rental expense</b>		
China National Aero-Technology Shanghai Co., Ltd		217
<b>Transaction for Property management fees</b>		
AVIC Property Management Co., Ltd		228
Xiamen AVIC Property Management Co., Ltd		9
<b>Transaction for Other expenses</b>		
Beijing Fashion Rainbow Department Store Co. Ltd		27
Grand Skylight Hotel Management Co. Ltd		-
<b><u>1 Jan 2018 to 30 Sep 2018</u></b>		
<b>Transaction for Service fee income</b>		
AVIC Weihai Shipyard Co., Ltd		13,612
AVIC Dingheng Shipbuilding Co., Ltd		19,657
<b>Transaction for Financial income</b>		
AVIC Weihai Shipyard Co., Ltd		37,945
AVIC Dingheng Shipbuilding Co., Ltd		52,184

<b>Transaction for Ship-designing fee income</b>	
AVIC Weihai Shipyard Co., Ltd	15,301
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	1,433,113
<b>Transaction for Deposit Service</b>	
AVIC Finance Co., LTD.	83,600
<b>Transaction for Rental expense</b>	
China National Aero-Technology Shanghai Co., Ltd	652
<b>Transaction for Property management fees</b>	
AVIC Property Management Co., Ltd	923
Xiamen AVIC Property Management Co., Ltd	26
<b>Transaction for Other expenses</b>	
Beijing Fashion Rainbow Department Store Co. Ltd	87
Grand Skylight Hotel Management Co. Ltd	1
<b><u>1 Jul 2017 to 30 Sep 2017</u></b>	
<b>Transaction for Service fee income</b>	
AVIC Weihai Shipyard Co., Ltd	5,024
AVIC Dingheng Shipbuilding Co., Ltd	5,851
<b>Transaction for Financial income</b>	
AVIC Weihai Shipyard Co., Ltd	7,598
AVIC Dingheng Shipbuilding Co., Ltd	5,993
<b>Transaction for Ship-designing fee income</b>	
AVIC Weihai Shipyard Co., Ltd	8,373
AVIC Dingheng Shipbuilding Co., Ltd	920
<b>Balance for Provision of financial assistance</b>	
AVIC Dingheng Shipbuilding Co., Ltd	53,650
<b>Transaction for Rental expense</b>	
Beijing CATIC Kaichang Industry & Trade Development Co., Ltd	615
<b>Transaction for Property management fees</b>	
AVIC Property Management Co., Ltd	494
Xiamen AVIC Property Management Co., Ltd	12
<b><u>1 Jan 2017 to 30 Sep 2017</u></b>	
<b>Transaction for Service fee income</b>	
AVIC Weihai Shipyard Co., Ltd	23,066
AVIC Dingheng Shipbuilding Co., Ltd	18,950
<b>Transaction for Financial income</b>	
AVIC Weihai Shipyard Co., Ltd	20,412
AVIC Dingheng Shipbuilding Co., Ltd	26,131
<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	35,028
AVIC Dingheng Shipbuilding Co., Ltd	1,610
<b>Balance for Provision of financial assistance</b>	

AVIC Dingheng Shipbuilding Co., Ltd	173,650
AVIC Weihai Shipyard Co., Ltd	377,000
<b>Transaction for Rental expense</b>	
Beijing CATIC Kaichang Industry & Trade Development Co., Ltd	19
China National Aero-Technology Shanghai Co., Ltd	615
<b>Transaction for Property management fees</b>	
AVIC Property Management Co., Ltd	942
Xiamen AVIC Property Management Co., Ltd	26
<b>Transaction for Training expense</b>	
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 September 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 nine months ended 30 September 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 third quarter and nine months ended 30 September 2018 to be false or misleading in any material aspect.

**On behalf of the Board of Directors**

Dr Diao Weicheng  
Executive Chairman  
13 November 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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