

CIRCULAR DATED 9 DECEMBER 2019

THIS CIRCULAR IS ISSUED BY AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE RECOMMENDING DIRECTORS (AS DEFINED HEREIN) OF THE COMPANY AND THE ADVICE OF RHB SECURITIES SINGAPORE PTE. LTD. TO THE RECOMMENDING DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to any aspect of this Circular or as to the course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"), for compliance with the Listing Manual Section B: Rules of Catalist ("Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST"). This Circular has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents in this Circular, including the accuracy, completeness, correctness of any of the information, statements made, reports contained or opinions expressed in this Circular. The contact person for the Sponsor is Mr Ng Joo Khin and his contact particulars are jookhin.ng@morganlewis.com and telephone: +65 6389 3000.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.



## AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201024137N)

### CIRCULAR TO SHAREHOLDERS

in relation to the

### VOLUNTARY CONDITIONAL CASH OFFER

BY

### UNITED OVERSEAS BANK LIMITED

(Company Registration No.: 193500026Z)  
(Incorporated in Singapore)

for and on behalf of

### CHINA MERCHANTS INDUSTRY INVESTMENT LIMITED

(Company Registration No.: 2200879)  
(Incorporated in Hong Kong SAR)

a wholly-owned subsidiary of

### CHINA MERCHANTS INDUSTRY HOLDINGS CO., LTD.

(Company Registration No.: 630843)  
(Incorporated in Hong Kong SAR)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror

Independent Financial Adviser to the Recommending Directors in relation to the Offer



RHB Securities Singapore Pte. Ltd.

### RHB Securities Singapore Pte. Ltd.

(Company Registration No. 198701140E)  
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THE OFFER (AS DEFINED HEREIN) WILL CLOSE AT 5.30 P.M. ON 6 JANUARY 2020 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN).



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## DEFINITIONS

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In this Circular, the following definitions apply throughout unless the context otherwise requires:

<b>“Accepting Shareholder”</b>	:	A Shareholder who validly accepts or has validly accepted the Offer (This definition is repeated in <b>Section 2.5</b> of this Circular)
<b>“Adjusted Offer Price”</b>	:	Has the meaning ascribed to it in <b>Section 2.5(b)</b> of this Circular
<b>“ADTV”</b>	:	Average Daily Trading Volume
<b>“AIHL”</b>	:	AVIC International Holdings Limited
<b>“AIHL Irrevocable Undertaking”</b>	:	Has the meaning ascribed to it in <b>Section 6.2</b> of the Offer Document
<b>“Articles”</b>	:	The existing articles of association of the Company
<b>“AVIC Group”</b>	:	Means AVIC International Holding Corporation and its subsidiaries, but excluding the Target Group
<b>“AVIC Group Corporate Guarantees”</b>	:	Has the same meaning ascribed to it in <b>Section 7.1</b> of the Offer Document
<b>“AVIC Group Corporate Guarantors”</b>	:	Has the same meaning ascribed to it in <b>Section 7.1</b> of the Offer Document
<b>“Auditors”</b>	:	PricewaterhouseCoopers LLP, the independent auditors of the Company
<b>“Books Closure Date”</b>	:	Has the meaning ascribed to it in <b>Section 2.5(a)</b> of this Circular
<b>“Business Day”</b>	:	A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This Circular to Shareholders in relation to the Offer, setting out, among other things, the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors
<b>“CMG”</b>	:	China Merchants Group Limited, a leading central state-owned enterprise based in Hong Kong, under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council
<b>“CMIH”</b>	:	China Merchants Industry Holdings Co., Ltd.

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## DEFINITIONS

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<b>“CPF”</b>	:	Central Provident Fund
<b>“CPF Agent Banks”</b>	:	Agent banks included under the CPFIS
<b>“CPFIS”</b>	:	Central Provident Fund Investment Scheme
<b>“CPFIS Investors”</b>	:	Investors who purchase Shares using their CPF contributions pursuant to the CPFIS
<b>“Catalist Rules”</b>	:	The SGX-ST Listing Manual Section B: Rules of the Catalist in force as at the Latest Practicable Date
<b>“Circular”</b>	:	This Circular to Shareholders dated 9 December 2019 in relation to the Offer
<b>“Closing Date”</b>	:	5.30 p.m. (Singapore time) on 6 January 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgment of acceptances of the Offer
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers in force as at the Latest Practicable Date
<b>“Commencement Date”</b>	:	25 November 2019, being the date of despatch of the Offer Document
<b>“Companies Act”</b>	:	The Companies Act, Chapter 50 of Singapore
<b>“Company”</b>	:	AVIC International Maritime Holdings Limited
<b>“Corporate Guarantee Beneficiaries”</b>	:	Has the same meaning ascribed to it in <b>Section 7.1</b> of the Offer Document
<b>“Dissenting Shareholders”</b>	:	Has the same meaning ascribed to it in <b>Section 11.1</b> of the Offer Document
<b>“Directors”</b>	:	The directors of the Company as at the Latest Practicable Date
<b>“Distributions”</b>	:	Has the meaning ascribed to it in <b>Section 2.4</b> of this Circular
<b>“Encumbrances”</b>	:	Means any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (This definition is repeated in <b>Section 2.4</b> of this Circular)

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## DEFINITIONS

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<b>“FAA”</b>	:	Form of Acceptance and Authorisation for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are deposited with CDP and which forms part of the Offer Document
<b>“FAT”</b>	:	Form of Acceptance and Transfer for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of the Offer Document
<b>“Free Float Requirement”</b>	:	Has the meaning ascribed to it in <b>Section 11.4</b> of the Offer Document
<b>“Further Shares”</b>	:	Has the meaning ascribed to it in <b>Section 6.2(a)</b> of the Offer Document
<b>“FY”</b>	:	Financial year ended or ending (as the case may be) 31 December of a particular year as stated
<b>“Group” or “Target Group”</b>	:	The Company and its subsidiaries
<b>“HK\$”</b>	:	Hong Kong dollars, being the lawful currency of Hong Kong
<b>“IA”</b>	:	Means the implementation agreement entered into between the Offeror and AIHL on 27 August 2019 on certain steps to be taken to implement the Offer
<b>“IFA”</b>	:	RHB Securities Singapore Pte. Ltd., the independent financial adviser to the Recommending Directors in relation to the Offer
<b>“IFA Letter”</b>	:	The letter from the IFA to the Recommending Directors dated 9 December 2019 containing the advice of the IFA to the Recommending Directors in respect of the Offer, a copy of which is set out in <b>Appendix 1</b> to this Circular
<b>“Last Trading Day”</b>	:	27 August 2019, being the last full trading day of the Shares prior to the Pre-Conditional Offer Announcement Date
<b>“Latest Practicable Date”</b>	:	27 November 2019, being the latest practicable date prior to the printing of this Circular
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for the trading of securities

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## DEFINITIONS

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<b>“Offer”</b>	:	The voluntary conditional cash offer made by UOB, for and on behalf of the Offeror, for the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
<b>“Offer Announcement”</b>	:	The announcement relating to the Offer released by the Offeror on the Offer Announcement Date
<b>“Offer Announcement Date”</b>	:	11 November 2019, being the date of the Offer Announcement
<b>“Offer Price”</b>	:	S\$0.15 in cash for each Offer Share
<b>“Offer Shares”</b>	:	All the Shares other than those already owned, controlled or agreed to be acquired by the Offeror (This definition is repeated in <b>Section 2.2</b> of this Circular)
<b>“Offeror”</b>	:	China Merchants Industry Investment Limited
<b>“Offeror Directors”</b>	:	The directors of the Offeror as at the Latest Practicable Date
<b>“Overseas Shareholders”</b>	:	The Shareholders whose addresses are outside Singapore as shown in the register of members of the Company, or, as the case may be, in the records of CDP
<b>“Pre-Conditional Offer Announcement”</b>	:	The announcement released by the Offeror on the Pre-Conditional Offer Announcement Date in relation to the pre-conditional voluntary general offer by the Offeror for all the Offer Shares
<b>“Pre-Conditional Offer Announcement Date”</b>	:	27 August 2019, being the date of the Pre-Conditional Offer Announcement
<b>“Receiving Agent”</b>	:	Boardroom Corporate & Advisory Services Pte. Ltd.
<b>“Recommending Directors”</b>	:	The directors of the Company who are considered to be independent for the purposes of making a recommendation to Shareholders in respect of the Offer, namely: <ul style="list-style-type: none"> <li>(a) Dr Diao Weicheng;</li> <li>(b) Mr Sun Yan;</li> <li>(c) Mr Li Meijin;</li> <li>(d) Mr Teng Cheong Kwee;</li> <li>(e) Ms Alice Lai Kuen Kan; and</li> <li>(f) Professor Wang Puqu</li> </ul>

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## DEFINITIONS

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<b>“Register”</b>	:	The register of holders of Shares, as maintained by the Registrar
<b>“Registrar”</b>	:	Boardroom Corporate & Advisory Services Pte. Ltd.
<b>“Relevant Acceptance Forms”</b>	:	The FAA and/or the FAT (as the case may be)
<b>“Relevant Shares”</b>	:	Has the meaning ascribed to it in <b>Section 6.2(a)</b> of the Offer Document
<b>“RMB”</b>	:	Renminbi, being the lawful currency of the People’s Republic of China
<b>“SFA”</b>	:	The Securities and Futures Act, Chapter 289 of Singapore
<b>“SGXNET”</b>	:	Singapore Exchange Network
<b>“Shareholders”</b>	:	Holders of Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
<b>“Shares”</b>	:	Issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares)
<b>“SIC”</b>	:	The Securities Industry Council of Singapore
<b>“SRS”</b>	:	The Supplementary Retirement Scheme
<b>“SRS Agent Banks”</b>	:	Agent banks included under SRS
<b>“SRS Investors”</b>	:	Investors who purchase Shares pursuant to SRS
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
<b>“UOB”</b>	:	United Overseas Bank Limited
<b>“VWAP”</b>	:	Volume-weighted average price
<b>“%” or “per cent.”</b>	:	Percentage or per centum



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## DEFINITIONS

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**Acting in concert and Concert Parties.** The expression “**acting in concert**” and the term “**concert parties**” shall have the meaning as ascribed to them respectively in the Code.

**Announcements, Notices, etc.** References to the making of an announcement or the giving of notice by the Offeror shall include the release of an announcement by UOB or advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

**Depositor, Depository Agent and Depository Register.** The expression “**Depositor**”, “**Depository Agent**” and “**Depository Registry**” shall have the same meaning ascribed to it in Section 81SF of the SFA.

**Genders.** Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

**Headings.** The headings in this Circular are inserted for convenience only and shall be ignored in construing the Circular.

**Offer Document.** References to “**Offer Document**” shall include the FAA and the FAT, unless the context otherwise requires.

**Rounding.** Any discrepancies in figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown in totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

**Shareholders.** References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to the Shareholders (including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST).

**Shares.** In this Circular, the total number of Shares is a reference to 285,576,000 Shares in issue as at the Latest Practicable Date unless the context otherwise requires. Unless the context otherwise requires, all references to a percentage shareholding in the capital of the Company in this Circular are based on 285,576,000 Shares in issue as at the Latest Practicable Date.

**Statutes.** Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Code, the Catalist Rules, the SFA or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code, the Catalist Rules, the SFA or that modification, as the case may be, unless the context otherwise requires.

**Subsidiary, Related Corporations.** The expressions “**subsidiary**” and “**related corporations**” shall have the same meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

**Time and Date.** Any reference to a time of the day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise specified.

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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*All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statements.*

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## SUMMARY TIMETABLE

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Date of despatch of Offer Document	:	25 November 2019
Date of despatch of Circular	:	9 December 2019
Closing Date	:	5.30 pm (Singapore time) on 6 January 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for lodgment of acceptances of the Offer
Date of settlement of consideration for valid acceptances of the Offer	:	<p>(a) In respect of acceptances of the Offer which are complete and valid in all respects and are received <b>on or before</b> the date of which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven Business Days of that date; or</p> <p>(b) In respect of acceptances of the Offer which are complete and valid in all respects and are received <b>after</b> the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven Business Days of the date of such receipt.</p>

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## LETTER TO SHAREHOLDERS

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### AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201024137N)

**Directors:**

Dr Diao Weicheng (Executive Chairman)  
Mr Sun Yan (Executive Director and Chief Executive Officer)  
Mr Li Meijin (Executive Director)  
Mr Teng Cheong Kwee (Lead Independent Director)  
Ms Alice Lai Kuen Kan (Independent Director)  
Professor Wang Puqu (Independent Director)

**Registered Office:**

8 Robinson Road,  
#13-00 ASO Building,  
Singapore 048544

9 December 2019

To: The Shareholders of AVIC International Maritime Holdings Limited

Dear Sir/Madam

#### **VOLUNTARY CONDITIONAL CASH OFFER BY UOB, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES**

##### **1. INTRODUCTION**

- 1.1. **Pre-Conditional Offer Announcement.** On 27 August 2019, UOB announced, for and on behalf of the Offeror, among other things, that subject to and contingent upon the satisfaction of the Pre-Condition, the Offeror intends to make the Offer for all the Offer Shares.
- 1.2. **Offer Announcement.** On 11 November 2019, UOB, for and on behalf of the Offeror, announced, among other things, that the Pre-Condition has been satisfied and accordingly, the Offeror announced its firm intention to make the Offer.
- 1.3. **Offer Document.** Shareholders should by now have received a copy of the Offer Document issued by UOB, for and on behalf of the Offeror, setting out, among other things, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out on pages 8 to 9 and Appendix 1 of the Offer Document. **Shareholders are advised to read the terms and conditions contained therein carefully.**

A copy of each of the Pre-Conditional Offer Announcement, the Offer Announcement and the Offer Document is available on the website of SGX-ST at [www.sgx.com](http://www.sgx.com).

- 1.4. **The Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company and to set out the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors with regard to the Offer.

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## LETTER TO SHAREHOLDERS

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### 2. THE OFFER

- 2.1. **Offer.** As set out in Section 2.1 of the Offer Document, the Offer is made by UOB, for and on behalf of the Offeror, to acquire all the Offer Shares in accordance with Section 139 of the SFA and the Code.
- 2.2. **Offer Shares.** As set out in Section 2.2 of the Offer Document, the Offer is extended to all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror (the “**Offer Shares**”) at the Offer Price (as defined in Section 2.3 of this Circular).
- 2.3. **Offer Price.** As set out in Section 2.3 of the Offer Document, the consideration for each Offer Share is as follows:

**For each Offer Share : S\$0.15 in cash (the “Offer Price”).**

- 2.4. **No Encumbrances.** As set out in Section 2.4 of the Offer Document, the Offer Shares will be acquired (a) fully paid-up; (b) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (“**Encumbrances**”), and (c) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, “**Distributions**”) on or after the Pre-Conditional Announcement Date.
- 2.5. **Adjustments for Distributions.** As set out in Section 2.5 of the Offer Document, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Pre-Conditional Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer (“**Accepting Shareholder**”) shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such Accepting Shareholder falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the relevant Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the relevant accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

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## LETTER TO SHAREHOLDERS

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- 2.6. **Minimum Acceptance Condition.** As set out in Section 2.6 of the Offer Document, the Offer will be conditional upon the Offeror receiving valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror holding such number of Shares carrying more than 50 per cent. of the voting rights attributable to the issued Shares (excluding treasury shares).

**Save as otherwise provided in Section 2.6 of the Offer Document, the Offer is unconditional in all other respects.**

- 2.7. **Warranty.** As set out in Section 2.7 of the Offer Document, a Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof: (a) fully paid; (b) free from all Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.

- 2.8. **Further details of the Offer.** Further details of the Offer are set out in:

- (a) **Appendix 1** to the Offer Document in relation to (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer; and
- (b) **Appendix 2** to the Offer Document in relation to the procedures for acceptance of the Offer.

### 3. IRREVOCABLE UNDERTAKING

- 3.1. Details of the AIHL Irrevocable Undertaking have been extracted from the Offer Document and are set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

**“6. IRREVOCABLE UNDERTAKING**

- 6.1 ***Implementation Agreement.*** *On 27 August 2019, the Offeror and the Company’s controlling shareholder, AIHL, entered into an implementation agreement (the “IA”) pursuant to which they had agreed on certain steps to be taken to implement the Offer.*

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## LETTER TO SHAREHOLDERS

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6.2 **AIHL Irrevocable Undertaking.** *In accordance with and subject to the terms and conditions of the IA, AIHL had on 27 August 2019 provided an irrevocable undertaking to the Offeror (the “**AIHL Irrevocable Undertaking**”), pursuant to which AIHL had, amongst other things, unconditionally and irrevocably undertaken to, and to procure that each of its nominees (if any) to, inter alia:*

- (a) accept the Offer in respect of all of the Shares held legally and/or beneficially by AIHL, and any other Shares (the “**Further Shares**”) which AIHL or its nominees may subsequently acquire after the date of the AIHL Irrevocable Undertaking (collectively, the “**Relevant Shares**”) by no later than three business days after the date of despatch to Shareholders of this Offer Document, or, in the case of the Further Shares, by no later than three business days after the date of acquisition thereof in accordance with the procedures prescribed in this Offer Document and the relevant form(s) of acceptance accompanying it;*
- (b) except pursuant to the Offer, not sell, charge, encumber, grant any option over or otherwise dispose of any Relevant Share or any interest therein which would or might restrict or impede its acceptance of the Offer;*
- (c) except pursuant to the Offer, not enter into any agreement or arrangement, incur any obligation, grant or dispose of any right or interest or give any indication of intent in relation to the Relevant Shares which would or might restrict or impede its acceptance of the Offer; and*
- (d) notwithstanding the provisions of the Code or any terms of the Offer regarding withdrawal, not withdraw its acceptance(s) of the Offer for any reason.*

*As at the Latest Practicable Date, AIHL, through its nominees, holds 210,947,369 Shares, representing approximately 73.87 per cent. of the total Shares and approximately 73.87 per cent. of the Offer Shares.*

6.3 **Termination of AIHL Irrevocable Undertaking.** *The AIHL Irrevocable Undertaking will lapse, other than as a result of a breach by AIHL of any of its obligations set forth in the AIHL Irrevocable Undertaking, upon the Offer being withdrawn (after SIC consent has been obtained for the withdrawal) or lapsing for whatever reason.*

6.4 **No Other Undertakings.** *Save for the AIHL Irrevocable Undertaking, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has received any undertakings from any other party to accept or reject the Offer.*

6.5 **Available for Inspection.** *A copy of the AIHL Irrevocable Undertaking is available for inspection at the offices of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours from the Offer Announcement Date until the date on which the Offer closes, lapses or is withdrawn in accordance with its terms.”*

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## LETTER TO SHAREHOLDERS

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### 4. INFORMATION ON THE OFFEROR AND CMIH

- 4.1. **Information on the Offeror.** Details on the Offeror and CMIH have been extracted from the Offer Document and are set out in italics below.

**“4. INFORMATION ON THE OFFEROR AND CMIH**

- 4.1 **The Offeror.** *The Offeror is a company incorporated in Hong Kong SAR on 5 February 2015. It is principally engaged in investment holding. As at the Latest Practicable Date:*

- (a) the Offeror has an issued and paid-up share capital of HK\$10,000 comprising 10,000 issued ordinary shares, all of which are held by CMIH; and*
- (b) the directors of the Offeror are Mr. Zha Delong and Ms. Li Jinsong.*

**Appendix 3** to this Offer Document sets out additional information on the Offeror.

- 4.2 **CMIH.** *CMIH is a company incorporated in Hong Kong SAR on 26 November 1997. Its principal activities are the manufacturing and supply of marine engineering equipment. As at the Latest Practicable Date, the directors of CMIH are:*

- (a) Mr. Wang Cuijun;*
- (b) Mr. Su Jian;*
- (c) Mr. Liu Zhimin; and*
- (d) Mr. Zhang Jianhua.*

*CMIH is a leading offshore engineering equipment provider and service provider headquartered in Hong Kong SAR. It also has subsidiaries and institutions in the United States, the Netherlands, Italy, Singapore and other countries, as well as several production and manufacturing bases in East China, South China and Southwest China. The business of CMIH is concentrated in four main areas, namely manufacturing of offshore engineering equipment, repairing and conversion of ship and offshore equipment, new building of luxury cruises, as well as manufacturing of new materials and special equipment. CMIH is an indirect wholly-owned subsidiary of China Merchants Group Limited (“**CMG**”), a leading central state-owned enterprise based in Hong Kong, under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council. CMG is a conglomerate with three business platforms of non-financial industries, financial services, investment and capital operation. Its non-financial industries cover ports, toll roads, shipping, logistics, real estate, zone development, offshore engineering and trade.*

**Appendix 4** to this Offer Document sets out additional information on CMIH.”



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## LETTER TO SHAREHOLDERS

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### 5. OTHER ARRANGEMENTS BETWEEN THE OFFEROR AND AIHL

Information on other arrangements between the Offeror and AIHL have been extracted from the Offer Document and are set out in italics below.

#### ***“7. OTHER ARRANGEMENTS BETWEEN THE OFFEROR AND AIHL***

7.1 *As at the Latest Practicable Date, AIHL (being the existing controlling shareholder of the Company) and other members of the AVIC Group (collectively the “**AVIC Group Corporate Guarantors**”) have given corporate guarantees (collectively, the “**AVIC Group Corporate Guarantees**”) in favour of banks (collectively the “**Corporate Guarantee Beneficiaries**”) (a) to secure the obligations of the Target Group for bank borrowings made in the ordinary course of business and/or (b) as security for the issue by such Corporate Guarantee Beneficiaries of bank guarantees in favour of the Target Group’s contractual counterparties pursuant to or in connection with its shipbuilding business.*

7.2 *In this connection, the terms of the IA provide that subject to and contingent upon the Offeror becoming the controlling shareholder of the Company upon the transfer of the Relevant Shares from AIHL to the Offeror pursuant to the Offer, the Offeror undertakes that it shall:*

- (a) provide the relevant Corporate Guarantee Beneficiaries under the AVIC Group Corporate Guarantees with corporate guarantees issued by the Offeror or any member of its Group in place of the AVIC Group Corporate Guarantees in accordance with such terms and conditions as may be required by the Corporate Guarantee Beneficiaries; and*
- (b) procure the complete release and discharge of all AVIC Group Corporate Guarantors from all such AVIC Group Corporate Guarantees,*

*no later than six months after the date of transfer of the Relevant Shares from AIHL to the Offeror.*

7.3 *The IA further provides that if the Offeror is unable to fulfil its obligations as set out in **Section 7.2** above within the stipulated six-month period due to reasons beyond the reasonable control of both the Offeror and AIHL, the Offeror shall unconditionally and irrevocably:*

- (a) guarantee, as a continuing obligation, to each of the AVIC Group Corporate Guarantors the proper and punctual performance by the Target Group of their respective obligations in respect of which the AVIC Group Corporate Guarantees (to the extent not released and discharged) have been issued; and*
- (b) indemnify each of the AVIC Group Corporate Guarantors for the payment of the relevant principal sum, interest and/or default payments required to be made to the relevant Corporate Guarantee Beneficiaries under the terms of the relevant AVIC Group Corporate Guarantees (to the extent not released and discharged) by each of the AVIC Group Corporate Guarantors as a result of any breach by the Target Group of any of their respective obligations in respect of which such AVIC Group Corporate Guarantees (to the extent not released and discharged) have been issued.*

*In this event, the terms and conditions of the guarantee and indemnity to be given by the Offeror shall be mutually agreed between the Offeror and AIHL.*

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## LETTER TO SHAREHOLDERS

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- 7.4 *Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the arrangements between the Offeror and AIHL in relation to the release and discharge of the AVIC Group Corporate Guarantees, as described in **Sections 7.2 and 7.3** of the Letter to Shareholders in this Offer Document do not constitute a special deal for the purposes of Rule 10 of the Code."*

### **6. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY**

- 6.1. The full text of the rationale for the Offer, and the Offeror's intentions relating to the Company have been extracted from the Offer Document and are set out in italics below. **Shareholders are advised to read the extract below carefully.**

#### **"9. RATIONALE FOR THE OFFER**

##### **9.1 Combination of complementary business and expertise to realise potential synergies**

*As mentioned in **Section 4.2** of the Letter to Shareholders in this Offer Document, CMIH, the sole shareholder of the Offeror, is a leading offshore engineering equipment and service provider. The main areas of business of CMIH include manufacturing of offshore engineering equipment, modification of ship equipment and manufacturing of luxury cruises. In this connection, CMIH provides offshore equipment building and repair services in China, and owns a shipyard for offshore equipment and large specialized vessel building, as well as offshore equipment and all kinds of vessels repair and conversion activities. The Target Group provides a wide range of services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.*

*CMIH is of the view that the Target Group's businesses are complementary and there are potential synergies that can be created, including cross-selling to an enlarged customer base, economies of scale, improvement of productivity and cost efficiency, as well as the sharing of domain knowledge such as know-how and best practices.*

##### **9.2 Opportunity for minority shareholders to realise their investment in the Shares at a premium**

*The Offer Price is at a premium above the historical market prices of the Shares of over the last 12-month period prior to the Pre-Conditional Offer Announcement Date. The Offer Price represents an approximately 66.7%, 65.6%, 65.9% and 64.3% premium above the VWAP per Share for the one month, three-months, six-months and 12-months period prior to and including the Last Trading Day, respectively.*

##### **9.3 Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity**

*The historical trading liquidity of the Shares on the SGX-ST has been low and do not provide Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, the Offer gives Shareholders a unique cash exit opportunity to liquidate and realise their entire investment at a premium to prevailing market prices, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.*

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## LETTER TO SHAREHOLDERS

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*The average daily trading volume of the Shares over the last one month, three-months, six-months and 12-months periods up to and including the Last Trading Day are detailed in the table below:*

	<b>Average Daily Trading Volume ("ADTV") (No. of Shares)</b>	<b>ADTV as a percentage of total number of issued Shares (%)</b>
<i>One-month period up to and including the Last Trading Day</i>	37,320	0.01
<i>Three-months period up to and including the Last Trading Day</i>	157,817	0.06
<i>Six-months period up to and including the Last Trading Day</i>	89,550	0.03
<i>12-months period up to and including the Last Trading Day</i>	50,357	0.02

### 10. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

*It is the current intention of the Offeror for the Company to continue with its existing business in line with the rationale for the Offer as set out in **Section 9** of the Letter to Shareholders in this Offer Document above. The Offeror currently has no intention to introduce any major changes to the existing business of the Company, the employment of the employees of the Target Group, or to redeploy any of the fixed assets of the Company, other than in the ordinary course of business.*

*Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which it regards to be in the interests of the Offeror.*

*Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses and fixed assets of the Target Group, which will help the Offeror determine the optimal business strategy for the Company."*

### 7. LISTING STATUS AND COMPULSORY ACQUISITION

The Offer Document also sets out the intentions of the Offeror relating to the listing status of the Company and compulsory acquisition, the full text of which has been extracted from the Offer Document and are set out in italics below:

#### **"11. Compulsory Acquisition and Listing Status**

**11.1 Compulsory Acquisition.** *The Offeror's intention is to gain majority control of the Company. In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the despatch of the Offer Document other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.*

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## LETTER TO SHAREHOLDERS

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**11.2** *In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.*

**11.3** **Section 215(3) of the Companies Act.** *In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.***

**11.4** **Listing Status and Trading Suspension.** *Under Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90 per cent. of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public (the “Free Float Requirement”). Rule 1303(1) of the Catalist Rules provides that where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the Shares at the close of the Offer.*

*In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of Shares (excluding treasury shares) held in public hands falls below 10 per cent., the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the listed securities of the Company on the SGX-ST. Rule 724(2) of the Catalist Rules further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of Shares (excluding treasury shares) held by members of the public to be raised to at least 10 per cent., failing which the Company may be removed from the Official List of the SGX-ST. Under the Catalist Rules, “public” refers to persons other than: (a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and (b) associates of the persons in (a) above.*

***The Offeror’s intention is to gain majority control of the Company. In the event that the Free Float Requirement is not met and/or trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted.***

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## LETTER TO SHAREHOLDERS

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### 8. ADVICE OF THE IFA

- 8.1. **IFA.** RHB Securities Singapore Pte. Ltd. has been appointed as the independent financial adviser to advise the Recommending Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors before deciding whether to accept or reject the Offer. The IFA's advice is set out in its letter dated 9 December 2019, which is reproduced in **Appendix 1** to this Circular (the "**IFA Letter**").
- 8.2. **Advice of the IFA.** After having regard to the considerations as set out in the IFA Letter, and based on the information that has been made available to the IFA, along with the industry, market, economic and other relevant considerations as at the Latest Practicable Date, the IFA has made certain recommendations to the Recommending Directors as set out in Section 8 of the IFA Letter, an extract of which is set out below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter.

#### **"8. OPINION AND ADVICE**

*In arriving at our opinion in respect of the Offer, we have taken into account the factors which we consider would have a significant bearing on our assessment as set out in the earlier sections and summarised below. The following should be read in conjunction with, and in the context of, the full text of this Letter.*

- (a) market quotation and trading activity of the Shares;*
- (b) Share price performance relative to selected market index;*
- (c) the Group's NAV and NTA and net debt position;*
- (d) comparison with financial valuation ratios of selected listed companies considered to be comparable to the Company;*
- (e) comparison with recent takeovers for companies listed on the SGX-ST; and*
- (f) other considerations in relation to the Offer which have a significant bearing on our assessment.*

***Having regard to the considerations set out in this Letter, the information available to us as at the Latest Practicable Date and subject to the assumptions and qualifications set out in this Letter, we are of the opinion that the terms of the Offer are FAIR and REASONABLE from a financial point of view***

*We consider the financial terms of the Offer to be **FAIR**, from a financial point of view, after taking into consideration the following factors:*

- (a) The Offer Price represents a premium of 37.6% over the VWAP for the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer Announcement Date and premiums of 64.3%, 65.9%, 65.6% and 66.7% over the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Pre-Conditional Offer Announcement Date respectively;*
- (b) The Offer Price represents a premium of approximately 17.2% over the highest closing price of S\$0.128 for the 12-month period prior to and including the Pre-Conditional Offer Announcement Date;*



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## LETTER TO SHAREHOLDERS

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- (c) *The Offer Price represents a premium of approximately 1.2 times and 82.5 times over the unaudited NAV per Share and NTA per Share as at 30 September 2019 respectively; and*
- (d) *The P/E ratio of the Company as implied by the Offer Price is within the range of and higher than the mean and median of the P/E ratios of the Selected Comparable Companies and the valuation multiples of EV/EBITDA, P/NAV and P/NTA of the Company as implied by the Offer Price are above the range of the respective ratios of the Selected Comparable Companies. We wish to highlight there are no SGX-ST listed companies that are directly comparable to the Company and therefore we have expanded our coverage to include companies which, amongst others, are primarily engaged in the ship building and related businesses. Therefore, any comparison made with respect to the Selected Comparable Companies is only intended to serve as an illustrative guide.*

*We consider the financial terms of the Offer to be **REASONABLE**, from a financial point of view, after taking into consideration the following factors:*

- (a) *Historical trading liquidity of the Shares has been low, with the ADTV of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Pre-Conditional Offer Announcement Date at approximately 0.067%, 0.120%, 0.211% and 0.050% of the Free Float respectively;*
- (b) *On a normalised basis, for the 12-month period prior to and including the Pre-Conditional Offer Announcement Date, the Shares had generally outperformed the Catalist Index and the Offer Price represents premia over the VWAPs of the Shares as illustrated in section 7.1 of this Letter. Between 23 August 2019 (being the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer Announcement Date) and the Latest Practicable Date, the market price of the Shares has increased by approximately 36.7%, while the Catalist Index has decreased by approximately 0.5%;*
- (c) *in relation to the Selected Comparable Transactions, the premium of 37.6% as implied by the Offer Price over the LTP on 23 August 2019 is within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions and the premia as implied by the Offer Price over the 1-month VWAP, 3-month VWAP and 6-month VWAP are within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions;*
- (d) *The Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted;*
- (e) *Based on the latest announcement as at the Latest Practicable Date, the Offeror has received valid acceptances in respect of 210,947,369 Shares as at 5.00 p.m. on 26 November 2019, representing approximately 77.29% of the total number of Shares. Accordingly, the Offeror has gained statutory control of the Company and the Offer has been declared unconditional in all respects;*
- (f) *In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the despatch of the Offer Document other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the*

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## LETTER TO SHAREHOLDERS

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*Commencement Date), the Offeror is entitled and intends to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer on the same terms as those offered under the Offer;*

- (g) The Group does not have a fixed dividend policy and has not declared or paid any dividend since 2011. Since the Offeror has had more than 75% of the total number of the Shares in the Company as at the Latest Practicable Date, the Offeror is in a position to significantly influence all ordinary and special resolutions on matters in which the Offeror does not have an interest at general meetings of Shareholders, including but not limited to dividends recommended by the Directors; and*
- (h) As at the Latest Practicable Date, there is no publicly available evidence of an alternative take-over offer for the Shares from any third party. The Directors have confirmed that, as at the Latest Practicable Date, save for the Offer made by the Offeror, no alternative takeover offer from any third party has been received.*

***Accordingly we advise the Recommending Directors to recommend Shareholders to ACCEPT the Offer, unless Shareholders can obtain a price higher than the Offer Price in the open market, taking into account the related expenses such as brokerage and trading costs."***

### 9. RECOMMENDATION OF THE RECOMMENDING DIRECTORS

- 9.1. **Recommendation.** The Recommending Directors, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter, concur with the recommendation of the IFA in respect of the Offer, and accordingly, recommend that, in the absence of a superior offer, Shareholders should accept the Offer, unless Shareholders can obtain a price higher than the Offer Price in the open market, taking into account the related expenses such as brokerage and trading costs.

**SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX 1 TO THIS CIRCULAR CAREFULLY.**

- 9.2. **No Regard to Specific Objectives.** In making their recommendation, the Recommending Directors have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any individual Shareholder. Accordingly, the Recommending Directors recommend that any individual Shareholder who may require specific advice in relation to his or her investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

### 10. OVERSEAS SHAREHOLDERS

- 10.1. **Overseas Shareholders.** Overseas Shareholders should refer to Section 14 of the Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as ascribed to them in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extracts below carefully.**

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## LETTER TO SHAREHOLDERS

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### **“14. OVERSEAS SHAREHOLDERS**

**14.1 Overseas Shareholders.** *This Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction. Where there are potential restrictions on sending this Offer Document (including the Relevant Acceptance Forms) to any overseas jurisdictions, the Offeror and UOB reserve the right not to send this Offer Document (including the Relevant Acceptance Forms) to such overseas jurisdictions. The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of CDP (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions. **For the avoidance of doubt, the Offer is made to all Shareholders including those to whom this Offer Document (including the Relevant Acceptance Forms) has not been, or will not be, sent.***

**14.2 Copies of the Offer Document and Relevant Acceptance Forms.** *Any Shareholder (including an Overseas Shareholder) may (subject to compliance with applicable laws) obtain copies of this Offer Document (including the Relevant Acceptance Forms) and any related documents, during normal business hours up to the Closing Date from Boardroom Corporate & Advisory Services Pte. Ltd. (if he is a scrip holder) at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or The Central Depository (Pte) Limited (if he is a Depositor) at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588. Alternatively, any Shareholder (including an Overseas Shareholder) may (subject to compliance with applicable laws) write to the Offeror through Boardroom Corporate & Advisory Services Pte. Ltd. (if he is a scrip holder) at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or The Central Depository (Pte) Limited (if he is a Depositor) at Robinson Road Post Office P.O. Box 1984, Singapore 903934, to request for this Offer Document (including the Relevant Acceptance Forms) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.*

**14.3 Compliance with Applicable Laws.** *It is the responsibility of any Overseas Shareholder who wishes to: (a) request for the Offer Document (including the Relevant Acceptance Forms) and/or any related documents; or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements, or the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall also be liable for any taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including UOB, CDP and the Registrar/Receiving Agent) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments that may be required to be paid and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Shareholder pursuant to the Offer and/or any acquisition of Shares pursuant to Section 215(1) or 215(3) of the Companies Act. In: (a) requesting for the Offer Document (including the Relevant Acceptance Forms)*



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## LETTER TO SHAREHOLDERS

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*and/or any related documents; and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, UOB, CDP and the Registrar/Receiving Agent that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction. All Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdiction.*

**14.4 Notice.** *The Offeror and UOB each reserve the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including Overseas Shareholders) to receive or see such announcement or advertisement.”*

### 11. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

The Offer Document sets out information pertaining to CPFIS Investors and SRS Investors in Section 15 of the Offer Document, as follows:

**“15. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS**

*CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks (as the case may be) directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.*

*CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date. Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer will receive the payment for their Offer Shares in their respective CPF investment accounts and SRS investment accounts.”*

### 12. ACTION TO BE TAKEN BY THE SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on the Closing Date, abiding by the procedures for the acceptance of the Offer as set out in Appendix 2 to the Offer Document, the FAA and/or the FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Registrar (in respect of the FAT), as the case may be, not later than 5.30 p.m. (Singapore time) on the Closing Date.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

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## LETTER TO SHAREHOLDERS

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### 13. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular are fair and accurate and that no material facts have been omitted from this Circular (the omission of which would render any statement in this Circular misleading in any material respect), and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Pre-Conditional Offer Announcement, the Offer Announcement, the Offer Document and the IFA Letter), the responsibility of the Directors has been to ensure through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

In respect of the IFA Letter, the responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

Yours faithfully

For and on behalf of

**AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED**

Dr. Diao Weicheng  
Executive Chairman

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## APPENDIX 1 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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### LETTER FROM RHB SECURITIES SINGAPORE PTE. LTD. TO THE RECOMMENDING DIRECTORS OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

9 December 2019

The Recommending Directors  
**AVIC International Maritime Holdings Limited**  
8 Robinson Road,  
#13-00 ASO Building,  
Singapore 048544

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED (“UOB”) FOR AND ON BEHALF OF CHINA MERCHANTS INDUSTRY INVESTMENT LIMITED (“OFFEROR”), TO ACQUIRE ALL OF THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED (“COMPANY”), OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR**

*Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in the circular to shareholders of the Company dated 9 December 2019 (the “Circular”). For the purpose of this letter, unless otherwise specified, the indicative exchange rate of S\$1.00 : RMB5.15 will be applied in this letter for illustrative purpose only.*

#### 1. INTRODUCTION

On 27 August 2019 (“**Pre-Conditional Offer Announcement Date**”), UOB announced, for and on behalf of the Offeror, that subject to and contingent upon the satisfaction of the pre-condition in the implementation agreement entered into between the Offeror and the Company’s controlling shareholder, AVIC International Holdings Limited (“**AIHL**”) on 27 August 2019 (“**Pre-Condition**”), the Offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares (the “**Shares**”) in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer (“**Pre-Conditional Offer**”).

On 11 November 2019 (“**Offer Announcement Date**”), UOB announced, for and on behalf of the Offeror, that the Pre-Condition had been satisfied and accordingly, the Offeror’s firm intention to make the Offer.

A copy of the Offer Announcement is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

RHB Securities Singapore Pte. Ltd. (“**RHBSec**”) has been appointed by the Company as the independent financial adviser (“**IFA**”) to advise the Directors who are deemed to be independent for the purposes of making a recommendation to Shareholders in respect of the Offer (“**Recommending Directors**”).

This letter (“**Letter**”) sets out, *inter alia*, our evaluation and assessment of the financial terms of the Offer and forms part of the Circular containing, *inter alia*, details of the Offer and the recommendation of the Recommending Directors in respect thereof.

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### 2. TERMS OF REFERENCE

RHBSec has been appointed to provide an opinion regarding the Offer to the Recommending Directors in compliance with the provisions of The Singapore Code on Take-overs and Mergers (“**Code**”) and to advise the Recommending Directors on whether the financial terms of the Offer are fair and reasonable. We have confined our evaluation and assessment to the financial terms of the Offer.

We were neither a party to the negotiations or discussions in relation to the Offer. Our terms of reference do not require us to evaluate or comment on the strategic, commercial merits or risks (if any) of the Offer or the listing status of the Company or future prospects of the Group. We have not been instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares. Accordingly, we do not compare the relative merits of the Offer vis-à-vis any alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Any such evaluation or comment is and remains the sole responsibility of the Directors and the management of the Company (“**Management**”), although we may draw upon their views or make comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

For the purpose of our advice and opinion, we have relied on publicly available information collated by us, information set out in the Circular, and information (including representations, opinions, facts and statements) provided to us by the Directors, Management and advisers of the Company. We have not independently verified any of the aforesaid information, whether written or verbal, and have assumed its accuracy, truth, completeness and adequacy. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information, representation or assurance. We have nevertheless exercised care in reviewing the information which we have relied on, and made such reasonable enquiries and exercised our judgment on the reasonableness of such information as we deemed necessary and have found no reason to doubt the accuracy or reliability of the information.

We have relied on the assurances of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and the Group has been disclosed to us, that such information is true, complete, accurate and fair in all material respects and that there is no other information or fact, the omission of which would make any statement in the Circular inaccurate, untrue, incomplete, unfair or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

Further, the Directors have confirmed that the unaudited financial statements for the nine-month period ended 30 September 2019 have been prepared after due and careful enquiries and that to the best of their knowledge, as at 27 November 2019 (the “**Latest Practicable Date**”) and save for matters disclosed in the Circular, this Letter, the Company’s announcements, there has been no material changes to the Group’s assets and liabilities, financial position, condition and performance.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial conditions of the Company and/or the Group, or to express any view on the future growth prospects, value and earnings potential of the

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Company and/or the Group. Accordingly, we do not express any opinion herein as to the prices at which the Shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group.

We have not made any independent evaluation or appraisal on the assets and liabilities of the Company and/or the Group and we have not been furnished with any such evaluation or appraisal.

Our advice and opinion herein is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this Letter does not take into account any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should also take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment portfolios and objectives, we would advise the Recommending Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers. As such, our opinion and advice should not be the sole basis for any Shareholder in deciding whether or not to accept the Offer.

The Company has been separately advised by its advisers in the preparation of the Circular (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

This Letter is prepared for the use and benefit of the Recommending Directors and the recommendations made to the Shareholders in relation to the Offer remain the sole responsibility of the Recommending Directors.

**Our opinion and advice in respect of the Offer should be considered in the context of the entirety of this Letter and the Circular.**

### 3. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer are set out in Section 2 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.** The principal terms and conditions of the Offer are as set out below:

#### 3.1 Offer Shares

The Offer is extended to all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore, and the Code.

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### 3.2 Offer Price

For each Offer Share: **S\$0.15 in cash**

### 3.3 No Encumbrances

The Offer Shares will be acquired

- (a) fully paid-up;
- (b) free from all Encumbrances; and
- (c) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and hereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, “**Distributions**”) on or after the Pre-Conditional Offer Announcement Date.

### 3.4 Adjustment for Distributions

Information on the adjustment for Distributions, as set out in Section 2.5 of the Offer Document is reproduced in italics below.

**“2.5 Adjustment for Distributions.** *Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Pre-Conditional Announcement Date.*

*Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer (“**Accepting Shareholder**”) shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such Accepting Shareholder falls, as follows:*

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the relevant Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or*
- (b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the relevant accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.”*

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### 3.5 Minimum Acceptance Condition

The Offer will be conditional upon the Offeror receiving valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror holding such number of Shares carrying more than 50 per cent. of the voting rights attributable to the issued Shares (excluding treasury shares).

**Save for the above, the Offer is unconditional in all other respects.**

Pursuant to the AIHL Irrevocable Undertaking, AIHL has accepted the Offer in respect of all of its 73.87% interest in the Company, comprising 210,947,369 Shares, on 26 November 2019. As a result, the Offeror has on 26 November 2019 received valid acceptances in respect of such number of Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, results in the Offeror holding more than 50% of the total number of issued Shares as at the date of the Offer.

**Accordingly, the minimum acceptance condition has been met and the Offer has become unconditional in all respects on 26 November 2019.**

### 3.6 Other terms of the Offer

Further details of the Offer on the (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer are set out in Appendix 1 of the Offer Document.

The procedures for acceptance of the Offer are set out in Appendix 2 of the Offer Document.

## 4. INFORMATION ON THE OFFEROR

Information on the Offeror, as set out in Section 4 of the Offer Document, is reproduced in italics below:

### ***“4. INFORMATION ON THE OFFEROR AND CMIH***

***4.1 The Offeror.*** *The Offeror is a company incorporated in Hong Kong SAR on 5 February 2015. It is principally engaged in investment holding. As at the Latest Practicable Date:*

- (a) the Offeror has an issued and paid-up share capital of HK\$10,000 comprising 10,000 issued ordinary shares, all of which are held by CMIH; and*
- (b) the directors of the Offeror are Mr. Zha Delong and Ms. Li Jinsong.*

***Appendix 3*** *to this Offer Document sets out additional information on the Offeror.*



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**4.2 CMIH.** *CMIH is a company incorporated in Hong Kong SAR on 26 November 1997. Its principal activities are the manufacturing and supply of marine engineering equipment. As at the Latest Practicable Date, the directors of CMIH are*

- (a) Mr. Wang Cuijun;*
- (b) Mr. Su Jian;*
- (c) Mr. Liu Zhimin; and*
- (d) Mr. Zhang Jianhua.*

*CMIH is a leading offshore engineering equipment provider and service provider headquartered in Hong Kong SAR. It also has subsidiaries and institutions in the United States, the Netherlands, Italy, Singapore and other countries, as well as several production and manufacturing bases in East China, South China and Southwest China. The business of CMIH is concentrated in four main areas, namely manufacturing of offshore engineering equipment, repairing and conversion of ship and offshore equipment, new building of luxury cruises, as well as manufacturing of new materials and special equipment. CMIH is an indirect wholly-owned subsidiary of China Merchants Group Limited (“**CMG**”), a leading central state-owned enterprise based in Hong Kong, under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council. CMG is a conglomerate with three business platforms of non-financial industries, financial services, investment and capital operation. Its non-financial industries cover ports, toll roads, shipping, logistics, real estate, zone development, offshore engineering and trade.*

**Appendix 4** to this Offer Document sets out additional information on CMIH.”

### 5. RATIONALE FOR THE OFFER

The rationale for the Offer, as set out in Section 9 of the Offer Document, is reproduced in italics below:

#### **“9. RATIONALE FOR THE OFFER**

##### **9.1 Combination of complementary business and expertise to realise potential synergies**

*As mentioned in **Section 4.2** of the Letter to Shareholders in this Offer Document, CMIH, the sole shareholder of the Offeror, is a leading offshore engineering equipment and service provider. The main areas of business of CMIH include manufacturing of offshore engineering equipment, modification of ship equipment and manufacturing of luxury cruises. In this connection, CMIH provides offshore equipment building and repair services in China, and owns a shipyard for offshore equipment and large specialized vessel building, as well as offshore equipment and all kinds of vessels repair and conversion activities. The Target Group provides a wide range of services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.*

*CMIH is of the view that the Target Group’s businesses are complementary and there are potential synergies that can be created, including cross-selling to an enlarged customer base, economies of scale, improvement of productivity and cost efficiency, as well as the sharing of domain knowledge such as know-how and best practices.*



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### **9.2 Opportunity for minority shareholders to realise their investment in the Shares at a premium**

*The Offer Price is at a premium above the historical market prices of the Shares of over the last 12-month period prior to the Pre-Conditional Offer Announcement Date. The Offer Price represents an approximately 66.7%, 65.6%, 65.9% and 64.3% premium above the VWAP per Share for the one month, three-months, six-months and 12-months period prior to and including the Last Trading Day, respectively.*

### **9.3 Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity**

*The historical trading liquidity of the Shares on the SGX-ST has been low and do not provide Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, the Offer gives Shareholders a unique cash exit opportunity to liquidate and realise their entire investment at a premium to prevailing market prices, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.*

*The average daily trading volume of the Shares over the last one month, three-months, six-months and 12-months periods up to and including the Last Trading Day are detailed in the table below.*

	<b>Average Daily Trading Volume (“ADTV”) (No. of Shares)</b>	<b>ADTV as a percentage of total number of issued Shares (%)</b>
<i>One-month period up to and including the Last Trading Day</i>	<i>37,320</i>	<i>0.01</i>
<i>Three-months period up to and including the Last Trading Day</i>	<i>157,817</i>	<i>0.06</i>
<i>Six-months period up to and including the Last Trading Day</i>	<i>89,550</i>	<i>0.03</i>
<i>12-months period up to and including the Last Trading Day</i>	<i>50,357</i>	<i>0.02</i>

## **6. OFFEROR’S INTENTION FOR THE GROUP**

The Offeror’s intention for the Company, the listing status of the Company and its rights of compulsory acquisition under Section 215(1) of the Companies Act as set out in Sections 10 and 11 of the Offer Document, are reproduced in italics below:

### **“10. THE OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY**

*It is the current intention of the Offeror for the Company to continue with its existing business in line with the rationale for the Offer as set out in **Section 9** of the Letter to Shareholders in this Offer Document above. The Offeror currently has no intention to introduce any major changes to the existing business of the Company, the employment of the employees of the Target Group, or to redeploy any of the fixed assets of the Company, other than in the ordinary course of business.*

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*Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which it regards to be in the interests of the Offeror.*

*Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses and fixed assets of the Target Group, which will help the Offeror determine the optimal business strategy for the Company.*

### **11. COMPULSORY ACQUISITION AND LISTING STATUS**

**11.1 Compulsory Acquisition.** *The Offeror's intention is to gain majority control of the Company. In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the despatch of the Offer Document other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.*

**11.2** *In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.*

**11.3 Section 215(3) of the Companies Act.** *In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.***

**11.4 Listing Status and Trading Suspension.** *Under Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90 per cent. of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public (the "**Free Float Requirement**"). Rule 1303(1) of the Catalist Rules provides that where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the Shares at the close of the Offer.*

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*In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of Shares (excluding treasury shares) held in public hands falls below 10 per cent., the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the listed securities of the Company on the SGX-ST. Rule 724(2) of the Catalist Rules further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of Shares (excluding treasury shares) held by members of the public to be raised to at least 10 per cent., failing which the Company may be removed from the Official List of the SGX-ST. Under the Catalist Rules, “public” refers to persons other than: (a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and (b) associates of the persons in (a) above.*

***The Offeror’s intention is to gain majority control of the Company. In the event that the Free Float Requirement is not met and/or trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted.”***

### 7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:–

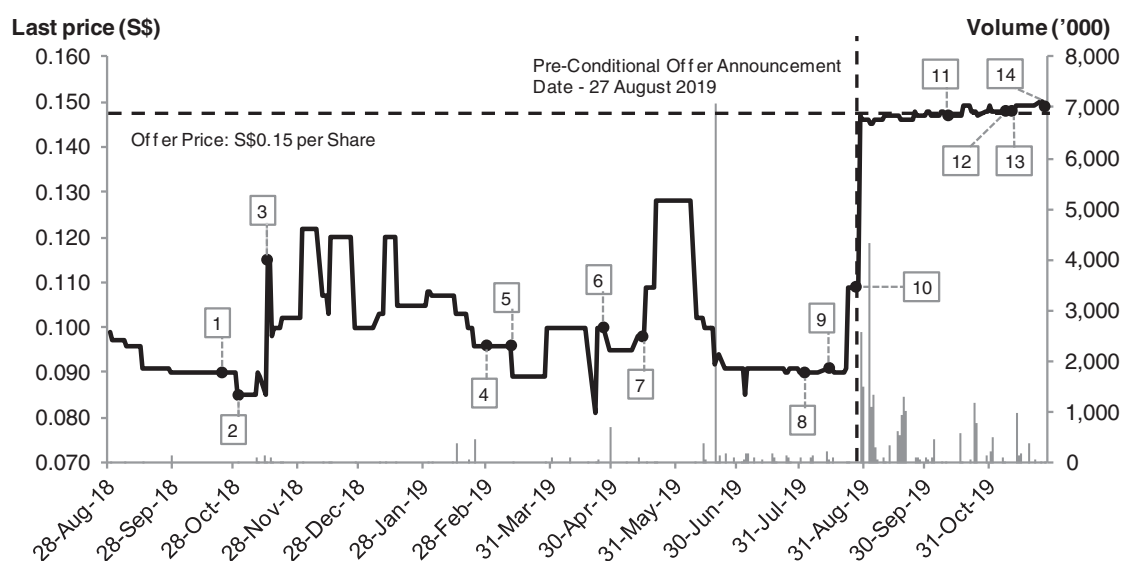
- (a) market quotation and trading activity of the Shares;
- (b) Share price performance relative to selected market index;
- (c) the Group’s NAV and NTA and net debt position;
- (d) comparison with financial valuation ratios of selected listed companies considered to be comparable to the Company;
- (e) comparison with recent takeovers of companies listed on the SGX-ST; and
- (f) other considerations in relation to the Offer which have a significant bearing on our assessment.

#### 7.1 Market quotation and trading activity of the Shares

We have compared the Offer Price against the historical market closing prices of the Shares.

We set out below a chart showing the Offer Price relative to the daily closing prices and trading volume of the Shares for the period between the 12-month period prior to the Pre-Conditional Offer Announcement Date and the Latest Practicable Date.

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Source: Bloomberg L.P.

A summary of the salient announcements made by the Company during the 12-month period prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date is set out below:

No	Date of announcement	Event
1	21 Oct 2018	The Company's controlling shareholder, AIHL, has informed the Company that it is in preliminary discussion with potential investors in relation to a possible disposal of AIHL's ship business, which if consummated may include the disposal of AIHL's entire shareholding interest in the Company to such potential investors.
2	30 Oct 2018	The Company's subsidiary, Deltamarin Ltd. (" <b>Deltamarin</b> "), entered into a contract with MV Werften in Germany worth approximately Euro16.5 million to provide basic and detail design as well as site assistance services for a Global Class mega cruise ship over an estimated period of three years.
3	13 Nov 2018	The Company announced its unaudited financial results for the third quarter and the nine months ended 30 September 2018, reporting a 8.4% decrease in revenue to RMB427.0 million and a 0.8% increase in net profit after tax to RMB36.0 million, compared to revenue of RMB466.2 million and net profit of RMB35.7 million in the previous corresponding nine-month period.

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No	Date of announcement	Event
4	28 Feb 2019	The Company announced its unaudited full year financial statements for the year ended 31 December 2018, reporting a 9.0% decrease in revenue to RMB587.7 million and a 46.4% increase in net profit after tax to RMB38.8 million, compared to revenue of RMB645.7 million and net profit of RMB26.5 million in the previous financial year.
5	12 Mar 2019	Deltamarin had entered into a contract with Finnish Rauma Marine Constructions Oy worth approximately Euro4 million to provide basic and detail design services for all hull and machinery areas for the car passenger ferry to be built for Kvarken Link AB, a Finnish-Swedish consortium over a period of 13 to 14 months.
6	26 Apr 2019	The Company announced that all resolutions relating to matters as set out in the notice of AGM and EGM dated 11 April 2019 were duly passed at the Company's AGM and EGM held on 26 April 2019.
7	15 May 2019	<p>The Company announced its unaudited results for the three-month period ended 31 March 2019, reporting a 4.9% decrease in revenue to RMB133.9 million and a 27.5% decrease in net profit after tax to RMB12.4 million, compared to revenue of RMB140.8 million and net profit of RMB17.1 million in the previous corresponding three-month period.</p> <p>The Company separately announced that it had entered into a conditional sale and purchase agreement with High Beyond Corporation Limited for the disposal of its entire shareholding interest in AVIC Zhenjiang Shipyard Marine Pte. Ltd. ("<b>AZM</b>"), which represents 60% of the shareholding interest in AZM for an aggregate consideration of approximately US\$2.2 million (the "<b>Proposed Disposal</b>").</p>
8	2 Aug 2019	The Company announced that the resolution relating to the Proposed Disposal as set out in the notice of EGM dated 18 July 2019 was duly passed at the Company's EGM on 2 August 2019.
9	14 Aug 2019	The Company announced its unaudited financial results for the second quarter and half year ended 30 June 2019, reporting a 10.4% decrease in revenue to RMB261.8 million and a 19.9% decrease in net profit after tax to RMB22.1 million, compared to revenue of RMB292.2 million and net profit of RMB27.6 million in the previous corresponding six-month period.
10	27 Aug 2019	UOB, for and on behalf of the Offeror, announced the Pre-Conditional Offer.

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No	Date of announcement	Event
11	11 Oct 2019	Deltamarin had entered into a contract with Finnish Rauma Marine Constructions Oy worth approximately Euro 7.5 million to provide basic and detail design services for hull, machinery and electrical systems for Tallink's new Liquefied Natural Gas – Powered Shuttle Ferry over a period of 16 to 18 months.
12	8 Nov 2019	The Company announced its unaudited financial results for the third quarter and nine-month period ended 30 September 2019, reporting a 7.7% decrease in revenue to RMB394.0 million and a 10.0% decrease in net profit after tax to RMB32.4 million, compared to revenue of RMB427 million and net profit of RMB36.0 million in the previous corresponding nine-month period.
13	11 Nov 2019	UOB announced, on behalf of the Offeror, that the Pre-Condition has been satisfied and accordingly the Offeror's firm intention to make the Offer.
14	26 Nov 2019	UOB, for and on behalf of the Offeror, announced that the Offer has become unconditional as to acceptances and is declared unconditional in all respects.

We also set out in the table below the volume-weighted average price ("VWAP"), the highest and the lowest closing prices and the average daily trading volume ("ADTV") of the Shares for the selected reference periods prior to and including the Pre-Conditional Offer Announcement Date and after the Pre-Conditional Offer Announcement Date up to the Latest Practicable Date:

Reference Periods	Highest closing price (\$)	Lowest closing price (\$)	VWAP (\$)	Premium/ (Discount) of Offer Price over/(to) VWAP (%)	ADTV <sup>(1)</sup> (Shares)	ADTV as a percentage of Free Float <sup>(2)</sup> (%)
<b>Periods prior to and including the Pre-Conditional Offer Announcement Date</b>						
Last 12 months	0.128	0.081	0.0913	64.3	50,357	0.067
Last 6 months	0.128	0.081	0.0904	65.9	89,550	0.120
Last 3 months	0.109	0.085	0.0906	65.6	157,817	0.211
Last 1 month	0.109	0.090	0.0900	66.7	37,320	0.050
23 August 2019, being the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Announcement Date	N.A.	N.A.	0.1090	37.6	500	0.001

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Reference Periods	Highest closing price (\$)	Lowest closing price (\$)	VWAP (\$)	Premium/ (Discount) of Offer Price over/(to) VWAP (%)	ADTV <sup>(1)</sup> (Shares)	ADTV as a percentage of Free Float <sup>(2)</sup> (%)
<b>Period after the Pre-Conditional Offer Announcement Date to the Offer Announcement Date</b>						
Between the Market Day immediately after the Pre-Conditional Announcement Date and the Offer Announcement Date (both dates inclusive)	0.149	0.145	0.1464	2.5	390,408	0.523
7 November 2019, being the last Market Day on which the Shares were traded prior to and including the Offer Announcement Date	N.A.	N.A.	0.1480	1.4	20,300	0.027
<b>Period after the Offer Announcement Date to the Latest Practicable Date</b>						
Between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive)	0.150	0.149	0.149	0.7	147,825	0.198
As at the Latest Practicable Date	N.A.	N.A.	0.149	0.7	100	0.0001

### Notes:

- (1) The ADTV is computed based on the total volume of Shares traded for all the Market Days for the relevant periods, divided by the total number of Market Days (including Market Days on which no Shares were traded) during the respective periods.
- (2) Free Float is defined as the number of Shares outstanding (excluding treasury shares) held in the hand of the public (as defined in the Listing Manual). We have used 74,628,631 Shares as Free Float for illustrative purposes in this section, which is computed by subtracting the total number of Shares held by AIHL from the total number of Shares in issue (excluding treasury shares) as at the Latest Practicable Date.

Based on the above, we note the following:

- (a) Over the 12-month period prior to and including the Pre-Conditional Offer Announcement Date, the Shares have closed between a high of S\$0.128 and a low of S\$0.081. The Offer Price represents a premium of approximately 17.2% and 85.2% over the highest closing price of S\$0.128 and the lowest closing price of S\$0.081 respectively;
- (b) The Offer Price represents a premium of 64.3%, 65.9%, 65.6% and 66.7% over the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Pre-Conditional Offer Announcement Date respectively;
- (c) The Offer Price represents a premium of 37.6% over the VWAP for the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer Announcement Date;



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- (d) The Offer Price represents a premium of 2.5% over the VWAP for the period between the Market Day immediately after the Pre-Conditional Offer Announcement Date and the Offer Announcement Date (both dates inclusive);
- (e) The Offer Price represents a premium of 1.4% over the VWAP on 7 November 2019, being the last Market Day on which the Shares were traded prior to and including the Offer Announcement Date;
- (f) The Offer Price represents a premium of 0.7% over the VWAP for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date;
- (g) The Offer Price represents a premium of 0.7% over the VWAP as at the Latest Practicable Date;
- (h) The ADTV of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Pre-Conditional Offer Announcement Date represents approximately 0.067%, 0.120%, 0.211% and 0.050% of the Free Float respectively;
- (i) The trading volume of the Shares on the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer Announcement Date represents 0.001% of the Free Float;
- (j) The ADTV of the Shares for the period between the Market Day immediately after the Pre-Conditional Offer Announcement Date and the Offer Announcement Date (both dates inclusive) represents 0.523% of the Free Float;
- (k) The trading volume of the Shares on 7 November 2019, being the last Market Day on which the Shares were traded prior to and including the Offer Announcement Date represents 0.027% of the Free Float;
- (l) The ADTV of the Shares for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive) represents 0.198% of the Free Float; and
- (m) The trading volume of the Shares on the Latest Practicable Date represents 0.0001% of the Free Float.

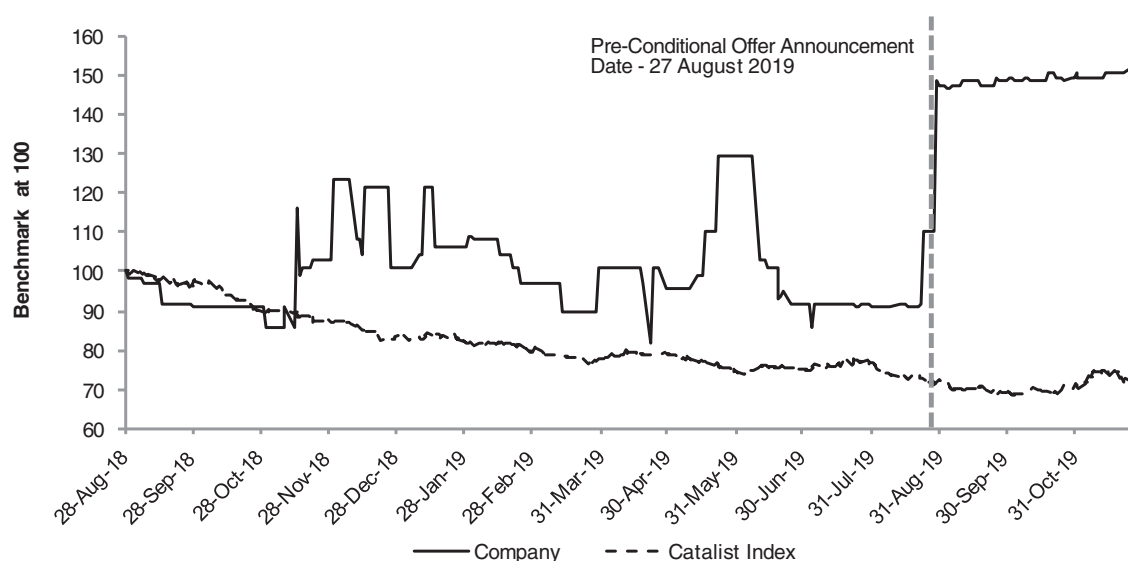
Based on the above observations, it would appear that the trading activities and market prices of the Shares since the Pre-Conditional Offer Announcement Date up to the Latest Practicable Date was supported by the Offer Price. Shareholders should note that there is no assurance that the trading volume and market prices of the Shares after the close of the Offer will be maintained at the prevailing level as at the Latest Practicable Date and the past trading performance of the Shares should not in any way be relied upon as an indication of its future performance.

### 7.2 Share price performance relative to selected market index

To assess the market price performance of the Shares vis-à-vis the general price performance of the Singapore equity market, we have compared the market price movement of the Shares against the FTSE ST Catalist Index ("**Catalist Index**"), which is a market capitalisation-weighted index which tracks the performance of companies listed on the Catalist, for the 12-month period prior to the Pre-Conditional Offer Announcement Date up to the Latest Practicable Date, as illustrated below.



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We note that, on a normalised basis, for the 12-month period prior to and including the Pre-Conditional Offer Announcement Date, the Shares had generally out-performed the Catalyst Index.

The movements in the closing prices of the Shares and the Catalyst Index between last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer Announcement Date, the last Market Date on which the Shares were traded prior to and including the Offer Announcement Date and the Latest Practicable Date are as follows:

	Closing price of the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Announcement Date	Closing price of the last Market Day on which the Share were traded prior to and including the Offer Announcement Date	Closing price as at the Latest Practicable Date	Percentage change between the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Announcement Date and the Latest Practicable Date (%)
Company	S\$0.109	S\$0.148	S\$0.149	36.7
Catalist Index	267.98	270.77	266.58	(0.5)

Source: Bloomberg L.P.

Between 23 August 2019 (being the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer Announcement Date) and the Latest Practicable Date, the market price of the Shares has increased by approximately 36.7%, while the Catalyst Index has decreased by approximately 0.5%.

Shareholders should note that past trading performance of the Shares should not in any way be relied upon as an indication or a promise of future trading performance and that there is no assurance that the market prices of the Shares after the close of the Offer will be maintained at the prevailing level relative to the Catalyst Index.

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### 7.3 The Group's NAV and NTA and net debt position

The asset based valuation of a company provides an estimate of the aggregate value of all the assets of the company in their existing condition, after deducting the sum of total liabilities and minority interests. The NAV-based approach is generally used to show the extent to which the value of each share is backed by both tangible and intangible assets, while the NTA-based valuation only considers the value of tangible assets that are attributable to shareholders, assuming the hypothetical sale of all tangible assets of a company over a reasonable period of time, the proceeds of which are first used to settle all liabilities and minority interest of the company with the balance available for distribution to its shareholders. The NTA-based valuation is meaningful only in so far as to show the extent to which the value of each share is backed by tangible assets, without considering intangible assets such as land use rights, goodwill, patents and trademarks.

Shareholders should note that the analysis based on the above asset based approaches provides an estimate of the value of a company's total net assets or net tangible assets, as the case may be, that can be realized assuming the hypothetical sale of relevant assets over a reasonable period of time. Such a hypothetical scenario has not taken into account factors, such as time value of money, market conditions, transaction costs, among other things. The NAV or NTA of a company may also be affected by a company's accounting policies, in particular the depreciation and valuation policies.

#### 7.3.1 NAV and NTA of the Group as at 30 September 2019 against the Offer Price

Based on the latest announced unaudited balance sheet of the Group as at 30 September 2019, the NAV of the Group was approximately RMB186.9 million or S\$36.3 million, equivalent to approximately RMB65.46 cents per Share or 12.71 Singapore cents per Share and the NTA of the Group was approximately RMB2.7 million or S\$0.5 million, equivalent to approximately RMB0.94 cents per Share or 0.18 Singapore cents per Share. The Offer Price represents a premium of approximately 1.2 times and 82.5 times over the unaudited NAV per Share and NTA per Share respectively.

In our evaluation of the financial terms of the Offer, we have considered whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to have a material impact on the unaudited NAV and/or NTA of the Group as at 30 September 2019.

In this respect, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 30 September 2019, the announcements released by the Company on the SGXNET and the Circular, there are no additional contingent liabilities which are likely to have a material impact on the NAV and/or NTA of the Group.

We have also reviewed the unaudited statement of financial position of the Group as at 30 September 2019 to determine whether there are any assets that are of an intangible nature and as such, would not appear in a valuation based on NTA per Share as 30 September 2019.

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The Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 30 September 2019, the announcements released by the Company on the SGXNET and the Circular, there are no additional intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group.

### **7.3.2 Adjusted NAV/NTA of the Group as at 30 September 2019**

In our evaluation of the financial terms of the Offer, we have considered whether there are any material events that would impact the unaudited statement of financial position of the Group from 30 September 2019 to the Latest Practicable Date to determine whether adjustments need to be made to the NAV/NTA per Share as at 30 September 2019.

In this respect, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 30 September 2019, the announcements released by the Company on the SGXNET and the Circular, there have been no known material events that have or will have material impact to the unaudited statement of financial position of the Group since 30 September 2019.

### **7.3.3 Revalued NAV/NTA of the Group as at 30 September 2019**

In our evaluation of the financial terms of the Offer, we have also considered whether there are any tangible assets which should be valued at an amount that is materially different from those which were recorded in the unaudited statement of financial position of the Group as at 30 September 2019.

The Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, they are of the view that on aggregate basis, save as disclosed in the unaudited financial statements of the Group as at 30 September 2019, the announcements released by the Company on the SGXNET and the Circular, there are no material differences between the estimated market value of the assets and their respective book values as at 30 September 2019 which would have a material impact on the revalued NAV/NTA of the Group.

### **7.3.4 Net debt position of the Group as at 30 September 2019**

We note that as at 30 September 2019, the Group had unaudited cash and cash equivalents of RMB213.1 million, cash pledged with bank of RMB17.3 million, total lease liabilities of RMB49.6 million and total borrowings of RMB2,173.2 million, translating into an unaudited net debt of approximately RMB1,992.4 million (equivalent to approximately S\$386.9 million).

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### 7.4 Comparison with financial valuation ratios of selected listed companies considered to be comparable to the Company

We wish to highlight that the financial figures used in our financial assessment have been extracted where available and/or applicable, from the Offer Document, the Circular and other publicly available sources. We make no representations or warranties, express or implied, as to the accuracy or completeness of such information.

For the purpose of assessing the Offer Price, references were made to listed companies whose business activities are broadly comparable with the Company to give an indication of the current market expectations with regards to the valuation of these businesses, as implied by their respective closing market prices as at the Latest Practicable Date.

We note that following the disposal of its interest in AZM, the Group currently focuses on the provision of ship design, shipbuilding project management and financing services. In light of the lack of direct comparable companies on the SGX-ST, we have expanded our coverage, through a search on publicly available information, to include companies which, amongst others, are primarily engaged in the ship building and related businesses (“**Selected Comparable Companies**”). We are of the view that in the absence of listed companies that are primarily engaged in businesses similar to the Company’s on the SGX-ST, the Selected Comparable Companies are suitable to serve as a basis for comparison and the Management concurs with our view.

We recognise, however, that our list of Selected Comparable Companies is not exhaustive and they differ from the Company in terms of business activities, scale of operations, types of products, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Selected Comparable Companies is therefore intended to serve as an illustrative guide only.

For the purpose of our evaluation and for illustration, we have made comparisons between the Company and the Selected Comparable Companies on a historical basis using the following:

Valuation Ratio	General Description
Price-to-Earnings (“P/E”)	P/E ratio illustrates the ratio of the market price of a company’s shares to its consolidated basic earnings per share attributable to the owners of the company as stated in its financial statements. The P/E ratio is affected by, <i>inter alia</i> , the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the aggregate of the most recent announced four quarters earnings per share where publicly available.
Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortisation (“EV/EBITDA”)	“EV” or “Enterprise Value” is the sum of a company’s market capitalisation, preferred equity, non-controlling interest, consolidated short and long-term debts, inclusive of finance lease liabilities, less its consolidated cash and cash equivalents. “EBITDA” stands for historical consolidated earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associates’ and joint ventures’ income.

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Valuation Ratio	General Description
	<p>The EV/EBITDA ratio illustrates the ratio of the enterprise value of a company's business to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure. In our analysis, we used the Enterprise Value that is derived from the company's latest announced balance sheet and the company's market capitalisation as of the Latest Practicable Date, divided by the aggregate of the most recent announced four quarters EBITDA where publicly available.</p>
Price-to-Net Asset Value (" <b>P/NAV</b> ")	<p>"NAV" or "net asset value" is defined as total assets (including intangibles) less total liabilities and excludes where applicable non-controlling interest. P/NAV ratio illustrates the ratio of the market price of a company's share relative to its historical NAV per share as recorded in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NAVs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NAV per share.</p>
Price-to-Net Tangible Asset (" <b>P/NTA</b> ")	<p>"NTA" or "net tangible asset" is defined to exclude, where applicable, intangible assets of a company. P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds of which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NTA per share where publicly available.</p>

The statistics for the Selected Comparable Companies are based on their closing prices as at the Latest Practicable Date and the publicly available financial results for the latest relevant financial periods.

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Comparisons between the Company and the Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences.

In view of the above, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Group as at the Latest Practicable Date.

We set out in the table below the list of Selected Comparable Companies, together with brief information on these companies.

Selected Comparable Companies	Description	Market capitalisation <sup>(1)</sup> (S\$ million)
Penguin International Limited ( <b>"Penguin International"</b> )	Penguin International builds, owns, operates, and charters passenger ferries and launches. The company also provides related repairs and maintenance services, ferry services, air charter services, and tour and travel package services.	156.3
Marco Polo Marine Limited ( <b>"Marco Polo Marine"</b> )	Marco Polo Marine is an integrated shipping company. The company provides services that include ship chartering, ship building and repair, and brokering services.	59.8
Nam Cheong Limited ( <b>"Nam Cheong"</b> )	Nam Cheong operates as a global offshore marine group. The Company specializes in providing Offshore Support Vessels ( <b>"OSVs"</b> ), as well as owns and operates ship building yards for OSVs in Malaysia for use in the offshore oil and gas exploration and production and oil services industries.	50.0
ES Group Holdings Ltd. ( <b>"ES Group"</b> )	ES Group is a marine and offshore group involved in newbuilding, conversion and repair of oceangoing vessels. The company builds, converts, and repairs a wide range of vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers, and cargo ships.	2.8

Source: Bloomberg L.P.

**Note:**

- (1) Based on the closing price of the respective Selected Comparable Companies as at the Latest Practicable Date.

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We set out in the table below the financial ratios of the Selected Comparable Companies as at the Latest Practicable Date.

Selected Comparable Companies	Historical P/E (times)	Historical EV/EBITDA (times)	Historical P/NAV (times)	Historical P/NTA (times)
Penguin International	9.1	3.8	1.0	1.0
Marco Polo Marine	N.M. <sup>(2)</sup>	173.8 <sup>(1)</sup>	0.6	0.6
Nam Cheong	1.7	7.2	N.M. <sup>(3)</sup>	N.M. <sup>(3)</sup>
ES Group	N.M. <sup>(2)</sup>	N.M. <sup>(2)</sup>	0.1	0.1
<b>High</b>	9.1	7.2	1.0	1.0
<b>Mean</b>	5.4	5.5	0.5	0.5
<b>Median</b>	5.4	5.5	0.6	0.6
<b>Low</b>	1.7	3.8	0.1	0.1
<b>Company (as implied by the Offer Price)</b>	8.0	13.4	1.2	82.5

Source: Bloomberg L.P. and published financial statements of the respective Selected Comparable Companies

**Note:**

- (1) Deemed as statistical outlier and excluded in the computation of mean and median.
- (2) Denotes not meaningful as the respective companies recorded a loss after tax and/or negative EBITDA based on the aggregate of its earnings for the latest four quarters prior to the Latest Practicable Date, after adjusting for non-recurring items.
- (3) Denotes not meaningful as Nam Cheong was in a net liability position based on its latest announced unaudited balance sheet as at 30 September 2019.

Based on the above ratio analysis, we note that:–

- (a) the P/E ratio of the Company of 8.0 times as implied by the Offer Price is within the range and higher than the mean and median of the P/E ratios of the Selected Comparable Companies;
- (b) the EV/EBITDA ratio of the Company of 13.4 times as implied by the Offer Price is above the range of the EV/EBITDA ratios of the Selected Comparable Companies;
- (c) the P/NAV ratio of the Company of 1.2 times as implied by the Offer Price is above the range of the P/NAV ratios of the Selected Comparable Companies; and
- (d) the P/NTA ratio of the Company of 82.5 times as implied by the Offer Price is above the range of the P/NTA ratios of the Selected Comparable Companies.

### 7.5 Comparison with recent takeovers for companies listed on the SGX-ST

We note that it is the intention of the Offeror not to maintain the listing status of the Company on the SGX-ST. In assessing the reasonableness of the Offer Price, we have compared the financial statistics based on the Offer Price with those of recently completed take-overs for companies listed on the SGX-ST which were announced in the 24-month



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period prior to the Pre-Conditional Offer Announcement Date, where it was indicated the offeror's intentions not to preserve the listing status of the target companies (collectively, the **"Selected Comparable Transactions"**).

We wish to highlight that the list of target companies set out under the Selected Comparable Transactions are not directly comparable with the Company in terms of business activities, market capitalisation, size of operations, accounting policies, financial performance, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits.

We also wish to highlight that the list of Selected Comparable Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

The premium (if any) that an offeror would pay in respect of any particular takeover depends on various factors, *inter alia*, the offeror's intention with regard to the target company, the potential synergy that the offeror can derive from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiment, attractiveness and profitability of the target company's business and assets and existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Comparable Transactions set out below is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

Details of the Selected Comparable Transactions are set out below:

Companies	Date of announcement	Premium/(Discount) of offer price <sup>(1)</sup> over/(to) last transacted price ("LTP")/ VWAP prior to announcement <sup>(2)</sup>				
		LTP	1-month VWAP	3-month VWAP	6-month VWAP	P/NAV
		(%)	(%)	(%)	(%)	(times)
Poh Tiong Choon Logistics Limited <sup>(3)</sup>	20-Sep-17	1.6	30.1	41.3	47.1	3.1
Cogent Holdings Limited <sup>(4)</sup>	3-Nov-17	5.2	6.2	12.7	20.3	3.6
CWG International Ltd	28-Dec-17	27.5	29.5	29.2	30.8	0.4 <sup>(5)</sup>
Tat Hong Holdings Limited <sup>(6)</sup>	11-Jan-18	42.9	47.5	49.1	40.3	0.7
Wheelock Properties (Singapore) Limited	19-Jul-18	20.7	29.0	22.7	17.8	0.8
M1 Limited <sup>(7)</sup>	27-Sep-18	26.4	29.9	29.1	21.8	3.9
Cityneon Holdings Limited	29-Oct-18	4.1	6.9	11.9	15.7	4.5
Declout Limited <sup>(8)</sup>	7-Jan-19	62.5	66.7	66.7	58.5	1.0
Courts Asia Limited	18-Jan-19	34.9	35.8	34.0	23.5	0.6
Kingboard Copper Foil Holdings Limited <sup>(9)</sup>	4-Apr-19	9.1	16.1	25.3	27.4	0.9
800 Super Holdings Limited	6-May-19	16.1	30.8	31.2	25.3	1.8

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Companies	Date of announcement	Premium/(Discount) of offer price <sup>(1)</sup> over/(to) last transacted price ("LTP")/ VWAP prior to announcement <sup>(2)</sup>				P/NAV
		LTP	1-month VWAP	3-month VWAP	6-month VWAP	
		(%)	(%)	(%)	(%)	(times)
Memtech International Ltd.	14-May-19	23.9	31.5	31.6	35.6	1.1
Boardroom Limited	15-May-19	14.3	18.9	16.1	17.6	2.0 <sup>(10)</sup>
Hupsteel Limited	28-Jun-19	51.9	57.0	56.7	56.7	0.6 <sup>(11)</sup>
Delong Holdings Limited <sup>(12)</sup>	29-Jul-19	16.5	18.6	19.0	20.5	0.6
PS Group Holdings Ltd	20-Aug-19	195.0	266.7	267.5	267.5	0.7
San Teh Ltd	5-Sep-19	81.8	85.2 <sup>(13)</sup>	81.8 <sup>(13)</sup>	82.9 <sup>(13)</sup>	0.4 <sup>(14)</sup>
<b>High</b>		195.0	266.7	267.5	267.5	4.5
<b>Mean</b>		37.3	47.4	48.6	47.6	1.6
<b>Median</b>		23.9	30.1	31.2	27.4	0.9
<b>Low</b>		1.6	6.2	11.9	15.7	0.4
<b>Company (as implied by the Offer Price)</b>		<b>37.6</b>	<b>66.7</b>	<b>62.9</b>	<b>64.9</b>	<b>1.2</b>

Source: Announcements and circulars to shareholders in relation to the respective take-over transactions and RHBSec's calculations

### Notes:

- (1) Offer price is based on the final offer price per share.
- (2) Premium/(discount) calculated based on the LTP prior to the relevant takeover announcement or other reference date as describe in the notes.
- (3) Market premia computed based on the share prices for the period(s) prior to and including 19 September 2016, being the last undisturbed trading date.
- (4) Market premia computed based on the share prices for the period(s) prior to and including 2 November 2017, being the last trading date prior to the release of the offer announcement.
- (5) Based on the revalued NAV per share as at 31 December 2017.
- (6) Market premia computed based on the share prices for the period(s) prior to and including 20 September 2017, being the last undisturbed trading date.
- (7) Market premia computed based on the share prices for the period(s) prior to and including 21 September 2018, being the last trading date prior to the pre-conditional offer announcement date.
- (8) Market premia computed based on the share prices for the period(s) up to 6 September 2018, being the last undisturbed trading date.
- (9) Market premia computed based on the share prices for the period(s) prior to 1 April 2019, being the last trading day prior to the trading halt for the offer announcement.
- (10) Based on the adjusted NAV per share of the group as at 31 March 2019 adjusted for dividend payment.
- (11) Based on the revalued NAV per share of the group of approximately S\$2.05.
- (12) Market premia computed based on the share prices for the period(s) prior to and including 22 July 2019, being the last trading day prior to the offer announcement date.
- (13) Based on the volume-weighted closing price, which is weighted based on LTPs of the shares and traded volume for the relevant trading days for each of the periods.
- (14) Based on the revalued NAV per share of the group as at 30 June 2019 of approximately S\$0.71.

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We note the following based on the above table:

- (a) The premium of 37.6% as implied by the Offer Price over the LTP on 23 August 2019, being the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Announcement Date is within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions;
- (b) The premium of 66.7% as implied by the Offer Price over the 1-month VWAP prior to and including the Pre-Conditional Announcement Date is within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions;
- (c) The premium of 62.9% as implied by the Offer Price over the 3-month VWAP prior to and including the Pre-Conditional Announcement Date is within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions;
- (d) The premium of 64.9% as implied by the Offer Price over the 6-month VWAP prior to and including the Pre-Conditional Announcement Date is within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions; and
- (e) The P/NAV ratio of 1.2 times as implied by the Offer Price is within the range of, higher than the median but below the mean of the P/NAV ratios for the Selected Comparable Transactions.

### **7.6 Other considerations in relation to the Offer which have a significant bearing on our assessment**

#### **7.6.1 Outlook of the Group**

In the Company's results announcement for the nine months ended 30 September 2019, the following commentary was made on the significant trends and competitive conditions of the industry in which the Group operates in and any known factors or events that may affect the Group in the next reporting period and the next 12 months from the date of the results announcement:

*"The global new shipbuilding orders decreased by 51.10% year-on-year in the first nine months in 2019, due to the ensuing uncertainties in the world economy and shipowners taking time to evaluate their options in coping with the IMO2020 rules on sulphur emission. It is expected that the weak economic growth outlook globally and the trade tensions will continue to cause uncertainty in the shipbuilding market and to maritime businesses.*

*The Group maintains close collaboration with its partner shipyards on ship design and the provision of maritime management and consultancy services.*

*In October, Deltamarin has signed two design contracts with Merima Oy, a Finland-based company providing turnkey interior solutions for passenger vessels. The contracts cover HVAC and interior design for Merima's turnkey areas aboard the ferry newbuildings for Tallink and Kvarken Link. Together with several other major vessel design orders in its order book, Deltamarin will see high capacity utilization till 2021."*

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### 7.6.2 Control over the Company

Based on the latest announcement as at the Latest Practicable Date, the Offeror has received valid acceptances in respect of 210,947,369 Shares as at 5.00 p.m. on 26 November 2019, representing approximately 77.29% of the total number of Shares. Accordingly, the Offeror has gained statutory control of the Company and the Offer has been declared unconditional in all respects. With more than 75% of total number of the Shares, the Offeror is in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and ability to pass all ordinary and special resolutions on matters in which the Offeror does not have an interest at general meetings of Shareholders.

### 7.6.3 The Offer has been declared unconditional

As stated in Section 2.6 of the Offer Document, save as the minimum acceptance condition as provided therein, the Offer is unconditional in all other respects. As stated in Section 7.6.2 of this Letter above, the minimum acceptance condition has been met and the Offer has been declared unconditional as at the Latest Practicable Date.

### 7.6.4 Offeror's intention in relation to the Company

As stated in Section 10 of the Offer Document, it is the current intention of the Offeror for the Company to continue with its existing business. The Offeror currently has no intention to introduce any major changes to the existing business of the Company, the employment of the employees of the Group or to redeploy any of the fixed assets of the Company, other than in the ordinary course of business. Nevertheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which it regards to be in the interests of the Offeror.

### 7.6.5 Compulsory acquisition

As stated in Section 11 of the Offer Document, the Offeror's intention is to gain majority control of the Company. In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the despatch of the Offer Document other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date), the Offeror is entitled to and intends to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer ("**Dissenting Shareholders**") on the same terms as those offered under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares. **Dissenting shareholders who wish to exercise such right are advised to seek their own independent legal advice.**

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## APPENDIX 1 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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### 7.6.6 Listing status

We note that in the event the Free Float Requirement is not met and/or trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules as described in Section 11.4 of the Offer Document, the Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted.

### 7.6.7 Dividend track record

The Company has not declared or paid any dividend since 2011.

The Directors have confirmed that the Company does not have a fixed dividend policy and the payment of dividends shall be assessed by the Board from year to year. The form, frequency and amount of dividends declared each year will take into account the Group's profit, growth, cash position, positive cash flow generated from operations, projected capital requirements of the Group and other factors as the Board may deem appropriate.

We note that as the Offeror has gained statutory control of the Company as at the Latest Practicable Date, the Offeror is in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and ability to pass all ordinary and special resolutions on matters in which the Offeror does not have an interest at general meetings of Shareholders, including but not limited to dividends recommended by the Directors.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy.

### 7.6.8 Alternative offers from third parties

As at the Latest Practicable Date, there is no publicly available evidence of an alternative take-over offer for the Shares from any third party. The Directors have confirmed that, as at the Latest Practicable Date, save for the Offer made by the Offeror, no alternative takeover offer from any third party has been received.

## 8. OPINION AND ADVICE

In arriving at our opinion in respect of the Offer, we have taken into account the factors which we consider would have a significant bearing on our assessment as set out in the earlier sections and summarised below. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) market quotation and trading activity of the Shares;
- (b) Share price performance relative to selected market index;
- (c) the Group's NAV and NTA and net debt position;
- (d) comparison with financial valuation ratios of selected listed companies considered to be comparable to the Company;

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## APPENDIX 1 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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- (e) comparison with recent takeovers for companies listed on the SGX-ST; and
- (f) other considerations in relation to the Offer which have a significant bearing on our assessment.

**Having regard to the considerations set out in this Letter, the information available to us as at the Latest Practicable Date and subject to the assumptions and qualifications set out in this Letter, we are of the opinion that the terms of the Offer are FAIR and REASONABLE from a financial point of view**

We consider the financial terms of the Offer to be **FAIR**, from a financial point of view, after taking into consideration the following factors:

- (a) The Offer Price represents a premium of 37.6% over the VWAP for the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer Announcement Date and premiums of 64.3%, 65.9%, 65.6% and 66.7% over the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Pre-Conditional Offer Announcement Date respectively;
- (b) The Offer Price represents a premium of approximately 17.2% over the highest closing price of S\$0.128 for the 12-month period prior to and including the Pre-Conditional Offer Announcement Date;
- (c) The Offer Price represents a premium of approximately 1.2 times and 82.5 times over the unaudited NAV per Share and NTA per Share as at 30 September 2019 respectively; and
- (d) The P/E ratio of the Company as implied by the Offer Price is within the range of and higher than the mean and median of the P/E ratios of the Selected Comparable Companies and the valuation multiples of EV/EBITDA, P/NAV and P/NTA of the Company as implied by the Offer Price are above the range of the respective ratios of the Selected Comparable Companies. We wish to highlight there are no SGX-ST listed companies that are directly comparable to the Company and therefore we have expanded our coverage to include companies which, amongst others, are primarily engaged in the ship building and related businesses. Therefore, any comparison made with respect to the Selected Comparable Companies is only intended to serve as an illustrative guide.

We consider the financial terms of the Offer to be **REASONABLE**, from a financial point of view, after taking into consideration the following factors:

- (a) Historical trading liquidity of the Shares has been low, with the ADTV of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Pre-Conditional Offer Announcement Date at approximately 0.067%, 0.120%, 0.211% and 0.050% of the Free Float respectively;
- (b) On a normalised basis, for the 12-month period prior to and including the Pre-Conditional Offer Announcement Date, the Shares had generally out-performed the Catalyst Index and the Offer Price represents premia over the VWAPs of the Shares as illustrated in section 7.1 of this Letter. Between 23 August 2019 (being the last Market Day on which the Shares were traded prior to and including the Pre-Conditional Offer

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## APPENDIX 1 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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Announcement Date) and the Latest Practicable Date, the market price of the Shares has increased by approximately 36.7%, while the Catalyst Index has decreased by approximately 0.5%;

- (c) in relation to the Selected Comparable Transactions, the premium of 37.6% as implied by the Offer Price over the LTP on 23 August 2019 is within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions and the premia as implied by the Offer Price over the 1-month VWAP, 3-month VWAP and 6-month VWAP are within the range of and higher than the mean and median of the premia for the Selected Comparable Transactions;
- (d) The Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted;
- (e) Based on the latest announcement as at the Latest Practicable Date, the Offeror has received valid acceptances in respect of 210,947,369 Shares as at 5.00 p.m. on 26 November 2019, representing approximately 77.29% of the total number of Shares. Accordingly, the Offeror has gained statutory control of the Company and the Offer has been declared unconditional in all respects;
- (f) In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the despatch of the Offer Document other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date), the Offeror is entitled and intends to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer on the same terms as those offered under the Offer;
- (g) The Group does not have a fixed dividend policy and has not declared or paid any dividend since 2011. Since the Offeror has had more than 75% of the total number of the Shares in the Company as at the Latest Practicable Date, the Offeror is in a position to significantly influence all ordinary and special resolutions on matters in which the Offeror does not have an interest at general meetings of Shareholders, including but not limited to dividends recommended by the Directors; and
- (h) As at the Latest Practicable Date, there is no publicly available evidence of an alternative take-over offer for the Shares from any third party. The Directors have confirmed that, as at the Latest Practicable Date, save for the Offer made by the Offeror, no alternative takeover offer from any third party has been received.

**Accordingly we advise the Recommending Directors to recommend Shareholders to ACCEPT the Offer, unless Shareholders can obtain a price higher than the Offer Price in the open market, taking into account the related expenses such as brokerage and trading costs.**

This Letter is addressed to the Recommending Directors for their use and benefit, in connection with and for the purposes of their consideration of the Offer only. The recommendation made by the Recommending Directors to the Shareholders in respect of the Offer shall remain the sole responsibility of the Recommending Directors.



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## **APPENDIX 1 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS**

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Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than the purpose of the Offer, at any time and in any manner without the prior written consent of RHBSec in each specific case.

Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore, and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**RHB Securities Singapore Pte. Ltd.**

**Lien I Ping**  
**Deputy Director**  
**Corporate Finance**

**Wong Kee Seong**  
**Deputy Director**  
**Corporate Finance**

## APPENDIX 2 – GENERAL INFORMATION

### 1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Dr. Diao Weicheng	3/8 Floor, North Star Times Tower, No. 8 Beicheng Dong Street, Chaoyang District, Beijing, People's Republic of China	Executive Chairman
Mr. Sun Yan	27-28th Floor, Catic Mansion, 212 Jiangning Road, Shanghai, China	Executive Director and Chief Executive Officer
Mr. Li Meijin	2 Marina Boulevard, #66-10, The Sail @ Marina Bay, Singapore 018987	Executive Director
Mr. Teng Cheong Kwee	16B Margoliouth Road, #06-03, Chatelet, Singapore 258542	Lead Independent Director
Ms. Alice Lai Kuen Kan	14B, Vulcan House, 21-23 Leighton Road, Causeway Bay, Hong Kong	Independent Director
Professor Wang Puqu	7-4-602 Boyaxiyuan, Nongdananlu, Haidan District, Beijing, China	Independent Director

### 2. HISTORY

The Company is a company incorporated in Singapore on 11 November 2010 and was listed on the Mainboard of the SGX-ST on 12 September 2011 and subsequently transferred to the Catalist on 20 May 2016.

### 3. PRINCIPAL ACTIVITIES

The Company is an active player in the marine and offshore industry and strives to provide innovative and integrated solutions along the entire marine business value chain. The Company and its subsidiaries (collectively the “**Target Group**”) provides a wide range of services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.

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## APPENDIX 2 – GENERAL INFORMATION

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### 4. SHARE CAPITAL

**4.1. Issued Capital.** As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises RMB101,237,000 divided into 285,576,000 Shares. The Shares are listed and quoted on the Catalist Board of SGX-ST.

**4.2. Rights of Shareholders in respect of Capital, Dividends and Voting.** The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles, which is available for inspection at the Company's registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544. The relevant articles in the Articles relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are set out in **Appendix 3** to this Circular. Capitalised terms and expressions defined in the extracts have the meanings ascribed to them in the Articles.

### 4.3. Shares Issued since End of Last Financial Year

No Shares have been issued by the Company since the end of the last financial year up to the Latest Practicable Date.

### 4.4. Outstanding Convertible Securities

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting shares in the Company.

## 5. DISCLOSURE OF INTERESTS

### 5.1. Interests of the Company in the shares of the Offeror

Neither the Company nor its subsidiaries has any direct or indirect interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

### 5.2. Dealings in shares of the Offeror by the Company

Neither the Company nor its subsidiaries has dealt for value in the shares or convertible securities of the Offeror during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

### 5.3. Interests of Directors in the Shares

None of the Directors has any direct or deemed interests in the Shares as at the Latest Practicable Date.

### 5.4. Dealings in Shares by the Directors

None of the Directors has dealt for value in the Shares during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

### 5.5. Interests of Directors in shares of the Offeror

None of the Directors has any direct or deemed interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

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## **APPENDIX 2 – GENERAL INFORMATION**

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### **5.6. Dealings in shares of the Offeror by the Directors**

None of the Directors has dealt for value in the shares or convertible securities of the Offeror during the period commencing three (3) months prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

### **5.7. Interests of the IFA in the Shares**

The IFA does not own or control any Shares as at the Latest Practicable Date. The IFA does not manage the investment of any funds which own or control any Shares.

### **5.8. Dealings in the Shares by the IFA**

During the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA or any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Shares.

## **6. OTHER DISCLOSURES**

### **6.1. Directors' Service Contracts**

There are no service contracts between any director or proposed director of the Company or its subsidiaries with more than 12 months to run, and which the employing company cannot, within the next 12 months, terminate without paying any compensation. In addition, there are no service contracts entered into or amended between any director or proposed director with the Company or any of its subsidiaries during the period commencing 6 months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### **6.2. No Payment or Benefit to Directors**

It is not proposed, in connection with the Offer, that any payment or other benefit be made or given to any Director or to any director of any other related corporation of the Company as compensation for loss of office or otherwise in connection with the Offer as at the Latest Practicable Date.

### **6.3. No Agreement Conditional upon Outcome of Offer**

There are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer as at the Latest Practicable Date.

### **6.4. Material Contracts entered into by Offeror**

There are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect, as at the Latest Practicable Date.

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## APPENDIX 2 – GENERAL INFORMATION

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### 7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Neither the Company nor any of its subsidiaries has entered into any material contract (other than those entered into in the ordinary course of business) with interested persons during the period commencing three (3) years prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

**Notes:**

An “interested person”, as defined in Note on Rule 23.12 of the Code, is:

- (a) a director, chief executive officer, or substantial shareholder of the Company;
- (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

### 8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings as plaintiff or defendant which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

The Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company.

## APPENDIX 2 – GENERAL INFORMATION

### 9. FINANCIAL INFORMATION OF THE GROUP

#### 9.1. Consolidated Statements of Profit and Loss

A summary of the audited consolidated statements of profit and loss of the Group for the financial years ended 31 December 2016 (“**FY2016**”), 31 December 2017 (“**FY2017**”) and 31 December 2018 (“**FY2018**”) and the unaudited consolidated statements of profit and loss of the Group for the first quarter ended 31 March 2019 (“**1Q2019**”), the second quarter ended 30 June 2019 (“**2Q2019**”), and the third quarter ended 30 September 2019 (“**3Q2019**”) is set out below.

	Audited FY2016 RMB'000	Audited FY2017 RMB'000	Audited FY2018 RMB'000	Unaudited 1Q2019 RMB'000	Unaudited 2Q2019 RMB'000	Unaudited 3Q2019 RMB'000
Revenue	426,272	645,688	587,660	133,900	127,895	132,196
Exceptional items (write back of impairment loss/(impairment loss) of financial assets)	–	(7,119)	3,435	(607)	620	(271)
Profit/(loss) before tax	(13,154)	42,200	59,872	17,451	12,902	15,153
Profit/(loss) after tax	(27,052)	26,515	38,811	12,416	9,722	10,286
Profit attributable to Shareholders	(28,575)	26,829	27,280	10,932	7,093	8,646
Profit attributable to non-controlling interests	1,523	(314)	11,531	1,484	2,629	1,640
Net Profit/(loss) per Share attributable to equity holders of the Company (expressed in RMB cents per Share)	(10.01)	9.39	9.55	3.83	2.48	3.03
Net dividends per share (expressed in RMB cents per Share)	–	–	–	–	–	–

The above summary of financial information should be read together with the audited financial statements of the Company for the relevant years, the unaudited consolidated financial statements of the Group for the relevant periods, and related notes thereto, copies of which are available for inspection at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 during normal business hours.

The audited consolidated financial statements of the Group for FY2018 are set out in **Appendix 4**. The unaudited consolidated financial statements for the Group for 1Q2019, 2Q2019 and 3Q2019 are set out respectively in **Appendix 5**, **Appendix 6** and **Appendix 7**.

## APPENDIX 2 – GENERAL INFORMATION

### 9.2. Statement of Financial Position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 is set out below:

	Group		Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank	256,598	160,579	7,635	4,373
Trade and other receivables	2,442,059	2,342,204	16,915	25,608
Finance lease receivables	23,610	14,411	—	—
Inventories	156,477	139,885	—	—
	<b>2,878,744</b>	<b>2,657,079</b>	<b>24,550</b>	<b>29,981</b>
<b>Non-current assets</b>				
Trade and other receivables	—	—	—	—
Finance lease receivables	19,788	34,136	—	—
Investments in associated companies	5,943	5,371	—	—
Investment in subsidiaries	—	—	588,894	585,093
Property, plant and equipment	8,968	8,381	—	106
Intangible assets	191,325	188,966	—	—
Available-for-sale financial assets	—	12	—	—
Deferred tax assets	2,014	1,721	—	—
	<b>228,038</b>	<b>238,587</b>	<b>588,894</b>	<b>585,199</b>
<b>Total assets</b>	<b>3,106,782</b>	<b>2,895,666</b>	<b>613,444</b>	<b>615,180</b>



## APPENDIX 2 – GENERAL INFORMATION

	Group		Company	
	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	296,365	315,951	19,258	55,845
Due to subsidiaries (non-trade)	–	–	301,577	234,811
Borrowings	1,905,491	1,918,705	177,468	195,324
Finance lease liabilities	1,161	953	–	–
Derivative financial instruments	24,753	–	–	–
Current income tax liabilities	21,825	18,538	–	–
	<b>2,249,595</b>	<b>2,254,147</b>	<b>498,303</b>	<b>485,980</b>
<b>Non-current liabilities</b>				
Due to subsidiaries (non-trade)	–	–	9,417	9,488
Borrowings	588,302	395,033	–	–
Finance lease liabilities	1,076	553	–	–
Deferred tax liabilities	15,108	15,556	–	–
	<b>604,486</b>	<b>411,142</b>	<b>9,417</b>	<b>9,488</b>
<b>Total liabilities</b>	<b>2,854,081</b>	<b>2,665,289</b>	<b>507,720</b>	<b>495,468</b>
<b>NET ASSETS</b>	<b>252,701</b>	<b>230,377</b>	<b>105,724</b>	<b>119,712</b>
<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
Other reserves	19,563	22,045	11,273	8,619
(Accumulated losses)/ Retained profits	56,822	41,666	(6,786)	9,856
	<b>177,622</b>	<b>164,948</b>	<b>105,724</b>	<b>119,712</b>
<b>Non-controlling interests</b>	<b>75,079</b>	<b>65,429</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>252,701</b>	<b>230,377</b>	<b>105,724</b>	<b>119,712</b>

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## APPENDIX 2 – GENERAL INFORMATION

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The above summary of financial information should be read together with the audited financial statements of the Group for the relevant year, and related notes thereto, copies of which are available for inspection at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 during normal business hours for the period for which the Offer remains open for acceptance.

### 9.3. Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited consolidated financial statements of the Group for FY2018, which are set out in Appendix 4 to this Circular.

### 9.4. Changes in Accounting Policies

As at the Latest Practicable Date, there is no change in the accounting policy of the Group which will cause the figures as disclosed in this Circular not to be comparable to a material extent.

## 10. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results), as at the Latest Practicable Date, there have been no known material changes in the financial position of the Group since 31 December 2018, being the date to which the Company's last published audited accounts were made up.

## 11. GENERAL

**11.1. Costs and Expenses.** All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

**11.2. Consent of the IFA.** The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter setting out, among other things, its advice to the Recommending Directors in respect of the Offer which is annexed hereto as **Appendix 1**, and references to its name, in the form and context in which they appear in this Circular.

**11.3. Consent of the Auditors.** The Auditors have given and have not withdrawn its written consent to the issue of this Circular with the inclusion of the Independent Auditor's report relating to the financial statements for FY2018, and references to its name, in the form and context in which it appears in this Circular.

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## APPENDIX 2 – GENERAL INFORMATION

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### 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544, during business hours for the period during which the Offer remains open for acceptances:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the interim unaudited consolidated financial statements of the Group for the first quarter ended 30 March 2019, second quarter ended 30 June 2019 and third quarter ended 30 September 2019;
- (d) the IFA Letter, as reproduced in **Appendix 1** to this Circular; and
- (e) the letters of consent referred to in **Paragraphs 11.2 and 11.3** above.

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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The provisions in the Articles relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below.

### 1. RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL AND ISSUE OF SHARES

#### ISSUE OF SHARES

3. Subject to the Statutes, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 7, and to any special rights attached to any shares for the time being issued, the Directors may allot or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, provided always that:
- Issue of  
Shares
- (i) (subject to any direction to the contrary that may be given by the Company in a General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 7(A) with such adaptations as are necessary shall apply; and
- (ii) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.
- 4 (A) Preference shares may be issued, by the Company subject to the listing rules at any relevant Stock Exchange upon which the Company may be listed. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is in arrears for more than six months.
- Rights of  
preference  
shareholders.
- (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
- Power to issue  
further  
preference  
capital.

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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### VARIATION OF RIGHTS

5. (A) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of three-quarters of the total voting rights of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting, all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total voting rights of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the total voting rights of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.
- Variation of rights.
- (B) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned Provided Always that where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the General Meeting, shall be as valid and effectual as a special resolution carried at the General Meeting.
- Repayment of preference capital other than redeemable preference capital.
- (C) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.
- Creation or issue of further shares with special rights.

ALTERATION OF SHARE CAPITAL		
6.	The Company may from time to time by Ordinary Resolution increase its capital by such sum as the resolution shall prescribe.	Power to increase share capital.
7.	<p>(A) Subject to any direction to the contrary that may be given by the Company in a General Meeting or except as permitted under the listing rules of any relevant Stock Exchange upon which the Company may be listed, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 7(A).</p> <p>(B) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.</p>	Offer of new shares.
8.	<p>The Company may by Ordinary Resolution:</p> <p>(i) consolidate and divide all or any of its share capital;</p> <p>(ii) sub-divide its shares, or any of them, (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; or</p> <p>(iii) subject to the provisions of the Statutes, convert any class of shares into any other class of shares.</p>	Power to consolidate, cancel, sub-divide and convert shares.
9.	(A) The Company may reduce its share capital or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.	Power to reduce share capital.

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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| <p>(B) Subject to and in accordance with the provisions of the Act, the Company may authorise the Directors in General Meeting to purchase or otherwise acquire shares issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. If required by the Act, all shares purchased by the Company shall, unless held in treasury in accordance with the Act, be cancelled immediately upon purchase. On the cancellation of the shares aforesaid, the rights and privileges attached to those shares shall expire and the number of issued shares of the Company shall be diminished by the number of shares so cancelled. Where the shares purchased by the Company are not cancelled, the Company may hold or deal with any such share so purchased by it in such manner as may be permitted by, and in accordance with, the Act.</p> | <p>Company may acquire its own issued shares.</p> |
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### SHARES

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| <p>10. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by law) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share.</p> | <p>Exclusion of equities.</p>        |
| <p>11. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.</p>                       | <p>Redeemable preference shares.</p> |
| <p>12. Subject to the provisions of these presents and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in a General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.</p>   | <p>Unissued shares.</p>              |
| <p>13. The Company shall not exercise any right in respect of Treasury Shares other than as provided by the Act. The rights in relation to Treasury Shares, are to be suspended except for the purposes of bonus shares, share splits and consolidations. Subject thereto, the Company may hold or deal with its Treasury Shares in the manner authorised by, or prescribed pursuant to, the Act.</p>   | <p>Treasury shares.</p>              |



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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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| 14. | The Company may pay commissions or issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.   | Power to pay commission and brokerage. |
| 15. | Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten market days (as defined in Article 18) of the closing date (or such other period as may be approved by any relevant Stock Exchange upon which the Company may be listed) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose. | Renunciation of allotment.             |

### SHARE CERTIFICATES

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| 16. | Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid up and the amount (if any) if unpaid thereon. No certificate shall be issued representing shares of more than one class.  | Form of share certificate.  |
| 17. | <p>(A) The Company shall not be bound to register more than three persons as the registered joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased member.</p> <p>(B) In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.</p>   | <p>Rights and liabilities of joint holders.</p> <p>Issue of certificate to joint holders.</p> |
| 18. | Every person whose name is entered as a member in the Register of Members shall be entitled to receive within ten market days of the closing date of any application for shares (or such other period as may be approved by any relevant Stock Exchange upon which the Company may be listed) or within ten market days after the date of lodgement of a registrable transfer (or such other period as may be approved by any relevant Stock Exchange upon which the Company may be listed) one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a member transfers part only of the shares comprised in a certificate or where such a member requires the Company to cancel any certificate or certificates and issue new certificate(s) for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and a maximum fee of S\$2 for each new certificate or such other fee | Entitlement to certificate.   |

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any relevant Stock Exchange upon which the Company may be listed. For the purposes of this Article 18, the term "market day" shall mean a day on which such Stock Exchange is open for trading in securities.

19. (A) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge. Issue of a single share certificate.
- (B) If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a maximum fee of S\$2 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any relevant Stock Exchange upon which the Company may be listed. Issue of multiple share certificates.
- (C) In the case of shares registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders. Request by registered joint holders.
20. Subject to the provisions of the Statutes, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of any relevant Stock Exchange upon which the Company may be listed or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery of the old certificate and in any case on payment of such sum not exceeding S\$2 as the Directors may from time to time require, having regard to any limitation thereof as may be prescribed by any relevant Stock Exchange upon which the Company may be listed. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss. Replacement of certificate.

### CALLS ON SHARES

21. The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments. Calls on shares and time when made.

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

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| 22. | Each member shall (subject to receiving at least fourteen days’ notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.  | Calls on shares and when payable. |
| 23. | If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.  | Interest on calls.                |
| 24. | Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment, all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.   | Sum due on allotment.             |
| 25. | The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.   | Power to differentiate.           |
| 26. | The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish <i>pro tanto</i> the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits. | Payment in advance of calls.      |

### FORFEITURE AND LIEN

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| 27. | If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment. | Notice requiring payment of calls. |
| 28. | The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith, the shares on which the call has been made will be liable to be forfeited.                | Notice to state time and place.    |

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### APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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| 29. | If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.  | Forfeiture on non-compliance with notice.  |
| 30. | A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition, the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.  | Sale or disposition of forfeited or surrendered shares.                            |
| 31. | A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment in whole or in part. | Rights and liabilities of members whose shares have been forfeited or surrendered. |
| 32. | The Company's lien on shares (not being a fully paid share) and on the dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such monies are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.   | Company's lien.  |
| 33. | The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.   | Sale of shares subject to lien.  |

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### **APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION**

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| 34. | The residue of the proceeds of such sale pursuant to Article 33 after the satisfaction of the unpaid calls and accrued interest and expenses of such sale shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assignees, or as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.   | Application of proceeds of such sale.                 |
| 35. | A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold or disposed to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository) or allottee thereof shall (subject to the execution of a transfer if the same is required) constitute a good title to the share and the share shall be registered in the name of the person to whom the share is sold, re- allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share. | Title to shares and right of purchaser of such share. |

#### **TRANSFER OF SHARES**

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| 36. | All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by any relevant Stock Exchange upon which the Company may be listed. The instrument of transfer of any share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository. The transferor shall remain the holder of the shares concerned until the transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof. | Form of transfer.                                  |
| 37. | The Register of Members may be closed at such times and for such period as the Directors may from time to time determine Provided always that such Register shall not be closed for more than thirty days in any year Provided always that the Company shall give prior notice of such closure as may be required to any relevant Stock Exchange upon which the Company may be listed, stating the period and purpose or purposes for which the closure is made.  | Closing of Register of Members.                    |
| 38. | (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law, the listing rules of any relevant Stock Exchange upon which the Company may be listed or the rules and/or bye-laws governing any such Stock Exchange) but the Directors may in   | Directors' right to refuse to register a transfer. |

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within ten market days beginning with the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

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| <p>(B) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:</p> <p style="margin-left: 40px;">(i) such fee not exceeding S\$2 as the Directors may from time to time require pursuant to Article 41, is paid to the Company in respect thereof;</p> <p style="margin-left: 40px;">(ii) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which the transfer relates and a certificate of stamp duty (if any), and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and</p> <p style="margin-left: 40px;">(iii) the instrument of transfer is in respect of only one class of shares.</p> | <p>When Directors may refuse to register a transfer.</p> |
| <p>39. If the Directors refuse to register a transfer of any shares, they shall within ten market days after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal as required by the Statutes.</p>  | <p>Notice on refusal to register a transfer.</p>         |
| <p>40. All instruments of transfer which are registered may be retained by the Company.</p>   | <p>Retention of transfers.</p>                           |
| <p>41. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2 as the Directors may from time to time require or prescribe.</p>   | <p>Fee for registration of probate etc.</p>              |
| <p>42. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the</p>  | <p>Destruction of instrument of transfer.</p>            |



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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; provided always that:

- (i) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (ii) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
- (iii) references herein to the destruction of any document include references to the disposal thereof in any manner.

### TRANSMISSION OF SHARES

43. (A) In the case of the death of a member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares. Transmission.
- (B) In the case of the death of a member who is a Depositor, the survivor or survivors where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- (C) Nothing in this Article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.
44. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person. Persons becoming entitled to Shares on death or bankruptcy of member.



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## **APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION**

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| <p>45. Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share pursuant to Article 43(A) or (B) or Article 44 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.</p> | <p>Rights of persons entitled to shares on transmission.</p> |
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### **STOCK**

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| <p>46. The Company may from time to time by Ordinary Resolution convert any paid up shares into stock and may from time to time by like resolution reconvert any stock into paid up shares.</p>   | <p>Power to convert into stock.</p> |
| <p>47. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.</p>   | <p>Transfer of stock.</p>           |
| <p>48. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by such number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.</p> | <p>Rights of stockholders.</p>      |

## **2. RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING**

### **GENERAL MEETINGS**

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| <p>49. An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.</p> | <p>Annual General Meeting.</p>        |
| <p>50. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.</p>  | <p>Extraordinary General Meeting.</p> |

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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### NOTICE OF GENERAL MEETINGS

51. Subject to the relevant requirements of the Stock Exchange, any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereafter mentioned to all members and such other persons entitled under these presents to receive such notices from the Company; provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been fully called if it is so agreed:
- Notice of Meetings.

- (i) in the case of an Annual General Meeting, by all the members entitled to attend and vote thereat; and
- (ii) in the case of an Extraordinary General Meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than ninety-five per cent of the total voting rights of all members having the right to vote at that meeting,

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to each Stock Exchange.

52. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.
- (B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.
- Contents of notice.

53. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:
- Routine Business.
- (i) declaring dividends;

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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- (ii) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;
  - (iii) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
  - (iv) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);
  - (v) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and
  - (vi) fixing the fees of the Directors proposed to be passed under Article 79.
54. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.
- Notice to state effect of special business.

### PROCEEDINGS AT GENERAL MEETINGS

55. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.
- Chairman.
56. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members.
- Quorum.
57. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday, then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting, any one or more members present in person or by proxy shall be a quorum.
- If quorum not present, adjournment or dissolution of meeting.
58. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the
- Adjournment.

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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

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| 59. | Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.   | Notice of adjournment.   |
| 60. | If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.   | Amendment to resolution. |
| 61. | <p>At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:</p> <ul style="list-style-type: none"> <li>(i) the chairman of the meeting; or</li> <li>(ii) not less than five members present in person or by proxy and entitled to vote; or</li> <li>(iii) a member present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or</li> <li>(iv) a member present in person or by proxy holding not less than 10 per cent of the total number of paid-up shares of the Company (excluding Treasury Shares),</li> </ul> <p>Provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.</p>  | Method of voting.        |
| 62. | A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll. | Taking a poll.           |

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### APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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| 63. | In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.   | Casting vote of Chairman.                                |
| 64. | A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. | Polls and continuance of business after demand for poll. |

#### VOTES OF MEMBERS

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| 65. | Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the company, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company. | Voting rights of members.                             |
| 66. | In the case of joint holders of a share, any one of such persons may vote, but if more than one of such persons is present at a meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share.   | Voting rights of joint holders.                       |
| 67. | Where in Singapore or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.  | Voting rights of receiver or court appointed persons. |
| 68. | No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.   | Right to be present and to vote.                      |

69.	No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.	When objection to admissibility of votes may be made.
70.	On a poll, votes may be given personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.	Voting.
71.	<p>(A) A member may appoint not more than two proxies to attend and vote at the same General Meeting provided that if the member is a Depositor, the Company shall be entitled and bound:</p> <p>(i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company; and</p> <p>(ii) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.</p> <p>(B) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.</p> <p>(C) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.</p> <p>(D) A proxy need not be a member of the Company.</p>	<p>Appointment of proxies.</p> <p>Notes and instructions.</p> <p>Proportion in shareholding to be represented by proxies.</p> <p>Proxy need not be member.</p>
72.	<p>(A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:</p> <p>(i) in the case of an individual, shall be signed by the appointor or his attorney; and</p> <p>(ii) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.</p>	Instrument appointing proxies.

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### APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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| (B) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Article 73, failing which the instrument may be treated as invalid.   | Signature on instrument appointing proxies.  |
| 73. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates. | Deposit of instrument of proxy.  |
| 74. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.   | Rights of proxies.   |
| 75. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.  | Intervening death or insanity of principal not to revoke proxy or power of attorney. |

#### CORPORATIONS ACTING BY REPRESENTATIVES

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| 76. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these presents be deemed to be present in person at any such meeting if a person so authorised is present thereat. | Corporation acting by representatives. |
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## APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

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### 3. RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

#### DIVIDENDS

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|------|--|-----------------------------------|
| 121. | The Company may by Ordinary Resolution declare dividends but no such dividends shall exceed the amount recommended by the Directors.   | Dividends.                        |
| 122. | If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed and/or preferential dividends on any class of shares carrying a fixed and/or preferential dividend (as the case may be) expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit. | Interim Dividends.                |
| 123. | Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid <i>pro rata</i> according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article, no amount paid on a share in advance of calls shall be treated as paid on the share.                   | Apportionment of dividends.       |
| 124. | No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.   | Dividend payable only by profits. |
| 125. | No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.  | Dividends not to bear interest.   |
| 126. | (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.  | Retention of dividends.           |
|      | (B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.   |                                   |
|      | (C) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their | Unclaimed dividends.              |

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### APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor entitled thereto shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable.

127. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.
128. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.
129. (A) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:
- (i) the basis of any such allotment shall be determined by the Directors;
  - (ii) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by
- Waiver of dividends.
- Payment of dividends in specie.
- Right to elect to receive allotment of shares in lieu of dividends.

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### APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;

- (iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
  - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 133, the Directors shall capitalise and apply the amount standing to the credit of the Company's reserve accounts as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.
- (B) (i) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Article shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (ii) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Article, with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down).
- (C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article, determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of

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### APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors may think fit, and in such event the provisions of this Article shall be read and construed subject to such determination.

- (D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlement of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.
- (E) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Article in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of paragraph (A) of this Article.
130. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Article and the provisions of Article 132, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

Dividends payable by cheque or warrant.

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## **APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION**

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| <p>131. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.</p>  | <p>Payment of dividends to joint holders.</p> |
| <p>132. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in a General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.</p> | <p>Resolution declaring dividends.</p>        |

### **CAPITALISATION OF PROFITS AND RESERVES**

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| <p>133. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company:</p> <p style="margin-left: 40px;">(i) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares; and</p> <p style="margin-left: 40px;">(ii) capitalise any sum standing to the credit of any of the Company's reserve accounts or other distributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.</p> | <p>Power to capitalise profits and implementation of resolution to capitalise profits.</p> |
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### **APPENDIX 3 – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION**

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- (B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Article 133(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (C) In addition and without prejudice to the powers provided for by Article 133(A) and 133(8), the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 76 to 156 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

#### Directors

The directors of the Company in office at the date of this statement are as follows:

Diao Weicheng  
Teng Cheong Kwee  
Alice Lai Kuen Kan  
Wang Puqu  
Sun Yan  
Li Meijin

#### Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

#### Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

#### Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.



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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### Audit Committee

The Audit Committee of the Company, consisting of all non-executive directors, is chaired by Mr Teng Cheong Kwee and includes Ms Alice Lai Kuen Kan and Mr Wang Puqu. The Audit Committee has met four times since the last Annual General Meeting and has reviewed the following, where relevant, with the executive directors and external auditors and internal auditors of the Company:

- the external and internal audit plans/audit reports, the scope and results of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- the Group's financial and operating results and accounting policies;
- the quarterly and annual announcements as well as the related press releases on the results of the Group and financial position of the Company and the Group;
- the interested person transactions falling within the scope of Chapter 9 of the listing manual;
- the co-operation and assistance given by the management to the Group's external and internal auditors; and
- the re-appointment of the independent auditor of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of PricewaterhouseCoopers LLP for re-appointment as independent auditor of the Group at the forthcoming Annual General Meeting of the Company.

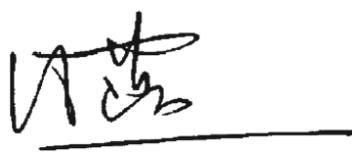
#### Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



Diao Weicheng  
Director



Sun Yan  
Director

29 March 2019

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

#### **Report on the Audit of the Financial Statements**

##### **Our opinion**

In our opinion, the accompanying consolidated financial statements of AVIC International Maritime Holdings Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

##### *What we have audited*

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2018;
- the balance sheet of the Group and the balance sheet of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

##### **Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

##### **Our Audit Approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment assessment on goodwill</b>  <i>Refer to Note 3(a) (Critical accounting estimates and assumptions) and Note 19(a) (Intangible assets) to the financial statements.</i></p> <p>As at 31 December 2018, goodwill arising on consolidation amounted to RMB115 million. The goodwill amount was attributed to the acquisition of Deltamarin Ltd. and its subsidiaries (the "Deltamarin Group") in 2013.</p> <p>We focused on goodwill impairment assessment performed by management because of the significant judgements required in estimating the operating margin, revenue compounded annual growth rate, terminal growth rate and discount rate, in computing the recoverable amount of the Deltamarin Group cash-generating unit ("CGU").</p>	<p>We evaluated the reasonableness of management's estimate of the revenue compound annual growth rate and operating margin by taking into consideration the Deltamarin Group CGU's past performance, management's expectations of market developments and the industry trends for the shipping industry.</p> <p>We involved valuation specialists to assist in the assessment of the terminal growth rate and the discount rate applied by management. We noted the methodology and discount rate used by management were appropriate.</p> <p>We evaluated management's sensitivity analysis to assess the impact on the recoverable amount of the Deltamarin Group CGU by applying reasonable possible changes to the revenue compounded annual growth rate, the operating margin, the terminal growth rate and discount rate. We found the sensitivity analysis to be appropriate.</p>
<p><b>Revenue recognition over time by reference to progress towards completion of contracts</b>  <i>Refer to Note 3(b) (Critical accounting estimates and assumptions) to the financial statements.</i></p> <p>Ship-design fee income is derived from consulting, design and engineering services to the marine and offshore industries and is recognised over time by reference to the progress of each ship-design fee contract. The measure of progress is determined based on the proportion of actual man-hours incurred to date to the estimated total man-hours required of each design contract.</p> <p>Ship-design fee income amounted to RMB381 million and represented approximately 65% of the Group's total revenue for the financial year ended 31 December 2018.</p> <p>When it is probable that the contract costs for ship-design contracts will exceed the total ship-design fee income, a provision for foreseeable losses is recognised as expense immediately. The Group has recognised RMB2 million as provision for foreseeable losses for the financial year ended 31 December 2018.</p>	<p>We obtained an understanding of on-going ship-design contracts through discussions with management and examination of contract documentation and correspondences with customers.</p> <p>In relation to the ship-design projects, we:</p> <ul style="list-style-type: none"> <li>obtained an understanding of management's timesheet system on how actual manhours are recorded;</li> <li>validated key controls over the timesheet system and payroll process;</li> <li>assessed the accuracy of management's estimates over the total manhours required to complete the ship-design contracts;</li> <li>performed tests of detail over subcontract costs and in-house payroll expenses;</li> <li>recomputed the ship-design fee income recognised for the current financial year in relation to the stage of completion and agreed to the accounting records;</li> <li>validated management's assessment of the cost-to-complete amount of ship-design contracts; and</li> <li>verified the cost incurred to-date plus the estimated cost-to-complete and compared to the total contract value for each project to validate management's assessment of foreseeable losses.</li> </ul> <p>There were no exceptions noted.</p>

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

#### **Other Information**

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (the "Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

#### **Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

#### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## **APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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### **INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Soh Kok Leong.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants

Singapore, 29 March 2019

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

AVIC International Maritime Holdings Limited | ANNUAL REPORT 2018

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	587,660	645,688
Cost of sales	5	(242,792)	(378,888)
Gross profit		344,868	266,800
Other income	7	14,943	14,947
Other gains and losses – net			
– Write back of impairment loss/(impairment loss) on financial assets	5	3,435	(7,119)
– Others	8	(3,691)	15,530
Expenses			
– Distribution and marketing	5	(38,248)	(40,760)
– Administrative	5	(159,024)	(136,470)
– Finance	9	(100,669)	(56,029)
– Other	5	(2,288)	(16,337)
Share of profit of associated companies	16	546	1,638
Profit before income tax		59,872	42,200
Income tax expense	10	(21,061)	(15,685)
<b>Profit after tax</b>		<b>38,811</b>	<b>26,515</b>
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associated companies	16	26	174
Currency translation differences arising from consolidation			
– (loss)/gain		(13,863)	5,763
		(13,837)	5,937
<b>Total comprehensive income</b>		<b>24,974</b>	<b>32,452</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		27,280	26,829
Non-controlling interests		11,531	(314)
		<b>38,811</b>	<b>26,515</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		12,674	28,908
Non-controlling interests		12,300	3,544
		<b>24,974</b>	<b>32,452</b>
<b>Profit per share attributable to equity holders of the Company</b> (expressed in RMB cents per share)			
<b>Basic and diluted profit per share</b>	11	9.55	9.39

*The accompanying notes form an integral part of these financial statements.*



## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### BALANCE SHEET - **GROUP**

AS AT 31 DECEMBER 2018

	Note	31 December 2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank	12	256,598	160,579	586,737
Trade and other receivables	13	2,442,059	2,342,204	862,932
Finance lease receivables	14	23,610	14,411	13,832
Inventories	15	156,477	139,885	278,962
		<b>2,878,744</b>	2,657,079	1,742,463
<b>Non-current assets</b>				
Trade and other receivables	13	–	–	11,167
Finance lease receivables	14	19,788	34,136	50,551
Investments in associated companies	16	5,943	5,371	2,504
Property, plant and equipment	18	8,968	8,381	7,006
Intangible assets	19	191,325	188,966	181,817
Available-for-sale financial assets		–	12	11
Deferred tax assets	25	2,014	1,721	1,545
		<b>228,038</b>	238,587	254,601
<b>Total assets</b>		<b>3,106,782</b>	2,895,666	1,997,064
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	20	296,365	315,951	563,831
Borrowings	22	1,905,491	1,918,705	703,520
Finance lease liabilities	23	1,161	953	1,042
Derivative financial instruments	24	24,753	–	–
Current income tax liabilities	10	21,825	18,538	19,241
		<b>2,249,595</b>	2,254,147	1,287,634
<b>Non-current liabilities</b>				
Borrowings	22	588,302	395,033	492,240
Finance lease liabilities	23	1,076	553	755
Deferred tax liabilities	25	15,108	15,556	16,928
		<b>604,486</b>	411,142	509,923
<b>Total liabilities</b>		<b>2,854,081</b>	2,665,289	1,797,557
<b>NET ASSETS</b>		<b>252,701</b>	230,377	199,507
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	26	101,237	101,237	101,237
Other reserves	27	19,563	22,045	16,783
Retained profits		56,822	41,666	18,020
		<b>177,622</b>	164,948	136,040
<b>Non-controlling interests</b>	17	75,079	65,429	63,467
<b>Total equity</b>		<b>252,701</b>	230,377	199,507

The accompanying notes form an integral part of these financial statements.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### BALANCE SHEET - COMPANY

AS AT 31 DECEMBER 2018

	Note	31 December 2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank	12	7,635	4,373	24,479
Trade and other receivables	13	16,915	25,608	104,806
		<b>24,550</b>	<b>29,981</b>	<b>129,285</b>
<b>Non-current assets</b>				
Trade and other receivables	13	–	–	11,198
Investments in subsidiaries	17	588,894	585,093	575,124
Property, plant and equipment	18	–	106	136
		<b>588,894</b>	<b>585,199</b>	<b>586,458</b>
<b>Total assets</b>		<b>613,444</b>	<b>615,180</b>	<b>715,743</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	20	19,258	55,845	118,924
Due to subsidiaries (non-trade)	21	301,577	234,811	283,934
Borrowings	22	177,468	195,324	215,996
		<b>498,303</b>	<b>485,980</b>	<b>618,854</b>
<b>Non-current liabilities</b>				
Due to subsidiaries (non-trade)	21	9,417	9,488	8,767
		<b>9,417</b>	<b>9,488</b>	<b>8,767</b>
<b>Total liabilities</b>		<b>507,720</b>	<b>495,468</b>	<b>627,621</b>
<b>NET ASSETS</b>		<b>105,724</b>	<b>119,712</b>	<b>88,122</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	26	101,237	101,237	101,237
Other reserves	27	11,273	8,619	7,152
(Accumulated losses)/retained profits		(6,786)	9,856	(20,267)
<b>Total equity</b>		<b>105,724</b>	<b>119,712</b>	<b>88,122</b>

The accompanying notes form an integral part of these financial statements.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company							Non-	
	Currency							controlling	
	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	interests RMB'000	Total equity RMB'000
<b>2018</b>									
<b>Beginning of financial year</b>	101,237	11,944	(3,664)	19,895	(6,130)	41,666	164,948	65,429	230,377
Profit for the year	–	–	–	–	–	27,280	27,280	11,531	38,811
Other comprehensive (loss)/income for the year	–	–	–	–	(14,606)	–	(14,606)	769	(13,837)
<b>Total comprehensive income for the year</b>	–	–	–	–	(14,606)	27,280	12,674	12,300	24,974
Distributions to non-controlling interests	–	–	–	–	–	–	–	(2,650)	(2,650)
<b>Total transactions with owners, recognised directly in equity</b>	–	–	–	–	–	–	–	(2,650)	(2,650)
Transfer to statutory reserve	–	–	–	12,124	–	(12,124)	–	–	–
<b>End of financial year</b>	101,237	11,944	(3,664)	32,019	(20,736)	56,822	177,622	75,079	252,701
<b>2017</b>									
<b>Beginning of financial year</b>	101,237	11,944	(3,664)	16,712	(8,209)	18,020	136,040	63,467	199,507
Profit/(loss) for the year	–	–	–	–	–	26,829	26,829	(314)	26,515
Other comprehensive income for the year	–	–	–	–	2,079	–	2,079	3,858	5,937
<b>Total comprehensive income for the year</b>	–	–	–	–	2,079	26,829	28,908	3,544	32,452
Distributions to non-controlling interests	–	–	–	–	–	–	–	(1,582)	(1,582)
<b>Total transactions with owners, recognised directly in equity</b>	–	–	–	–	–	–	–	(1,582)	(1,582)
Transfer to statutory reserve	–	–	–	3,183	–	(3,183)	–	–	–
<b>End of financial year</b>	101,237	11,944	(3,664)	19,895	(6,130)	41,666	164,948	65,429	230,377

*The accompanying notes form an integral part of these financial statements.*

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

AVIC International Maritime Holdings Limited | ANNUAL REPORT 2018

### CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>			
Profit before income tax		59,872	42,200
Adjustments for:			
– Amortisation of intangible assets		6,280	5,459
– Depreciation of property, plant and equipment		3,639	3,398
– Interest expense		95,015	48,485
– Interest income		(2,362)	(1,914)
– Gain on disposal of property, plant and equipment		–	(107)
– Property, plant and equipment written off		213	238
– Provision for foreseeable losses		1,967	–
– (Reversal)/allowance of doubtful debts			
– Trade		(3,435)	7,077
– Non-trade		–	42
– Share of profit of associated companies		(546)	(1,638)
– Unrealised currency translation gains		(4,162)	(2,666)
– Waiver of amount due to related corporation		(1,258)	–
– Write-down of inventories to net realisable value		2,275	16,087
		157,498	116,661
Change in working capital			
– Inventories		(18,867)	122,990
– Trade and other receivables		(93,864)	(1,461,785)
– Trade and other payables		34,281	(285,902)
Cash generated from/(used in) operations		79,048	(1,508,036)
Interest received		2,362	1,512
Income tax paid		(17,857)	(19,663)
<b>Net cash provided by/(used in) operating activities</b>		63,553	(1,526,187)
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment (Note A)		(2,172)	(2,315)
Additions to intangible assets		(7,550)	(394)
Proceeds on disposal of property, plant and equipment		–	107
<b>Net cash used in investing activities</b>		(9,722)	(2,602)
<b>Cash flows from financing activities</b>			
Dividends paid to non-controlling interests		(2,650)	(1,539)
Interest paid		(98,912)	(42,944)
Decrease in cash pledged with bank		12,288	65,998
Proceeds from borrowings		3,836,978	2,051,991
Repayment of borrowings		(3,679,536)	(909,456)
Repayment of finance lease liabilities		(2,087)	(893)
<b>Net cash provided by financing activities</b>		66,081	1,163,157
<b>Net increase/(decrease) in cash and cash equivalents</b>		119,912	(365,632)
<b>Cash and cash equivalents</b>			
Beginning of financial year		135,024	495,184
Effects of currency translation on cash and cash equivalents		(11,605)	5,472
<b>End of financial year</b>	12	243,331	135,024

Note A:

During the financial year ended 31 December 2018, the Group acquired property, plant and equipment with an aggregate cost of RMB4,259,000 (2017: RMB4,653,000), of which RMB2,087,000 (2017: RMB893,000) was acquired through finance leases and nil (2017: RMB1,445,000) was acquired by offsetting against dividend income from an associated company (Note 16). Cash payments amounting to RMB2,172,000 (2017: RMB2,315,000) were made to purchase property, plant and equipment.

The accompanying notes form an integral part of these financial statements.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### Reconciliation of liabilities arising from financing activities

	1 January 2018 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes			31 December 2018 RMB'000
				Acquisition RMB'000	Interest expense RMB'000	Foreign exchange movement RMB'000	
Borrowings	2,313,738	3,836,978	(3,778,448)	–	94,918	26,607	2,493,793
Finance lease liabilities	1,506	–	(2,087)	2,087	97	740	2,343

	1 January 2017 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Non-cash changes			31 December 2017 RMB'000
				Acquisition RMB'000	Interest expense RMB'000	Foreign exchange movement RMB'000	
Borrowings	1,195,760	2,051,991	(952,400)	–	48,432	(30,045)	2,313,738
Finance lease liabilities	1,797	–	(893)	893	53	(344)	1,506

*The accompanying notes form an integral part of these financial statements.*

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### 1. General information

AVIC International Maritime Holdings Limited is listed on the Singapore Exchange and incorporated in Singapore. The address of its registered office 8 Robinson Road, #13-00 ASO Building, Singapore 048544. Its principal place of business is 27th and 28th Floor, CATIC Mansion, 212 Jiangning Road, Shanghai 200041, the People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 17 to the financial statements.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards International ("SFRS(I)") under the historical cost basis, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

##### 2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.2 Adoption of SFRS(I) (Continued)

###### (a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

###### (i) Business combinations

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

###### (ii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 Determining whether an Arrangement contains a Lease.

###### (iii) Short-term exemption on adoption on SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

###### (b) Adoption of SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 is effective for financial year beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively.

SFRS(I) 15 establishes a single comprehensive model for the Group to use in accounting for revenue arising from contracts with customers. Under SFRS(I) 15, the Group recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The adoption of SFRS(I) 15 did not have any significant impact on the Group's financial statements except for disclosures.



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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.2 Adoption of SFRS(I) (Continued)

###### (b) Adoption of SFRS(I) 15 Revenue from Contracts with Customers (Continued)

Following the presentation requirement in SFRS(I) 15, the Group has separately presented contract assets and contract liabilities in Note 13 and 20, respectively. The accounting policies for revenue recognition is set out in Note 2.3.

###### (c) Adoption of SFRS(I) 9 Financial Instruments

As disclosed in Note 2.2(a)(iii), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

###### *Classification and Measurement*

For financial assets held by the Group on 1 January 2018, management has assessed the business models for managing the financial assets and the contractual cash flow characteristics of the financial assets to determine the appropriate classification for each financial asset under SFRS(I) 9.

The accounting policies for the classification and measurement of financial assets before and after 1 January 2018 are set out in Note 2.11.

###### *Impairment of Financial Assets*

Financial assets are subject to expected credit loss impairment model under SFRS(I) 9.

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- Cash at bank;
- Trade and other receivables; and
- Finance lease receivables.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11 and Note 29(b). The Group has assessed that there is no impact on the financial statement.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.2 Adoption of SFRS(I) (Continued)

- (d) There was no adjustment to the consolidated statement of comprehensive income of the Group, the balance sheet of the Group and of the Company, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group arising from the transition from SFRS to SFRS(I).

##### 2.3 Revenue recognition

Revenue is recognised when the entity satisfies a performance obligation, that is when the customer obtains control of that asset. Revenue are presented, net of value-added tax, rebates and discount, and after eliminating sales within the Group.

(a) *Ship-design fee income*

Ship-design fee income is generated from consulting, design and engineering services to marine and offshore industries. The Group has two types of contracts for such services, fixed price contracts and variable price contracts.

For fixed priced contracts, revenue is recognised over time as ship-design services are rendered. The Group has assessed that any output from ship-design services has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. Revenue from fixed price contracts is recognised over time by reference to the Group's ship-design progress towards completing the specified services as agreed with customers for each contract. The measure of progress is determined based on the actual man-hours incurred to date to the estimated total man-hours required of each design contract. This method provides a faithful depiction of the Group's performance in transferring control to the customer as it reflects the Group's effort incurred to satisfy the performance obligation.

For variable price contracts, revenue is recognised when the Group incurred man-hour time specific to the contract, and the Group has enforceable rights to payment arising from the contractual terms. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

For fixed priced and variable price contracts, the customer is invoiced on a milestone payment schedule. If the value of the services rendered by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the services rendered, a contract liability is recognised.

(b) *Ship-building construction income*

Ship-building construction contracts with customers are fixed priced contracts. Revenue is recognised when the control over the vessel has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the vessel over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.3 Revenue recognition (Continued)

###### (b) *Ship-building construction income* (Continued)

The vessel has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the vessel. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Cost incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management, on a cumulative catch-up basis.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods recognised, a contract liability is recognised.

###### (c) *Sale of vessels*

Revenue from sale of vessels is recognised when the Group has delivered the vessels to location specified by its customers and the customers have accepted the vessels in accordance with the sales contract.

###### (d) *Shipbuilding project management service and project financing income*

Shipbuilding project management service and project financing income generated from the provision of project management, agency and marine finance consultancy services and marine financing relating to ship-building, are recognised based on time-based method when the services are rendered over the period of the contract.

###### (e) *Finance lease income*

Finance lease income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

###### (f) *Interest income*

Interest income from financial institutions is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through expected life of the financial asset to that asset's net carrying amount on initial recognition.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.4 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

##### 2.5 Group accounting

###### (a) Subsidiaries

###### (i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, intercompany transactions, and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

###### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group except for the acquisition of subsidiaries under common control, which predecessor method is applied.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.5 Group accounting (Continued)

###### (a) Subsidiaries (Continued)

###### (ii) Acquisitions (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.7(a) and 2.10(a) for the subsequent accounting policy on goodwill.

For acquisitions under common control, the excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree over the (b) carrying value of the identifiable net assets acquired is recorded as "merger reserve" within other reserves.

###### (iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.9 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

###### (b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.5 Group accounting (Continued)

###### (c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

###### (i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

###### (ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

###### (iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to Note 2.9 for the accounting policy on investments in associated companies in the separate financial statements of the Company.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.6 Property, plant and equipment

###### (a) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

###### (b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold building	20 years
Office equipment	3 years
Computer	3 years
Motor vehicles	10 years
Renovation	3 – 6 years
Furniture and fixtures	3 years

The estimated useful lives, residual values and depreciation method are reviewed and adjusted as appropriate, at each balance sheet date. The effect of any revision are recognised in profit or losses when the changes arise.

###### (c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

###### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses)".

The gain or loss arising on disposal an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.



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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.7 Intangible assets

###### (a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

###### (b) Acquired technical knowhow and ship design engineering software licences

Technical knowhow and ship design engineering software licences acquired are initially capitalised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

These costs are amortised to profit or loss using straight-line method over their estimated useful lives or contractual legal rights as follows:

	<u>Useful lives</u>
Technical knowhow	15 years
Ship design engineering software licences	5 years

###### (c) Acquired brand in a business combination

The brand acquired in a business combination is identified and recognised separately from goodwill. The cost of the brand is the fair value at the acquisition date.

The brand acquired in a business combination is amortised to profit or loss using straight-line method over the estimated useful lives of 30 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise. There is no change in the amortisation period and method for the acquired brand during the financial year ended 31 December 2018.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### 2.9 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

##### 2.10 Impairment of non-financial assets

###### (a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.10 Impairment of non-financial assets (Continued)

- (b) *Intangible assets*  
*Property, plant and equipment*  
*Investments in subsidiaries and associated companies*

Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

##### 2.11 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

- (a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

- (i) *Loans and receivables*

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.11 Financial assets (Continued)

###### (a) Classification (Continued)

###### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

###### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

###### (c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

###### (d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.11 Financial assets (Continued)

###### (e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

###### (i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

###### (ii) *Available-for-sale financial assets*

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment exists, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as in profit or loss. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss in subsequent period.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.11 Financial assets (Continued)

The accounting for financial assets after 1 January 2018 are as follows:

(f) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash at bank, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.11 Financial assets (Continued)

###### (f) Classification and measurement (Continued)

###### At subsequent measurement (Continued)

###### (i) Debt instruments (Continued)

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- FVTPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

###### (ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

###### (g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 29 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.



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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.11 Financial assets (Continued)

###### (h) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

##### 2.12 Derivatives financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

##### 2.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Company and the Group has a legally enforceable right to offset and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### **2. Significant accounting policies** (Continued)

##### **2.14 Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

##### **2.15 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially measured at fair value and are subsequently carried at amortised cost, using the effective interest method.

##### **2.16 Fair value estimation of financial assets and liabilities**

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

###### (a) Lessee – Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

###### (b) Lessee – Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

###### (c) Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in "finance lease receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

##### 2.18 Inventories

Inventories relate to construction of vessels for sale and are carried at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

##### 2.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provision for foreseeable losses on contracts is made when the unavoidable costs of meeting the obligations under these contracts exceed the economic benefits expected to be received from them.

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

###### (a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis for Singapore subsidiaries.

Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries of the Group (the “PRC Subsidiaries”) have participated in central pension schemes (the “Schemes”) operated by local municipal governments whereby the PRC Subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiaries. The only obligation of the PRC Subsidiaries with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged as expenses when incurred.

Pursuant to the relevant regulations of the Finland government, the Finland subsidiaries of the Group (the “Finland Subsidiaries”) have participated in statutory earnings-related pension schemes (the “Schemes”) managed by licensed not-for-profit pension insurance companies (the “PICs”) under the government’s monitor whereby the Finland Subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The PICs undertake to assume the retirement benefit obligations of all existing and future retired employees of the Finland Subsidiaries. The only obligation of the Finland Subsidiaries with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged as expenses when incurred.

The Group has no further payment obligations once the contributions have been paid.

###### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

##### 2.22 Currency translation

###### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Chinese Renminbi (“RMB”). The functional currency of the Company is Singapore dollar (“SGD”).

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.22 Currency translation (Continued)

###### (b) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

###### (c) Translation of Group entities' financial statements

For the purpose of presenting the Company and consolidated financial statements, the assets and liabilities of the Company and the Group entities (including comparatives) are expressed in RMB using exchange rates prevailing at the end of each reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 2. Significant accounting policies (Continued)

##### 2.22 Currency translation (Continued)

###### (c) Translation of Group entities' financial statements (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

##### 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

##### 2.24 Cash at bank

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

##### 2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

##### 2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

#### 3. Critical accounting estimates and assumptions

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### (a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. In estimating the future cash flows, management makes assumptions on the expected operating margin, revenue compound annual growth rate and terminal growth rate. The carrying amount of goodwill at the end of the reporting period was RMB114,706,000 (2017: RMB114,049,000) as disclosed in Note 19 to the financial statements. Effects of reasonable possible changes on impairment key assumptions are included in Note 19. No impairment loss (2017: nil) was recognised during the financial year.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 3. Critical accounting estimates and assumptions (Continued)

##### (b) Revenue recognition of ship-design fee income

The Group's ship-design fee income is recognised over time by reference to progress towards completion of contract. Such revenue recognition requires the Group to measure the actual man-hour hours incurred to date to the estimated total man-hours required of each contract. Revenue from ship-design contracts is disclosed in Note 4 to the financial statements.

##### (c) Uncertain tax positions

The Group has exposure to income taxes mainly in the PRC and Finland. Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

During the financial year ended 31 December 2015, one of the Group's wholly-owned Singapore-incorporated subsidiaries recorded a gain of RMB119,416,000 as a result of the transfer of its wholly-owned PRC incorporated subsidiary to AVIC International Ship Development (China) Co., Ltd. (AISD China), a wholly-owned subsidiary of the Group. Under the tax laws and regulations in the PRC, there is a 10% withholding tax obligation for the capital gains made by transferring shares of PRC incorporated companies. The taxable capital gains amount is computed based on PRC tax rules. As of 31 December 2015, management and its tax agent in China were in the process of communicating with the Chinese tax authorities to obtain a waiver of this tax liability. Pending the successful outcome of the discussion, the Group has recognised the full withholding tax liability of RMB8,259,000 for the intragroup restructuring exercises carried out in 2015.

During the financial year ended 31 December 2016, the Group's wholly-owned Singapore-incorporated subsidiaries recorded a total gain of RMB45,840,000 arising from the transfer of equity interests of AISD China to the Company. As of 31 December 2016, management has yet to receive a waiver from the Chinese tax authorities over the withholding tax liability on capital gains. Accordingly, management has recognised a liability of RMB6,602,000 for the transfer of shares during the financial year ended 31 December 2016.

As at 31 December 2018, the full withholding tax liability of RMB15,332,000 (2017: RMB15,332,000), inclusive of the effects of foreign translation on the opening balance of the tax provision for the intragroup restructuring exercises recognised in 2015 and 2016 remain disclosed as current income tax liability in the balance sheet of the Group pending any waiver to be obtained from the Chinese tax authorities.

##### (d) Net realisable value of inventories

The net realisable value of inventories represents the estimated selling price for the inventories work-in-progress less the estimated costs of completion and other costs necessary to make the sale. The Group has entered into shipbuilding contracts to construct certain units of vessels for sale. The Group determines the estimated selling price based on independent valuation obtained from a professional valuer as at the financial year end. The Group has recognised a charge of RMB2,275,000 (2017: RMB16,087,000) to write-down the cost of the inventories work-in-progress to its net realisable value. Further details are disclosed in Note 15 to the financial statements.



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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 4. Revenue

##### (a) Disaggregation of revenue contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major streams.

	At a point in time RMB'000	Overtime RMB'000	Total RMB'000
<b>2018</b>			
Ship-design fee income	–	381,002	381,002
Ship-building construction income	–	27,531	27,531
Shipbuilding project management service income	–	43,808	43,808
Project financing income	–	124,773	124,773
Finance lease income	–	5,470	5,470
Others	5,076	–	5,076
Total revenue	5,076	582,584	587,660
<b>2017</b>			
Ship-design fee income	–	274,820	274,820
Ship-building construction income	–	120,285	120,285
Sales of vessels	119,071	–	119,071
Shipbuilding project management service income	–	64,259	64,259
Project financing income	–	57,241	57,241
Finance lease income	–	7,287	7,287
Others	2,725	–	2,725
Total revenue	121,796	523,892	645,688

##### (b) Contract assets and liabilities

	31 December 2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
<b>Contract assets (Note 13)</b>			
– Shipbuilding construction contract	27,110	53,892	–
– Ship-design contracts	26,180	21,209	25,331
	53,290	75,101	25,331
<b>Contract liabilities (Note 20)</b>			
– Ship-design contracts	82,105	58,272	47,499

Contract assets relate to a fixed price shipbuilding construction contract and ship-design contracts. The contract assets balance decreased as the fixed price shipbuilding construction contract is expected to be completed in FY2019.

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 4. Revenue (Continued)

##### (b) Contract assets and liabilities (Continued)

Contract liabilities for fixed price ship-design contracts have increased due to more contracts in which the Group billed and received consideration ahead of the provision of services.

Prior to the adoption of SFRS(I) 15, contracts assets and contract liabilities were previously disclosed as “construction contracts – due from customers on construction contract” and “construction contracts – due to customers”, respectively in the financial statements.

##### (i) Revenue recognised in relation to contract liabilities

	2018 RMB'000	2017 RMB'000
<i>Revenue recognised in current period that was included in the contract liability balance at the beginning of the period</i>		
– Ship-design contracts	58,272	47,499
<i>Revenue recognised in current period from performance obligations satisfied in previous periods</i>		
– Ship-design contracts	–	–

##### (ii) Unsatisfied performance obligations

	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December			
– Shipbuilding construction contract	8,196	–*	–*
– Ship-design contracts	309,835	–*	–*

\* As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed.

Management expects that 78% of the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 may be recognised as revenue during the next reporting period (RMB247,350,000). The remaining 22% (RMB70,681,000) may be recognised in the financial year ended 31 December 2020. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

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#### 5. Expenses by nature

	Group	
	2018	2017
	RMB'000	RMB'000
Amortisation of intangible assets (Note 19)	6,280	5,459
Impairment loss/(write back of impairment loss) on financial assets		
– Non-trade	–	42
– Trade	(3,435)	7,077
Cost of sales of vessels (Note 15)	–	118,144
Contract labour and sub-contract costs	207,662	150,749
Depreciation of property, plant and equipment (Note 18)	3,639	3,398
Employee compensation (Note 6)	114,873	106,483
Insurance expenses	1,553	1,412
Office expenses	19,277	16,028
Other expenses	7,383	6,320
Professional fees	18,230	12,723
Property, plant and equipment written off	213	238
Provision for foreseeable losses (Note 20)	1,967	–
Rental expense on operating leases	17,491	17,331
Shipbuilding sub-contract costs	24,391	102,693
Travelling expenses	17,118	15,390
Write-down of inventories to net realisable value (Note 15)	2,275	16,087
Total cost of sales, distribution and marketing, administrative, and other operating expenses	438,917	579,574

#### 6. Employee compensation

	Group	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	97,635	87,860
Employer's contribution to defined contribution plans	13,413	9,355
Other benefits	3,825	9,268
	114,873	106,483

#### 7. Other income

	Group	
	2018	2017
	RMB'000	RMB'000
Government grants	10,880	11,347
Interest income	2,362	1,914
Other income	1,701	1,686
	14,943	14,947

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#### 8. Other gains and losses – net

	Group	
	2018 RMB'000	2017 RMB'000
Gain on disposal of property, plant and equipment	–	107
Foreign exchange (losses)/gains	(403)	15,423
Gains from voluntary liquidation of subsidiaries	1,661	–
Waiver of amount due to a related corporation	1,258	–
Financial loss arising from inadvertent payment transfers made for a ship-design contract	(6,207)	–
	<b>(3,691)</b>	<b>15,530</b>

#### 9. Finance expenses

	Group	
	2018 RMB'000	2017 RMB'000
Interest expense		
– Borrowings	94,918	48,432
– Finance lease liabilities	97	53
	<b>95,015</b>	<b>48,485</b>
(Refund of)/bank charges	(1,465)	3,576
Corporate guarantee fee	7,119	3,802
Others	–	166
	<b>100,669</b>	<b>56,029</b>

#### 10. Income taxes

##### (a) Income tax expense

	Group	
	2018 RMB'000	2017 RMB'000
Tax expense attributable to profit is made up of:		
Current income tax	21,936	18,174
Deferred income tax (Note 25)	(875)	(2,489)
	<b>21,061</b>	<b>15,685</b>

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#### 10. Income taxes (Continued)

##### (a) Income tax expense (Continued)

Singapore income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the year. Taxation for the Group's operations in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

The corporate income tax rate in China and Finland are 25% (2017: 25%) and 20% (2017: 20%) respectively.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Profit before tax	59,872	42,200
Share of profit of associated companies net of tax	(546)	(1,638)
Profit before tax and share of profit of associated companies	59,326	40,562
Tax calculated at tax rate of 17% (2017: 17%)	10,085	6,896
Effects of:		
– Different tax rates in other countries	4,286	4,121
– Expenses not deductible for tax purposes	6,481	8,419
– Income not subject to tax	(891)	(3,875)
– Utilisation of previously unrecognised tax losses	(463)	(454)
– Deferred tax assets not recognised	1,229	292
– Others	334	286
<b>Tax charge</b>	<b>21,061</b>	<b>15,685</b>

As at 31 December 2018, the Group has undistributed profits of subsidiaries of RMB235,119,000 (2017: RMB186,512,000). Dividends declared in respect of the undistributed profits will be subject to withholding tax of 5% for PRC and Finland subsidiaries. Deferred tax liability of approximately RMB11,756,000 (2017: RMB9,326,000) has not been recognised for the withholding tax as management is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unutilised tax losses of RMB25,557,000 (2017: RMB20,492,000), of which the tax losses from Finland subsidiaries of RMB7,585,000 (2017: RMB10,267,000) have expiry dates ranging from 31 December 2025 to 31 December 2026 (2017: 31 December 2025 to 31 December 2026), the remaining tax losses have no expiry date. No deferred tax asset has been recognised in respect of such losses as the realisation is uncertain.

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 10. Income taxes (Continued)

##### (b) Movement in current income tax liabilities

	Group	
	2018 RMB'000	2017 RMB'000
Beginning of financial year	18,538	19,241
Currency translation differences	(792)	786
Income tax paid	(17,857)	(19,663)
Tax expense	21,936	18,174
End of financial year	21,825	18,538

#### 11. Earnings per share

Basic earnings per 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.

	Group	
	2018	2017
Net profit attributable to equity holders of the Company (RMB'000)	27,280	26,829
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	285,576	285,576
Profit per share (expressed in RMB cents per share)	9.55	9.39

Diluted earnings per share is the same as the basic earnings per share for the financial years ended 31 December 2018 and 2017 as the Company has no potential dilutive ordinary shares.

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#### 12. Cash at bank

	Group			Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Cash at bank and on hand	243,331	135,024	184,778	7,635	4,373	24,479
Cash pledged with bank	13,267	25,555	91,553	–	–	–
Fixed deposits	–	–	310,406	–	–	–
	<b>256,598</b>	<b>160,579</b>	<b>586,737</b>	<b>7,635</b>	<b>4,373</b>	<b>24,479</b>

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Cash and bank balances (as above)	256,598	160,579	586,737
Less: Cash pledged with bank	(13,267)	(25,555)	(91,553)
Cash and cash equivalents per consolidated statement of cash flows	<b>243,331</b>	<b>135,024</b>	<b>495,184</b>

Cash amounting to RMB13,267,000 (2017: RMB25,555,000) is pledged by the Group as collateral for letters of credit.

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#### 13. Trade and other receivables

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables						
– Third parties	99,927	106,064	68,068	–	–	–
– Related corporations	16,343	3,896	32,784	14,219	–	–
Less: Allowance for impairment of receivables	–	(7,312)	(222)	–	–	–
	116,270	102,648	100,630	14,219	–	–
Less: Non-current portion	–	–	(11,167)	–	–	–
Trade receivables – net	116,270	102,648	89,463	14,219	–	–
Contract assets (Note 4)	53,290	75,101	25,331	–	–	–
Loan receivables						
– Related corporations	2,210,912	2,121,593	–	–	–	–
Other receivables						
– Subsidiaries	–	–	–	–	–	61,988
– Related corporations	47,471	24,461	602,014	–	–	920
– Third parties	1,054	7,123	70,580	–	–	–
Less: Allowance for impairment of receivables	–	(3,478)	(3,704)	–	–	–
	48,525	28,106	668,890	–	–	62,908
Loan to a subsidiary	–	–	–	–	25,221	25,705
Less: Non-current portion	–	–	–	–	–	(11,198)
	–	–	–	–	25,221	14,507
Deposits	5,198	7,320	7,363	2,668	387	–
Less: Allowance for impairment of deposits	–	(1,374)	(1,517)	–	–	–
	5,198	5,946	5,846	2,668	387	–
Advances to suppliers	5,949	5,506	72,043	–	–	27,163
Staff advances	406	1,141	682	–	–	–
Value added tax/GST recoverable	1,509	2,163	677	28	–	228
	2,442,059	2,342,204	862,932	16,915	25,608	104,806

The Group's loan receivables due from related corporations are unsecured, bear interest at 6% per annum and are repayable on demand.

The Company's loan to a subsidiary is unsecured, bears interest at 3.25% per annum and was repaid during the financial year.



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#### 14. Finance lease receivables

The Group leases vessels to a third party under finance leases. The lessee is obliged to purchase the vessels at the end of the lease term.

	Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Gross receivables due			
– Not later than one year	26,842	19,080	20,279
– Later than one year but within five years	21,194	39,257	62,003
	48,036	58,337	82,282
Less: Unearned finance income	(4,638)	(9,790)	(17,899)
Net investment in finance leases	43,398	48,547	64,383

The net investment in finance leases is analysed as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Not later than one year	23,610	14,411	13,832
Later than one year but within five years	19,788	34,136	50,551
	43,398	48,547	64,383

#### 15. Inventories

	Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Inventories work-in-progress	158,752	155,972	278,962
Less: Write-down in value	(2,275)	(16,087)	–
	156,477	139,885	278,962

The Group has entered into shipbuilding contracts with a related corporation to construct certain units of vessels for sale. The inventories work-in-progress comprise mainly construction costs, design and engineering service fee, design license fee and other direct costs associated with the construction.

As at 31 December 2018, 5 units of completed vessels have been sold in prior financial years and 5 units remained as inventories.

The cost of inventories recognised as an expense and included in “cost of sales” amounted to nil (2017: RMB118,144,000) (Note 5).

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#### 15. Inventories (Continued)

During the financial year ended 31 December 2018, the Group has recognised a charge of RMB2,275,000 (2017: RMB16,087,000) (Note 5) to profit or loss to write-down the cost of inventories work-in-progress to net realisable value.

#### 16. Investments in associated companies

	Group		
	31 December 2018	2017	1 January 2017
	RMB'000	RMB'000	RMB'000
Beginning of financial year	5,371	2,504	1,773
Additions	–	2,500	–
Share of post-acquisition profit	546	1,638	679
Dividend received	–	(1,445)*	–
Share of other comprehensive income	26	174	52
End of financial year	5,943	5,371	2,504

\* During the financial year ended 31 December 2017, the dividend income of RMB1,445,000 was settled by way of acquisition of property, plant and equipment from the associated company.

Details of the associated companies are as follows:

Name	Place of business/country of incorporation	Effective interest			Principal activities
		31 December	2017	1 January	
		2018	2017	2017	
		%	%	%	
<b>Held by Deltamarin Ltd.</b>					
GPS Deltamarin (M) Sdn. Bhd.*	Malaysia	<b>39.79</b>	38.99	38.99	Design engineering
Shandong Deltamarin Marine Engineering Co., Ltd.*	People’s Republic of China	<b>39.79</b>	39.79	39.79	Design engineering
Brodoplan d.o.o.*	Croatia	<b>39.79</b>	39.79	39.79	Design engineering
<b>Held by AVIC International Ship Development (China). Ltd.</b>					
R&M Marine Interior Turnkey Company (Shanghai) Ltd.**	People’s Republic of China (“PRC”)	<b>25.00</b>	25.00	—	Interior design

\* Audited by PricewaterhouseCoopers Oy for consolidation purposes

\*\* Not audited as the company was dormant during the financial year

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#### 16. Investments in associated companies (Continued)

On 29 December 2017, the Group acquired 25% interest in the issued share capital of R&M Marine Interior Turnkey Company (Shanghai) Ltd. ("R&M") for a total consideration of RMB2,500,000. The shares of R&M are held by AVIC International Ship Development (China) Co., Ltd., a subsidiary of the Group.

There are no (2017: Nil) contingent liabilities relating to the Group's interests in the associated companies as at 31 December 2018.

*Summarised financial information for associated companies*

The directors are of the opinion that the associated companies are immaterial to the Group individually. Accordingly, only the aggregated summarised financial information of the associated companies is disclosed.

Set out below is the aggregate of the amounts presented in the financial statements of the Group's associated companies (and not the Group's share of those amounts):

	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Total assets	25,725	17,302	8,467
Total liabilities	(8,249)	(1,835)	(3,788)
Net assets	17,476	15,467	4,679

	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Revenue	23,257	20,798	17,113
Profit after tax for the year	3,370	3,503	3,467

#### 17. Investments in subsidiaries

	Company	
	31 December	
	2018	2017
	RMB'000	RMB'000
<i>Equity investments at cost</i>		
Beginning of financial year	585,093	575,124
Currency translation differences	3,801	9,969
End of financial year	588,894	585,093

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#### 17. Investments in subsidiaries (Continued)

Details of the Company's subsidiaries are as follows:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company			Proportion of ordinary shares directly held by the Group			Proportion of ordinary shares held by non-controlling interests		
			31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017
<b>Held by AVIC International Maritime Holdings Limited</b>											
AVIC Ship Investments Limited <sup>(2)</sup>	Investment holding	Hong Kong	100	100	100	100	100	100	-	-	-
AVIC International Offshore Pte. Ltd.*	Ship-trading agency and import and export business	Singapore	-	100	100	-	100	100	-	-	-
AVIC International Ship Development (China) Ltd. <sup>(2)</sup>	Ship-trading related businesses	PRC	100	100	100	100	100	100	-	-	-
AVIC Zhenjiang Shipyard Marine Pte. Ltd. <sup>(1)</sup>	Trading, ship-trading agency and shipbuilding related businesses	Singapore	60	60	60	60	60	60	40	40	40
Deltamarin Floating Construction Pte. Ltd.*	Providing engineering, procurement and construction services	Singapore	-	51	51	-	89.99	89.99	-	10.01	10.01
Deltamarin Ltd. <sup>(3)</sup>	Provision of consulting, design and engineering services to the marine and offshore industries	Finland	79.57	79.57	79.57	79.57	79.57	79.57	20.43	20.43	20.43
<b>Held by AVIC Ship Investments Limited</b>											
AVIC Ship Europe GmbH <sup>(3)</sup>	Investment holding	Germany	100	100	100	100	100	100	-	-	-
<b>Held by AVIC Zhenjiang Shipyard Marine Pte. Ltd.</b>											
Blue Ocean Ship Management & Engineering Limited <sup>(2)</sup>	Acquiring, owning, selling, brokering and chartering of various types of vessels, including without limitation tugboats and offshore vessels	Hong Kong	100	100	100	60	60	60	40	40	40

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#### 17. Investments in subsidiaries (Continued)

Details of the Company's subsidiaries are as follows: (Continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interests	
			31 December 2018	1 January 2017	31 December 2018	1 January 2017	31 December 2018	1 January 2017
<b>Held by Deltamarin Ltd.</b>								
Deltamarin (China) Co., Ltd. <sup>(a)</sup>	Consulting services for ocean engineering/supply chain/environmental/energy/lifecycle management, investment information, consulting and technical services	PRC	100	100	79.57	79.57	20.43	20.43
<b>Held by AVIC International Ship Development (China) Ltd.</b>								
Deltamarin Sp.z o.o. <sup>(a)</sup>	Design and marine engineering, project management and consultancy	Poland	100	100	79.75	79.75	20.43	20.43
<b>Held by AVIC International Ship Development (China) Ltd.</b>								
AVIC International Offshore Xiamen Co., Ltd. <sup>(a)</sup>	Wholesale import and export, commission agency of ship/marine engineering equipment/marine equipment, material and accessories	PRC	100	100	100	100	-	-
AVIC International Ship Development (Beijing) Co., Ltd. <sup>(a)</sup>	Ship-trading agency and import and export business	PRC	100	100	100	100	-	-

(1) Audited by PricewaterhouseCoopers LLP, Singapore.

(2) Audited by PricewaterhouseCoopers LLP, Singapore for consolidation purpose.

(3) Audited by PricewaterhouseCoopers Oy.

\* Liquidated during the financial year

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#### 17. Investments in subsidiaries (Continued)

##### Significant restrictions

Cash and short-term deposits of RMB157,809,000 (2017: RMB33,401,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

##### Carrying value of non-controlling interests

	31 December 2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
Deltamarin Ltd. <sup>(i)</sup>	65,603	57,236	48,956
AVIC Zhenjiang Shipyard Marine Pte. Ltd. <sup>(ii)</sup>	9,476	8,184	14,499
Other subsidiaries with immaterial non-controlling interests	–	9	12
<b>Total</b>	<b>75,079</b>	<b>65,429</b>	<b>63,467</b>

(i) Includes Deltamarin Ltd. and its subsidiaries.

(ii) Includes AVIC Zhenjiang Shipyard Marine Pte. Ltd. and its subsidiary.

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

##### Summarised balance sheet

	Deltamarin Ltd.			AVIC Zhenjiang Shipyard Marine Pte. Ltd.		
	31 December 2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
Current						
Assets	300,242	212,763	166,784	218,043	237,757	311,006
Liabilities	(162,077)	(114,945)	(87,490)	(212,817)	(250,108)	(324,981)
Total current net assets/(liabilities)	138,165	97,818	79,294	5,226	(12,351)	(13,975)
Non-current						
Assets	199,133	198,445	197,087	19,788	34,136	50,555
Liabilities	(16,185)	(16,109)	(17,680)	–	–	(3)
Total non-current net assets	182,948	182,336	179,407	19,788	34,136	50,552
Net assets	321,113	280,154	258,701	25,014	21,785	36,577

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#### 17. Investments in subsidiaries (Continued)

*Summarised income statement*

	Deltamarin Ltd. 31 December		AVIC Zhenjiang Shipyard Marine Pte. Ltd. 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	370,965	264,432	5,470	126,359
Profit/(loss) before income tax	65,410	27,371	2,084	(13,057)
Income tax (expense)/credit	(13,051)	(4,682)	–	3
Other comprehensive income for the year	1,525	16,792	1,145	1,112
Total comprehensive income/(loss) for the year	53,884	39,481	3,229	(11,942)
Total comprehensive income/(loss) allocated to non-controlling interests	11,008	8,066	1,292	(4,777)
Dividends to non-controlling interest	(2,650)	(1,582)	–	–

*Summarised cash flows*

	Deltamarin Ltd.		AVIC Zhenjiang Shipyard Marine Pte. Ltd.	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Net cash generated/(used in) from operating activities	1,369	27,824	(5,665)	(3,171)
Net cash used in investing activities	(5,423)	(770)	–	–
Net cash used in financing activities	(15,227)	(8,124)	(11,942)	8,852
Net (decrease)/increase in cash and cash equivalents	(19,281)	18,930	(17,607)	5,681
Cash and cash equivalents at beginning of financial year	124,393	76,916	20,279	15,712
Effects of currency translation on cash and cash equivalents	464	4,137	352	(1,114)
Cash and cash equivalents at end of financial year	105,576	99,983	3,024	20,279

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#### 18. Property, plant and equipment

	Leasehold building RMB'000	Office equipment RMB'000	Computer RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Furniture and fixtures RMB'000	Total RMB'000
<u>Group</u>							
<b>31 December 2018</b>							
<i>Cost</i>							
Beginning of financial year	1,479	6,033	10,032	848	3,014	–	21,406
Currency translation differences	9	28	265	1	21	–	324
Additions	–	1,435	2,465	–	359	–	4,259
Write-off	–	–	(2,160)	–	(156)	–	(2,316)
End of financial year	1,488	7,496	10,602	849	3,238	–	23,673
<i>Accumulated depreciation</i>							
Beginning of financial year	55	3,667	7,135	447	1,721	–	13,025
Currency translation differences	1	18	118	1	6	–	144
Depreciation charge	74	789	1,818	162	796	–	3,639
Write-off	–	–	(2,057)	–	(46)	–	(2,103)
End of financial year	130	4,474	7,014	610	2,477	–	14,705
<b>Net book value</b>							
End of financial year	1,358	3,022	3,588	239	761	–	8,968
<b>31 December 2017</b>							
<i>Cost</i>							
Beginning of financial year	–	5,876	8,964	835	1,856	17	17,548
Currency translation differences	34	339	511	13	65	–	962
Additions	1,445	414	1,525	–	1,269	–	4,653
Disposals	–	(381)	(950)	–	–	–	(1,331)
Write-off	–	(215)	(18)	–	(176)	(17)	(426)
End of financial year	1,479	6,033	10,032	848	3,014	–	21,406
<i>Accumulated depreciation</i>							
Beginning of financial year	–	3,406	5,623	282	1,214	17	10,542
Currency translation differences	1	206	361	4	32	–	604
Depreciation charge	54	593	2,115	161	475	–	3,398
Disposals	–	(381)	(950)	–	–	–	(1,331)
Write-off	–	(157)	(14)	–	–	(17)	(188)
End of financial year	55	3,667	7,135	447	1,721	–	13,025
<b>Net book value</b>							
End of financial year	1,424	2,366	2,897	401	1,293	–	8,381
<b>Net book value</b>							
Beginning of financial year	–	2,470	3,341	553	642	–	7,006

The carrying amount of the Group's property, plant and equipment includes an amount of RMB2,217,000 (31 December 2017: RMB1,484,000, 1 January 2017: RMB1,772,000) secured in respect of assets held under finance leases.



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#### 18. Property, plant and equipment (Continued)

	Computer RMB'000	Renovation RMB'000	Total RMB'000
<u>Company</u>			
<b>31 December 2018</b>			
<i>Cost</i>			
Beginning of financial year	136	153	289
Currency translation differences	3	4	7
End of financial year	139	157	296
<i>Accumulated depreciation</i>			
Beginning of financial year	136	47	183
Currency translation differences	3	4	7
Depreciation charge	–	106	106
End of financial year	139	157	296
<b>Net book value</b>			
<b>End of financial year</b>	–	–	–
<b>31 December 2017</b>			
<i>Cost</i>			
Beginning of financial year	134	150	284
Currency translation differences	2	3	5
End of financial year	136	153	289
<i>Accumulated depreciation</i>			
Beginning of financial year	134	14	148
Currency translation differences	2	–	2
Depreciation charge	–	33	33
End of financial year	136	47	183
<b>Net book value</b>			
<b>End of financial year</b>	–	106	106
<b>Net book value</b>			
<b>Beginning of financial year</b>	–	136	136

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 19. Intangible assets

	Group	
	31 December 2018	1 January 2017
	RMB'000	RMB'000
<u>Composition:</u>		
Goodwill arising on consolidation [Note (a)]	114,706	114,049
Acquired brand [Note (b)]	45,371	46,846
Technical knowhow [Note (c)]	23,143	25,567
Ship-design engineering software licences [Note (d)]	8,105	2,504
Total	<u>191,325</u>	<u>188,966</u>

##### (a) Goodwill arising on consolidation

	Group	
	31 December 2018	1 January 2017
	RMB'000	RMB'000
Beginning of financial year	114,049	106,796
Currency translation differences	657	7,253
End of financial year	<u>114,706</u>	<u>114,049</u>

Goodwill is allocated to Deltamarin Ltd. and its subsidiaries (the "Deltamarin Group") cash-generating unit ("DM-CGU") which is in the business of provision of consulting, design and engineering services to the marine and offshore industries.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the DM-CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those relating to the discount rate, terminal growth rate, revenue compound annual growth rate and operating margin during the period. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the DM-CGU. The growth rate is based on industry growth forecasts. Operating margin is based on past trends and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets for DM-CGU approved by management for the next five years based on an estimated revenue compound annual growth rate of 3.5% (2017: 3.5%) per annum, an estimated operating margin of 11.5% (2017: 11.3%) and a terminal growth rate of 3.5% (2017: 3.5%) per annum for period beyond 5 years.

The pre-tax discount rate used to discount the forecast cash flows from the DM-CGU is 15.02% (2017: 15.08%) per annum.

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#### 19. Intangible assets (Continued)

##### (a) Goodwill arising on consolidation (Continued)

The impairment test carried out as at 31 December 2018 for DM-CGU, which includes 100% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is RMB53.1 million (2017: RMB48.5 million) or 25.1% (2017: 22.3%) higher than its carrying amount. A further decrease in the revenue compound annual growth rate by 6.6% (2017: 5.7%) per annum or a further decrease in operating margin by 1.6% (2017: 2.0%) would result in the recoverable amount of DM-CGU being equal to its carrying amount.

##### (b) Acquired brand

	Group		1 January
	31 December	2017	2017
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
<i>Cost</i>			
Beginning of financial year	52,052	48,742	47,237
Currency translation differences	300	3,310	1,505
End of financial year	52,352	52,052	48,742
<i>Accumulated amortisation</i>			
Beginning of financial year	5,206	3,250	1,575
Amortisation charge (Note 5)	1,735	1,696	1,635
Currency translation differences	40	260	40
End of financial year	6,981	5,206	3,250
<b>Net book value</b>	<b>45,371</b>	<b>46,846</b>	<b>45,492</b>

##### (c) Technical knowhow

	Group		1 January
	31 December	2017	2017
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
<i>Cost</i>			
Beginning of financial year	38,349	35,911	34,802
Currency translation differences	221	2,438	1,109
End of financial year	38,570	38,349	35,911
<i>Accumulated amortisation</i>			
Beginning of financial year	12,782	9,576	6,960
Amortisation charge (Note 5)	2,557	2,499	2,409
Currency translation differences	88	707	207
End of financial year	15,427	12,782	9,576
<b>Net book value</b>	<b>23,143</b>	<b>25,567</b>	<b>26,335</b>

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#### 19. Intangible assets (Continued)

##### (d) Ship-design engineering software licences

	Group		
	31 December	2017	1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
<i>Cost</i>			
Beginning of financial year	12,573	12,059	10,692
Additions	7,550	394	1,064
Write-off	–	(692)	–
Currency translation differences	86	812	303
End of financial year	20,209	12,573	12,059
<i>Accumulated amortisation</i>			
Beginning of financial year	10,069	8,865	7,489
Amortisation charge (Note 5)	1,988	1,264	1,162
Write-off	–	(692)	–
Currency translation differences	47	632	214
End of financial year	12,104	10,069	8,865
<b>Net book value</b>	<b>8,105</b>	<b>2,504</b>	<b>3,194</b>

The amortisation charges for acquired brand, technical knowhow and ship-design engineering software licences are classified as administrative expenses in profit or loss.

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#### 20. Trade and other payables

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables						
– Third parties	37,473	71,145	20,042	–	–	64
– Related corporation	–	–	–	–	–	27,963
Contract liabilities (Note 4)	82,105	58,272	47,499	–	–	–
Advances received						
– Third parties	3,432	101	63,834	–	–	–
– Related corporations	–	37,389	189,499	–	36,705	66,957
	3,432	37,490	253,333	–	36,705	66,957
Accrued expenses	77,197	65,082	48,198	2,132	2,771	3,737
Accrued construction costs	31,919	19,067	67,788	–	–	–
Other payables						
– Third parties	6,083	6,030	10,130	53	–	–
– Immediate holding corporation	658	2,789	–	–	–	–
– Related corporations	43,918	43,088	110,290	66	66	4,793
– Associated companies	6,030	3,936	948	–	–	–
Interest payable to banks	4,081	6,588	1,742	1,675	971	78
Other tax payable	1,502	2,464	3,861	–	–	–
Other provisions	1,967	–	–	15,332	15,332	15,332
	296,365	315,951	563,831	19,258	55,845	118,924

The other payables due to immediate holding corporation, related corporations and associated companies are unsecured, interest-free and are repayable on demand.

Included in other provisions of the Group is RMB1,967,000 of foreseeable losses recognised for a contract with customer.

Other provisions of the Company relate to liabilities assumed on behalf of subsidiaries that have undergone members' voluntary liquidation during the financial year ended 31 December 2016 as part of the Group's intra-group reorganisation exercise.

#### 21. Due to subsidiaries (non-trade)

RMB9,417,000 (31 December 2017: RMB9,488,000, 1 January 2017: RMB8,767,000) of the non-trade amount due to subsidiaries is unsecured, bears interest at 2.3% (31 December 2017: 2.3%, 1 January 2017: 2.3%) per annum and is repayable on 31 January 2021.

The remaining non-trade amount due to subsidiaries of RMB301,577,000 (31 December 2017: RMB234,811,000, 1 January 2017: RMB283,934,000) are unsecured, interest-free and are repayable on demand.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 22. Borrowings

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>						
Bank borrowings	1,140,810	1,796,306	568,713	–	195,324	215,996
Loans from non-controlling interests	66,532	87,898	98,138	–	–	–
Loans from related corporations	698,149	34,501	36,669	177,468	–	–
	<u>1,905,491</u>	<u>1,918,705</u>	<u>703,520</u>	<u>177,468</u>	<u>195,324</u>	<u>215,996</u>
<i>Non-current</i>						
Bank borrowings	278,302	395,033	492,240	–	–	–
Loans from a related corporation	310,000	–	–	–	–	–
	<u>588,302</u>	<u>395,033</u>	<u>492,240</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total borrowings	<u>2,493,793</u>	<u>2,313,738</u>	<u>1,195,760</u>	<u>177,468</u>	<u>195,324</u>	<u>215,996</u>

The exposure of the interest bearing borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
6 months or less	1,143,543	108,595	56,763	–	195,324	215,996
6 – 12 months	487,545	1,687,711	511,950	–	–	–
1 – 5 years	588,302	395,033	492,240	–	–	–
	<u>2,219,390</u>	<u>2,191,339</u>	<u>1,060,953</u>	<u>–</u>	<u>195,324</u>	<u>215,996</u>

#### (a) Guarantee granted

Bank borrowings of the Group and the Company are guaranteed by the Company's holding corporations and related corporations.

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#### 22. Borrowings (Continued)

##### (b) Fair value of non-current borrowings

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current borrowings	<b>588,302</b>	395,033	492,240	—	—	—

The fair values above are determined from the cash flow analysis, discounted at market per annum borrowing rates of an equivalent instrument at the balance sheet date which the directors expected to be available to the Group as follows:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	<b>3.19%</b>	2.71%	3.49%	—	—	—

The fair values are within Level 2 of the fair values hierarchy.

##### (c) Loans from non-controlling interests

The loans from non-controlling interests are unsecured, interest-free and are repayable on demand. These loans are denominated in United States Dollars ("USD") and the carrying amount approximates its fair values.

##### (d) Loans from related corporations

The Group and Company's current loans from related corporations are unsecured, interest bearing at 2.04% to 5.62% per annum and are repayable on demand. These loans amounting to RMB490,277,000 and RMB207,872,000 are denominated in RMB and USD, respectively and the carrying amount approximates its fair value. The Group's non-current loans from a related corporation are unsecured, interest bearing at 2.04% per annum and are repayable in 2020 and 2021.

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#### 23. Finance lease liabilities

	Group	
	31 December	1 January
	2018	2017
	RMB'000	RMB'000
Minimum lease payments due		
– Not later than one year	1,194	980
– Between one and five years	1,149	801
	2,343	1,874
Less: Future finance charges	(106)	(77)
Present value of finance lease liabilities	2,237	1,797

The present values of finance lease liabilities are analysed as follows:

	Group	
	31 December	1 January
	2018	2017
	RMB'000	RMB'000
Not later than one year	1,161	1,042
Between one and five years	1,076	755
	2,237	1,797

The Group leases certain of its property, plant and equipment under finance leases. The average lease term is 3 years (2017: 3 years). For the financial year ended 31 December 2018, the average effective interest rate was 3.17% (2017: 3.62%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Euro.

The fair values of the Group's lease obligations approximate their carrying amounts.

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



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#### 24. Derivative financial instruments

	Contract notional amount  RMB'000	Group	
		Fair value	
		Asset RMB'000	Liability RMB'000
<b>31 December 2018</b>			
<i>Derivatives not held for hedging:</i>			
– Currency options	491,550	–	16,327
– Currency forwards	159,723	–	8,426
		–	24,753

During the current financial year, the Group has entered into forward and option currency contracts with different financial institutions on behalf of a related corporation in the People's Republic of China, to hedge future cash transactions denominated in United States dollars ("USD").

#### 25. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities			
– To be recovered within one year	860	858	841
– To be recovered after one year	14,248	14,698	16,087
	15,108	15,556	16,928
Deferred income tax assets			
– To be recovered after one year	(2,014)	(1,721)	(1,545)

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#### 25. Deferred income taxes (Continued)

The movement in deferred income tax assets and liabilities is as follows:

##### Deferred income tax liabilities

	Fair value adjustment on business combination RMB'000	Accrued revenue RMB'000	Total RMB'000
<b>31 December 2018</b>			
Beginning of financial year	14,485	1,071	15,556
Currency translation differences	79	50	129
(Credited)/charged to profit or loss	(860)	283	(577)
End of financial year	13,704	1,404	15,108
<b>31 December 2017</b>			
Beginning of financial year	14,369	2,559	16,928
Currency translation differences	957	21	978
Credited to profit or loss	(841)	(1,509)	(2,350)
End of financial year	14,485	1,071	15,556

##### Deferred income tax assets

	Provisions RMB'000	Total RMB'000
<b>31 December 2018</b>		
Beginning of financial year	(1,721)	(1,721)
Currency translation differences	5	5
Credited to profit or loss	(298)	(298)
End of financial year	(2,014)	(2,014)
<b>31 December 2017</b>		
Beginning of financial year	(1,545)	(1,545)
Currency translation differences	(37)	(37)
Credited to profit or loss	(139)	(139)
End of financial year	(1,721)	(1,721)

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#### 26. Share capital

	No. of ordinary shares	Amount RMB'000
<u>Group and Company</u>		
<b>2018 and 2017</b>		
Beginning and end of financial year	285,576,000	101,237

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

#### 27. Other reserves

##### (a) Composition:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve	11,944	11,944	11,944	10,429	10,429	10,429
Merger reserve	(3,664)	(3,664)	(3,664)	–	–	–
Statutory reserve	32,019	19,895	16,712	–	–	–
Currency translation reserve	(20,736)	(6,130)	(8,209)	844	(1,810)	(3,277)
	<u>19,563</u>	<u>22,045</u>	<u>16,783</u>	<u>11,273</u>	<u>8,619</u>	<u>7,152</u>

Other reserves are non-distributable.

##### (b) Movements:

###### (i) Capital reserve

Capital reserve represents a deemed contribution from the immediate holding corporation as a result of initially measuring the shareholder's loan at fair value.

###### (ii) Merger reserve

Merger reserve relates to the acquisition of AVIC Zhenjiang Shipyard Marine Pte. Ltd. from a related corporation under common control during the financial year ended 31 December 2015 and represents the difference between the carrying amount of the net assets acquired and the consideration paid for the acquisition.

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#### 27. Other reserves (Continued)

##### (b) Movements: (Continued)

###### (iii) Statutory reserve

	2018 RMB'000	2017 RMB'000
Beginning of financial year	19,895	16,712
Transfer from retained profits	12,124	3,183
End of financial year	<b>32,019</b>	19,895

The PRC subsidiaries follow the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP") applicable to Sino-foreign equity joint venture enterprises in the preparation of the accounting records and statutory financial statements.

Appropriation to the statutory reserve by the Sino-foreign equity joint venture enterprise is determined at 10% of the profit arrived in accordance with PRC GAAP for each year.

The profit arrived at must be set-off against any accumulated losses sustained by the subsidiaries in prior years, before allocation is made to the statutory reserve. Appropriation to the subsidiary reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

###### (iv) Currency translation reserve

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Beginning of financial year	(6,130)	(8,209)	(1,810)	(3,277)
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	<b>(13,837)</b>	5,937	<b>2,654</b>	1,467
Less: Non-controlling interests	<b>(769)</b>	(3,858)	–	–
End of financial year	<b>(20,736)</b>	(6,130)	<b>844</b>	(1,810)

The translation reserve account comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in their respective functional currencies to be presented in RMB.

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#### 28. Commitments

##### (a) Contractual commitments

Contractual expenditure contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 16), are as follows:

	Group		1 January
	31 December	2017	2017
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Vessels-under-construction to be held as inventories	16,201	26,776	63,313

##### (b) Operating lease commitments – where the Group is a lessee

The Group leases office buildings from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		1 January
	31 December	2017	2017
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Not later than one year	11,238	14,295	19,711
Between one and five years	30,019	36,813	21,596
Later than five years	–	10,003	13,273
	41,257	61,111	54,580

#### 29. Financial risk management

##### Financial risk factors

The management of the Group monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (foreign exchange risk and interest rate risk), credit and liquidity risk.

The Group does not hold or issue derivative financial instruments for trading purposes.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29. Financial risk management (Continued)

#### Financial risk factors (Continued)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

#### (a) Market risk

##### (i) Currency risk

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in the entities' respective functional currencies. These transactions arise from the Group's ordinary course of business. The Group transacts business in various currencies and the most significant currency exposure is in United States dollars ("USD"), Singapore dollars ("SGD"), Euro ("EUR") and Chinese renminbi ("RMB").

The Group's currency exposure based on the information provided to key management is as follows:

	SGD RMB'000	USD RMB'000	RMB RMB'000	EUR RMB'000
<b>At 31 December 2018</b>				
<b>Financial assets</b>				
Cash at bank	2,197	23,669	150,964	79,768
Trade and other receivables	2,696	2,301,134	3,228	74,253
Due from subsidiaries	–	452,812	7,589	23,307
Finance lease receivables	–	43,398	–	–
	<u>4,893</u>	<u>2,821,013</u>	<u>161,781</u>	<u>177,328</u>
<b>Financial liabilities</b>				
Trade and other payables	(2,251)	(76,536)	(55,418)	(73,154)
Borrowings	–	(1,049,945)	(1,443,848)	–
Due to subsidiaries	–	(452,812)	(7,589)	(23,307)
Derivative financial instruments	–	(24,753)	–	–
Finance lease liabilities	–	–	–	(2,237)
	<u>(2,251)</u>	<u>(1,604,046)</u>	<u>(1,506,855)</u>	<u>(98,698)</u>
<b>Net financial assets/(liabilities)</b>	<u>2,642</u>	<u>1,216,967</u>	<u>(1,345,074)</u>	<u>78,630</u>
<b>Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currency</b>	<u>105</u>	<u>(596,719)</u>	<u>123</u>	<u>(1,626)</u>

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 29. Financial risk management (Continued)

##### (a) Market risk (Continued)

##### (i) Currency risk (Continued)

	SGD RMB'000	USD RMB'000	RMB RMB'000	EUR RMB'000
<b>At 31 December 2017</b>				
<b>Financial assets</b>				
Cash at bank	549	24,528	33,938	101,564
Trade and other receivables	387	17,589	2,195,415	46,043
Due from subsidiaries	–	495,170	262,211	9,363
Available-for-sale investments	–	–	–	12
Finance lease receivables	–	48,547	–	–
	<u>936</u>	<u>585,834</u>	<u>2,491,564</u>	<u>156,982</u>
<b>Financial liabilities</b>				
Trade and other payables	(3,919)	(26,334)	(80,903)	(106,569)
Borrowings	(195,324)	(795,206)	(1,309,000)	(14,208)
Due to subsidiaries	–	(495,170)	(262,211)	(9,363)
Finance lease liabilities	–	–	–	(1,506)
	<u>(199,243)</u>	<u>(1,316,710)</u>	<u>(1,652,114)</u>	<u>(131,646)</u>
<b>Net financial (liabilities)/assets</b>	<u>(198,307)</u>	<u>(730,876)</u>	<u>839,450</u>	<u>25,336</u>
<b>Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currency</b>	<u>19</u>	<u>(397,296)</u>	<u>2,403</u>	<u>(354)</u>

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 29. Financial risk management (Continued)

##### (a) Market risk (Continued)

##### (i) Currency risk (Continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD RMB'000	USD RMB'000	RMB RMB'000	EUR RMB'000
<b>At 1 January 2017</b>				
<b>Financial assets</b>				
Cash at bank	24,817	17,913	462,255	81,752
Trade and other receivables	244	1,538	709,375	64,891
Due from subsidiaries	–	461,811	31,765	18,453
Available-for-sale investments	–	–	–	11
Finance lease receivables	–	64,383	–	–
	<u>25,061</u>	<u>545,645</u>	<u>1,203,395</u>	<u>165,107</u>
<b>Financial liabilities</b>				
Trade and other payables	(4,106)	(80,585)	(135,746)	(38,701)
Borrowings	(215,996)	(499,390)	(480,374)	–
Due to subsidiaries	–	(461,811)	(31,765)	(18,453)
Finance lease liabilities	–	–	–	(1,797)
	<u>(220,102)</u>	<u>(1,041,786)</u>	<u>(647,885)</u>	<u>(58,951)</u>
<b>Net financial (liabilities)/assets</b>	<u>(195,041)</u>	<u>(496,141)</u>	<u>555,510</u>	<u>106,156</u>
<b>Currency exposure of financial liabilities net of those denominated in the respective entities' functional currency</b>	<u>(98)</u>	<u>(22,214)</u>	<u>(5,563)</u>	<u>(59)</u>



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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 29. Financial risk management (Continued)

##### (a) Market risk (Continued)

##### (i) Currency risk (Continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD RMB'000	USD RMB'000	RMB RMB'000	EUR RMB'000
<b>At 31 December 2018</b>				
<b>Financial assets</b>				
Cash at bank	2,092	5,386	13	144
Trade and other receivables	2,668	14,219	–	–
	<u>4,760</u>	<u>19,605</u>	<u>13</u>	<u>144</u>
<b>Financial liabilities</b>				
Trade and other payables	(2,252)	(1,674)	–	–
Due to subsidiaries	–	(287,792)	–	(23,202)
Borrowings	–	(177,468)	–	–
	<u>(2,252)</u>	<u>(466,934)</u>	<u>–</u>	<u>(23,202)</u>
<b>Net financial assets/(liabilities)</b>	<u>2,508</u>	<u>(447,329)</u>	<u>13</u>	<u>(23,058)</u>
<b>Currency exposure of financial (liabilities)/assets net of those denominated in the Company's functional currency</b>	<u>–</u>	<u>(447,329)</u>	<u>13</u>	<u>(23,058)</u>
<b>At 31 December 2017</b>				
<b>Financial assets</b>				
Cash at bank	417	2,058	13	1,885
Trade and other receivables	387	25,221	–	–
	<u>804</u>	<u>27,279</u>	<u>13</u>	<u>1,885</u>
<b>Financial liabilities</b>				
Trade and other payables	(3,808)	–	–	–
Due to subsidiaries	(244,299)	–	–	–
Borrowings	(195,324)	–	–	–
	<u>(443,431)</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Net financial (liabilities)/assets</b>	<u>(442,627)</u>	<u>27,279</u>	<u>13</u>	<u>1,885</u>
<b>Currency exposure of financial assets net of those denominated in the Company's functional currency</b>	<u>–</u>	<u>27,279</u>	<u>13</u>	<u>1,885</u>

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### NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 29. Financial risk management (Continued)

##### (a) Market risk (Continued)

##### (i) Currency risk (Continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD RMB'000	USD RMB'000
<b>At 1 January 2017</b>		
<b>Financial assets</b>		
Cash at bank	24,479	–
Trade and other receivables	–	88,613
	<u>24,479</u>	<u>88,613</u>
<b>Financial liabilities</b>		
Trade and other payables	(8,672)	(27,963)
Due to subsidiaries	(292,701)	–
Borrowings	(215,996)	–
	<u>(517,369)</u>	<u>(27,963)</u>
<b>Net financial (liabilities)/assets</b>	<u>(492,890)</u>	<u>60,650</u>
<b>Currency exposure of financial assets net of those denominated in the Company's functional currency</b>	<u>–</u>	<u>60,650</u>

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 29. Financial risk management (Continued)

##### (a) Market risk (Continued)

##### (i) Currency risk (Continued)

If the SGD, USD and EUR change against the RMB by 10% (31 December 2017: 10%, 1 January 2017: 10%) respectively with all other variables including tax rate being held constant, the effects arising from the Group's net financial liability/asset position will be as follows:

	Increase/(Decrease)		
	Group		
	Profit after tax		
	31 December	2017	1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
SGD against RMB			
– Strengthened	9	2	(8)
– Weakened	(9)	(2)	8
USD against RMB			
– Strengthened	(49,528)	(32,976)	(1,844)
– Weakened	49,528	32,976	1,844
EUR against RMB			
– Strengthened	(135)	(30)	(5)
– Weakened	135	30	5
RMB against EUR			
– Strengthened	10	199	(462)
– Weakened	(10)	(199)	462

If the USD, RMB and EUR change against the SGD by 10% (31 December 2017: 10%, 1 January 2017: 10%) respectively with all other variables including tax rate being held constant, the effects arising from the Company's net financial liability/asset position will be as follows:

	Increase/(Decrease)		
	Company		
	Profit after tax		
	31 December	2017	1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
USD against SGD			
– Strengthened	(37,128)	2,264	5,034
– Weakened	37,128	(2,264)	(5,034)
RMB against SGD			
– Strengthened	1	1	–
– Weakened	(1)	(1)	–
EUR against SGD			
– Strengthened	(1,914)	156	–
– Weakened	1,914	(156)	–

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 29. Financial risk management (Continued)

##### (a) Market risk (Continued)

###### (ii) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's fixed deposits with banks, bank borrowings at floating rate, and loans from related corporations at floating rate. The Group does not use derivative financial instruments to hedge its risks and the details of the Group's interest rate exposure is disclosed in Note 22 to the financial statements.

If interest rates had been 50 (31 December 2017: 50, 1 January 2017: 50) basis points higher or lower and all other variables were held constant, the Group's and the Company's profit for the year ended 31 December 2018 would decrease/increase by RMB11,097,000 (31 December 2017: RMB5,374,000, 1 January 2017: RMB3,263,053) and nil (31 December 2017: RMB1,004,000, 1 January 2017: RMB1,736,200) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

##### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade and other receivables and finance lease receivables. For trade receivables, the Group adopts the policy of dealing only with related corporations and third-party customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The movements in credit loss allowance are as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Other financial assets at amortised cost RMB'000	Total RMB'000
<u>Group</u>				
<b>Balance at 1 January 2018 under SFRS</b>	7,312	3,478	1,374	12,164
Application of SFRS(I) 9 (Note 2.2)	—	—	—	—
<b>Balance at 1 January 2018 under SFRS(I) 9</b>	7,312	3,478	1,374	12,164
Loss allowance recognised in				
profit or loss during the year on:				
– Reversal of unutilised amount	(3,435)	—	—	(3,435)
Receivables written off as uncollectible	(3,877)	(3,478)	(1,374)	(8,729)
<b>Balance at 31 December 2018</b>	—	—	—	—

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 29. Financial risk management (Continued)

##### (b) Credit risk (Continued)

The receivables written off as uncollectible are relating to allowance provided in previous financial years in relation to cancellation of projects by customers, which the Group has attempted to recover. The Group currently does not have any business dealing with these customers.

Cash at bank and finance lease receivables are subject to immaterial credit loss.

##### (i) Trade receivables, other receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within a commercially reasonable timeframe that is determined by the Group. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Other financial assets at amortised cost comprise of other receivables, deposits and staff advances. These are considered "low credit risk" as the counterparties, including related corporations have strong capacity in meeting the contractual cash flows in near term.

During the financial year ended 31 December 2018, the Group has assessed that the expected credit loss arising from trade receivables, other receivables and contract assets is insignificant and no expected credit loss has been provided during the financial year.

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 29. Financial risk management (Continued)

##### (b) Credit risk (Continued)

*Previous accounting policy for impairment of financial assets*

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments

##### (i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables due to non-related corporations that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group and Company's receivables from related corporations and subsidiaries are neither past due nor impaired.

##### (ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	31 December 2017 RMB'000	1 January 2017 RMB'000
Past due < 1 months	11,921	9,828
Past due 1 to 3 months	15,791	18,561
Past due over 3 months	36,824	30,475
	64,536	58,864

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 29. Financial risk management (Continued)

##### (b) Credit risk (Continued)

*Previous accounting policy for impairment of financial assets (Continued)*

##### (ii) Financial assets that are past due and/or impaired (Continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	31 December 2017 RMB'000	1 January 2017 RMB'000
Past due over 6 months	7,312	222
Less: Allowance for impairment	(7,312)	(222)
	–	–
Beginning of financial year	222	428
Allowance made	7,299	–
Write-back of allowance	(222)	(206)
Currency translation difference	13	–
End of financial year	7,312	222

The carrying amount of other receivables and deposits individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	31 December 2017 RMB'000	1 January 2017 RMB'000
Past due over 6 months	10,804	74,112
Less: Allowance for impairment	(4,852)	(5,221)
	5,952	68,891
Beginning of financial year	5,221	1,797
Allowance made	3,524	4,761
Write-back of allowance	(3,482)	(1,337)
Allowance utilised	(419)	–
Currency translation difference	8	–
End of financial year	4,852	5,221

##### (c) Liquidity risk

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Group finances its liquidity needs through internally generated cash flows and external financing, and minimises liquidity risk by keeping committed credit lines available.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29. Financial risk management (Continued)

#### (c) Liquidity risk (Continued)

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company are required to pay. The table includes both interest and principal cash flows.

	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	Total RMB'000
<u>Group</u>			
<b>At 31 December 2018</b>			
Trade and other payables	207,359	–	207,359
Borrowings	1,951,596	599,523	2,551,119
Finance lease liability	1,194	1,149	2,343
Derivative financial instruments			
– Currency options	491,550	–	491,550
– Currency forwards	159,723	–	159,723
	<b>2,811,422</b>	<b>600,672</b>	<b>3,412,094</b>
<b>At 31 December 2017</b>			
Trade and other payables	217,725	–	217,725
Borrowings	1,949,585	403,357	2,352,942
Finance lease liability	980	585	1,565
	<b>2,168,290</b>	<b>403,942</b>	<b>2,572,232</b>
<b>At 1 January 2017</b>			
Trade and other payables	259,138	–	259,138
Borrowings	740,354	526,586	1,266,940
Finance lease liability	1,073	801	1,874
	<b>1,000,565</b>	<b>527,387</b>	<b>1,527,952</b>
<u>Company</u>			
<b>At 31 December 2018</b>			
Trade and other payables	3,926	–	3,926
Due to subsidiaries	301,577	9,868	311,445
Borrowings	179,079	–	179,079
	<b>484,582</b>	<b>9,868</b>	<b>494,450</b>
<b>At 31 December 2017</b>			
Trade and other payables	3,808	–	3,808
Due to subsidiaries	234,811	10,154	244,965
Borrowings	200,746	–	200,746
	<b>439,365</b>	<b>10,154</b>	<b>449,519</b>
<b>At 1 January 2017</b>			
Trade and other payables	36,635	–	36,635
Due to subsidiaries	283,934	9,600	293,534
Borrowings	228,636	–	228,636
	<b>549,205</b>	<b>9,600</b>	<b>558,805</b>

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#### 29. Financial risk management (Continued)

##### (d) Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

Net debt is calculated as borrowings plus trade and other payables plus due to subsidiaries less cash at bank. Total capital is calculated as total equity plus net debt. Certain PRC subsidiaries of the Group are required to set aside a minimum amount of 10% of profits annually. Such profits are accumulated in a separate reserve called "Statutory Reserve" (Note 27). The statutory reserves may only be distributed to shareholders upon liquidation of the subsidiaries.

The Group's overall strategy remains unchanged from 2015.

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt	2,533,560	2,469,110	1,172,854	500,085	491,095	603,142
Total equity	252,701	230,377	199,507	105,724	119,712	88,122
Total capital	2,786,261	2,699,487	1,372,361	605,809	610,807	691,264

The Group and the Company are in compliance with all external financial ratios and covenants imposed on the holding corporations for the loans extended to the Group and the Company for the financial years ended 31 December 2018 and 2017. These ratios and covenants include amount of net tangible assets, ratio of total liabilities to net tangible assets, and ratio of Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") to interest expenses.

##### (e) Fair value measurements

The table below presents the financial instruments recognised and measure at fair value and classified by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Group	Level 1	Level 2	Level 3	Total
31 December 2018	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial liabilities	—	24,753	—	24,753

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 29. Financial risk management (Continued)

##### (e) Fair value measurements (Continued)

There were no transfers between Level 1, Level 2 and Level 3 during the financial year.

The Group did not have any financial assets or liabilities that were measured and carried at fair value in prior financial years.

##### (f) Financial instruments by category

The following table sets out the financial instruments as at the end of the reporting period:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Financial assets						
at amortised cost	<b>2,681,307</b>	2,468,560	1,427,168	<b>24,522</b>	29,981	113,092
Available-for-sale						
financial assets	–	12	11	–	–	–
Financial liabilities						
at FVPL	<b>24,753</b>	–	–	–	–	–
Financial liabilities						
at amortised cost	<b>2,703,389</b>	2,532,969	1,456,695	<b>492,388</b>	443,431	545,332

#### 30. Immediate and ultimate holding corporations

The Company's immediate holding corporation is AVIC International Holdings Limited, a corporation incorporated in People's Republic of China. The Company's ultimate holding corporation is Aviation Industry Corporation of China, incorporated in the People's Republic of China.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

##### (a) Sales and purchases of goods and services

	Group	
	2018	2017
	RMB'000	RMB'000
Guarantee expenses to holding corporations	(7,119)	(3,802)
Interest expenses to related corporations	(15,207)	–
Other income from related corporations	–	267
Project financing income from related corporations	124,773	57,241
Property management fees to related corporations	(1,410)	(1,260)
Purchase of property, plant and equipment from an associated company	–	(1,445)
Rental expense to related corporations	(888)	(899)
Service fee income from related corporations	43,808	62,865
Shipbuilding contract costs to related corporations	(15,908)	(59,655)
Ship-design fee income from related corporations	44,141	52,149
Waiver of amount due to a related corporation	1,258	–

Related corporations refer to fellow subsidiaries and subsidiaries of the immediate holding corporation.

Outstanding balances at 31 December 2018, 31 December 2017 and 1 January 2017, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and disclosed in Notes 13, 20 and 22.

##### (b) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Short-term benefits	3,945	3,878
Post-employment benefits	368	310
	4,313	4,188

The remuneration of directors and executive officers of the Company is determined by the remuneration committee having regard to the performance of individuals and market trends.

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### **32. Segment information**

For the purpose of the resource allocation and assessment of segment performance, the Group's management has focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the segments of the Group under SFRS(I) 8 – Operating Segments.

The Group's reportable operating segments under SFRS(I) 8 are as follows:

- (a) Ship-design service – provision of ship-design services.
- (b) Shipbuilding construction service – provision of shipbuilding construction services.
- (c) Shipbuilding project management service – provision of shipbuilding project management and consultancy services.
- (d) Project financing – provision of marine financing services.
- (e) Vessels trading and leasing – sale of vessels and vessel leasing.
- (f) Others – sale of goods used in shipbuilding, marketing and consulting service, and EPC service.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of finance income, finance costs, and income tax expense. This is the measure reported to the management for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the management monitors the tangible and financial assets attributable to each segment.

Goodwill has been allocated to ship-design service segment as described in Note 19 to the financial statements. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 32. Segment information (Continued)

Information regarding the Group's reportable segments is presented as below:

	Ship-design service RMB'000	Ship-building construction service RMB'000	Shipbuilding project management service RMB'000	Project financing RMB'000	Vessels trading and leasing RMB'000	Others RMB'000	Total RMB'000
<u>2018</u>							
<b>Sales</b>							
Third parties	336,861	27,531	–	–	5,470	890	370,752
Related corporations	44,141	–	43,808	124,773	–	4,186	216,908
	<u>318,002</u>	<u>27,531</u>	<u>43,808</u>	<u>124,773</u>	<u>5,470</u>	<u>5,076</u>	<u>587,660</u>
Inter-segment sales	–	–	–	–	–	–	–
	<u>318,002</u>	<u>27,531</u>	<u>43,808</u>	<u>124,773</u>	<u>5,470</u>	<u>5,076</u>	<u>587,660</u>
<b>Results</b>							
Segment results	71,275	(8,306)	17,401	1,710	2,085	2,489	86,654
<b>Assets</b>							
Segment assets	380,569	25,942	17,021	2,210,912	162,246	302,135	3,098,825
Unallocated assets							<u>7,957</u>
Total assets							<u>3,106,782</u>
<b>Liabilities</b>							
Segment liabilities	155,937	23,929	39,129	1,876,230	136,404	64,396	2,296,025
Unallocated liabilities							<u>558,056</u>
Total liabilities							<u>2,854,081</u>
<b>Other information</b>							
Depreciation	2,709	118	188	536	–	88	3,639
Amortisation	6,280	–	–	–	–	–	6,280
Write-down in value of inventories	–	–	–	–	(2,275)	–	(2,275)
Share of profit/(losses) of associated companies	1,638	–	–	–	–	(1,092)	546
Additions to property, plant and equipment	2,944	179	285	811	–	40	4,259
Additions to intangible assets	<u>7,550</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,550</u>

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 32. Segment information (Continued)

Information regarding the Group's reportable segments is presented as below: (Continued)

			Shipbuilding				
	Ship-design	Ship-building	project	Project	Vessels		
	service	construction	management	financing	trading and	Others	Total
	RMB'000	service	service	RMB'000	leasing	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>2017</u>							
<b>Sales</b>							
Third parties	222,671	120,285	1,394	–	126,358	2,725	473,433
Related corporations	53,349	–	62,865	57,241	–	–	173,455
	276,020	120,285	64,259	57,241	126,358	2,725	646,888
Inter-segment sales	(1,200)	–	–	–	–	–	(1,200)
	274,820	120,285	64,259	57,241	126,358	2,725	645,688
<b>Results</b>							
Segment results	29,282	4,876	21,874	11,501	(13,058)	726	55,201
<b>Assets</b>							
Segment assets	362,811	53,891	30,536	2,129,667	269,283	42,374	2,888,562
Unallocated assets							7,104
Total assets							2,895,666
<b>Liabilities</b>							
Segment liabilities	113,754	55,792	77,868	1,635,710	19,829	50,213	1,953,166
Unallocated liabilities							712,123
Total liabilities							2,665,289
<b>Other information</b>							
Depreciation	2,667	55	304	271	4	97	3,398
Amortisation	5,459	–	–	–	–	–	5,459
Write-down in value							
of inventories	–	–	–	–	16,087	–	16,087
Share of profit of							
associated companies	1,638	–	–	–	–	–	1,638
Additions to property,							
plant and equipment	3,332	111	613	546	–	51	4,653
Additions to intangible assets	394	–	–	–	–	–	394

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 32. Segment information (Continued)

Segment revenue represents revenue generated from external and internal customers. Segment profits represent the profit earned by each segment after allocating central administrative costs. This is the measure reported to the management for the purpose of resource allocation and the assessment of segment performance.

##### (a) Reconciliations

###### (i) Segment profits

A reconciliation of segment results to profit before tax is as follows:

	2018 RMB'000	2017 RMB'000
Segment results	86,654	55,201
Unallocated:		
Foreign exchange gains	–	15,220
Other income	602	848
Marketing, distribution and administrative expense	(5,340)	(9,423)
Finance cost	(22,044)	(19,646)
	<b>59,872</b>	<b>42,200</b>

###### (ii) Segment assets

The amounts reported to the management with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than deferred income tax assets, investment in associated companies, and available-for-sale financial assets.

Segment assets are reconciled to total assets as follows:

	2018 RMB'000	2017 RMB'000
Segment assets for reportable segments	3,098,825	2,888,562
Unallocated:		
Deferred tax assets	2,014	1,721
Available-for-sale financial assets	–	12
Investments in associated companies	5,943	5,371
	<b>3,106,782</b>	<b>2,895,666</b>

###### (iii) Segment liabilities

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities, deferred tax liabilities and borrowings.

## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 32. Segment information (Continued)

#### (a) Reconciliations (Continued)

##### (iii) Segment liabilities (Continued)

Segment liabilities are reconciled to total liabilities as follows:

	2018 RMB'000	2017 RMB'000
Segment liabilities for reportable segments	2,296,025	1,953,166
Unallocated:		
Current income tax liabilities	21,825	18,538
Deferred tax liabilities	15,108	15,556
Borrowings	521,123	678,029
	<u>2,854,081</u>	<u>2,665,289</u>

#### (b) Revenue from major products and services

The Group's revenue generated from the Group's largest customers by each segment are detailed below:

	Ship-design service RMB'000	Ship-building construction service RMB'000	Shipbuilding project management service RMB'000	Project financing RMB'000	Vessels trading and leasing RMB'000	Others RMB'000
<b>2018</b>						
Customer 1	157,165	–	–	–	–	–
Customer 2	33,451	–	17,251	50,284	–	1,252
Customer 3	–	–	26,557	74,489	–	653
Customer 4	42,594	–	–	–	–	–
Customer 5	35,660	–	–	–	–	–
Customer 6	–	27,531	–	–	–	–
Customer 7	22,894	–	–	–	–	–
Total	<u>291,764</u>	<u>27,531</u>	<u>43,808</u>	<u>124,773</u>	<u>–</u>	<u>1,905</u>
<b>2017</b>						
Customer 1	–	120,285	–	–	–	–
Customer 2	94,312	–	–	–	–	–
Customer 3	50,278	–	28,808	28,067	–	–
Customer 4	–	–	–	–	75,373	–
Customer 5	1,871	–	34,057	29,174	–	–
Customer 6	–	–	–	–	43,698	–
Customer 7	19,108	–	–	–	–	–
Total	<u>165,569</u>	<u>120,285</u>	<u>62,865</u>	<u>57,241</u>	<u>119,071</u>	<u>–</u>



## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 32. Segment information (Continued)

##### (c) Geographical information

The Group's revenue from customers and information about its segment assets by geographical location are detailed below:

	Revenue	
	2018 RMB'000	2017 RMB'000
PRC	322,698	332,130
Germany	194,422	100,496
British Virgin Islands	–	75,373
Nigeria	–	43,698
Finland	25,257	42,825
United States	5,454	18,546
Oman	–	7,287
Other countries	39,829	25,333
	<b>587,660</b>	<b>645,688</b>

	Non-current assets	
	2018 RMB'000	2017 RMB'000
PRC	9,052	5,780
Finland	199,119	198,445
Germany	79	120
Singapore	–	106
Oman	19,788	34,136
	<b>228,038</b>	<b>238,587</b>

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 33. New or revised accounting standards and interpretations

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:

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

SFRS(I) 16 will result 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 will not change significantly.

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

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB41,256,000 (Note 28).

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB34,870,000 on 1 January 2019, lease liabilities of RMB35,456,000 (after adjustments for prepayments and accrued lease payments recognised).

The impact on the net profit after tax of the Group arising from the adoption of SFRS(I) 16 is not expected to be material.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

##### (b) SFRS(I) INT 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

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## APPENDIX 4 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

#### 33. New or revised accounting standards and interpretations (Continued)

(b) **SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)** (Continued)

- iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions as disclosed in Note 3(c) on the adoption of the interpretation on 1 January 2019.

#### 34. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of AVIC International Maritime Holdings Limited on 29 March 2019.

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019



### 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 (RMB'000)	Group 1 Jan 18 to 31 Mar 18 (RMB'000)	Change %
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)
<b>Profit after tax</b>	<b>12,416</b>	<b>17,088</b>	<b>(27)</b>
<b>Other comprehensive loss:</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	(6,817)	4,957	N/M
<b>Total comprehensive income</b>	<b>5,599</b>	<b>22,045</b>	<b>(75)</b>
<b>Profit attributable to:</b>			
Owner of the Company	10,932	13,991	(22)
Non-controlling interests	1,484	3,097	(52)
<b>Profit after tax</b>	<b>12,416</b>	<b>17,088</b>	<b>(27)</b>

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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

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

	First Quarter		
	Group	Group	Change
	1 Jan 19 to 31 Mar 19 (RMB'000)	1 Jan 18 to 31 Mar 18 (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%

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

**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**

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 2019</b>	<b>31 Dec 2018</b>	<b>31 Mar 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	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	-	-
	<b>3,237,974</b>	<b>2,878,744</b>	<b>29,672</b>	<b>24,550</b>
<b>Non-current assets</b>				
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	-	-
	<b>265,126</b>	<b>228,038</b>	<b>583,965</b>	<b>588,894</b>
<b>Total assets</b>	<b>3,503,100</b>	<b>3,106,782</b>	<b>613,637</b>	<b>613,444</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
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	-	-
	<b>2,897,056</b>	<b>2,249,595</b>	<b>513,105</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.

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 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)
<b>Non-current liabilities</b>				
Borrowings	288,916	588,302	-	-
Finance lease liabilities	43,339	1,076	-	-
Deferred tax liabilities	15,491	15,108	-	-
Due to subsidiaries	-	-	-	9,417
	<b>347,746</b>	<b>604,486</b>	<b>-</b>	<b>9,417</b>
<b>Total liabilities</b>	<b>3,244,802</b>	<b>2,854,081</b>	<b>513,105</b>	<b>507,720</b>
<b>Net assets</b>	<b>258,298</b>	<b>252,701</b>	<b>100,532</b>	<b>105,724</b>
<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	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)
	<b>183,725</b>	<b>177,622</b>	<b>100,532</b>	<b>105,724</b>
<b>Non-controlling interests</b>	<b>74,573</b>	<b>75,079</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>258,298</b>	<b>252,701</b>	<b>100,532</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 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.

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

- 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)
<b>Cash flow from operating activities</b>		
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)
	<u>45,421</u>	<u>39,922</u>
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	<u>(531,849)</u>	<u>169,754</u>
Interest received	452	1,199
Income tax paid	<u>(4,294)</u>	<u>(6,110)</u>
<b>Net cash (used in)/ provided by operating activities</b>	<b><u>(535,691)</u></b>	<b><u>164,834</u></b>
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment (Note B)	(5)	(954)
Additions to intangible assets	-	(1,076)
Proceeds on disposal of property, plant and equipment	-	-
<b>Net cash used in investing activities</b>	<b><u>(5)</u></b>	<b><u>(2,030)</u></b>



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**APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

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	First Quarter	
	Group	Group
	1 Jan 19 to 31 Mar 19 (RMB'000)	1 Jan 18 to 31 Mar 18 (RMB'000)
<b>Cash flow from financing activities</b>		
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)
<b>Net cash provided by/(used in) financing activities</b>	<b>530,835</b>	<b>(27,912)</b>
 <b>Net (decrease)/increase in cash and cash equivalents</b>	 (4,861)	 134,892
 <b>Cash and cash equivalents</b>		
Beginning of financial year	243,331	134,754
Effect of currency translation on cash and cash equivalents	(3,115)	(8,020)
<b>Cash and cash equivalents at end of the financial period</b>	<b>235,355</b>	<b>261,626</b>

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.

**APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

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 2019</b>	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)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(4,825)	10,932	6,107	(510)	5,652
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	-	-	-	-	-	-
<b>Balance at 31 Mar 2019</b>	101,237	11,944	(3,664)	32,019	(25,561)	67,754	183,729	74,569	258,298

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

<u>The Group</u>	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 2018</b>	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
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	6,113	13,991	20,104	1,941	22,045
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	-	-	-	-	-	-
<b>Balance at 31 Mar 2018</b>	101,237	11,944	(3,664)	19,895	(17)	55,657	185,052	67,370	252,422

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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### Statement of Changes in Equity

	Share capi- tal (RMB'000)	Capital re- serve (RMB'000)	Currency translation reserve (RMB'000)	(Accumulated losses)/ re- tained 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>
<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>

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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- 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 31 March 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.

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

**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.

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

- 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.

The Group	First Quarter			
	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.

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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### 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



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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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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

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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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.

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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- 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 dual-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 carriers, and four 15,000DWT and five 16,300DWT dual 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.

## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

**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**

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

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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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
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**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
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**Transaction for Property management fee**

AVIC Property Management Co., Ltd.	-	253
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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.

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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### 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

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## APPENDIX 5 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 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 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*

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019



### 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>



## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	Second Quarter			Half Year		
	Group	Group	Change	Group	Group	Change
	1 Apr 19 to 30 Jun 19	1 Apr 18 to 30 Jun 18		1 Jan 19 to 30 Jun 19	1 Jan 18 to 30 Jun 18	
	(RMB'000)	(RMB'000)	%	(RMB'000)	(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	1 Apr 18 to 30 Jun 18		1 Jan 19 to 30 Jun 19	1 Jan 18 to 30 Jun 18	
	(RMB'000)	(RMB'000)	%	(RMB'000)	(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%

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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

	Group		Company	
	30 Jun 2019 (RMB'000)	31 Dec 2018 (RMB'000)	30 Jun 2019 (RMB'000)	31 Dec 2018 (RMB'000)
<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.

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

	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>
<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	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		As at 31 Dec 2018	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
8,616	2,510,493	1,161	1,905,491

(B) Amount repayable after one year

As at 30 Jun 2019		As at 31 Dec 2018	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
43,482	283,305	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.

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

- 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>	<b><u>(99,905)</u></b>	<b><u>(49,189)</u></b>	<b><u>(635,596)</u></b>	<b><u>112,609</u></b>
<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>	<b><u>-</u></b>	<b><u>(1,223)</u></b>	<b><u>(5)</u></b>	<b><u>(2,050)</u></b>

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER 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 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.

**APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

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 2019</b>	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)	(6,819)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(4,825)	10,932	6,107	(510)	5,597
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	-	-	-	-	-	-
<b>Balance at 31 Mar 2019</b>	101,237	11,944	(3,664)	32,019	(25,561)	67,754	183,729	74,569	258,298
Profit for the period	-	-	-	-	-	7,093	7,093	2,629	9,722
Other comprehensive (loss)/income	-	-	-	-	(4,855)	-	(4,855)	1,261	(3,594)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(4,855)	7,093	2,238	3,890	6,128
Distributions to non-controlling interests	-	-	-	-	-	-	-	(4,754)	(4,754)
<b>Balance at 30 Jun 2019</b>	101,237	11,944	(3,664)	32,019	(30,416)	74,847	185,967	73,705	259,672

**APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

<b>The Group</b>	<b>Share capital (RMB'000)</b>	<b>Capital reserve (RMB'000)</b>	<b>Merger reserve (RMB'000)</b>	<b>Statutory reserve (RMB'000)</b>	<b>Currency translation reserve (RMB'000)</b>	<b>Retained profits (RMB'000)</b>	<b>Equity attributable to owners of the Company (RMB'000)</b>	<b>Non-controlling interests (RMB'000)</b>	<b>Total equity (RMB'000)</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>

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

### Statement of Changes in Equity

	Share capi- tal (RMB'000)	Capital re- serve (RMB'000)	Currency translation reserve (RMB'000)	(Accumulated losses)/ re- tained 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>



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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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- 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.

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**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.

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
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.

The Group	Second Quarter				Half Year			
	1 Apr 19 to 30 Jun 19		1 Apr 18 to 30 Jun 18		1 Jan 19 to 30 Jun 19		1 Jan 18 to 30 Jun 18	
	(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.

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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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### 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.

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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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### 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 RMB314.1 million 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 RMB296.4 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.

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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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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.

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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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- 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.

## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

- 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 transac- tions conducted under shareholders' mandate pursuant to Rule 920)</b>	<b>Aggregate value of all interested person transactions con- ducted under share- holders' mandate pur- suant to Rule 920 (ex- cluding 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



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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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### 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

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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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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.

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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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### 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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## APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 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:  
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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019



### 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 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 Third Quarter and Nine Months ended 30 September 2019

	Third Quarter			Nine Months		
	Group 1 Jul 19 to 30 Sep 19 (RMB'000)	Group 1 Jul 18 to 30 Sep 18 (RMB'000)	Change %	Group 1 Jan 19 to 30 Sep 19 (RMB'000)	Group 1 Jan 18 to 30 Sep 18 (RMB'000)	Change %
Revenue	132,196	134,829	(2)	393,991	427,047	(8)
Cost of sales	(42,842)	(54,423)	(21)	(144,056)	(179,418)	(20)
Gross profit	89,354	80,406	11	249,935	247,629	1
Other income	1,733	4,265	(59)	3,265	9,057	(64)
Other (losses)/gains – net	(2,212)	649	N/M	7,578	(1,332)	N/M
Expenses						
- Distribution and marketing	(8,437)	(12,285)	(31)	(23,984)	(27,593)	(13)
- Administrative	(39,350)	(35,946)	9	(119,005)	(108,577)	10
- Finance	(25,980)	(26,297)	(1)	(73,838)	(66,699)	11
- Other	(1)	(3)	(67)	(1)	(160)	N/M
Share of profits of associates	46	298	(85)	1,556	797	95
Profit before income tax	15,153	11,087	37	45,506	53,122	(14)
Income tax expense	(4,867)	(2,701)	80	(13,082)	(17,114)	(24)
<b>Profit after tax</b>	<b>10,286</b>	<b>8,386</b>	<b>23</b>	<b>32,424</b>	<b>36,008</b>	<b>(10)</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	-	-	N/M
Currency translation differences arising from consolidation	(11,238)	(6,163)	82	(21,843)	(7,280)	200
<b>Total comprehensive income</b>	<b>(1,146)</b>	<b>2,223</b>	<b>N/M</b>	<b>10,581</b>	<b>28,728</b>	<b>(63)</b>
<b>Profit attributable to:</b>						
Owner of the Company	8,646	5,152	68	26,674	26,319	1
Non-controlling interests	1,640	3,234	(49)	5,750	9,689	(41)
<b>Profit after tax</b>	<b>10,286</b>	<b>8,386</b>	<b>23</b>	<b>32,424</b>	<b>36,008</b>	<b>(10)</b>

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 19 to 30 Sep 19	1 Jul 18 to 30 Sep 18		1 Jan 19 to 30 Sep 19	1 Jan 18 to 30 Sep 18	
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
<b>Total comprehensive profit attributable to:</b>						
Owner of the Company	(2,704)	(4,195)	(36)	5,645	16,846	(66)
Non-controlling interests	1,558	6,418	(76)	4,939	11,882	(58)
<b>Total comprehensive income</b>	<b>(1,146)</b>	<b>2,223</b>	<b>N/M</b>	<b>10,581</b>	<b>28,728</b>	<b>(63)</b>

**1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Third Quarter and Nine Months ended 30 September 2019**

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 19 to 30 Sep 19	1 Jul 18 to 30 Sep 18		1 Jan 19 to 30 Sep 19	1 Jan 18 to 30 Sep 18	
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Amortisation of intangible assets	(1,326)	(1,462)	(9)	(4,003)	(4,288)	(7)
Depreciation of property, plant and equipment	(1,779)	(950)	87	(3,613)	(2,704)	34
Depreciation of right of use assets	(2,042)	-	N/M	(6,114)	-	N/M
Government grants	1,902	3,702	(49)	1,989	6,219	(68)
Gain/(loss) on disposal of property, plant and equipment	(1)	-	N/M	(2)	-	N/M
Interest expense on borrowings	(23,209)	(20,206)	15	(69,656)	(62,402)	12
Interest income	462	219	111	1,352	1,790	(24)
Net foreign exchange (loss)/gain	(1,281)	621	N/M	1,942	(2,573)	N/M
One off loss on disposal of a subsidiary	(852)	-	N/M	(852)	-	N/M
Write back/(allowance) of impairment loss on financial assets	(271)	(2)	N/M	(271)	(159)	N/M

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

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

**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 2019**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2019</b>	<b>31 Dec 2018</b>	<b>30 Sep 2019</b>	<b>31 Dec 2018</b>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	213,116	243,331	64,104	7,635
Cash pledged with bank	17,326	13,267	-	-
Trade and other receivables	2,225,308	2,442,059	62,474	16,915
Finance lease receivables	-	23,610	-	-
Inventories	271	156,477	-	-
	<b>2,456,021</b>	<b>2,878,744</b>	<b>126,578</b>	<b>24,550</b>
<b>Non-current assets</b>				
Finance lease receivables	-	19,788	-	-
Investment in associated companies	5,494	5,943	-	-
Investment in subsidiaries	-	-	588,346	588,894
Property, plant and equipment	8,997	8,968	-	-
Right of use assets	46,348	-	-	-
Intangible assets (Note A)	70,916	76,619	-	-
Goodwill	113,340	114,706	-	-
Deferred tax assets	2,097	2,014	-	-
	<b>247,192</b>	<b>228,038</b>	<b>588,346</b>	<b>588,894</b>
<b>Total assets</b>	<b>2,703,213</b>	<b>3,106,782</b>	<b>714,924</b>	<b>613,444</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	197,279	296,365	17,100	19,258
Due to subsidiaries (non trade)	-	-	554,119	301,577
Borrowings	2,073,761	1,905,491	-	177,468
Lease liabilities	7,956	1,161	-	-
Current income tax liabilities	19,879	21,825	-	-
Financial derivative liabilities	-	24,753	-	-
	<b>2,298,875</b>	<b>2,249,595</b>	<b>571,219</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.

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Group		Company	
	30 Sep 2019 (RMB'000)	31 Dec 2018 (RMB'000)	30 Sep 2019 (RMB'000)	31 Dec 2018 (RMB'000)
<b>Non-current liabilities</b>				
Borrowings	99,390	588,302	-	-
Lease liabilities	41,678	1,076	-	-
Deferred tax liabilities	14,952	15,108	-	-
Others	273	-	-	9,417
	<b>156,293</b>	<b>604,486</b>	<b>-</b>	<b>9,417</b>
<b>Total liabilities</b>	<b>2,455,168</b>	<b>2,854,081</b>	<b>571,219</b>	<b>507,720</b>
<b>Net assets</b>	<b>248,045</b>	<b>252,701</b>	<b>143,705</b>	<b>105,724</b>
<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)	-	-
Statutory reserve	32,019	32,019	-	-
Currency translation reserve	(41,765)	(20,736)	4,379	844
Retained profits/(accumulated losses)	83,496	56,822	27,660	(6,786)
	<b>186,931</b>	<b>177,622</b>	<b>143,705</b>	<b>105,724</b>
<b>Non-controlling interests</b>	<b>61,114</b>	<b>75,079</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>248,045</b>	<b>252,701</b>	<b>143,705</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 Sep 2019		As at 31 Dec 2018	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
7,956	2,073,761	1,161	1,905,491

(B) Amount repayable after one year

As at 30 Sep 2019		As at 31 Dec 2018	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
41,678	99,390	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.



## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

- 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 and Nine Months ended 30 September 2019

	Third Quarter		Nine Months	
	Group	Group	Group	Group
	1 Jul 19 to 30 Sep 19 (RMB'000)	1 Jul 18 to 30 Sep 18 (RMB'000)	1 Jan 19 to 30 Sep 19 (RMB'000)	1 Jan 18 to 30 Sep 18 (RMB'000)
<b>Cash flow from operating activities</b>				
Profit before income tax	15,153	11,087	45,506	53,122
Adjustments for:				
Amortisation of intangible assets	1,326	1,462	4,003	4,288
Amortisation of right-of-use assets	2,042	-	6,114	-
Depreciation of property, plant and equipment	1,779	950	3,613	2,704
Gain on disposal of property, plant and equipment	(1)	-	(2)	-
Interest expenses	23,209	20,206	69,656	62,402
Interest income	(462)	(219)	(1,352)	(1,790)
(Write back)/allowance of impairment loss on financial assets	271	2	271	159
Share of profits of associates	(46)	(298)	(1,556)	(797)
Unrealised currency translation losses	(67)	(52)	(2,184)	7,114
	<u>43,205</u>	<u>33,138</u>	<u>124,070</u>	<u>127,202</u>
Change in working capital:				
Inventories	171,863	(6,191)	156,206	(11,318)
Trade and other receivables	530,846	(141,258)	216,751	(87,309)
Trade and other payables	(170,057)	6,232	(551,514)	(17,647)
Cash provided by operations	<u>575,857</u>	<u>(108,079)</u>	<u>(54,487)</u>	<u>10,928</u>
Interest received	462	219	1,352	1,790
Income tax paid	(7,589)	(1,745)	(13,731)	(9,424)
<b>Net cash provided by/(used in) operating activities</b>	<u><b>568,730</b></u>	<u><b>(109,605)</b></u>	<u><b>(66,866)</b></u>	<u><b>3,294</b></u>
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment (Note B)	-	(255)	(5)	(1,239)
Additions to intangible assets	-	(269)	-	(1,335)
Additions to investment in an associate	-	(2,500)	-	(2,500)
<b>Net cash (used in) investing activities</b>	<u><b>-</b></u>	<u><b>(3,024)</b></u>	<u><b>(5)</b></u>	<u><b>(5,074)</b></u>

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Third Quarter		Nine Months	
	Group	Group	Group	Group
	1 Jul 19 to 30 Sep 19 (RMB'000)	1 Jul 18 to 30 Sep 18 (RMB'000)	1 Jan 19 to 30 Sep 19 (RMB'000)	1 Jan 18 to 30 Sep 18 (RMB'000)
<b>Cash flow from financing activities</b>				
Dividends paid to non-controlling interests	(4,669)	-	(9,423)	(2,641)
Interest paid	(37,838)	(47,265)	(62,407)	(63,472)
Decrease in cash pledged with bank	(4,366)	(52,993)	(4,059)	(43,479)
Proceeds from borrowings	632,010	1,342,315	1,629,185	1,587,315
(Payment for)/proceeds from finance leases	(6,320)	5,892	-	8,171
Repayment of lease liabilities	-	(8)	-	(910)
Repayment of borrowings	(1,102,667)	(1,010,269)	(1,515,600)	(1,290,869)
<b>Net cash (used in)/provided by financing activities</b>	<b>(523,850)</b>	<b>237,672</b>	<b>37,696</b>	<b>194,115</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>44,880</b>	<b>125,403</b>	<b>(29,175)</b>	<b>192,335</b>
<b>Cash and cash equivalents</b>				
Beginning of financial year	170,127	187,566	243,331	134,754
Effect of currency translation on cash and cash equivalents	(1,891)	9,165	(1,040)	(5,315)
<b>Cash and cash equivalents at end of the financial period</b>	<b>213,116</b>	<b>321,774</b>	<b>213,116</b>	<b>321,774</b>

Note B: Purchase of plant and equipment

During 3Q2019, the Group did not acquire property, plant and equipment. Cash payments amounting to nil (3Q2018: RMB255,000) were made to purchase property, plant and equipment.

**APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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-controlling interests (RMB'000)	Total equity (RMB'000)
<b>The Group</b>									
<b>Balance at 1 Jan 2019</b>	101,237	11,944	(3,664)	32,019	(20,736)	56,822	177,622	75,079	252,701
Profit for the period	-	-	-	-	-	18,025	18,025	4,113	22,138
Other comprehensive (loss)/income	-	-	-	-	(9,680)	-	(9,680)	(733)	(10,413)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(9,680)	18,025	8,345	3,380	11,725
Distributions to non-controlling interests	-	-	-	-	-	-	-	(4,754)	(4,754)
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	-	-	-	-	-	-
<b>Balance at 30 Jun 2019</b>	101,237	11,944	(3,664)	32,019	(30,416)	74,847	185,967	73,705	259,672
Profit for the period	-	-	-	-	-	8,649	8,649	1,637	10,286
Disposal of a subsidiary	-	-	3,664	-	-	-	3,664	(9,481)	(5,817)
Other comprehensive (loss)/income	-	-	-	-	(11,349)	-	(11,349)	(78)	(11,427)
<b>Total comprehensive (loss)/income for the period</b>	-	-	3,664	-	(11,349)	8,649	964	(7,922)	(6,958)
Distributions to non-controlling interests	-	-	-	-	-	-	-	(4,669)	(4,669)
<b>Balance at 30 Sep 2019</b>	101,237	11,944	-	32,019	(41,765)	83,496	186,931	61,114	248,045

**APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

<b>The Group</b>	<b>Share capital (RMB'000)</b>	<b>Capital reserve (RMB'000)</b>	<b>Merger reserve (RMB'000)</b>	<b>Statutory reserve (RMB'000)</b>	<b>Currency translation reserve (RMB'000)</b>	<b>Retained profits (RMB'000)</b>	<b>Equity attributable to owners of the Company (RMB'000)</b>	<b>Non-controlling interests (RMB'000)</b>	<b>Total equity (RMB'000)</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)/income	-	-	-	-	(126)	-	(126)	(991)	(1,117)
<b>Total comprehensive (loss)/income 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>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 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>
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
<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>

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

### Statement of Changes in Equity

	Share capi- tal (RMB'000)	Capital re- serve (RMB'000)	Currency translation reserve (RMB'000)	(Accumulated losses)/ re- tained 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	-	-	-	19,319	19,319
Other comprehensive income	-	-	1,950	-	1,950
Total comprehensive income for the period	-	-	1,950	19,319	21,269
<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>
Profit for the period	-	-	-	15,127	15,127
Other comprehensive income	-	-	1,585	-	1,585
Total comprehensive income for the period	-	-	1,585	15,127	16,712
<b>Balance at 30 Sep 2019</b>	<b>101,237</b>	<b>10,429</b>	<b>4,379</b>	<b>27,660</b>	<b>143,705</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 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>
Profit for the period	-	-	-	(2,939)	(2,939)
Other comprehensive income	-	-	4,744	-	4,744
Total comprehensive income 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>

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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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- 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 30 June 2019. As at 30 September 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 September 2019 (30 September 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 September 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 September 2019 (30 September 2018: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 September 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 September 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.

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

**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.**

	Third Quarter		Nine Months	
	1 Jul 2019 to 30 Sep 2019	1 Jul 2018 to 30 Sep 2018	1 Jan 2019 to 30 Sep 2019	1 Jan 2018 to 30 Sep 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)	3.03	1.80	9.34	9.22
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)	3.03	1.80	9.34	9.22
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 September 2019 and 2018 as the Company has no potential dilutive ordinary shares.

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

- 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 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Net asset value per share based on issued share capital (RMB cents)	65.46	62.20	50.32	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.

The Group	Third Quarter				Nine Months			
	1 Jul 19 to 30 Sep 19		1 Jul 18 to 30 Sep 18		1 Jan 19 to 30 Sep 19		1 Jan 18 to 30 Sep 18	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Ship-design service	84,254	63.70	90,175	66.80	256,771	65.20	273,884	64.10
Shipbuilding project services								
-project management	12,388	9.50	10,679	7.90	38,409	9.60	33,052	7.70
-project financing	34,690	26.20	32,982	24.40	95,691	24.30	90,694	21.20
Shipbuilding construction service	-	-	36	-	-	-	24,372	5.70
Finance lease income	260	0.20	1,161	0.90	2,556	0.70	3,780	0.90
Others	604	0.50	(204)	-	564	0.20	1,265	0.40
Total revenue	132,196	100.00	134,829	100.00	393,991	100.00	424,047	100.00

### Consolidated Statement of Comprehensive Income

#### Revenue

In 3Q2019, 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 RMB2.6 million or 2% to RMB132.2 million in 3Q2019 compared with 3Q2018. The decrease was attributed mainly to: (1) ship-design service income decreasing RMB5.9 million or 7% from RMB90.2 million to RMB84.3 million, and (2) finance lease income decreasing to RMB0.3 million this quarter as compared to RMB1.2 million in 3Q2018, following the completion of disposal of Group's 60% interest in AVIC Zhenjiang Shipyard Marine Pte Ltd ("the AZM Disposal"). Shipbuilding project management revenue increased RMB1.7 million or 16% to RMB12.4 million as compared to RMB10.7 million in 3Q2018, and Shipbuilding project financing revenue totalled RMB34.7 million as compared to RMB33.0 million in 3Q2018.

#### Cost of sales and gross profit

Cost of sales decreased RMB11.6 million or 21% to RMB42.8 million in 3Q2019, attributed mainly to the change in mix of ship-design contracts in this quarter. Gross profit increased 11% to RMB89.4 million in 3Q2019 mainly due to the revenue contribution from the high margin ship-design service.



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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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### Other income

Other income consisted mainly of interest income and government grants. Other income decreased by RMB2.5 million to RMB1.7 million in 3Q2019 mainly due to lower government grants received, which amounted to RMB1.9 million in 3Q2019 compared to RMB3.7 million in 3Q2018. Interest income increased from RMB0.2 million 3Q2018 to RMB0.5 million 3Q2019 due to higher interest rate provided by banks' deposit this year.

### Other (losses)/ gains - net

Other losses in 3Q2019 amounted to RMB2.2 million, compared to gains of RMB0.6 million in 3Q2018, attributed mainly to forex loss of RMB2.0 million in 3Q2019 (3Q2018: gain of RMB0.6 million), and RMB0.9 million loss on the AZM Disposal.

### Distribution and marketing expenses

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

Distribution and marketing expenses decreased RMB3.8 million, or 31%, due mainly to fewer business department headcount and a lower level of marketing activities in Shanghai this quarter as compared to the corresponding period of 2018.

### Administrative expenses

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

Administrative expenses increased RMB3.4 million or 9% to RMB39.4 million in 3Q2019 mainly due to increased investment in R&D.

The depreciation charge for plant and equipment amounted to RMB9.7 million in 3Q2019 was mainly due to the adoption of SFRS 16 Leases which increased the depreciation from right-of-use assets. Amortisation of intangible assets amounted to RMB4.0 million in 3Q2019, mainly arising from the amortisation of software, technical knowhow and brand name from Deltamarin Group.

### Finance expenses

Finance expenses comprised interest expenses on borrowings and finance charges. Finance expenses decreased 1% (or RMB0.3 million) to RMB26.0 million in 3Q2019.

### Share of results of associates

The share of profit from associates in 3Q2019 amounted to RMB0.05 million compared to RMB0.3 million in 3Q2018.

### Income tax expense

The operating subsidiaries in China and Finland are subject to income tax rates of 25% and 20% respectively. Income tax expense increased RMB2.2 million or 80% to RMB4.9 million in 3Q2019 due to higher profits before income tax recognised in 3Q2019 than in 3Q2018.

### 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 RMB11.2 million was recognised in 3Q2019 as compared to a loss of RMB6.2 million in 3Q2018.

### Profit/(loss) for the period

After taking into account income tax expense and non-controlling interests, net profit attributable to shareholders for 3Q2019 was RMB8.6 million, as compared to RMB5.2 million in 3Q2018.

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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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### Statement of Financial Position

#### Current assets

As at 30 September 2019, the Group's cash and cash equivalents amounted to RMB213.1 million, representing a decrease of RMB30.2 million from RMB243.3 million as at 31 December 2018 as more cash was used to finance working capital requirements. Cash pledged with banks increased to RMB17.3 million as at 30 September 2019 (31 December 2018: RMB13.3 million). The Company's cash and cash equivalents amounted to RMB64.1 million, representing an increase of RMB56.5 million from RMB7.6 million as at 31 December 2018 following receipt of the cash consideration and repayment of shareholder's loan on completion of the AZM Disposal.

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 decreased RMB216.8 million to RMB2,225.3 million as at 30 September 2019, mainly due to payment received arising from shipbuilding project financing provided to related party shipyards.

Finance lease receivables, arising from AZM's sale of tug boats under a finance lease agreement in FY2016, were derecognized as a result of the AZM Disposal.

Inventories declined to RMB0.3 million as at 30 September 2019 (31 December 2018: RMB156.5 million) due to the AZM Disposal.

#### 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 the new accounting policy under SFRS(I) 16. The increase in Group's property, plant and equipment to RMB55.3 million as at 30 September 2019 from RMB9.0 million as at 31 December 2018 was attributed mainly to accounting treatments 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 RMB70.9 million as at 30 September 2019, a decrease of RMB5.7 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 RMB113.3 million as at 30 September 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, arising from AZM's sale of tug boats under a finance lease agreement in FY2016, were derecognised as a result of the AZM Disposal.

#### 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 September 2019. Current portion of borrowings obtained to finance working capital requirements totalled RMB2,073.8 million as at 30 September 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 RMB197.3 million as at 30 September 2019 compared to RM296.4 million as at 31 December 2018. The decrease was 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 space rental and equipment leased within 12 months which amounted to RMB8.0 million as at 30 September 2019 after the adoption of SFRS(I) 16.

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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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Income tax payable decreased by RMB1.9 million from RMB21.8 million to RMB19.9 million as at 30 September 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 September 2019 due to the settlement of these contracts in 2Q2019 (31 December 2018: RMB24.8 million).

### Non-current liabilities

Long-term borrowings decreased RMB488.9 million to RMB99.4 million as at 30 September 2019 as a large portion of long-term loans were repaid and refinanced with short-term loans.

Lease liabilities, comprising office space rental and equipment leased that were more than 12 months away from expiry amounted to RMB41.7 million as at 30 September 2019 after the adoption of SFRS(I) 16 (31 December 2018: RMB1.1 million).

Deferred tax liabilities, amounting to RMB15.0 million, 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 September 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 September 2019, there was no movement.

### Currency translation reserve

The amount of currency translation reserve as at 30 September 2019 consisted of gain or loss that varied due to the functional currency of the Group's different business entities being translated into RMB as the presentation currency in consolidation. A negative RMB41.8 million currency translation reserve was recognised as at 30 September 2019 as compared to a negative RMB20.7 million recognised as at 31 December 2018.

### Retained profits/accumulated losses

Retained profits amounted to RMB83.5 million as at 30 September 2019, as compared to RMB56.8 million at 31 December 2018 as a result of the profit made in the first nine months of 2019.

### Consolidated cash flow statements

Net cash inflow from operating activities in 3Q2019 was RMB568.5 million compared to net cash outflow of RMB109.6 million in the corresponding quarter last year. The cash inflow was due to decrease in trade and other receivables as well as the reduction in inventories as a result of the AZM Disposal.

In 3Q2019, cashflow from investing activities was nil, compared to net cash outflow of RMB3.0 million in 3Q2018.

Net cash outflow from financing activities was RMB523.9 million, compared to cash inflow of RMB237.7 million in 3Q2018, and this outflow in 3Q2019 was mainly due to net reduction in borrowings.

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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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- 9**      **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast was given in our previous results announcements.

- 10**     **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The global new shipbuilding orders decreased by 51.10% year-on-year in the first nine months in 2019, due to the ensuing uncertainties in the world economy and shipowners taking time to evaluate their options in coping with the IMO2020 rules on sulphur emission. It is expected that the weak economic growth outlook globally and the trade tensions will continue to cause uncertainty in the shipbuilding market and to maritime businesses.

The Group maintains close collaboration with its partner shipyards on ship design and the provision of maritime management and consultancy services.

In October, Deltamarin has signed two design contracts with Merima Oy, a Finland-based company providing turnkey interior solutions for passenger vessels. The contracts cover HVAC and interior design for Merima's turnkey areas aboard the ferry newbuildings for Tallink and Kvarken Link. Together with several other major vessel design orders in its order book, Deltamarin will see high capacity utilization till 2021.

In August 2019, the Company announced that China Merchants Industry Investment Limited, a wholly-owned subsidiary of China Merchants Industry Holdings Co., Ltd, made a pre-conditional voluntary general offer for all the issued and paid-up ordinary shares in the capital of the Company. The formal offer will only be made if the pre-condition has been satisfied on or before 26 December 2019, or such other later date as the Securities Industry Council of Singapore may agree. The Company will keep the market updated on the progress of this matter.

- 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.

## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

- 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 September 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 transac- tions conducted under shareholders' mandate pursuant to Rule 920)</b>	<b>Aggregate value of all interested person transactions con- ducted under share- holders' mandate pur- suant to Rule 920 (ex- cluding transactions less than \$100,000)</b>
	(RMB'000)	(RMB'000)
	Note (A) and (B)	Note (A)
<b><u>1 Jul 2019 to 30 Sep 2019</u></b>		
<b>Transaction for Service fee income</b>		
AVIC Weihai Shipyard Co., Ltd		4,961
AVIC Dingheng Shipbuilding Co., Ltd	-	2,386
<b>Transaction for Financial service income</b>		
AVIC Weihai Shipyard Co., Ltd		5,152
AVIC Dingheng Shipbuilding Co., Ltd	-	16,874
<b>Transaction for Ship-designing fee income</b>		
AVIC Weihai Shipyard Co., Ltd		4,708
AVIC Dingheng Shipbuilding Co., Ltd	-	1,616
<b>Balance for Provision of financial assistance</b>		
AVIC Weihai Shipyard Co., Ltd		769,800
AVIC Dingheng Shipbuilding Co., Ltd	-	1,309,719
<b>Transaction for Deposit Service</b>		
AVIC Finance Co., Ltd.	-	301,919
<b>Transaction for Interest expense</b>		
Catic International Finance Ltd	-	5,996
<b>Transaction for property management fees</b>		
AVIC Property Management Co., Ltd.		224
<b>Balance for Receipt of financial assistance</b>		
Catic International Finance Ltd	-	-
AVIC International Holdings Corporation	-	939,499
<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

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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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**Transaction for Financial service income**

AVIC Weihai Shipyard Co., Ltd		12,787
AVIC Dingheng Shipbuilding Co., Ltd	-	20,161

**Transaction for Ship-designing fee income**

AVIC Weihai Shipyard Co., Ltd		818
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**Balance for Provision of financial assistance**

AVIC Weihai Shipyard Co., Ltd		884,000
AVIC Dingheng Shipbuilding Co., Ltd	-	1,433,113

**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.	-	228
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**1 Jan 2019 to 30 Sep 2019**

**Transaction for Service fee income**

AVIC Weihai Shipyard Co., Ltd		16,968
AVIC Dingheng Shipbuilding Co., Ltd	-	16,704

**Transaction for Financial service income**

AVIC Weihai Shipyard Co., Ltd		29,576
AVIC Dingheng Shipbuilding Co., Ltd	-	57,138

**Transaction for Ship-designing fee income**

AVIC Weihai Shipyard Co., Ltd		9,498
AVIC Dingheng Shipbuilding Co., Ltd	-	4,500

**Balance for Provision of financial assistance**

AVIC Weihai Shipyard Co., Ltd		769,800
AVIC Dingheng Shipbuilding Co., Ltd	-	1,309,719

**Transaction for Deposit Service**

AVIC Finance Co., Ltd.	-	570,479
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**Transaction for Interest expense**

Catic International Finance Ltd	-	19,045
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**Transaction for property management fees**

AVIC Property Management Co., Ltd.		920
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**Balance for Receipt of financial assistance**

Catic International Finance Ltd	-	-
AVIC International Holdings Corporation	-	939,499

**1 Jan 2018 to 30 Sep 2018**

**Transaction for Service fee income**

AVIC Weihai Shipyard Co., Ltd		13,612
AVIC Dingheng Shipbuilding Co., Ltd	-	19,657

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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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**Transaction for Financial service income**

AVIC Weihai Shipyard Co., Ltd		37,945
AVIC Dingheng Shipbuilding Co., Ltd	-	52,184

**Transaction for Ship-designing fee income**

AVIC Weihai Shipyard Co., Ltd		15,301
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**Balance for Provision of financial assistance**

AVIC Weihai Shipyard Co., Ltd		884,000
AVIC Dingheng Shipbuilding Co., Ltd	-	1,433,113

**Transaction for Deposit Service**

AVIC Finance Co., Ltd.	-	83,600
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**Transaction for Rental expense**

China National Aero-Technology Shanghai Co., Ltd	-	652
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**Transaction for Property management fee**

AVIC Property Management Co., Ltd.	-	926
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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.

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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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### 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 September 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 September 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 nine months ended 30 September 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 third quarter ended 30 September 2019 to be false or misleading in any material aspect.

### On behalf of the Board of Directors

Dr Diao Weicheng  
Executive Chairman  
8 November 2019



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## APPENDIX 7 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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.*

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