



# 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 2019

### PART 1- INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1 (a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediate preceding financial year.

1(a)(i) Consolidated Statement of Comprehensive Income for the Second Quarter and Half Year ended 30 June 2019

	Second Quarter			Half Year		
	Group 1 Apr 19 to 30 Jun 19 (RMB'000)	Group 1 Apr 18 to 30 Jun 18 (RMB'000)	Change %	Group 1 Jan 19 to 30 Jun 19 (RMB'000)	Group 1 Jan 18 to 30 Jun 18 (RMB'000)	Change %
Revenue	127,895	152,613	(16)	261,795	292,218	(10)
Cost of sales	(47,094)	(59,258)	(21)	(101,214)	(124,994)	(19)
Gross profit	80,801	93,355	(13)	160,581	167,224	(4)
Other income	903	2,332	(61)	1,532	4,792	(68)
Other gains – net	3,576	(4,331)	N/M	9,790	(1,982)	N/M
Expenses						
- Distribution and marketing	(9,708)	(7,706)	26	(15,547)	(15,308)	2
- Administrative	(41,738)	(42,358)	(1)	(79,655)	(72,631)	10
- Finance	(22,393)	(20,579)	9	(47,858)	(40,402)	18
- Other	620	(10)	N/M	-	(157)	(92)
Share of profits of associates	841	241	249	1,510	499	203
Profit before income tax	12,902	20,944	(38)	30,353	42,035	(28)
Income tax expense	(3,180)	(9,526)	(67)	(8,215)	(14,413)	(43)
<b>Profit after tax</b>	<b>9,722</b>	<b>11,418</b>	<b>(15)</b>	<b>22,138</b>	<b>27,622</b>	<b>(20)</b>
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss:						
Share of other comprehensive income of associate companies	194	-	N/M	194	-	N/M
Currency translation differences arising from consolidation	(3,788)	(6,074)	(38)	(10,607)	(1,117)	849
<b>Total comprehensive income</b>	<b>6,128</b>	<b>5,344</b>	<b>15</b>	<b>11,725</b>	<b>26,505</b>	<b>(56)</b>
<b>Profit attributable to:</b>						
Owner of the Company	7,093	8,060	(12)	18,025	21,167	(15)
Non-controlling interests	2,629	3,358	(22)	4,113	6,455	(36)
<b>Profit after tax</b>	<b>9,722</b>	<b>11,418</b>	<b>(15)</b>	<b>22,138</b>	<b>27,622</b>	<b>(20)</b>

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 19 to 30 Jun 19 (RMB'000)	1 Apr 18 to 30 Jun 18 (RMB'000)		1 Jan 19 to 30 Jun 19 (RMB'000)	1 Jan 18 to 30 Jun 18 (RMB'000)	
<b>Total comprehensive profit attributable to:</b>						
Owner of the Company	2,242	1,821	23	8,345	21,041	(60)
Non-controlling interests	3,886	3,523	10	3,380	5,464	(38)
<b>Total comprehensive income</b>	<b>6,128</b>	<b>5,344</b>	<b>15</b>	<b>11,725</b>	<b>26,505</b>	<b>(56)</b>

**1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Second Quarter and Half Year ended 30 June 2019**

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 19 to 30 Jun 19 (RMB'000)	1 Apr 18 to 30 Jun 18 (RMB'000)		1 Jan 19 to 30 Jun 19 (RMB'000)	1 Jan 18 to 30 Jun 18 (RMB'000)	
Amortisation of intangible assets	(1,053)	(1,398)	(25)	(2,677)	(2,826)	(5)
Depreciation of property, plant and equipment	(2,947)	(882)	234	(5,906)	(1,754)	237
Government grants	8	2,517	(100)	87	2,517	(97)
Interest expense on borrowings	(21,955)	(22,506)	(2)	(46,447)	(42,196)	10
Interest income	438	372	18	890	1,571	(43)
Net foreign exchange (loss)/gain	(2,990)	(5,543)	(46)	3,223	(3,194)	N/M
Write back/(allowance) of impairment loss on financial assets	620	(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 2019**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	170,127	243,331	3,334	7,635
Cash pledged with bank	12,960	13,267	-	-
Trade and other receivables	2,756,166	2,442,059	22,548	16,915
Finance lease receivables	26,637	23,610	-	-
Inventories	172,134	156,477	-	-
	<b>3,138,024</b>	<b>2,878,744</b>	<b>25,882</b>	<b>24,550</b>
<b>Non-current assets</b>				
Finance lease receivables	10,577	19,788	-	-
Investment in associated companies	7,472	5,943	-	-
Investment in subsidiaries	-	-	597,634	588,894
Property, plant and equipment	57,590	8,968	-	-
Intangible assets (Note A)	72,995	76,619	-	-
Goodwill	110,517	114,706	-	-
Deferred tax assets	2,033	2,014	-	-
	<b>261,184</b>	<b>228,038</b>	<b>597,634</b>	<b>588,894</b>
<b>Total assets</b>	<b>3,399,208</b>	<b>3,106,782</b>	<b>623,516</b>	<b>613,444</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	258,293	296,365	17,540	19,258
Due to subsidiaries (non trade)	-	-	478,983	301,577
Borrowings	2,510,493	1,905,491	-	177,468
Lease liabilities	8,616	1,161	-	-
Current income tax liabilities	20,246	21,825	-	-
Financial derivative liabilities	-	24,753	-	-
	<b>2,797,648</b>	<b>2,249,595</b>	<b>496,523</b>	<b>498,303</b>

Note A: Intangible assets

Intangible assets are mainly acquired technical knowhow, ship design engineering software licences and acquired brand arising from acquisition of Deltamarin Ltd.

	Group		Company	
	30 Jun 2019 (RMB'000)	31 Dec 2018 (RMB'000)	30 Jun 2019 (RMB'000)	31 Dec 2018 (RMB'000)
<b>Non-current liabilities</b>				
Borrowings	283,305	588,302	-	-
Lease liabilities	43,482	1,076	-	-
Deferred tax liabilities	15,101	15,108	-	-
Due to subsidiaries	-	-	-	9,417
	<b>341,888</b>	<b>604,486</b>	<b>-</b>	<b>9,417</b>
<b>Total liabilities</b>	<b>3,139,536</b>	<b>2,854,081</b>	<b>496,523</b>	<b>507,720</b>
<b>Net assets</b>	<b>259,672</b>	<b>252,701</b>	<b>126,993</b>	<b>105,724</b>

## EQUITY

### Capital and reserves attributable to equity holders of the Company

Share capital	101,237	101,237	101,237	101,237
Capital reserve	11,944	11,944	10,429	10,429
Merger reserve	(3,664)	(3,664)	-	-
Statutory reserve	32,019	32,019	-	-
Currency translation reserve	(30,416)	(20,736)	2,794	844
Retained profits/(accumulated losses)	74,847	56,822	12,533	(6,786)
	<b>185,967</b>	<b>177,622</b>	<b>126,993</b>	<b>105,724</b>
<b>Non-controlling interests</b>	<b>73,705</b>	<b>75,079</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>259,672</b>	<b>252,701</b>	<b>126,993</b>	<b>105,724</b>

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

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

As at 30 Jun 2019	
Secured (RMB'000)	Unsecured (RMB'000)
8,616	2,510,493

As at 31 Dec 2018	
Secured (RMB'000)	Unsecured (RMB'000)
1,161	1,905,491

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

As at 30 Jun 2019	
Secured (RMB'000)	Unsecured (RMB'000)
43,482	283,305

As at 31 Dec 2018	
Secured (RMB'000)	Unsecured (RMB'000)
1,076	588,302

#### (C) Details of any collaterals

Bank borrowings of the Group and the Company are guaranteed by the Company's immediate holding corporation, intermediate holding corporation and its related corporations.

USD7,708,000 (equivalent to approximately RMB52,990,000) of the loans from non-controlling interests corporation are unsecured, interest free and are repayable on demand. These loans are denominated in United States Dollars ("USD") and their carrying amounts approximate their fair value.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated Cash Flow Statements for the Second Quarter and Half Year ended 30 June 2019

	Second Quarter		Half Year	
	Group	Group	Group	Group
	1 Apr 19 to 30 Jun 19 (RMB'000)	1 Apr 18 to 30 Jun 18 (RMB'000)	1 Jan 19 to 30 Jun 19 (RMB'000)	1 Jan 18 to 30 Jun 18 (RMB'000)
<b>Cash flow from operating activities</b>				
Profit before income tax	12,902	20,944	30,353	42,035
Adjustments for:				
Amortisation of intangible assets	1,053	1,398	2,677	2,826
Depreciation of property, plant and equipment	2,947	882	5,906	1,754
Gain on disposal of property, plant and equipment	-	-	(1)	-
Interest expenses	21,955	22,506	46,447	42,196
Interest income	(438)	(372)	(890)	(1,571)
(Write back)/allowance of impairment loss on financial assets	(620)	2	-	(145)
Share of profits of associates	(841)	(241)	(1,510)	(499)
Unrealised currency translation losses	(1,514)	11,409	(2,117)	7,178
	<u>35,444</u>	<u>56,528</u>	<u>80,865</u>	<u>93,774</u>
Change in working capital:				
Inventories	(17,903)	(10,391)	(15,657)	(5,127)
Trade and other receivables	(3,567)	(53,082)	(314,095)	53,949
Trade and other payables	(112,469)	(41,047)	(381,457)	(23,879)
Cash provided by operations	<u>(98,495)</u>	<u>(47,992)</u>	<u>(630,344)</u>	<u>118,717</u>
Interest received	438	372	890	1,571
Income tax paid	<u>(1,848)</u>	<u>(1,569)</u>	<u>(6,142)</u>	<u>(7,679)</u>
<b>Net cash (used in)/ provided by operating activities</b>	<u><b>(99,905)</b></u>	<u><b>(49,189)</b></u>	<u><b>(635,596)</b></u>	<u><b>112,609</b></u>
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment (Note B)	-	(1,233)	(5)	(984)
Additions to intangible assets	-	10	-	(1,066)
<b>Net cash used in investing activities</b>	<u>-</u>	<u><b>(1,223)</b></u>	<u><b>(5)</b></u>	<u><b>(2,050)</b></u>

	Second Quarter		Half Year	
	Group	Group	Group	Group
	1 Apr 19 to 30 Jun 19 (RMB'000)	1 Apr 18 to 30 Jun 18 (RMB'000)	1 Jan 19 to 30 Jun 19 (RMB'000)	1 Jan 18 to 30 Jun 18 (RMB'000)
<b>Cash flow from financing activities</b>				
Dividends paid to non-controlling interests	(4,682)	(2,641)	(4,682)	(2,641)
Interest paid	(8,084)	(8,251)	(24,569)	(16,207)
Decrease in cash pledged with bank	55,083	(4,038)	307	9,514
Proceeds from borrowings	-	170,000	997,175	245,000
Proceeds from /(payment for) finance leases	5,512	(1,159)	6,320	2,279
Repayment of lease liabilities	-	12	-	(902)
Repayment of borrowings	(17,046)	(171,107)	(412,933)	(280,600)
<b>Net cash provided by/(used in) financing activities</b>	<b>30,783</b>	<b>(17,184)</b>	<b>561,618</b>	<b>(43,557)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(69,122)</b>	<b>(67,596)</b>	<b>(73,983)</b>	<b>67,002</b>
<b>Cash and cash equivalents</b>				
Beginning of financial year	235,355	261,626	243,331	134,754
Effect of currency translation on cash and cash equivalents	3,894	(6,464)	779	(14,190)
<b>Cash and cash equivalents at end of the financial period</b>	<b>170,127</b>	<b>187,566</b>	<b>170,127</b>	<b>187,566</b>

Note B: Purchase of plant and equipment

During 2Q2019, the Group did not acquire property, plant and equipment. Cash payments amounting to nil (2Q2018: RMB1,233,000) 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 at- tributable to owners of the Company (RMB'000)	Non-con- trolling in- terests (RMB'000)	Total equity (RMB'000)
<b>The Group</b>									
<b>Balance at 1 Jan 2019</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>32,019</b>	<b>(20,736)</b>	<b>56,822</b>	<b>177,622</b>	<b>75,079</b>	<b>252,701</b>
Profit for the period	-	-	-	-	-	10,932	10,932	1,484	12,416
Other comprehensive (loss)/in- come	-	-	-	-	(4,825)	-	(4,825)	(1,994)	(6,819)
<b>Total comprehensive (loss)/in- come for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,825)</b>	<b>10,932</b>	<b>6,107</b>	<b>(510)</b>	<b>5,597</b>
Distributions to non-controlling in- terests	-	-	-	-	-	-	-	-	-
<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>-</b>	<b>-</b>
<b>Balance at 31 Mar 2019</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>32,019</b>	<b>(25,561)</b>	<b>67,754</b>	<b>183,729</b>	<b>74,569</b>	<b>258,298</b>
Profit for the period	-	-	-	-	-	7,093	7,093	2,629	9,722
Other comprehensive (loss)/in- come	-	-	-	-	(4,855)	-	(4,855)	1,261	(3,594)
<b>Total comprehensive (loss)/in- come for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,855)</b>	<b>7,093</b>	<b>2,238</b>	<b>3,890</b>	<b>6,128</b>
Distributions to non-controlling in- terests	-	-	-	-	-	-	-	(4,754)	(4,754)
<b>Balance at 30 Jun 2019</b>	<b>101,237</b>	<b>11,944</b>	<b>(3,664)</b>	<b>32,019</b>	<b>(30,416)</b>	<b>74,847</b>	<b>185,967</b>	<b>73,705</b>	<b>259,672</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>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	-	-	-	-	-	13,991	13,991	3,097	17,088
Other comprehensive (loss)/income	-	-	-	-	6,113	-	6,113	(1,156)	4,957
<b>Total comprehensive (loss)/income 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>
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
<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>-</b>	<b>-</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>



Statement of Changes in Equity

	Share capital (RMB'000)	Capital reserve (RMB'000)	Currency translation reserve (RMB'000)	(Accumulated losses)/ retained profits (RMB'000)	Total equity (RMB'000)
<b><u>The Company</u></b>					
<b>Balance at 1 Jan 2019</b>	<b>101,237</b>	<b>10,429</b>	<b>844</b>	<b>(6,786)</b>	<b>105,724</b>
Profit for the period	-	-	-	(4,320)	(4,320)
Other comprehensive income	-	-	(872)	-	(872)
Total comprehensive income for the period	-	-	(872)	(4,320)	(5,192)
<b>Balance at 31 Mar 2019</b>	<b>101,237</b>	<b>10,429</b>	<b>(28)</b>	<b>(11,106)</b>	<b>100,532</b>
Profit for the period	-	-	-	23,639	23,639
Other comprehensive income	-	-	2,822	-	2,822
Total comprehensive income for the period	-	-	2,822	23,639	26,461
<b>Balance at 30 Jun 2019</b>	<b>101,237</b>	<b>10,429</b>	<b>2,794</b>	<b>12,533</b>	<b>126,993</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	-	-	-	(878)	(878)
Other comprehensive income	-	-	(2,156)	-	(2,156)
Total comprehensive income 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 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>

- 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, 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.

State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2019. As at 30 June 2019, 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 or subsidiary holdings of the Company as at 30 June 2019 (30 June 2018: 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 2018 and 30 June 2019, 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 2019 (30 June 2018: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 June 2019.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There was no sale, transfer, disposal, cancellation and/or use of subsidiary holdings as at 30 June 2019.

- 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.**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments*

The adoption of the above SFRS(I)s and SFRS(I) Interpretations did not have any significant impact on the financial statements of the Group except for the following:

**SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)**

SFRS(I) 16 has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors has not changed significantly.

The Group has applied the standard from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The differences from the balance sheet as previously reported at 31 December 2018 are increase in right-of-use assets and lease liabilities of RMB53,416,000.

**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 2019 to 30 Jun 2019	1 Apr 2018 to 30 Jun 2018	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018
Earnings per ordinary share attributable to owners of the Company				
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	2.48	2.82	6.31	7.41
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)	2.48	2.82	6.31	7.41
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 period.

Diluted earnings per share is the same as the basic earnings per share for the half year ended 30 Jun 2019 and 2018 as the Company has no potential dilutive ordinary shares.

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
Net asset value per share based on issued share capital (RMB cents)	65.12	62.20	44.47	37.02
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>Second Quarter</u>				<u>Half Year</u>			
<u>The Group</u>	<u>1 Apr 19 to 30 Jun 19</u>		<u>1 Apr 18 to 30 Jun 18</u>		<u>1 Jan 19 to 30 Jun 19</u>		<u>1 Jan 18 to 30 Jun 18</u>	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Ship-design service	84,560	66.10	97,244	63.70	172,517	65.90	183,709	62.90
Shipbuilding project services								
-project management	12,231	9.60	12,480	8.20	26,021	9.90	22,373	7.70
-project financing	30,704	24.00	30,058	19.70	61,001	23.30	57,712	19.70
Shipbuilding construction service	-	-	10,213	6.70	-	-	24,336	8.30
Finance lease income	829	0.60	1,311	0.90	2,296	0.90	2,619	0.90
Others	(429)	(0.30)	1,307	0.80	(40)	0.00	1,469	0.50
Total revenue	127,895	100.00	152,613	100.00	261,795	100.00	292,218	100.00

### **Consolidated Statement of Comprehensive Income**

#### **Revenue**

In 2Q2019, 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 RMB24.7 million or 16% to RMB127.9 million in 2Q2019 compared with 2Q2018. The decrease was attributable to: (1) ship-design service income decreased RMB12.7 million or 13% from RMB97.2 million to RMB84.6 million, and (2) the absence of shipbuilding construction service revenue in 2Q2019 following completion of the Fiji shipbuilding contract this year as compared to RMB10.2 million in 2Q2018. Shipbuilding project management revenue remained stable at RMB12.2 million as compared to RMB12.5 million in 2Q2018, and Shipbuilding project financing revenue totalled RMB30.7 million as compared to RMB30.1 million in 2Q2018.

#### **Cost of sales and gross profit**

Cost of sales decreased RMB12.2 million or 21% to RMB47.1 million in 2Q2019, attributed mainly to the completion of the shipbuilding contract and change in mix of ship-design contracts in this quarter. Gross profit decreased 13% to RMB80.8 million in 2Q2019 mainly due to the lower revenue contribution from the ship-design service and shipbuilding construction service.

#### Other income

Other income consisted mainly of interest income and government grants. Other income decreased by RMB1.4 million to RMB0.9 million in 2Q2019 mainly due to there being no government grants recognized in 2Q2019.

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

Other gains in 2Q2019 amounted to RMB3.6 million, compared to a loss of RMB4.3 million in 2Q2018, attributed mainly to a gain of RMB6.7 million in compensation received pursuant to the completion of the disposal of a 60% interest held by the Company in AVIC Zhenjiang Shipyard Marine Pte. Ltd., offset partially by net foreign exchange loss of RMB3.0 million.

#### Distribution and marketing expenses

Distribution and marketing expenses consisted mainly of the sales and marketing department's employee benefits expenses and travelling expenses.

Distribution and marketing expenses increased RMB2.0 million, or 26%, due mainly to more business and marketing activities.

#### Administrative expenses

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

Administrative expenses decreased RMB0.6 million or 1% to RMB41.7 million in 2Q2019.

The depreciation charge for plant and equipment amounted to RMB2.9 million in 2Q2019 mainly due to the adoption of SFRS 16 Leases which increased the depreciation from right-of-use assets. Amortisation of intangible assets amounted to RMB1.1 million in 2Q2019, mainly arising from the amortisation of software, technical knowhow and brand name from Deltamarin Group.

#### Finance expenses

Finance expenses increased 9% (or RMB1.8 million) to RMB22.4 million in 2Q2019 due to increase in bank service charge.

#### Other expenses

Other expenses recorded a negative RMB0.6 million in 2Q2019 due to write back of allowance made for doubtful debt.

#### Share of (losses)/profit of associates

The share of profit from associates in 2Q2019 amounted to RMB0.8 million compared to RMB0.2 million in 2Q2018 due to the improvement of performance from an associated company.

#### 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 to RMB3.2 million in 2Q2019.

#### Share of other comprehensive income of associated companies

Share of other comprehensive income of associate companies which amounted to RMB0.2 million in 2Q2019 arose from consolidation. In 2Q2018, there was no such income recognized.

#### Currency translation differences arising from consolidation

Currency translation differences arising from consolidation consisted of gain or loss that varied due to the functional currency of the Group's different business units being translated into RMB as the presentation currency. A loss of RMB3.8 million was recognised in 2Q2019 as compared to a loss of RMB6.1 million in 2Q2018.

#### Profit/(loss) for the period

After taking into account income tax expense and non-controlling interests, net profit attributable to shareholders for 2Q2019 was RMB7.1 million, as compared to RMB8.1 million in 2Q2018 mainly due to the decrease in revenue from ship-design service and shipbuilding construction service.

#### **Statement of Financial Position**

##### Current assets

As at 30 June 2019, the Group's cash and cash equivalents amounted to RMB170.1 million, representing a decrease of RMB73.2 million from RMB243.3 million as at 31 December 2018 due to the cash being further used to finance working capital requirements. Cash pledged with banks was RMB13.0 million as at 30 June 2019 (31 December 2018: RMB13.3 million).

Trade and other receivables comprised mainly advance payment on construction contracts, receivables arising from ship-design service, receivables arising from shipbuilding project services, non-trade receivables due from related corporations, rental deposit, tax recoverable and prepayments. Trade and other receivables increased RMB314.1million to RMB2,756.2 million as at 30 June 2019, mainly due to increased receivables arising from shipbuilding project financing provided to related party shipyards.

Finance lease receivables, amounting to RMB26.6 million as at 30 June 2019, arose from the sale of tug boats under a finance lease agreement in FY2016.

Inventories amounting to RMB172.1 million as at 30 June 2019 (31 December 2018: RMB156.5 million) were attributable to completed tug boats and tug boats under construction.

##### Non-current assets

Property, plant and equipment comprised motor vehicles, computers and software, furniture and fixtures, office equipment, and Leasing contracts expiring more than 12 months after adopting new accounting policy under SFRS(I) 16. The increase in Group's property, plant and equipment to RMB57.6 million as at 30 June 2019 from RMB9.0 million as at 31 December 2018 was attributed mainly to accounting of the Group's leasing contracts following adoption of SFRS(I) 16.

Investment in associates is accounted for by the amount of investment in non-controlling entities held by the Deltamarin Group and AVIC International Ship Development (China) Limited.

Intangible assets comprising software licenses, brand name and technical knowhow. Intangible assets amounted to RMB73.0 million as at 30 June 2019, a decrease of RMB3.6 million from 31 December 2018. The decrease was due to amortization of intangible assets.

The Group's goodwill arises from the acquisition of the Deltamarin Group in FY2013. The goodwill amounted to RMB110.5 million as at 30 June 2019, there being no material change from 31 December 2018.

Deferred tax assets are accounted for by 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 RMB9.2 million to RMB10.6 million as at 30 June 2019 as a result of payments received from the buyer of tug boats which were sold under a finance lease agreement in FY2016.

##### Current liabilities

Current portion of borrowings are accounted for by the portion of the borrowings raised which were repayable within 12 months as at 30 June 2019. Current portion of borrowings obtained to finance working capital requirements totalled RMB2,510.5 million as at 30 June 2019 (31 December 2018: RMB1,905.5 million).

Trade and other payables comprised mainly the amounts payable for business, advance receipts from ship owners, accruals and interest payable. Trade and other payables amounted to RMB258.3 million as at 30 June 2019 compared to RM296.4 million as at 31 December 2018. The decrease is mainly attributed to the release of advance receipts from ship owners and the decrease in amount due to related parties, both arising from the shipbuilding management services business.

Lease liabilities comprised office equipment leased within 12 months by the Deltamarin Group which amounted to RMB8.6 million as at 30 June 2019 after the adoption of SFRS(I) 16.

Income tax payable decreased by RMB1.6 million from RMB21.8 million to RMB20.2 million as at 30 June 2019.

Financial derivative liabilities mainly consist of the Group's forward and option currency contracts entered into with financial institutions on behalf of related corporations, which amounted to nil as at 30 June 2019 due to the settlement of these contracts in this quarter (31 December 2018: RMB24.8 million).

#### Non-current liabilities

Long-term borrowings decreased RMB305.0 million to RMB258.3 million as at 30 June 2019 as certain long-term loans were repaid.

Lease liabilities, comprising office equipment and rental leasing that were more than 12 months away from expiry amounted to RMB43.5 million as at 30 June 2019 after the adoption of SFRS(I) 16 (31 December 2018: RMB1.1 million).

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

#### Capital reserve

The amount of capital reserve as at 30 June 2019 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 2Q2019.

#### Statutory reserve

The amount of statutory reserve as at 30 June 2019 was provided in the year end in a category rate in accordance with China's regulations. As at 30 June 2019, there was no movement.

#### Currency translation reserve

The amount of currency translation reserve as at 30 June 2019 consisted of gain or loss that varied due to the functional currency of the Group's different business units being translated into RMB as the presentation currency in consolidation. A negative RMB30.4 million currency translation reserve was recognised as at 30 June 2019 as compared to a negative RMB20.7 million recognised as at 31 December 2018.

#### Retained profits/accumulated losses

Retained profits amounted to RMB74.8 million as at 30 June 2019, as compared to RMB56.8 million at 31 December 2018 as a result of the profit made in 2Q2019.

### **Consolidated cash flow statements**

Net cash outflow from operating activities in 2Q2019 was RMB99.9 million compared to net cash outflow of RMB49.2 million in the corresponding quarter last year. The cash outflow was due to decrease in trade and other payables.

In 2Q2019, net cash inflow from financing activities amounted to RMB30.8 million, compared to net cash outflow of RMB17.2 million in 2Q2018 and this was mainly due to decrease in cash pledged with bank, offset partially 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.**

Weighed down by slower growth of major economics, ongoing trade tension and subdued market sentiment, global newbuild orders dropped substantially year-on-year across all major vessel types in the first half of 2019.

The Group continues to collaborate with its partner shipyards on shipbuilding design and the provision of maritime management and consultancy services, including shipbuilding project financing and management services. In collaboration with partner shipyards, the Group continued to build on its position in niche shipbuilding market for small and medium sized chemical tankers, gas carriers and Ro-Pax vessels. One of its partner shipyards delivered two 9900DWT stainless steel chemical tankers in June 2019. These tankers, with an innovative design to cater to various shipping needs, were highly commended on their energy saving capability and environmental friendliness. The vessels also laid a foundation for the Group's future business opportunities in this category. Another partner shipyard also started to build the 5th Ro-Pax vessel for Stena Line of Sweden.

Leveraging on its strong presence in niche shipbuilding market and ship design, the Group will continue to stay focused on growing its core capabilities and seeking more orders. Deltamarin has signed a new contract with a major Finnish shipbuilding company to provide design services over a period of 13 to 14 months. With that order and other major design orders in its order book, Deltamarin will see high capacity utilization till 2021.

On 15 May 2019, the Group entered into a conditional sale and purchase agreement for the disposal of its 60% interest in AVIC Zhenjiang Shipyard Marine Pte. Ltd., a subsidiary that invests in vessels for investment purpose, at a consideration of RMB15.1 million. The shareholders approved the disposal on 2 August 2019 and completion took place subsequently on 7 August 2019.

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. Please refer to the Company's Update Announcement on this matter dated 19 July 2019.

**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 and the reason(s) for the decision.**

No interim dividend has been declared or recommended for the quarter ended 30 June 2019. The Group has decided to retain its profits and cash in order to fund business operations.

**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)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</b>
	(RMB'000)	(RMB'000)
	Note (A) and (B)	Note (A)
<u>1 Apr 2019 to 30 June 2019</u>		
<b>Transaction for Service fee income</b>		
AVIC Weihai Shipyard Co., Ltd	-	4,695
AVIC Dingheng Shipbuilding Co., Ltd	-	7,259
<b>Transaction for Financial service income</b>		
AVIC Weihai Shipyard Co., Ltd	-	12,383
AVIC Dingheng Shipbuilding Co., Ltd	-	20,163
<b>Transaction for Ship-designing fee income</b>		
AVIC Weihai Shipyard Co., Ltd	-	4,790
AVIC Dingheng Shipbuilding Co., Ltd	-	1,737
<b>Balance for Provision of financial assistance</b>		
AVIC Weihai Shipyard Co., Ltd	-	823,749
AVIC Dingheng Shipbuilding Co., Ltd	-	1,376,494
<b>Transaction for Deposit Service</b>		
AVIC Finance Co., Ltd.	-	65,260
<b>Transaction for Interest expense</b>		
Catic International Finance Ltd	-	6,237
<b>Transaction for property management fees</b>		
AVIC Property Management Co., Ltd.		443
<b>Balance for Receipt of financial assistance</b>		
Catic International Finance Ltd	-	526,363
AVIC International Holdings Corporation	-	755,499

1 Apr 2018 to 30 June 2018

**Transaction for Service fee income**

AVIC Weihai Shipyard Co., Ltd	-	5,487
AVIC Dingheng Shipbuilding Co., Ltd	-	7,043

**Transaction for Financial service income**

AVIC Weihai Shipyard Co., Ltd	-	12,648
AVIC Dingheng Shipbuilding Co., Ltd	-	17,540

**Transaction for Ship-designing fee income**

AVIC Weihai Shipyard Co., Ltd	-	9,936
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**Balance for Provision of financial assistance**

AVIC Weihai Shipyard Co., Ltd	-	1,224,930
AVIC Dingheng Shipbuilding Co., Ltd	-	884,000

**Transaction for Rental expense**

China National Aero-Technology Shanghai Co., Ltd	-	217
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**Transaction for Property management fee**

AVIC Property Management Co., Ltd.	-	442
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1 Jan 2019 to 30 June 2019

**Transaction for Service fee income**

AVIC Weihai Shipyard Co., Ltd	-	12,007
AVIC Dingheng Shipbuilding Co., Ltd	-	14,318

**Transaction for Financial service income**

AVIC Weihai Shipyard Co., Ltd	-	24,424
AVIC Dingheng Shipbuilding Co., Ltd	-	40,264

**Transaction for Ship-designing fee income**

AVIC Weihai Shipyard Co., Ltd	-	4,790
AVIC Dingheng Shipbuilding Co., Ltd	-	2,884

**Balance for Provision of financial assistance**

AVIC Weihai Shipyard Co., Ltd	-	823,749
AVIC Dingheng Shipbuilding Co., Ltd	-	1,376,494

**Transaction for Deposit Service**

AVIC Finance Co., Ltd.	-	268,560
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**Transaction for Interest expense**

Catic International Finance Ltd	-	13,049
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**Transaction for property management fees**

AVIC Property Management Co., Ltd.		696
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**Balance for Receipt of financial assistance**

Catic International Finance Ltd	-	526,363
AVIC International Holdings Corporation	-	755,499

1 Jan 2018 to 30 June 2018

**Transaction for Service fee income**

AVIC Weihai Shipyard Co., Ltd	-	10,126
AVIC Dingheng Shipbuilding Co., Ltd	-	12,330

**Transaction for Financial service income**

AVIC Weihai Shipyard Co., Ltd	-	25,158
AVIC Dingheng Shipbuilding Co., Ltd	-	32,483

**Transaction for Ship-designing fee income**

AVIC Weihai Shipyard Co., Ltd	-	14,483
AVIC Dingheng Shipbuilding Co., Ltd		45

**Balance for Provision of financial assistance**

AVIC Dingheng Shipbuilding Co., Ltd	-	884,000
AVIC Weihai Shipyard Co., Ltd	-	1,244,930

**Transaction for Property management fee**

AVIC Property Management Co., Ltd.	-	448
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**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**

Pursuant to the Offer Information Statement of the Company dated 13 September 2011 and the Company's announcements dated 3 October 2011 and 6 October 2011 regarding its compliance placement exercise (the "**Placement**") and 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 of 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 2019, the Group has 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. The Placement Proceeds have not been utilised as at 30 June 2019.

#### **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 financial year ended 30 June 2019.

#### **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 ended 30 June 2019 to be false or misleading in any material aspect.

#### **On behalf of the Board of Directors**

Dr Diao Weicheng  
Executive Chairman  
14 August 2019

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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.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents in this announcement, including the accuracy, completeness, correctness of any of the information, statements made, reports contained or opinions expressed in this announcement.*

*The contact person for the Sponsor is Mr Ng Joo Khin:*

*Telephone number: (65) 6389 3000*

*Email address: [jookhin.ng@morganlewis.com](mailto:jookhin.ng@morganlewis.com)*