

CIRCULAR DATED 10 DECEMBER 2012

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your shares in the capital of AVIC International Investments Limited (the “**Company**”), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form 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.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



AVIC INTERNATIONAL INVESTMENTS LIMITED

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

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF DELTAMARIN OY

IMPORTANT DATES AND TIMES:

- | | |
|--|--|
| Last date and time for lodgement of Proxy Form | : 24 December 2012 at 3.00 p.m. |
| Date and time of Extraordinary General Meeting | : 26 December 2012 at 3.00 p.m. |
| Place of Extraordinary General Meeting | : Novotel Singapore Clarke Quay, Paprika Room,
Level 5, 177A River Valley Road,
Singapore 179031 |

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DEFINITIONS

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

- “Act” or “Companies Act”** : The Companies Act (Chapter 50) of Singapore, as amended, modified or re-enacted from time to time
- “Active Vendors”** : All of the Vendors save for Mr. Jukka Laiterä and Mr. Juha Hanhinen and reference to an **“Active Vendor”** shall refer to each or any one of them, as the case may be
- “Active Vendors’ Warranties”** : Has the meaning ascribed to it in Section 3.6 of this Circular
- “Aggregate Consideration”** : The aggregate consideration payable for the Proposed Acquisition, being €32,109,348.00, comprising both the Cash Consideration and the Share Consideration
- “AVIC”** : Aviation Industry Corporation of China (中国航空工业集团公司)
- “AVIC Group”** : AVIC, its subsidiaries and associates
- “AVIC International”** : AVIC International Holding Corporation (中国航空技术国际控股有限公司)
- “AVIC International Shenzhen”** : AVIC International Shenzhen Company Limited (中国航空技术深圳有限公司)
- “AVIC International Beijing”** : AVIC International Beijing Co., Ltd. (中国航空技术北京有限公司)
- “AVIC Kairong”** : AVIC International Kairong Limited (中航国际凯融有限公司)
- “Acquisition of Weihai Shipyard”** : Has the meaning ascribed to it in Section 3.10 of this Circular
- “Board”** : The board of Directors of the Company as of the Latest Practicable Date
- “Business Day”** : Any day when banks are generally open for business in the People’s Republic of China, Finland and Singapore, except for Saturdays, Sundays or gazetted public holidays
- “Bank Loan”** : Has the meaning ascribed to it in Section 6 of this Circular
- “CATIC Shenzhen”** : CATIC Shenzhen Holdings Limited (深圳中航集团股份有限公司)
- “Cash Consideration”** : The total amount of €25,980,233.00 of consideration to be paid in cash to the Vendors on the Completion in such proportion as set out in Appendix I of this Circular (being the aggregate amount equal to the sum of the Columns 3(b) and 3(c) of Appendix I) (subject to any adjustments to be agreed as set out in the Sale and Purchase Agreement)
- “CSC”** : CSC-IT Centre for Science
- “CDP”** : The Central Depository (Pte) Limited

DEFINITIONS

“CEO”	: Chief Executive Officer
“CERN”	: The European Organization for Nuclear Research
“Circular”	: This Circular dated 10 December 2012
“Conditions Precedent”	: Has the meaning ascribed to it in Section 3.4 of this Circular
“Completion”	: The completion of the Proposed Acquisition in accordance with the Sale and Purchase Agreement
“Completion Date”	: Has the meaning ascribed to it in Section 3.5 of this Circular
“Companies Act”	: The Companies Act, Chapter 50, of Singapore, as amended, supplemented or modified from time to time
“Deltamarin”	: Deltamarin Oy (Business Identity Code 1704468-3), a limited liability company incorporated and existing under the laws of Finland, and having its registered office in Raisio, Finland, at Purokatu 1
“Deltamarin Group”	: Deltamarin and its subsidiaries collectively and reference to a “ Deltamarin Group Company(ies) ” shall refer to such company or companies in the Deltamarin Group, as the case may be
“Deltamarin Sale Shares”	: An aggregate of 4,650 issued and registered shares in Deltamarin currently owned by the Vendors in such proportion as set out in Appendix I, representing 100% of the issued and paid-up share capital of Deltamarin (excluding some 200 shares held in treasury by Deltamarin), and in relation to a Vendor, such number of ordinary shares in the Deltamarin to be sold by him/her as set out opposite his/her name in column 4(a) of Appendix I
“Directors”	: Directors of the Company as of the Latest Practicable Date, and a “ Director ” shall refer to each of such Directors
“Due Diligence Exercise”	: Has the meaning ascribed to it in Section 3.2.3 of this Circular
“EBITDA”	: Earnings before interest, tax, depreciation and amortization
“EGM”	: The extraordinary general meeting of the Company to be held on 26 December 2012 at 3.00 p.m. at Novotel Singapore Clarke Quay, Paprika Room, Level 5, 177A River Valley Road, Singapore 179031 (or any adjournment thereof), for the purpose of seeking the Shareholders’ approval for the Proposed Acquisition, notice of which is set out on Page 35 of this Circular
“Encumbrance”	: Any security right or encumbrance of any kind, including without limitation any mortgage, charge, pledge, lien, right of pre-emption, right of first refusal, option, retention of title and right of set-off
“EPS”	: Earnings per share

DEFINITIONS

- “Escrow Agreement”** : An escrow agreement substantially in the form attached to the Sale and Purchase Agreement to be entered into by and between the Vendors, the Company and the escrow agent
- “Escrow Account”** : A separate interest-bearing deposit account established by the Vendors and maintained by the designated escrow agent for the purpose of holding the Escrow Amount and accrued interest as security for the Vendors’ obligations under the Sale and Purchase Agreement to be retained in accordance with the terms of the Sale and Purchase Agreement and the Escrow Agreement
- “Escrow Amount”** : €500,000.00
- “FY”** : Financial year ended or ending 31 December (as the case may be) unless otherwise specified
- “Group”** : The Company and its subsidiaries, and a **“Group Company”** shall refer to any one of them
- “Hold Co”** : A limited liability company which is incorporated under the Laws of Singapore and which is wholly-owned by the Company and will immediately after Completion own approximately 79.57% of the issued and paid up share capital of Singapore JV Entity
- “Issue of New Shares in Singapore JV Entity”** : Has the meaning ascribed to it in Section 3.1.6 of this Circular
- “Incorporation of Lux Co”** : Has the meaning ascribed to it in Section 3.1.4 of this Circular
- “Latest Practicable Date”** : 3 December 2012, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
- “Long-Stop Date”** : 10 January 2013, being the date falling ninety (90) days after the date of signing of the Sale and Purchase Agreement on 12 October 2012
- “Lux Co”** : A limited liability company which is to be incorporated under the laws of Luxembourg and which will be wholly-owned by Singapore JV Entity
- “M&C Services”** : The Project management and consultancy services including ship design, construction (both of which are out-sourced to third parties), procurement, newbuilding management and marine finance arrangement
- “Non-Active Vendors”** : Mr. Jukka Laiterä and Mr. Juha Hanhinen and reference to a **“Non-Active Vendor”** shall refer to each or any one of them, as the case may be
- “Notice of EGM”** : The notice of EGM as set out on page 35 of this Circular

DEFINITIONS

“NTA”	: Net tangible assets
“Other Shareholders”	: Other shareholders of the other companies/entities in which any of the Deltamarin Group companies has a direct or indirect interest, a list of which and the details of their equity interest in the respective companies have been set out in Appendix II of this Circular
“Personnel Transfer”	: Has the meaning ascribed to it in Section 3.10 of this Circular
“PRC”	: The People’s Republic of China
“Proposed Acquisition”	: Has the meaning ascribed to it in Section 1.1 of this Circular
“Proxy Form”	: The proxy form in respect of the EGM as set out in this Circular
“Re-Investing Vendor”	: A Vendor identified as a Re-Investing Vendor in Appendix I of this Circular
“Restructuring Plan”	: Has the meaning ascribed to it in Section 3.1.6 of this Circular
“RMB”	: Renminbi, being the lawful currency of the PRC
“Sale and Purchase Agreement”	: The conditional share sale and purchase agreement dated 12 October 2012 and entered into between the Company as purchaser and each of the Vendors, in relation to the Proposed Acquisition
“Shandong Deltamarin”	: Shandong Deltamarin Marine Engineering Co., Ltd.(山东德他马林海事工程有限公司), with each of Deltamarin and Shandong New Shipbuilding (an indirect subsidiary of AVIC International Beijing) holding 50% of its equity interest respectively. Further information on Shandong Deltamarin is set out in Section 3.10 of this Circular
“Shandong New Shipbuilding”	: Shandong New Shipbuilding Heavy Industries Co., Ltd.(山东新船重工有限公司), a direct wholly-owned subsidiary of Weihai Shipyard
“SGX-ST”	: The Singapore Exchange Securities Trading Limited
“Shares”	: The ordinary shares in the share capital of the Company
“Share Consideration”	: The total number of ordinary shares in Singapore JV Entity to be issued and allotted to the Re-Investing Vendors, and in relation to a Re-Investing Vendor, such number of ordinary shares in Singapore JV Entity as set out opposite his/her name in column 4(b) of Appendix I as consideration for such number of Deltamarin Sale Shares to be sold by him/her
“Shareholders”	: Registered holders for the time being of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register

DEFINITIONS

- “Shareholders’ Agreement”** : The shareholders’ agreement substantially in the form attached to the Sale and Purchase Agreement to be entered into by and between the Vendors and Hold Co relating to the ownership, management, operations and affairs of Singapore JV Entity
- “Singapore JV Entity”** : A limited liability company which is to be incorporated under the Laws of Singapore and which will immediately before Completion be directly wholly-owned by Hold Co and will directly own the entire issued and outstanding share capital of Lux Co
- “Specific Losses”** : Has the meaning ascribed to it in Section 3.3 of this Circular
- “Substantial Shareholders”** : Persons who each hold directly or indirectly 5 per cent. or more of the total issued share capital of the Company
- “Weihai Shipyard”** : AVIC Weihai Shipyard Co., Ltd. (中航威海船厂有限公司), previously known as Shandong Weiahi Shipyard (山东威海船厂), with approximately 70% of its equity interest directly owned by AVIC International Beijing and the remaining directly owned by Weihai City State-owned Assets Management Committee (威海市国有资产管理委员会), which is a non-related third party
- “Vendors”** : The vendors of the Deltamarin Sale Shares, being such persons as set out and listed in Column 1 of Appendix I
- “%” or “per cent.”** : Per centum or percentage
- “€” or “Euro”** : Euro, being the lawful currency of the member states of the European Union that adopt the single currency in accordance with the relevant EC treaties

The terms **“Depositor”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

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 and vice versa, and words importing persons shall include corporations.

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 or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the said Companies Act or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

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

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures may have been adjusted to ensure that totals reflect an arithmetic aggregation of the figures that precede them.

DEFINITIONS

Unless otherwise stated, all amounts converted from:

- (a) € into S\$ in this Circular shall be based on an indicative exchange rate of €1.00: S\$1.58228;
- (b) RMB into S\$ in this Circular shall be based on an indicative exchange rate of RMB1.00: S\$0.195798; and
- (c) € into RMB in this Circular shall be based on an indicative exchange rate of €1.00: RMB8.163265

determined as at 11 October 2012, being the last market day preceding the date on which the Sale and Purchase Agreement was signed, and with such exchange rate as extracted from the official website of the Bank of China.

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”, “if”, “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 statement.

LETTER TO SHAREHOLDERS

AVIC INTERNATIONAL INVESTMENTS LIMITED

(Incorporated in the Republic of Singapore)
(Company registration no. 201024137N)

Directors:

Dr Diao Weicheng (Executive Chairman and Interim CEO)
Mr Li Jin (Non-Executive Deputy Chairman)
Mr Xiao Zheng (Executive Director and Chief Financial Officer)
Ms Chen Xiaohong (Executive Director)
Mr Wu Weidong (Executive Director)
Mr Li Wei (Executive Director)
Mr Teng Cheong Kwee (Lead Independent Director)
Mr Chong Teck Sin (Independent Director)
Ms Alice Lai Kuen Kan (Independent Director)

Registered Office:

10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

10 December 2012

To: The Shareholders of AVIC International Investments Limited

Dear Sir/Madam

THE PROPOSED ACQUISITION OF DELTAMARIN**1. INTRODUCTION**

- 1.1. The Company announced on 12 October 2012 that the Company has entered into the Sale and Purchase Agreement dated 12 October 2012 with the Vendors pursuant to which the Company has agreed to acquire the Deltamarin Sale Shares from the Vendors for an aggregate consideration ("**Aggregate Consideration**") of €32,109,348.00 (equivalent to approximately S\$50,805,979.00) on such terms and subject to the conditions of the Sale and Purchase Agreement, the key terms of which are summarised in this Circular (the "**Proposed Acquisition**").
- 1.2. As the relative figures computed under Rule 1006(c) of the Listing Manual exceed 20%, the Proposed Acquisition constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the Shareholders. For more information, please refer to Section 8 of this Circular.
- 1.3. The purpose of this Circular is to provide Shareholders with the relevant information relating to the Proposed Acquisition, including its rationale and the financial effects on the Group, and to seek Shareholders' approval at the EGM for the Proposed Acquisition, the notice of which is set out on Page 35 of this Circular.
- 1.4. Shareholders are advised to read this Circular in its entirety, including the "Rationale for the Proposed Acquisition" as set out in Section 4 of this Circular and "Risk Factors" as set out in Section 5 of this Circular.

2. INFORMATION ON DELTAMARIN

The information in this Paragraph 2 in relation to Deltamarin was provided by the Vendors and/or extracted from publicly available information on the website of Deltamarin at <http://www.deltamarin.com/main.php>.

LETTER TO SHAREHOLDERS

- 2.1. **General.** Deltamarin is a limited liability company incorporated in Finland, with its principal place of business situated at Purokatu 1, FI-21200 Raisio, Finland. The Deltamarin Group has more than 400 personnel, where some 250 of them are employed in Finland. Over the years since its establishment in 1984, the Deltamarin Group has handled more than 5,000 complex marine and offshore projects, which include but not limited to floating production storage and offloading, extended well testing unit, floating storage and offloading as well as special vessels such as drill ship, derrick pipe-lay vessel, semi-submersible, heavy-lift vessels and ice/arctic vessels. Please visit the following link for further details: <http://www.deltamarin.com/references/25>.

The board of directors of Deltamarin comprises five members, including Messrs Jari Nurmi (chairman of the board), Rami Hirsimäki, Jukka Nyrölä, Jarmo Valtonen and Markku Kanerva, all of whom have extensive experience and knowledge in the industry of naval architecture and engineering.

2.2. Business and Management

2.2.1. Business.

Deltamarin provides design, engineering and contracting services for offshore, shipping, shipbuilding, naval and marine industries. Specifically, the company specialises in the following areas:

- (a) consulting, design and engineering from specific small tasks to complete engineering packages, project concept development and contracting;
- (b) project management including planning and procurement handling as well as operation support are covered. Focused training in vessel and marine systems and operation is offered; and
- (c) life-cycle engineering for all types of vessels and offshore structures with all disciplines and engineering fields.

Deltamarin's products and services include concept development, engineering and construction management, operation support and contracting services. Its customers include shipyards, offshore companies, ship owners and operators, and suppliers of marine equipment, system and services.

2.2.2. Key Management.

Deltamarin's management team possesses substantial experience in the industry of naval architecture and engineering. The working and business experience of the key executives of Deltamarin is as follows:

Mr Mika Laurilehto (48) serves as the managing director mainly responsible for the business development and daily operations of Deltamarin. Mr Laurilehto has been with Deltamarin since 2005 and was appointed to the position of the managing director since 2006. He has extensive experience of 20 years in the relevant field and his previous working experience includes but not limited to working as the vice president for ALMACO Group's project management and taking various management positions both in operative project management, application and business development duties for Wärtsilä. Mr Laurilehto holds a Master Degree of Science in Naval Architect from Helsinki University of Technology.

Ms Ulla Hagström (50) has been working as the finance manager of Deltamarin since 2003. She has 25 years of experience in the relevant field. Before joining Deltamarin, Ms Hagström worked as the finance manager for both Kemira and MacGREGOR Finland. Ms Hagström holds a Master Degree of Science in Economics from Aalto University School of Economics (previously known as Helsinki School of Economics).

LETTER TO SHAREHOLDERS

Mr Timo Nurmi (55) is the manager of project management of Deltamarin whose primary responsibilities include the overall project management and operations. With over 30 years of experience in project management, Mr Nurmi has been working in Deltamarin since 1989. Prior to joining Deltamarin, he worked for Wärtsilä. Mr Nurmi holds a Master Degree of Science in Mechanical Engineering from Tampere University of Technology.

Mr Jari Nurmi (55) is the director of process development of Deltamarin. In addition, he also serves as the chairman of the board of directors of Deltamarin (as disclosed in Section 2.1 of the Circular), and the deputy managing director of the Company. Mr Nurmi has been with Deltamarin since its establishment in 1984 and he has assumed various responsibilities in Deltamarin prior to the promotion to his current position. Mr Nurmi holds a Master Degree of Science in Mechanical and Electrical Engineering from Tampere University of Technology.

Mr Veijo Tuominen (47) is the manager of human resources of Deltamarin. He has been working for Deltamarin since 1996. Mr Tuominen has a total of 15 years of working experience in the relevant industry and he has worked as a human resource and quality assurance manager since 2004. Before these tasks, he worked on several projects taking supervising role. Mr Tuominen obtained a Bachelor Degree of Science in Mechanics and a Master Degree of Science in Economy from Technical Institute of Turku and University of Turku respectively.

Mr Lars-Johan Rehn (48) is the chief information officer of Deltamarin. He has been with Deltamarin since 2006 and was appointed to assume the role of the chief information officer in 2008. His previous work experience includes being a cofounder and sales director at software company Kronodoc, and being a fellow at CERN and working for CSC's Information Technology Center for Science. Mr Rehn holds a Master Degree of Science in Mechanical Engineering from Helsinki University of Technology.

Mr Jarmo Tuhkanen (57) is the director of administration of Deltamarin and he has been working for Deltamarin since 2007. Prior to joining Deltamarin, he worked for MacGregor, Amer Sports Corporation, Outokumpu, and Pricewaterhousecoopers in roles varying from auditing to administrative and corporate planning. Mr Tuhkanen obtained a Degree of Master of Laws from University of Helsinki.

Mr Vesa Hamarila (59) is the manager of concept development of Deltamarin. He has been working for Deltamarin since 1999 and has been managing numerous projects on concept development. Mr Hamarila has been with the relevant industry for over 30 years. Before joining Deltamarin, he worked for companies such as Kvaerner, PI-Consulting, and Wärtsilä. Mr Hamarila holds a Master Degree of Science in Naval Architect from Helsinki University of Technology.

- 2.3. **Share Capital.** As at the Latest Practicable Date, Deltamarin has an authorised share capital of €1,000,000.00 and an issued and paid-up share capital of €824,500.00. The total number of the registered shares, including 200 shares held in treasury by Deltamarin, is 4,850. There are a total of 4,650 issued and paid up shares owned by the Vendors, which collectively form the Deltamarin Sale Shares. These shares represent 100% of the issued share capital of Deltamarin, save for the 200 shares which are held in treasury.

LETTER TO SHAREHOLDERS

2.4. **Key Subsidiaries.** The list of Deltamarin Group Companies and other affiliated companies or entities, their places of incorporation, authorised share capital and scope of business are as follow:

No	Name	Place of incorporation (year of incorporation)	% of the equity interest owned by Deltamarin	Key Business Scope
Subsidiaries (wholly-owned by Deltamarin)				
1	Deltamarin Sp. z o.o.	Gdynia, Poland (2008)	100%	Building of ships and other floating constructions; repair and maintenance of ships and boats; works connected with building water engineering facilities; manufacturing of structural and other fabricated metal products; general mechanical engineering; agents involved in the sale of machinery, industrial equipment, ships and aircraft; wholesale of machinery, equipment and additional research and development; architecture and engineering activities and technical consultancy within this scope
2	Deltamarin (China) Co., Ltd.	Shanghai, China (2011)	100%	Oceanengineering information consulting; supply chain management information consulting; energy management and environmental information consulting; lifecycle and investment information consulting and relevant technical services
3	Kiinteistö Oy Pilotitie	Raisio, Finland (2002)	100%	Dormant
4	Deltamarin Brasil Consultoria e projetos Ltda	Rio de Janeiro, Brasil (2012)	100% (99% Direct, 1% through Kiinteistö Oy Pilotitie)	Engineering services and design services related to technical architecture and engineering
5	Delta-Eesti Oü	Tallinn, Estonia (2004)	100%	Dormant
Other companies/entities in which any of the Deltamarin Group Companies has a direct or indirect interest ⁽¹⁾				
6	Brodoplan d.o.o.	Rijeka, Croatia (1998)	50%	Purchase and sale of goods; commercial mediation on the domestic and foreign market; framing and devising the ground-plans (drafting buildings); supervising the construction; engineering, project management and technical activities; representation of foreign firms
7	Shandong Deltamarin Marine Engineering Co., Ltd.	Weihai, Shandong Province, China (2007)	50%	To provide technical and engineering services and to make technological transfers in marine field
8	Offshore Technology Center Oy	Ulvila, Finland (2006)	9.8%	To arrange special education for offshore, oil and gas industry as well as marine technology sector and, furthermore, to provide, carry out and co-ordinate research and expertise services for those sectors. The company is allowed to own real property, shares and other securities as well as act as a silent partner in a limited partnership company.

LETTER TO SHAREHOLDERS

No	Name	Place of incorporation (year of incorporation)	% of the equity interest owned by Deltamarin	Key Business Scope
9	Elomatic Oy	Turku, Finland (1983)	0.01%	To provide consulting and engineering services to process, mechanical and other industry sectors investments and to their lifecycle maintenance. To engineer, supervise and install machines, devices, constructions and systems as well as purchase equipment related to the industry sector aforesaid. Software and system development and related services as well as sale and leasing of IT hardware. To provide administrative and financing services to the Group. The company can for its own business purposes also own real property and securities and shares of the domestic and foreign companies from the same industry.
10	V. Delta Limited	England, United Kingdom' (2007)	50%	To provide ship conversions to clients ranging from feasibility studies to turn-key contracts, including project management, engineering, procurement, construction supervision and logistics.
11	GPS Deltamarin (M) SDN.BHD.	Malaysia (2008)	49%	Technical service company

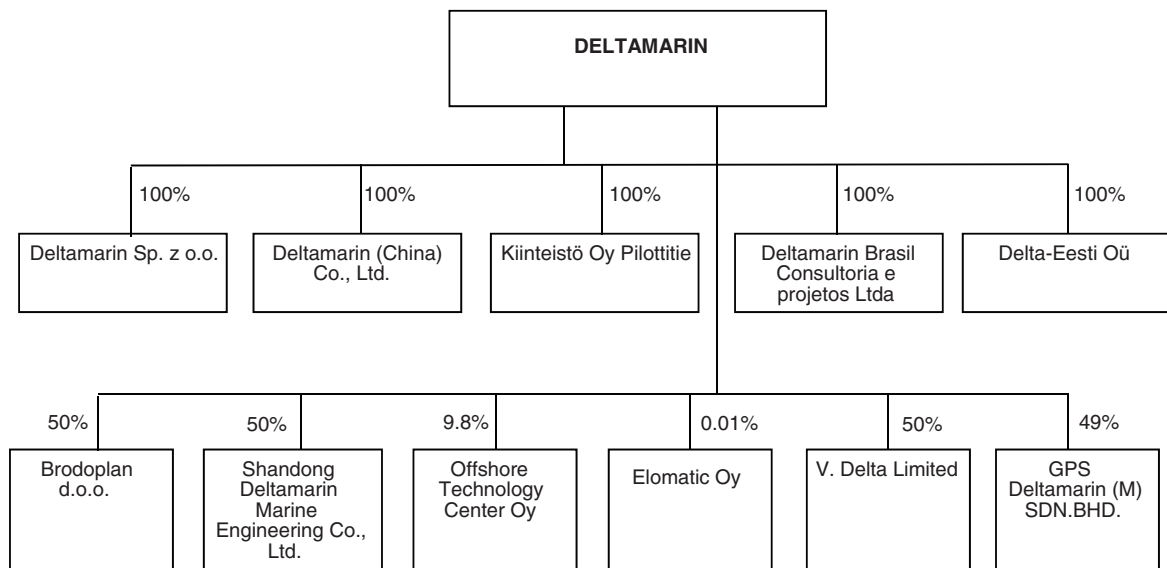
Note:

- (1) Information of the other shareholders (“**Other Shareholders**”) of the other companies/entities in which any of the Deltamarin Group Companies has a direct or indirect interest have been included in the Appendix II of this Circular. In addition, information of the same has also been included in Appendix B of the Sale and Purchase Agreement, which is available for public inspection as disclosed in Section 15 of this Circular.

Save for Shandong New Shipbuilding, which is an indirect subsidiary of AVIC International Beijing (the Company's indirect majority shareholder), all the Other Shareholders are non-related third parties.

Please refer to Section 3.10 of the Circular for further information on Shandong New Shipbuilding.

The corporate structure of Deltamarin Group is set out below:



LETTER TO SHAREHOLDERS

2.5. **Summary of Financial Information.** The audited consolidated income statement of Deltamarin for the last three calendar years ended 31 December 2009 (“**FY2009**”), 31 December 2010 (“**FY2010**”) and 31 December 2011 (“**FY2011**”) and the consolidated balance sheet as at 31 December 2011 are set out below. The financial figures have been prepared in accordance with the generally accepted accounting principles in Finland.

(a) Summary of Consolidated Income Statement

(€' Million)	← Audited →		
	FY2009	FY2010	FY2011 ⁽¹⁾
Net sales	26.8	29.1	22.4
Gross profit	8.9	10.3	7.0
EBITDA	2.1	3.4	(1.1)
Profit/(Loss) before tax	1.4	3.1	(1.2)
Profit/(Loss) after tax attributable to shareholders	0.8	2.4	(1.2)

Note:

(1) The decrease in net sales in FY2011 compared to FY2010 was mainly due to the stagnant market in the overall shipping industry and severe price competition. In addition, there was a one-off project generated sales amounting to approximately €7.0 million in FY2010. Generally speaking, the sizes of the projects are relatively smaller in FY2011 compared to those of FY2010 due to a global downturn of the shipping industry.

The loss for FY2011 was mainly due to (i) the decrease in net sales, (ii) fixed costs such as personnel expenses did not decrease corresponding to the decrease in net sales, and (iii) costs overrun for projects during start-up phase in FY2011.

(b) Summary of Consolidated Balance Sheet

(€' Million)	← Audited →	
	As at 31 December 2011	
Non-current assets	1.2	
Current assets	9.6	
Non-current liabilities	0.0	
Current liabilities	4.3	
Net assets	6.5	

Based on the audited results of FY2011, the net book value and the net tangible asset value of Deltamarin are approximately €6,445,000.00 and €6,037,000.00 respectively.

(c) Summary of Cash Flow Statement

€'000	FY2011
Net profit (loss)	(1,211)
Adjustments for:	
Share of associated companies' net income	(3)
Depreciation	302
Change in deferred tax liability	1
Change in net working capital	(2,251)
Cash flow from operating activities⁽¹⁾	(3,162)
Investing activities	
Investments in capital assets	(295)
Sales of shares in associated companies	-
Cash flow from investing activities	(295)

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€'000	FY2011
Cash flow before financing activities	(3,457)
Financing activities	
Other investments	1,500
Dividends	(903)
Other financial items	(80)
Cash flow from financing activities	<u>517</u>
Net decrease in cash and bank	(2,940)
Cash and bank at the beginning of the year	5,837
Cash and bank at the end of the year	<u><u>2,897</u></u>

Note:

- (1) The negative operating cash flow was mainly due to (i) net loss of €1.20 million in FY2011, and (ii) increase in net working capital amounting to €2.30 million as a result of launching new products, which tied up more working capital upfront at designing stage.

- 2.6. **Information on the Vendors.** The Vendors comprise both Active Vendors and Non-Active Vendors, all of whom are the shareholders of Deltamarin collectively holding the entire issued and paid-up share capital of Deltamarin, except for 200 shares held in treasury by Deltamarin. The Active Vendors are involved in the operations and management of Deltamarin while the Non-Active Vendors are treated as passive investors in Deltamarin. As further described in Section 3 of this Circular, some of the Active Vendors will be reinvesting in the business of the Deltamarin Group by acquiring shareholding interest in Singapore JV Entity.

Please refer to Appendix I of this Circular for further information on the Vendors.

None of the Vendors is related, direct or indirect, to the Company, its directors, chief executive officer, controlling shareholder and/or their associates.

3. THE PROPOSED ACQUISITION

- 3.1. **Proposed Acquisition.** The Company proposes to acquire the Deltamarin Sale Shares from the Vendors for the Aggregate Consideration of €32,109,348.00. The Proposed Acquisition shall be carried out by effecting the restructuring plan in the manner described below:

3.1.1. **Hold Co.** The Company has incorporated a wholly-owned subsidiary, Hold Co, in accordance with the Companies Act with an initial issued and paid-up share capital of €1.00 comprising one share directly held by the Company.

3.1.2. **Singapore JV Entity.** Hold Co shall incorporate a special purpose vehicle, Singapore JV Entity, in accordance with the Companies Act with an initial issued and paid-up share capital of €1.00 comprising one share directly held by Hold Co.

3.1.3. **First Round Capital Injection.** Upon successful incorporation of both Hold Co and Singapore JV Entity, the Company will inject an additional cash of €14,048.00 (“**Additional Capital Round I**”) as further capital into Hold Co to subscribe for 14,048 new shares of Hold Co at €1.00 per share. Hold Co will then inject the sum of €14,047.16 out of the Additional Capital Round I to subscribe for two new shares in Singapore JV Entity at approximately €7,023.58 per share (collectively known as “**First Round Capital Injection**”). Upon completion of the First Round Capital Injection, (i) Hold Co will have an issued and paid-up share capital of €14,049.00, comprising 14,049 shares entirely owned by the Company, and (ii) Singapore JV Entity will have an issued and paid-up share capital of €14,048.16, comprising three shares entirely owned by Hold Co.

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3.1.4. **Lux Co.** Singapore JV Entity shall incorporate a company under the laws of Luxembourg with an initial issued and paid-up share capital of €12,500.00 comprising 12,500 shares at €1.00 each directly held by Singapore JV Entity ("**Incorporation of Lux Co**")¹.

3.1.5. **Second Round Capital Injection.**

Immediately after the Incorporation of Lux Co, pursuant to the Sale and Purchase Agreement, the Company shall invest an additional cash of €25,966,185.00 for 25,966,185 new shares at €1.00 each in Hold Co ("**Additional Capital Round II**"). Thereafter, Hold Co shall invest the entire sum out of Additional Capital Round II in the Singapore JV Entity in exchange for 3,697 new shares in the Singapore JV Entity at approximately €7,023.58 each. Subsequently, Singapore JV Entity shall further invest a sum of €25,967,733.00 in Lux Co by subscribing for 25,967,733 shares at €1.00 each in Lux Co (collectively known as "**Second Round Capital Injection**"). Upon completion of the Second Round Capital Injection, (i) Hold Co will have an issued and paid-up share capital of €25,980,234.00, comprising 25,980,234 shares, (ii) Singapore JV Entity will have an issued and paid-up share capital of €25,980,233.16, comprising 3,700 shares, and (iii) Lux Co will have an issued and paid-up share capital of €25,980,233.00, comprising 25,980,233 shares.

3.1.6. **Acquisition of Deltamarin.**

In accordance with the Sale and Purchase Agreement, the Sale Shares will be transferred from the Vendors to Lux Co at the Aggregate Consideration, pursuant to which €25,980,233.00 out of the Aggregate Consideration will be satisfied in cash payable by the Lux Co and the remaining sum of €6,129,115.00 will be satisfied by the allotment and issue of an aggregate of 950 shares in Singapore JV Entity at €6,451.70 each (amounting to 20.43% of the enlarged issued share capital of Singapore JV Entity), credited as fully paid, at the direction of Lux Co, to the Re-Investing Vendors in the proportions set out in Column 4(b) of Appendix I to this Circular ("**Issue of New Shares in Singapore JV Entity**"). In consideration of the Issue of New Shares in Singapore JV Entity, Lux Co shall allot and issue an aggregate of 6,129,115 new shares at €1.00 each in its share capital, credited as fully paid, to Singapore JV Entity, as the full and final settlement.

(items 3.1.1. to 3.1.6. are collectively known as "**Restructuring Plan**")

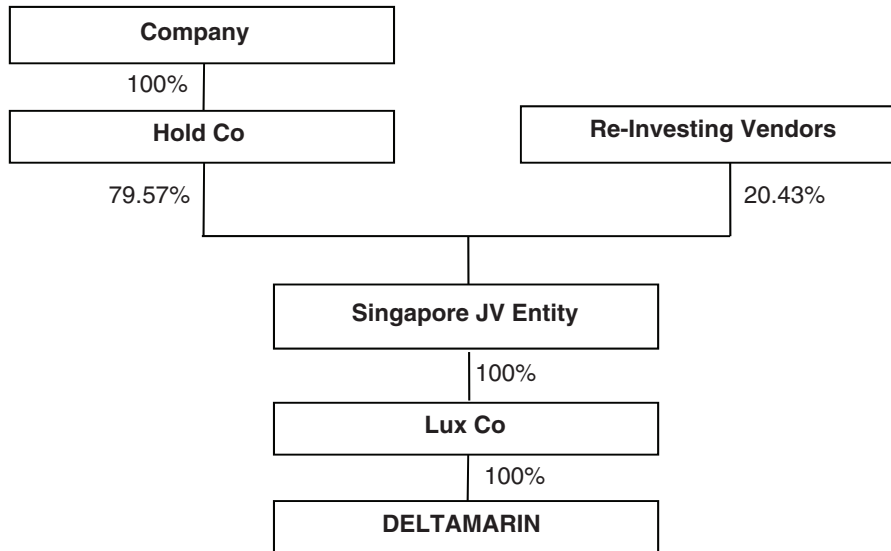
3.1.7. **Structure after Completion.**

Subsequent to the completion of the Restructuring Plan, Deltamarin will become a direct wholly-owned subsidiary of Lux Co and the Company will, through Hold Co, indirectly hold some 3,700 shares in Singapore JV Entity, equivalent to approximately 79.57% of the issued and paid up share capital of Singapore JV Entity, while the Re-Investing Vendors shall collectively hold some 950 shares in Singapore JV Entity, equivalent to approximately 20.43% of the issued and paid up share capital of Singapore JV Entity. The Hold Co and the Re-Investing Vendors shall enter into a shareholders' agreement to regulate their relationship as shareholders of Singapore JV Entity ("**Shareholders' Agreement**"). This Shareholders' Agreement shall set out the understanding and arrangement between Hold Co and the Re-Investing Vendors with respect to the business of Singapore JV Entity. After Completion, it is expected that the structure of the Group reflecting the relevant subsidiaries shall be as follow:

***Note:** Please note that for the purpose of clarity, some subsidiaries or associated companies, if any, of the Company have not been included in the following chart. The chart is for illustrative purposes only and does not comprise the entire Group structure.*

¹ According to the Company's legal advisor in relation to Luxembourg laws, the minimum share capital of a company incorporated in Luxembourg shall be €12,500.00.

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3.1.8. **Events on Completion.** Under the terms of the Proposed Acquisition, the Company shall on Completion, *inter alia* :

- (a) pay or procure Lux Co to pay the Cash Consideration to the Vendors (less the Escrow Amount) in accordance with the Sale and Purchase Agreement;
- (b) pay or procure Lux Co to pay the Escrow Amount into the Escrow Account in accordance with the Sale and Purchase Agreement; and
- (c) procure Singapore JV Entity to issue and allot the Share Consideration in such manner as described in Section 3.1.6. of this Circular to the Re-Investing Vendors.

3.2. **Consideration.** The Aggregate Consideration payable for the Proposed Acquisition shall be the sum of €32,109,348.00 (equivalent to approximately S\$50,805,979.00). The Aggregate Consideration was arrived at after arm's length negotiations between the Company and the Vendors and agreed upon on a willing buyer-willing seller basis, taking into consideration the technical knowledge and the experience that the professionals of Deltamarin will bring to the Group, the future business potential of Deltamarin as a member of the Group, as well as the operational synergy and cost savings that the Company expects to create through the Proposed Acquisition.

3.2.1. The Aggregate Consideration consists of the following components:

- (a) €25,980,233.00 (equivalent to approximately S\$41,108,003.00) as Cash Consideration (subject to adjustments to be agreed as set out in the Sale and Purchase Agreement) to be paid in cash to the Vendors on Completion in the proportions set out in Appendix I to this Circular (being the amount equal to the aggregate sum of Columns 3(b) and 3(c) of Appendix I); and
- (b) the amount of €6,129,115.00 (equivalent to approximately S\$9,697,976.00) by the allotment and issuance of an aggregate of 950 new shares of Singapore JV Entity as Share Consideration (amounting to 20.43% of the enlarged issued share capital of Singapore JV Entity) to the Re-Investing Vendors on Completion in the proportions set out in Column 4(b) of Appendix I to this Circular.

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3.2.2. The consideration shall be paid in the following manner:

- (a) **Cash Consideration.** At Completion, the Cash Consideration less the Escrow Amount (€500,000.00) shall be payable to the Vendors in immediately available funds to designated bank accounts provided by the Vendors or their nominees in accordance with the Sale and Purchase Agreement;
- (b) **Share Consideration.** As described in Section 3.1.6. above, Singapore JV Entity shall, at Completion, allot and issue an aggregate of 950 shares in its share capital at €6,451.70 each (amounting to 20.43% of the enlarged issued share capital of Singapore JV Entity), credited as fully paid, at the discretion of Lux Co, to the Re-investing Vendors in the proportions set out in Column 4(b) of Appendix I to this Circular. In consideration of the foregoing, Lux Co shall allot and issue an aggregate of 6,129,115 new shares at €1.00 each in its share capital, credited as fully paid, to Singapore JV Entity, as the full and final settlement.

3.2.3. **No valuation.** As the Proposed Acquisition is a competitive bidding deal where an auction was undertaken by the Vendors, no valuation was conducted on the Deltamarin Group. However, the Board wishes to highlight to the Shareholders that though no valuation was conducted in terms of the assets to be acquired, various professionals including legal counsels from relevant jurisdictions, auditors and tax advisors have been engaged to conduct the legal, financial and commercial due diligence in terms of the Proposed Acquisition (“**Due Diligence Exercise**”) and the Board only decided to proceed with the Proposed Acquisition upon the satisfactory conclusion of the Due Diligence Exercise.

3.3. **Escrow Arrangement.** An Escrow Amount shall be reserved out of the Cash Consideration due and payable to the Vendors on Completion and the Company shall direct that the Escrow Amount be paid to the Escrow Account. At Completion, the Company and the Vendors shall further enter into the Escrow Agreement with the designated escrow agent. The Escrow Amount is pledged by the Vendors to the Company as a security for full and due compliance by the Vendors of the obligations to provide indemnity in respect of, *inter alia*, any and all direct losses, costs and expenses (including reasonable advisory and attorneys expenses but excluding any losses and damages that do not result directly and immediately from the respective breach, but only from the results of such breach) that any Deltamarin Group Company may incur in relation to the disclosed actual or possible contractual claims as described in the Sale and Purchase Agreement (“**Specific Losses**”). Consequently, the Escrow Amount, together with any interests accrued thereto is reserved for a possible reduction for the Aggregate Consideration relating solely to such specific indemnity obligations in accordance with the Sale and Purchase Agreement and the Escrow Agreement. For the avoidance of doubt, the liability of the Vendors in relation to the Specific Losses is limited to the Escrow Amount and the accrued interest if any, and the right to present a claim under the Escrow Account shall expire on the third anniversary of the Completion Date, provided that there are no outstanding or pending claims or proceedings relating thereto.

Based on the conclusion of the Due Diligence Exercise, the estimated amount of the Specific Losses shall not exceed €530,000.00. As such, the Company is of the view that risks in relation to the Specific Losses are manageable. However, in the event that the Escrow Amount together the accrued interest if any is not sufficient to cover the Specific Losses, there will be no other available recourses to the Vendors.

3.4. **Conditions to the Proposed Acquisition.** The obligation of the Company to complete the Proposed Acquisition is subject to and conditional upon the satisfaction, on or before the Completion Date, of the following conditions precedent (“**Conditions Precedent**”):

- (a) the transaction contemplated in Sale and Purchase Agreement being approved by the SGX-ST and the fulfilment of any requirements imposed by the SGX-ST in connection therewith; and

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- (b) the approval of the shareholders of the Company being obtained at the EGM in respect of the transactions contemplated in the Sale and Purchase Agreement.

If any of the Conditions Precedent has not been satisfied or waived on or before the Long-Stop Date, the Sale and Purchase Agreement shall terminate with immediate effect and without further action from either party.

3.5. **Completion.** Completion shall take place on the tenth (10th) Business Day following the satisfaction or waiver of all the Conditions Precedent or such other date as may be agreed by the Company, the relevant nominee of the Active Vendors and the nominee of the Non-Active Vendors ("**Completion Date**").

3.6. **Active Vendors' Warranties.** The Active Vendors jointly and severally, and in proportion to the amount of their Deltamarin Sale Shares as against the aggregate Deltamarin Sale Shares of all the Active Vendors make certain representations and warranties which include, *inter alia*, the following as summarised:

- (a) Each Deltamarin Group Company is a company duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation;
- (b) The audited annual accounts and management accounts provided show a true and fair view of the state of affairs of the Deltamarin Group Companies;
- (c) The Deltamarin Group Companies have ownership of all assets and property (tangible or intangible) recorded to be owned by them in the Accounts, excluding such assets and property sold by the Deltamarin Group Companies in the ordinary course of business on normal commercial terms;
- (d) Save as specifically disclosed in the Sale and Purchase Agreement, no material disputes over each Deltamarin Group Company's receivables;
- (e) Save as specifically disclosed in the Sale and Purchase Agreement, there are no encumbrances, nor has any Deltamarin Group Company agreed to create any encumbrances, over any part of its undertakings or assets;
- (f) In respect of intellectual property rights, whether registered or unregistered ("**Intellectual Property**"):
 - (i) Save for Intellectual Property licensed to any Deltamarin Group Companies, each Deltamarin Group Company is the sole legal and beneficial owner of all material Intellectual Property used in connection with its business;
 - (ii) The Intellectual Property owned or used or applied for by any Deltamarin Group Company is free from encumbrances that would materially affect the Deltamarin Group Companies from conducting their business and is subsisting, valid, exercisable and enforceable;
 - (iii) All reasonable steps have been taken diligently for the protection and maintenance of Intellectual Property owned or used or applied for by any Deltamarin Group Company;
 - (iv) There is no breach of any licenses or other rights granted by any Deltamarin Group Company relating to any Intellectual Property owned by or licensed to any Group Company (other than off the shelf software);

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- (v) No such person, who has contributed to the development of Intellectual Property currently used or developed by any of the Deltamarin Group Companies, has any claims against any Deltamarin Group Company relating to such Intellectual Property rights;
 - (vi) The Intellectual Property owned or used by or licenced to any Deltamarin Group Company does not infringe the Intellectual Property of any other person and vice versa;
 - (g) The trade secrets developed by any of the Deltamarin Group Companies, and other confidential information of any Deltamarin Group Company have been reasonably protected against unauthorised access or use by any third person;
 - (h) All licenses, permits, consents and authorizations necessary for the Deltamarin Group Companies to carry on its ordinary course of business are in full force and effect and there are no currently existing violations of any such licenses, permits or authorizations;
 - (i) Each Deltamarin Group Company is properly registered for tax and has paid relevant taxes due in accordance with the applicable laws;
 - (j) Each Deltamarin Group Company has in all material respects complied with all applicable mandatory laws and none of the Deltamarin Group Company has received any written notice that an action, suit, proceeding or claim has been filed or commenced or, to the Vendors' knowledge, threatened against any of them alleging any failure so to comply;
 - (k) The Deltamarin Group Companies are and have at all material times been adequately insured against accident, damage, injury, third party loss (including product liability), loss of profits and any other risk normally insured against by a prudent person operating the types of business operated by the relevant Deltamarin Group Company; and
 - (l) No Deltamarin Group Company is involved in a civil, criminal, arbitration, administrative or other proceeding or been subject to any investigations, enquiry or disciplinary proceedings, other than as disclosed and set out in the Sale and Purchase Agreement.
- 3.7. **Limitation of Liability.** The maximum liability of any individual Active Vendor to the Company:
- (a) for breaches of any of the relevant Active Vendor's Warranties is limited to 100% of the portion of the Aggregate Consideration received by the respective Active Vendor; and
 - (b) for breaches of provisions other than the Active Vendors' Warranties is limited to 50% of the Cash Consideration received by the respective Active Vendor.
- 3.8. **Restrictive Covenants.** Each of the Active Vendors and Non-Active Vendors, as the case may be, undertakes not to (except as otherwise agreed in writing with the Company), directly or indirectly and either solely or jointly with any other person (on his or her own account or on behalf of any other person) and in any capacity whatsoever:

Nature of Restrictive Covenant

Obligation By

- (a) for a period of two (2) years from the Completion Date carry on, be engaged, assist or have any interest in a business which competes with, or will become engaged in any activities competing with, the business of Deltamarin and any other businesses carried on by the Deltamarin Group Company during the 24 months period prior to the Completion Date;

Active Vendors

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<i>Nature of Restrictive Covenant</i>	<i>Obligation By</i>
<p>(b) for a period of two (2) years from the Completion Date, employ or hire or induce, solicit or endeavour to entice to leave the employment of any Deltamarin Group Company, any person who is an employee of any Deltamarin Group Company on the Completion Date, or has been an employee of any Deltamarin Group Company during the 24 months period ending on the Completion Date, provided such employee is likely to be in possession of confidential information relating to, or able to influence the customer relationships or connections of, any Deltamarin Group Company; or</p>	Active Vendors and Non-Active Vendors
<p>(c) for a period of two (2) years from the Completion Date solicit or accept the custom of any person in respect of services or products competitive with the business of Deltamarin and any other businesses carried on by any Deltamarin Group Company at any time during 24 months period ending on the Completion Date, such person having been a customer of any Deltamarin Group Company in respect of such services or products during the period of 24 months period ending on the Completion Date;</p>	Active Vendors and Non-Active Vendors

- 3.9. **Board of Directors of Deltamarin Group Companies.** After Lux Co becomes the owner of the Deltamarin Sale Shares, and in conjunction with the Completion, the Company shall procure Lux Co to cause a general meeting of shareholders to be held in Deltamarin and each Deltamarin subsidiary and such general meeting to elect new members of the board of directors for Deltamarin and each Deltamarin subsidiary.

For the avoidance of doubt, upon successful completion of the Proposed Acquisition, the Company will have the majority control over (i) the boards of directors and (ii) the finance function of both Singapore JV Entity and Lux Co.

- 3.10. **No introducer.** In 2007, Deltamarin set up an equity joint venture entity, Shandong Deltamarin Marine Engineering Co., Ltd. (山东德他马林海事工程有限公司) (“**Shandong Deltamarin**”), in Shandong Province the PRC, with its joint venture partner being Shandong New Shipbuilding (a directly wholly-owned subsidiary of Weihai Shipyard), with each of Deltamarin and Shandong New Shipbuilding holding 50% of the equity interest in Shandong Deltamarin respectively. For the avoidance of doubt, both Deltamarin and Shandong New Shipbuilding share the risks and rewards in accordance with their respective shareholdings in Shandong Deltamarin.

Subsequently in 2011, AVIC International Beijing, the indirect majority shareholder of the Company, acquired approximately 70% of the equity interest in Weihai Shipyard (“**Acquisition of Weihai Shipyard**”) and renamed it from “Shandong Weihai Shipyard (山东威海船厂)” to “AVIC Weihai Shipyard Co., Ltd. (中航威海船厂有限公司)”. Pursuant to the Acquisition of Weihai Shipyard by AVIC International Beijing, Shandong New Shipbuilding, as a directly wholly-owned subsidiary of Weihai Shipyard, becomes an indirect subsidiary of AVIC International Beijing. Accordingly, the management of AVIC International Beijing came to know Deltamarin and started the business cooperation with Deltamarin. Pursuant to the listing exercise of the Company on the SGX-ST, the personnel of the business division of AVIC International Beijing providing M&C Services was transferred to our Group (“**Personnel Transfer**”) on 1 January 2011, details of which were disclosed on page 62 of the Information Memorandum of the Company dated 10 August 2011. Subsequent to the Personnel Transfer, the shipbuilding management business of AVIC International Beijing, including its entire business relationship, was henceforth transferred and undertaken by our Group. As such, there was no formal deal introducer to the Proposed Acquisition, as the relationship belonged to the AVIC Group which our Group is part of, and therefore no commission or introducer fee was or will be payable.

Please refer to Section 9.1 of this Circular for information on AVIC International Beijing.

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4. RATIONALE FOR THE PROPOSED ACQUISITION

4.1. Long-term Comprehensive Growth Strategy

The Proposed Acquisition is part of the Group's acquisition growth strategy to be a dominant player in the shipping industry. As disclosed on pages 100 and 101 of the Company's information memorandum dated 10 August 2011, the Company has undertaken to consolidate all existing shipbuilding business within two years of the Company's listing. With the gradual establishment of the shipbuilding and ship-design capabilities, the Company intends to build up comprehensive service capabilities in the shipping industry.

4.2. Acquisition of Ship-Design Capabilities

The Proposed Acquisition of Deltamarin would enable the Company to acquire ship-design capabilities. Deltamarin, established in 1984 with a global clientele, specialises in providing design, engineering and contracting services for the marine industry. With its strong research and development capability, Deltamarin is an experienced developer of profitable, sustainable and energy efficient concepts vessels.

4.3. Skilled Management and Human Resource Capital

Deltamarin has nine key management employees, eight of them are also shareholders and will be reinvesting in Singapore JV Entity after the Completion. No such key employee has given or received notice to terminate his or her employment with any Deltamarin Group Company and it is intended that these key management employees shall continue their service after the Proposed Acquisition for at least five years. In total, twenty Active Vendors, who are involved in the operations and management of Deltamarin, shall be reinvesting in Singapore JV Entity. Many of them have been with the Deltamarin Group for over ten (10) years. Apart from the above, Deltamarin additionally has more than 400 personnel, with approximately two-thirds of them being professionals engaged in the design, engineering and contracting services for offshore, shipping, shipbuilding, naval and marine industry. Through the Proposed Acquisition, the Group will acquire the necessary human resource capital by ensuring that certain management of the Deltamarin Group will reinvest in Singapore JV Entity and continue to provide their expertise to the Group in relation to the operations of Deltamarin Group after it becomes a member of the Group.

4.4. Operational Synergy with the Group's Business

The Group is principally involved in the provision of project management and consultancy services in relation to ship-trading and shipbuilding. The Group works with established shipyards in China as co-seller whereby the shipyards are responsible for the construction of the vessels and the Group is in charge of the non-construction aspects of the shipbuilding project, including but not limited to being responsible for out-sourcing the design/development of vessels to several renowned ship-design institutes in China. In line with its proposed consolidation of all existing shipbuilding business of the holding parent under the Group and the gradual establishment of the shipbuilding and ship-design capabilities, the Group intends to tap on Deltamarin's expertise, *inter alia*, in ship design and concept development and therefore establish the Group's own design capability. Upon the completion of the Proposed Acquisition, Deltamarin will become the ship designing arm of the Group.

4.5. Profitability and Business Development Prospects

The Aggregate Consideration was arrived after arm's length negotiations and through a competitive bidding process conducted by Deltamarin. While Deltamarin reported a loss for FY2011, it was profitable for both FY2009 and FY2010. Additionally, pursuant to the Proposed Acquisition, there will be a restructuring of the board of directors of Deltamarin, and the Group will assign personnel with appropriate experience to the board of Deltamarin. Deltamarin will be subject to the supervision of the Group in terms of business strategies, corporate governance and internal control etc.. The Group will take part in the plans to be drawn up for the future development of Deltamarin. With the investment by the Company as its indirect majority shareholder, it is expected that Deltamarin will have better resources for growth. Going forward, the Company intends that Deltamarin will tap into the financial resources and the global client network of the Group in its business development.

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It is expected that the Company will be able to leverage and benefit from the potential operational synergy and cost savings arising from the addition of Deltamarin into the Group. As such, the Proposed Acquisition represents a strategic and long-term investment which is in the interest of the Company.

5. RISK FACTORS

The Proposed Acquisition involves some risks, some of which are inherent in the business of the Deltamarin Group. Shareholders should evaluate carefully the following risk factors. Some of the risks are not yet known to the Company and there may be others in which the Company currently believes are material but may subsequently not turn out to be so. As such, the following should not be considered as a comprehensive list of all risk factors relating to the Proposed Acquisition. If any of the following considerations, risks and uncertainties develops into actual events, the business, financial acquisition, results of operations, cash flows and prospects of the Group following the Proposed Acquisition could be affected.

5.1. The Deltamarin Group is dependent on its key management personnel

The operations of the Deltamarin Group are highly dependent upon the continued service of its key management personnel. In addition, as the Group does not currently engage in the same business as the Deltamarin Group, the existing management and employees of the Group may not have the necessary experience and expertise to manage and operate the businesses of the Deltamarin Group without their support immediately after Completion. Notwithstanding the reinvestment by the Re-Investing Vendors, who will remain invested and operationally involved in the Deltamarin Group after Completion, in the event that the Deltamarin Group loses the services of any of its existing key personnel without timely and suitable replacements, or is unable to attract and retain new experienced personnel as it grows, the profitability and operations of the Deltamarin Group would be adversely affected.

5.2. Goodwill recognised on Completion may be subject to impairment

Based on the Consideration of €32,109,348.00 (equivalent to approximately S\$50,805,979.00), the Company will purchase the Deltamarin Sale Shares for a consideration larger than the fair value of the net assets of the Deltamarin Group. The excess of the Aggregate Consideration over the Company's share of the net assets of Deltamarin as previously assessed by the management of the Company is recognised as provisional goodwill on consolidation. A purchase price allocation will be conducted within one year from the date of the Proposed Acquisition. In addition, an assessment is intended to be carried out at least annually to determine whether goodwill has suffered any impairment loss. In the event of any impairment of goodwill, the financial performance and position of the Group will be adversely affected.

5.3. The Deltamarin Group may be exposed to potential claims and litigations

In the process of the due diligence conducted for the purpose of the Proposed Acquisition, three contracts have been highlighted in respect of which there might be possible action, demand, allegation and claim taken or made against a Deltamarin Group Company in respect of breach of or failure to comply with and/or fulfil the terms and/or obligations and liabilities of the identified contracts. Deltamarin has either received a notice of defect or is aware of a potential claim in respect of such identified contracts, and the estimated maximum aggregate liability under the three disclosed contracts amounts to approximately €530,000.00. Accordingly, an escrow arrangement has been made as described under Section 3.3 whereby the Company shall retain €500,000.00 of the Cash Consideration for the purpose of meeting the claims and liabilities arising therefrom. However, any claim on the Escrow Amount is subject to the terms and conditions of the Sale and Purchase Agreement, and the Escrow Agreement. Furthermore, any litigation or claim, if it arises, may adversely affect the reputation and the goodwill of the Deltamarin Group.

5.4. The Group may be exposed to additional foreign exchange and currency risks

As any dividend or payout received by the Group from Deltamarin will be denominated in Euros, the Group is therefore exposed to the risk of foreign exchange fluctuations.

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Additionally, the Group is subject to foreign currency translation risk as the Group's consolidated financial statements are denominated in RMB while the financial statements of the Deltamarin Group are prepared in Euros. For the purpose of preparing the Group's consolidated financial statements, the financial statements of the Deltamarin Group would be translated from Euro to RMB using the exchange rates prevailing on the balance sheet date except for share capital and reserves (which would be translated at historical exchange rates) and income statement items which would be translated at average exchange rates for the relevant financial year. Any significant appreciation of the RMB against the Euro may adversely affect the Group's reserves.

5.5. The Deltamarin Group may be affected by a worldwide economic downturn

The Deltamarin Group's business, revenues and profits are sensitive to the general global economic conditions. Should the global financial markets experience disruptions, it may lead to adverse effects including, among others, availability of credit to businesses, and could lead to further weakening of the global economies. The overall performance of the Deltamarin Group could be affected by market and economic challenges which may arise from a continued or exacerbated general economic slowdown experienced by the global markets as well as the local economies. As a result, the financial performance of our Group as a whole might be adversely affected.

5.6. The Deltamarin Group may be affected by the cyclical nature of the industries

The Deltamarin Group operates primarily in the offshore and marine industries. Therefore, the Deltamarin Group is subject to the performance of the offshore and marine industries which may in turn be affected by the oil and gas industry. The performances of these industries can be cyclical in nature. These industries are also affected by global and regional economic conditions. In the event that there is a decline in the industry, the financial performance of the Deltamarin Group will be adversely affected, which might eventually adversely affect our Group's financial performance as a whole.

5.7. Additional debt financing may increase the gearing ratio and impose restrictions on the Group's operations

As described in Section 6 of this Circular, the Company intends to use the external borrowings to finance the cash portion of the Aggregate Consideration payable to the Vendors. This will increase the gearing ratio of the Group. Additional debt financing is subject to interest payments and interest rate fluctuations and may also be subject to conditions that restrict or require consent for corporate restructuring or additional financing or fund raising, or restrictions on the payment of dividends and maintenance of certain financial ratios. These conditions may limit the flexibility of the Group in planning for, or reacting to, changes in the business or industry.

5.8. The Group may increase its exposure to other laws and regulations

With the Completion of the Proposed Acquisition, the Group, through its operations under the Deltamarin Group, will be subject to the laws, rules and regulations imposed by the government of Finland and Luxemburg, and laws, rules and regulations of the European Union and such other jurisdictions in which any Deltamarin Group Company may be incorporated in or may operate in. Such laws, rules and regulations may relate to environmental impact, operations and occupational safety and health. The Deltamarin Group may in the future experience increased costs of production arising from compliance with relevant laws and regulations. There can be no assurance that more stringent laws, regulations or policies will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. Should the Deltamarin Group fail to comply with any relevant laws or regulations, the Deltamarin Group would be required to rectify the problems within a period prescribed under the laws and regulations or as prescribed by the relevant governmental or regulatory authorities. Should the Deltamarin Group fail to comply with any relevant laws, regulations or policies, the Deltamarin Group's business, reputation, financial condition and results of operations may be adversely affected, and members of the Deltamarin Group may be subject to penalties, civil liabilities or criminal liabilities, which would eventually adversely affect our entire Group's business, financial condition, results of operations and prospects.

LETTER TO SHAREHOLDERS

5.9. **Successful integration of the Deltamarin Group may take some time**

As the Group does not engage in the same business as the Deltamarin Group, the process of integrating the Deltamarin Group with the existing business of the Group may require a substantial amount of time and resources before the expected synergies may be achieved. As such, the positive impact of the Proposed Acquisition may not be experienced by the Group immediately. The process of integration may also produce unforeseen delays or operating difficulties and substantial expenditures and may absorb significant attention of the Group management that would otherwise be available for the ongoing development of the Group business. Furthermore, the Group may not be able to manage such acquired businesses profitably. In the event of any of the above, the Group's future financial position and performance may be adversely affected.

5.10. **The Proposed Acquisition may change the Group's risk and investment profile**

At present, the Group's principal business is in relation to the provision of M&C Services. We work with established shipyards in the PRC as co-seller whereby the shipyards are responsible for the construction of the vessels and we are in charge of the non-construction aspects of the shipbuilding project. We out-source the design of vessels to several renowned ship-design institutes in the PRC. In addition, we also provide marketing and consultancy services to shipyards in the PRC to help promote their corporate profiles in the overseas markets, seek out shipbuyers and secure shipbuilding contracts, including working with the shipyards to negotiate with shipbuyers on the terms and other details of the shipbuilding contracts, among others.

In view of the above, the Proposed Acquisition involves the Group acquiring a new scope of business in addition to its existing operations, the enlarged Group may be exposed to new business risks. Accordingly, Shareholders may be exposed to different investment risks as the risk investment profile of the Company may change. As different Shareholders would have different investment profiles and objectives, any Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, shall consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

6. **FUNDING**

The Company will, with the assistance of AVIC Kairong, the majority shareholder of the Company, secure a loan from a commercial bank of an aggregate principal sum of approximately €25,980,233.00 (the "**Bank Loan**") to fund the Cash Consideration.

7. **FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

7.1. The proforma financial effects of the Proposed Acquisition as set out below are for illustration purposes. Shareholders should note that the illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

7.2. **Bases**

The proforma financial effects in this section are based on the following:

- (a) the audited consolidated financial information of the Group for the financial year ended 31 December 2011 ("**FY2011**"); and
- (b) the number of Shares in issue as at 31 December 2011 is 285,576,000. The weighted average number of Shares is 118,710,000.

LETTER TO SHAREHOLDERS

7.3. Assumptions

For the purpose of illustrating the financial effects of the Proposed Acquisition, the financial effects have been prepared based on, *inter alia*, the following assumptions:

- (a) the financial effects of the Proposed Acquisition on the EPS of the Group are computed assuming that the Proposed Acquisition was completed on 1 January 2011;
- (b) the financial effects of the Proposed Acquisition on the NTA of the Group are computed assuming that the Proposed Acquisition was completed on 31 December 2011; and
- (c) the analysis does not take into account the costs and expenses which are related to the Proposed Acquisition.

7.4. Effect on EPS

For illustrative purposes only, the effect of the Proposed Acquisition on the EPS of the Group for the financial year ended 31 December 2011 is as follows:

	Before Completion	After Completion
Profit/(Loss) attributable to shareholders (RMB'000)	43,160	35,294
Weighted average number of Shares ('000)	118,710	118,710
Earnings per Share (Fen)	36.36	29.73

7.5. Effect on Gearing

For illustrative purposes only, the effect of the Proposed Acquisition on the gearing of the Group as at 31 December 2011 is as follows:

	Before Completion	After Completion
Total borrowings ⁽¹⁾ (RMB'000)	20,000	232,084
Shareholders' funds (RMB'000)	142,327	142,327
Gearing (times)	0.14	1.63

Notes:

- (1) Total borrowings of the Group before the Proposed Acquisition comprise short term bank borrowings and a long term bank loan.

7.6. Effect on NTA

For illustrative purposes only, the effect of the Proposed Acquisition on the NTA of the Group as at 31 December 2011 is as follows:

	Before Completion	After Completion
NTA (RMB'000)	142,327	(31,224)
Number of Shares ('000)	285,576	285,576
NTA per Share (Fen)	49.8	(10.93)

For illustrative purposes only, the Company has assumed that the net assets of the Deltamarin Group approximate its fair value. The excess of Aggregate Consideration over the Company's share of net assets is recognised as provisional goodwill on consolidation. A purchase price allocation will be conducted within one year from the date of the Proposed Acquisition. Accordingly, potential intangibles and the related impairment/amortisation expenses have not been included in the above illustration. In addition, the Company has also assumed that the source of funds for the Proposed Acquisition is a long-term bank loan with its principal sum being €25,980,233.00 (equivalent to RMB212,084,000.00). The decrease in NTA after the completion of the Proposed Acquisition is mainly due to provisional goodwill of RMB170,220,000.00 recognised on consolidation.

LETTER TO SHAREHOLDERS

7.7. Effect on Share Capital

The Proposed Acquisition will not have any impact on the issued share capital of the Company.

8. LISTING MANUAL COMPUTATIONS

The relative figures for the Proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Bases		
(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	Net profits ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits/losses	-12.03% ⁽¹⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation ⁽²⁾ based on the total number of issued shares excluding treasury shares	93.64%
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition compared with the number of equity securities previously in issue	Not applicable

Notes:

- (1) Under Rule 1002(3), net profit is defined as profit or loss before income tax, minority interests and extraordinary items. The net loss attributable to the assets being acquired pursuant to the Proposed Acquisition amounts to approximately €955,000.00 (equivalent to approximately RMB7,796,000.00), which is calculated on the basis that (i) the effective interest of Deltamarin being acquired pursuant to the Proposed Acquisition is 79.57%, and (ii) the audited consolidated income statement of Deltamarin prepared in accordance with the generally accepted accounting principles in Finland. Net loss attributable to the assets acquired, compared with the Group's net profits is 12.03%. It is calculated on the basis that the net loss attributable to the assets being acquired by the Company pursuant to the Proposed Acquisition amounts to approximately RMB7,796,000.00 and the Group's audited net profits before tax for FY2011 amount to approximately RMB64,789,000.00.
- (2) Under Rule 1002(5), market capitalisation is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Sale and Purchase Agreement. The market capitalisation of the Company is based on 285,576,000 Shares in issue, and the weighted average price of S\$0.19 of the Shares transacted on 11 October 2012.

As the applicable relative figures computed under Rule 1006(c) exceed 20%, the Proposed Acquisition constitutes a transaction to which Rules 1010 and 1014 (read with Rule 1006) of the Listing Manual shall apply and is hence a Major Transaction as defined in Chapter 10 of the Listing Manual and therefore must be made conditional upon the approval of Shareholders in a general meeting by ordinary resolution.

LETTER TO SHAREHOLDERS

9. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

9.1. Interest in Shares

The Company has an existing issued and paid-up share capital of 285,576,000 Shares. As at the Latest Practicable Date, the interests of Directors in the capital of the Company as recorded in the Register of Directors' Shareholdings pursuant to Section 164 of the Companies Act are as follows:

Directors	Direct Interest Number of Shares	Deemed Interest Number of Shares	Total Interest	Percentage of Total Shares in Issue
Diao Weicheng	–	–	–	–
Li Jin	–	–	–	–
Xiao Zheng	–	–	–	–
Chen Xiaohong	–	–	–	–
Wu Weidong	–	–	–	–
Li Wei	–	–	–	–
Chong Teck Sin	–	–	–	–
Teng Cheong Kwee	–	–	–	–
Alice Lai Kuen Kan	–	–	–	–

As at the Latest Practicable Date, the interests of the Substantial Shareholders in the capital of the Company as recorded in the Register of Substantial Shareholders maintained pursuant to Section 88 of the Companies Act are as follows:

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
AVIC ⁽¹⁾	–	–	210,947,369	73.87
AVIC International ⁽¹⁾	–	–	210,947,369	73.87
AVIC International Shenzhen	–	–	210,947,369	73.87
CATIC Shenzhen	–	–	210,947,369	73.87
AVIC International Beijing ⁽¹⁾	–	–	210,947,369	73.87
AVIC International Kairong ⁽¹⁾	210,947,369	73.87	–	–

Note:

- (1) AVIC holds 76.83% of the registered capital of AVIC International, which in turn holds the entire registered capital of AVIC International Shenzhen. 35.6% and 39.4% of the share capital of CATIC Shenzhen are immediately held by AVIC International Shenzhen and AVIC International respectively. CATIC Shenzhen is the sole immediate shareholder of AVIC International Beijing, which is the sole immediate shareholder of AVIC Kairong. AVIC, AVIC International, AVIC International Shenzhen, CATIC Shenzhen and AVIC International Beijing are therefore deemed to be interested in the Shares held by AVIC Kairong by virtue of Section 7 of the Companies Act.

9.2. Interest in the Proposed Acquisition

None of the Directors (other than in his capacity as a Director or Shareholder) or controlling Shareholders of the Company (other than in its capacity as a Shareholder) has any interest, direct or indirect, in the Proposed Acquisition.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

LETTER TO SHAREHOLDERS

11. EGM

The EGM, notice of which is set out on Page 35 of this Circular, shall be held on 26 December 2012 at 3.00 p.m. at Novotel Singapore Clarke Quay, Paprika Room, Level 5, 177A River Valley Road, Singapore 179031 (or any adjournment thereof). For the purpose of considering, and if thought fit, passing with or without modifications, the resolutions set out in the Notice of the EGM.

12. DIRECTORS' RECOMMENDATIONS

Having considered, *inter alia*, the terms and conditions of the Sale and Purchase Agreement, the terms of and the rationale for the Proposed Acquisition, the financial effects thereof and all other relevant information as set out in the Circular, the Directors are collectively of the view that in spite of the possible negative short term financial effects resulting from the Proposed Acquisition, the Proposed Acquisition has a long term commercial and strategic bearing on the future growth of the Group and therefore is in the interest of the Company. The Directors therefore recommend that the Shareholders vote in favour of the Proposed Acquisition at the EGM to be convened.

13. ACTION TO BE TAKEN BY THE SHAREHOLDER

- 13.1. **Appointment of Proxies.** If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. An appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.
- 13.2. **When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

14. RESPONSIBILITY STATEMENT

The Directors of the Company (including any who may have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

LETTER TO SHAREHOLDERS

15. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 10 Collyer Quay #27-00 Ocean Financial Centre Singapore 049315 for a period of 3 months from the date of this Circular:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Sale and Purchase Agreement dated 12 October 2012 and all the relevant appendices.

Yours faithfully,

For and on behalf of the Board of Directors of
AVIC International Investments Limited

Diao Weicheng
Executive Chairman and Interim CEO

APPENDIX I – LIST OF VENDORS AND DETAILS OF THE CONSIDERATION

1. Name of Vendor	2. No. of Shares held by the Vendor (representing % of the entire issued and paid-up share capital of Deltamarin, excluding 200 shares held in treasury by Deltamarin)	3a. No. of Shares to be sold for cash	3b. Cash Consideration 1(€)	3c. Cash Consideration 2 (€)	4a. No. of Shares to be sold for Share Consideration	4b. No. of Shares of the SPV
Jukka Laiterä	1,250 (26.881720 %)	1,250	8,064,625.00	0	0	0
Pertti Arkke (Re-Investing Vendor)	250 (5.376344 %)	200	1,290,340.00	110,997.00	50	50
Kyösti Herrala	250 (5.376344 %)	250	1,612,925.00	0	0	0
Markku Kanerva	250 (5.376344 %)	250	1,612,925.00	0	0	0
Mikael Lundsten (Re-Investing Vendor)	250 (5.376344 %)	200	1,290,340.00	110,997.00	50	50
Jari Nurmi (Re-Investing Vendor)	250 (5.376344 %)	200	1,290,340.00	110,997.00	50	50
Timo Nurmi (Re-Investing Vendor)	250 (5.376344 %)	200	1,290,340.00	110,997.00	50	50
Matti Tammero (Re-Investing Vendor)	250 (5.376344 %)	200	1,290,340.00	110,997.00	50	50
Jarmo Valtonen (Re-Investing Vendor)	250 (5.376344 %)	200	1,290,340.00	110,997.00	50	50
Juha Ahola (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Ulla Hagström (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Vesa Hamarila (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Juha Hanhinen	100 (2.150538 %)	100	645,170.00	0	0	0
Robert Hellsten (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Rami Hirsimäki (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Harri Kuusimurto (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Jouko Kynsijärvi (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Mika Laurilehto (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50

APPENDIX I – LIST OF VENDORS AND DETAILS OF THE CONSIDERATION

1. Name of Vendor	2. No. of Shares held by the Vendor (representing % of the entire issued and paid-up share capital of Deltamarin, excluding 200 shares held in treasury by Deltamarin)	3a. No. of Shares to be sold for cash	3b. Cash Consideration 1(€)	3c. Cash Consideration 2 (€)	4a. No. of Shares to be sold for Share Consideration	4b. No. of Shares of the SPV
Jan-Olof Nordling (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Timo Stenros (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Heikki Tuomikoski (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Veijo Tuominen (Re-Investing Vendor)	100 (2.150538 %)	50	322,585.00	110,997.00	50	50
Kimmo Suominen (Re-Investing Vendor)	50 (1.075269 %)	25	161,292.50	55,498.50	25	25
Juha Valtanen (Re-Investing Vendor)	50 (1.075269 %)	25	161,292.50	55,498.50	25	25
Total:	4,650 (100%)	3,700	23,871,290.00	2,108,943.00	950	950

APPENDIX II – INFORMATION ON OTHER SHAREHOLDERS

Information on other companies/entities in which any of the Deltamarin Group Companies has a direct or indirect interest:

Name of Company	Brodoplan d.o.o.
Shareholders:	
Name of all shareholders	% of the equity interest in the company owned by each shareholder
Deltamarin Oy	50.00%
Davor Mikulicic	12.50 %
David Vukelic	12.50 %
Mladenko Merlak	12.50 %
Slobodan Lalic	12.50 %
<u>Total</u>	<u>100%</u>

Name of Company	Shandong Deltamarin Marine Engineering Co., Ltd.
Shareholders:	
Name of all shareholders	% of the equity interest in the company owned by each shareholder
Shandong New Shipbuilding	50.00 %
Deltamarin Oy	50.00 %
<u>Total</u>	<u>100%</u>

Name of Company	Offshore Technology Center Oy
Shareholders:	
Name of all shareholders	% of the equity interest in the company owned by each shareholder
Aker Arctic Technology Oy	3.90 %
Arctia Shipping Oy	9.80 %
Deltamarin Oy	9.80 %
Havator Oy	9.80 %
Ilmatieteen laitos	3.90 %
Kvaerner Finland Oy	9.80 %
Prizztech Oy	5.90 %
Quattrogemini Oy	9.80 %
Ruukki Engineering Oy	9.80 %
Sweco Industry Oy	5.90 %
Wellquip Oy	5.90 %
Wärtsilä Finland Oy	9.80 %
AGR AS	5.90 %
<u>Total</u>	<u>100%</u>

APPENDIX II – INFORMATION ON OTHER SHAREHOLDERS

Name of Company	Elomatic Oy
Shareholders:	
Name of shareholders	Holding 5% or more of the equity interest in the company
Elo, Ari	17.61 %
Elo, Mika	12.42 %
Elo, Pasi Petteri	12.42 %
Manner Olli	9.75 %
Project Consult Technopro Oy	5.02 %
Raisionkaaren Teollisuuspuisto Oy	12.10 %
Rautaheimo Veera	12.42 %
<u>Subtotal</u>	<u>81.74%</u>
Other shareholders²	Collectively holding 18.26% and each holding less than 5% of the equity interest in the company³
<u>Total</u>	<u>100%</u>

Name of Company	V. Delta Limited
Shareholders:	
Name of all shareholders	% of the equity interest in the company owned by each shareholder
V.Ships Leisure Ltd.	50%
Deltamarin Oy	50%
<u>Total</u>	<u>100%</u>

Name of Company	GPS Deltamarin (M) SDN.BHD.
Shareholders:	
Name of all shareholders	% of the equity interest in the company owned by each shareholder
Global Precise Services Sdn. Bhd	51%
Deltamarin Oy	49%
<u>Total</u>	<u>100%</u>

2 Deltamarin Oy is holding 0.01% of the equity interest in Elomatic Oy.

3 None of them are related to each other.

NOTICE OF EXTRAORDINARY GENERAL MEETING

AVIC INTERNATIONAL INVESTMENTS LIMITED

(Incorporated in the Republic of Singapore)
(Company registration no. 201024137N)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **AVIC INTERNATIONAL INVESTMENTS LIMITED** (the “**Company**”) will be held at 3.00 p.m. on Wednesday, 26 December 2012 at Novotel Singapore Clarke Quay, Paprika Room, Level 5, 177A River Valley Road, Singapore 179031 for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolution, which will be proposed as an Ordinary Resolution:

ORDINARY RESOLUTION – THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF DELTAMARIN OY

That:

- (a) approval be and is hereby given for the Proposed Acquisition on the terms and subject to the conditions of the Sale and Purchase Agreement, as well as any other transactions contemplated under the Sale and Purchase Agreement; and
- (b) the Directors of the Company and any of them be and are hereby authorised to complete and do all such acts and things, including without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated by the Sale and Purchase Agreement and/or this Resolution.

BY ORDER OF THE BOARD

Yap Lian Seng
Company Secretary
10 December 2012
Singapore

Notes:

- (a) *Every Shareholder of the Company entitled to attend and vote at the Extraordinary General Meeting may appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.*
- (b) *Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.*
- (c) *If a proxy is to be appointed, the instrument appointing a proxy must be deposited at the registered office of the Company at 10 Collyer Quay #27-00 Ocean Financial Centre Singapore 049315, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any postponement or adjournment thereof. Completion and return of the proxy form by a member will not prevent him from attending and voting at the Extraordinary General Meeting if he so wishes. In such event, the relevant proxy form will be deemed to be revoked.*
- (d) *The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instruction appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.*
- (e) *A Depositor's name must appear on the Depository Register maintained by CDP not less than 48 hours before the time fixed for holding the Special General Meeting in order for the Depositor to be entitled to attend and vote at the Special General Meeting as CDP's proxy.*

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AVIC INTERNATIONAL INVESTMENTS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201024137N)

IMPORTANT

1. For investors who have used their CPF monies to buy AVIC INTERNATIONAL INVESTMENTS LIMITED shares, this Circular to Shareholders dated 10 December 2012 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (name)

of _____ (address)

being a member/members of AVIC International Investments Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held at 3.00 p.m. on 26 December 2012 at Novotel Singapore Clarke Quay, Paprika Room, Level 5, 177A River Valley Road, Singapore 179031 and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

Ordinary Resolution	For	Against
The Proposed Acquisition		

Dated this _____ day of _____ 2012

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)/ Common Seal of Shareholder

**Delete where inapplicable*



IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at 10 Collyer Quay #27-00 Ocean Financial Centre Singapore 049315 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. 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, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.