AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(formerly known as AVIC International Investments Limited)

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE FOURTH QUARTER ENDED 31 MARCH 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 First Quarter ended 31 March 2019

	First Quarter		
	Group 1 Jan 19 to 31 Mar 19	**Group 1 Jan 18 to 31 Mar 18**	**Change**
	(RMB'000)	(RMB'000)	%
Revenue	133,900	140,784	(5)
Cost of sales	(54,120)	(65,736)	(18)
Gross profit	79,780	75,048	6
Other income	629	2,460	(74)
Other gains – net	6,214	2,349	165
Expenses			
- Distribution and marketing	(5,839)	(7,602)	(23)
- Administrative	(37,917)	(30,273)	25
- Finance	(25,465)	(19,823)	28
- Other	(620)	(147)	322
Share of profits of associates	669	258	159
Profit before income tax	17,451	22,270	(22)
Income tax expense	(5,035)	(5,182)	(3)
Profit after tax	12,416	17,088	(27)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	(6,817)	4,957	N/M
Total comprehensive income	5,599	22,045	(75)
Profit attributable to:			
Owner of the Company	10,932	13,991	(22)
Non-controlling interests	1,484	3,097	(52)
Profit after tax	12,416	17,088	(27)

	First Quarter		
	Group 1 Jan 19 to 31 Mar 19	Group 1 Jan 18 to 31 Mar 18	Change
	(RMB'000)	(RMB'000)	%
Total comprehensive profit attributable to:			
Owner of the Company	6,107	20,104	(70)
Non-controlling interests	(508)	1,941	N/M
Total comprehensive income	5,599	22,045	(75)

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2019

	First Quarter		
	Group 1 Jan 19 to 31 Mar 19	Group 1 Jan 18 to 31 Mar 18	Change
	(RMB'000)	(RMB'000)	%
Amortisation of intangible assets	(4,787)	(1,428)	235
Depreciation of property, plant and equipment	(2,959)	(872)	239
Government grants	79	-	N/M
Interest expense on borrowings	(24,492)	(19,690)	24
Interest income	452	1,199	(62)
Net foreign exchange gain/(loss)	6,213	2,349	164
Impairment loss on financial assets	(607)	(147)	313

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

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

1(b)(i) Unaudited Statements of Financial Position as at 31 March 2019

	Group		Company	
	31 Mar 2019 (RMB'000)	**31 Dec 2018** (RMB'000)	**31 Mar 2019** (RMB'000)	**31 Dec 2018** (RMB'000)
ASSETS				
Current assets				
Cash and cash equivalents	235,355	243,331	14,852	7,635
Cash pledged with bank	68,043	13,267	-	-
Trade and other receivables	2,753,206	2,442,059	14,820	16,915
Finance lease receivables	27,139	23,610	-	-
Inventories	154,231	156,477	-	-
	3,237,974	**2,878,744**	**29,672**	**24,550**
Non-current assets				
Finance lease receivables	14,795	19,788	-	-
Investment in associated companies	6,438	5,943	-	-
Investment in subsidiaries	-	-	583,965	588,894
Property, plant and equipment	57,948	8,968	-	-
Intangible assets (Note A)	73,462	76,619	-	-
Goodwill	110,517	114,706	-	-
Deferred tax assets	1,966	2,014	-	-
	265,126	**228,038**	**583,965**	**588,894**
Total assets	**3,503,100**	**3,106,782**	**613,637**	**613,444**
LIABILITIES				
Current liabilities				
Trade and other payables	275,308	296,365	18,573	19,258
Due to subsidiaries (non trade)	-	-	317,703	301,577
Borrowings	2,385,340	1,905,491	176,829	177,468
Finance lease liabilities	8,677	1,161	-	-
Current income tax liabilities	25,726	21,825	-	-
Financial derivative liabilities	202,005	24,753	-	-
	2,897,056	**2,249,595**	**513,105**	**498,303**

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	
	31 Mar 2019 (RMB'000)	31 Dec 2018 (RMB'000)	31 Mar 2019 (RMB'000)	31 Dec 2018 (RMB'000)
Non-current liabilities				
Borrowings	288,916	588,302	-	-
Finance lease liabilities	43,339	1,076	-	-
Deferred tax liabilities	15,491	15,108	-	-
Due to subsidiaries	-	-	-	9,417
	347,746	**604,486**	**-**	**9,417**
Total liabilities	**3,244,802**	**2,854,081**	**513,105**	**507,720**
Net assets	**258,298**	**252,701**	**100,532**	**105,724**
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	(25,562)	(20,736)	(28)	844
Retained profits/(accumulated losses)	67,751	56,822	(11,106)	(6,786)
	183,725	**177,622**	**100,532**	**105,724**
Non-controlling interests	**74,573**	**75,079**	**-**	**-**
Total equity	**258,298**	**252,701**	**100,532**	**105,724**

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

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

As at 31 Mar 2019	
Secured (RMB'000)	Unsecured (RMB'000)
8,677	1,165,072

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

(B) Amount repayable after one year

As at 31 Mar 2019	
Secured (RMB'000)	Unsecured (RMB'000)
43,339	288,916

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.

USD9,094,000 (equivalent to approximately RMB61,235,000) 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 First Quarter ended 31 March 2019

	First Quarter	
	Group	**Group**
	1 Jan 19 to 31 Mar 19 (RMB'000)	**1 Jan 18 to 31 Mar 18** (RMB'000)
Cash flow from operating activities		
Profit before income tax	17,451	22,270
Adjustments for:		
Amortisation of intangible assets	4,787	1,428
Depreciation of property, plant and equipment	2,959	872
Gain on disposal of property, plant and equipment	(1)	-
Interest expenses	24,492	19,690
Interest income	(452)	(1,199)
Write back/(allowance) for doubtful debts on non-trade receivables	12	-
Write back/(allowance) for doubtful debts on trade receivables	607	147
Share of profits of associates	(669)	(258)
Unrealised currency translation losses	(3,765)	(3,028)
	45,421	39,922
Change in working capital:		
Inventories	2,246	5,264
Trade and other receivables	(310,528)	105,652
Trade and other payables	(268,988)	18,907
Cash provided by operations	(531,849)	169,754
Interest received	452	1,199
Income tax paid	(4,294)	(6,110)
Net cash (used in)/ provided by operating activities	**(535,691)**	**164,834**
Cash flow from investing activities		
Additions to property, plant and equipment (Note B)	(5)	(954)
Additions to intangible assets	-	(1,076)
Proceeds on disposal of property, plant and equipment	-	-
Net cash used in investing activities	**(5)**	**(2,030)**

	First Quarter	
	Group	**Group**
	1 Jan 19 to 31 Mar 19 (RMB'000)	**1 Jan 18 to 31 Mar 18** (RMB'000)
Cash flow from financing activities		
Dividends paid to non-controlling interests	-	(1,539)
Interest paid	(16,485)	(7,956)
Decrease in cash pledged with bank	(54,776)	13,552
Proceeds from borrowings	997,175	75,000
(Payment for)/ proceeds from finance leases	808	3,438
Repayment of finance lease liabilities	-	(914)
Repayment of borrowings	(395,887)	(109,493)
Net cash provided by/(used in) financing activities	**530,835**	**(27,912)**
Net (decrease)/increase in cash and cash equivalents	(4,861)	134,892
Cash and cash equivalents		
Beginning of financial year	243,331	134,754
Effect of currency translation on cash and cash equivalents	(3,115)	(8,020)
Cash and cash equivalents at end of the financial period	**235,355**	**261,626**

Note B: Purchase of plant and equipment

During 1Q2019, the Group acquired property, plant and equipment with an aggregate cost of RMB5,000 (1Q2018: RMB1,137,000). Cash payments amounting to RMB5,000 (1Q2018: RMB183,000) were made to purchase property, plant and equipment.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

	Share capital	Capital reserve	Merger reserve	Statutory reserve	Currency translation reserve	Retained profits	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
The Group									
Balance at 1 Jan 2019	**101,237**	**11,944**	**(3,664)**	**32,019**	**(20,736)**	**56,822**	**177,622**	**75,079**	**252,701**
Profit for the period	-	-	-	-	-	10,932	10,932	1,484	12,416
Other comprehensive (loss)/income	-	-	-	-	(4,825)	-	(4,825)	(1,994)	(6,189)
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**(4,825)**	**10,932**	**6,107**	**(510)**	**5,652**
Distributions to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 Mar 2019	**101,237**	**11,944**	**(3,664)**	**32,019**	**(25,561)**	**67,754**	**183,729**	**74,569**	**258,298**

	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)
The Group									
Balance at 1 Jan 2018	**101,237**	**11,944**	**(3,664)**	**19,895**	**(6,130)**	**41,666**	**164,948**	**65,429**	**230,377**
Profit for the period	-	-	-	-	-	13,991	13,991	3,097	17,088
Other comprehensive (loss)/income	-	-	-	-	6,113	-	6,113	(1,156)	4,957
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**6,113**	**13,991**	**20,104**	**1,941**	**22,045**
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 Mar 2018	**101,237**	**11,944**	**(3,664)**	**19,895**	**(17)**	**55,657**	**185,052**	**67,370**	**252,422**

Statement of Changes in Equity

	Share capital	Capital reserve	Currency translation reserve	(Accumulated losses)/ retained profits	Total equity
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
The Company					
Balance at 1 Jan 2019	**101,237**	**10,429**	**844**	**(6,786)**	**105,724**
Profit for the period	-	-	-	(4,320)	(4,320)
Other comprehensive income	-	-	(872)	-	(872)
Total comprehensive income for the period	-	-	(872)	(4,320)	(5,192)
Balance at 31 Mar 2019	**101,237**	**10,429**	**(28)**	**(11,106)**	**100,532**
Balance at 1 Jan 2018	**101,237**	**10,429**	**(1,810)**	**9,856**	**119,712**
Profit for the period	-	-	-	(878)	(878)
Other comprehensive income	-	-	(2,156)	-	(2,156)
Total comprehensive income for the period	-	-	(2,156)	(878)	(3,034)
Balance at 31 Mar 2018	**101,237**	**10,429**	**(3,966)**	**8,978**	**116,678**

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 December 2018. As at 31 March 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 31 March 2019 (31 March 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 31 March 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 31 March 2019 (31 March 2018: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 31 March 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 31March 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.

	First Quarter	
	1 Jan 2019 to 31 Mar 2019	**1 Jan 2018 to 31 Mar 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)	3.83	4.90
Weighted average number of ordinary shares	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	3.83	4.90
Weighted average number of ordinary shares	285,576,000	285,576,000

Basic earnings per ordinary share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is the same as the basic earnings per share for the financial periods ended 31 March 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.

	Group		Company	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Net asset value per share based on issued share capital (RMB cents)	64.33	62.20	35.20	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.

	First Quarter			
The Group	1 Jan 19 to 31 Mar 19		1 Jan 18 to 31 Mar 18	
	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:				
Ship-design service	87,957	65.70	87,644	62.30
Shipbuilding project services				
-project management	13,790	10.30	9,893	7.00
-project financing	30,297	22.60	27,654	19.60
Shipbuilding construction service	-	-	14,123	10.00
Finance lease income	1,467	1.10	1,308	0.90
Others	389	0.30	162	0.20
Total revenue	133,900	100.00	140,784	100.00

Consolidated Statement of Comprehensive Income

Revenue

In 1Q2019, 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 RMB6.9 million or 5% to RMB133.9 million in 1Q2019 compared with 1Q2018. The decrease was mainly due to absence of shipbuilding construction service revenue in 1Q2019 following completion of the Fiji shipbuilding contract this year. However, other business segments registered some increase in revenues: (1) Shipbuilding project management revenue increased RMB3.9 million or 39% to RMB13.8 million; and (2) Shipbuilding project financing revenue increased RMB2.6 million or 10% to RMB30.3 million.

Cost of sales and gross profit

Cost of sales decreased RMB11.6 million or 18% to RMB54.1 million in 1Q2019, attributed mainly to the completion of the shipbuilding contract. However, gross profit increased 6% to RMB79.8 million in 1Q2019 due to increased contribution from the higher margined shipbuilding project management and project financing services.

Other income
Other income consisted mainly of interest income and government grants. Other income decreased by RMB1.8 million to RMB0.6 million in 1Q2019 mainly due to lower interest income.

Other (losses)/ gains - net
Other gains in 1Q2019 amounted to RMB6.2 million, compared to RMB2.3 million in 1Q2018, attributed mainly to foreign exchange gains arising from receivables denominated in SGD which had strengthened against the USD.

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

Distribution and marketing expenses decreased RMB1.8 million, or 23%, due mainly to fewer 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 increased RMB7.6 million or 25% to RMB37.9 million in 1Q2019. The increase was mainly due to reclassification of R&D expenses to administrative expenses and increased expenditure on R&D. R&D headcount and related expenses had increased to support ship-design services.

The depreciation charge for plant and equipment amounted to RMB2.9 million in 1Q2019. Amortisation of intangible assets amounted to RMB4.8 million in 1Q2019, mainly arising from the amortisation of software, technical knowhow and brand name from Deltamarin Group.

Finance expenses
Finance expenses increased 28% (or RMB5.6 million) to RMB25.5 million in 1Q2019 due to increased borrowings used for project financing of vessel constructions as well as an increase in loan interest rates for such borrowings.

Other expenses
Other expenses amounted RMB0.6 million in 1Q2019 due to allowance made for doubtful debts from Deltamarin's receivables.

Share of (losses)/profit of associates
The share of profit from associates in 1Q2019 amounted to RMB0.7 million compared to RMB0.3 million in 1Q2018.

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 slightly to RMB5.0 million in 1Q2019.

Share of other comprehensive income of associated companies
Share of other comprehensive income of associate companies in 1Q2018 arose from consolidation. In 1Q2019, 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 RMB6.8 million was recognised in 1Q2019 as compared to a gain of RMB5.0 million in 1Q2018.

Profit/(loss) for the period

After taking into account income tax expense and non-controlling interests, net profit attributable to shareholders for 1Q2019 was RMB10.9 million, as compared to RMB14.0 million in 1Q2018.

Statement of Financial Position

Current assets

As at 31 March 2019, the Group's cash and cash equivalents amounted to RMB235.4 million, representing a decrease of RMB8.0 million from RMB243.3 million as at 31 December 2018. As at 31 March 2018, cash pledged with banks increased from RMB13.3 million as at 31 December 2018 to RMB68.0 million as at 31 March 2019 as more contracts became effective during the quarter.

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 RMB311.1 million to RMB2,753.2 million as at 31 March 2019, mainly due to increased receivables arising from shipbuilding project financing provided to related party shipyards.

Finance lease receivables, amounting to RMB27.1 million as at 31 March 2019, arose from the sale of tug boats under a finance lease agreement in FY2016.

Inventories amounting to RMB154.2 million as at 31 March 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 RMB57.9 million as at 31 March 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(1) 16.

Investment in associates is accounted for by the amount of investment in non-controlling entities held by the Deltamarin Group and China subsidiary.

Intangible assets comprised software licenses, brand name and technical knowhow. Intangible assets amounted to RMB73.5 million as at 31 December 2018, a decrease of RMB3.2 million from FY2018. The decrease was due to amortization of intangible assets.

The Group's goodwill had arisen from the acquisition of the Deltamarin Group in FY2013. The goodwill amounted to RMB110.5 million as at 31 March 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 RMB5.0 million to RMB14.8 million as at 31 March 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 31 March 2019. Current portion of borrowings obtained to finance working capital requirements totalled RMB1,165.1 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 RMB275.3 million as

at 31 March 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.

Finance lease liabilities comprised office equipment leased within 12 months by the Deltamarin Group which amounted to RMB1.2 million as at 31 March 2019.

Income tax payable increased by RMB3.9 million from RMB21.8 million to RMB25.7 million as at 31 March 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 RMB202.0 million as at 31 March 2019.

Non-current liabilities

Long-term borrowings decreased RMB299.4 million to RMB288.9 million as at 31 March 2019.

Finance lease liabilities, comprising office equipment and rental leasing that were more than 12 months away from expiry amounted to RMB43.3 million as at 31 March 2019.

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 31 March 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 1Q2019.

Statutory reserve

The amount of statutory reserve as at 31 March 2019 was provided in the year end in a category rate in accordance with China's regulations. As at 31 March 2019, there was no movement.

Currency translation reserve

The amount of currency translation reserve as at 31 March 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 RMB25.6 million currency translation reserve was recognised as at 31 March 2019 as compared to a negative RMB20.7 million recognised as at 31 December 2018.

Retained profits/accumulated losses

Retained profits amounted to RMB67.8 million as at 31 March 2019, as compared to RMB56.8 million at 31 December 2018 as a result of the profit made in 1Q2019.

Consolidated cash flow statements

Net cash outflow from operating activities in 1Q2019 was RMB535.7 million compared to net cash inflow of RMB164.8 million in the corresponding quarter last year. The cash outflow was due to decrease in trade and other payables, as well as an increase in trade and other receivables.

In 1Q2019, net cash inflow from financing activities amounted to RMB530.8 million, compared to net cash outflow of RMB27.9 million in 1Q2018 and this was mainly due to increase of borrowings to fund the Group's businesses.

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.

Global new shipbuilding orders declined substantially in the first quarter of 2019 compared to a year ago, as uncertainties in economic growth, trade tensions and the implication of the IMO rules on sulphur emission continued to weigh on market sentiment.

Despite the uncertainties in the market, the Group has, in collaboration and partnership with its related shipyards, AVIC Dingheng and AVIC Weihai, built up a strong niche position in the market for small and medium sized chemical tankers, gas carriers and Ro-Pax vessels. AVIC Dingheng grew its order book for duel-fuel vessels to 13 (and one option order) as of April 2019. 11 of these vessels have been delivered (comprising two 4,700CBM multipurpose liquid gas carries, and four 15,000DWT and five 16,300DWT duel fuel chemical tankers), and received very high remarks from customers. In April 2019, AVIC Weihai received the ninth order for a LNG-ready Ropaxvessel from Stena Line of Sweden, making further progress in the yard's strategic upgrading plan to become one of the best Ro-Pax shipyards in the world.

Deltamarin maintained its foothold in the design of high-tech, green vessels and grew its order book further. In March 2019, Deltamarin signed a contract worth EUR4 million with Rauma Marine Constructions Oy, a Finnish shipbuilding company, to provide basic and detail design services for all hull and machinery areas for a car passenger ferry. Together with several other major vessel design orders in its order book, Deltamarin will see high capacity utilization till 2020.

The Group's strong presence in niche shipbuilding market and strong capabilities in ship design provide a solid foundation for AVIC Maritime to deliver sustainable performance as the market recovers.

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 21 April 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 31 March 2019. The Group has decided to retain its profits and cash in order to fund business operations.

13 Summary of Interested Person Transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
	(RMB'000)	(RMB'000)
	Note (A) and (B)	Note (A)
1 Jan 2019 to 31 Mar 2019		
Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	7,312
AVIC Dingheng Shipbuilding Co., Ltd	-	7,059
Transaction for Financial service income		
AVIC Weihai Shipyard Co., Ltd	-	12,014
AVIC Dingheng Shipbuilding Co., Ltd	-	20,101
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	-
AVIC Dingheng Shipbuilding Co., Ltd	-	1,147
Balance for Provision of financial assistance		
AVIC Weihai Shipyard Co., Ltd	-	821,749
AVIC Dingheng Shipbuilding Co., Ltd	-	1,343,517
Transaction for Deposit Service		
AVIC Finance Co., Ltd.	-	203,300
Transaction for Interest expense		
Catic International Finance Ltd	-	6,812
Transaction for Rental expense		
China National Aero-Technology Shanghai Co., Ltd	-	217
Balance for Receipt of financial assistance		
Catic International Finance Ltd	-	516,603
AVIC International Holdings Corporation	-	700,629

1 Jan 2018 to 31 Mar 2018

Transaction for Service fee income		
AVIC Weihai Shipyard Co., Ltd	-	4,640
AVIC Dingheng Shipbuilding Co., Ltd	-	5,286
Transaction for Financial service income		
AVIC Weihai Shipyard Co., Ltd	-	12,509
AVIC Dingheng Shipbuilding Co., Ltd	-	14,943
Transaction for Ship-designing fee income		
AVIC Weihai Shipyard Co., Ltd	-	4,546
Balance for Provision of financial assistance		
AVIC Dingheng Shipbuilding Co., Ltd	-	884,000
AVIC Weihai Shipyard Co., Ltd	-	1,170,063
Transaction for Rental expense		
China National Aero-Technology Shanghai Co., Ltd	-	217
Transaction for Property management fee		
AVIC Property Management Co., Ltd.	-	253

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 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 31 March 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.

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 31 March 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 first quarter ended 31 March 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors
Dr Diao Weicheng
Executive Chairman
15 May 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.

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

The contact person for the Sponsor is Mr Ng Joo Khin:
Telephone number: (65) 6389 3000
Email address: jookhin.ng@morganlewis.com