

SIXTEENTH SCHEDULE OF THE SECURITIES AND FUTURES
(OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS 2005

OFFER INFORMATION STATEMENT UNDER SECTION 277 OF
THE SECURITIES AND FUTURES ACT (CAP. 289)

OFFER INFORMATION STATEMENT DATED 13 SEPTEMBER 2011

(Lodged with the Monetary Authority of Singapore on 13 September 2011)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser.

AVIC International Investments Limited (the “**Company**”) is proposing to offer the Placement Shares (as defined herein) for subscription at the Placement Price (as defined herein) on the terms and subject to the conditions of the Placement Agreement (as defined herein). All information in this offer information statement (“**Offer Information Statement**”) relating to the number of Placement Shares is expressed using the Maximum Placement Size (as defined herein), unless otherwise stated or the context otherwise requires. The Placement Price is currently expected to be within the Estimated Price Range (as defined herein). All information in this Offer Information Statement relating to, or expressed or presented herein with a reference to, the Placement Price for the Placement Shares is expressed using or with a reference to the Maximum Placement Price (as defined herein), unless otherwise stated or the context otherwise requires. The Estimated Price Range, the Maximum Placement Price and the Maximum Placement Size used in this Offer Information Statement are for illustrative purposes only. The Placement Price may not necessarily be set within the Estimated Price Range. The number of Placement Shares offered and the Placement Price will be determined by the Board at its sole discretion. An SGXNET announcement will be posted on the internet at the website <http://www.sgx.com> after the number of Placement Shares and the Placement Price have been determined on the Determination Date (as defined herein). Allocation of the Placement Shares to investors will be based on the Placement Price announced on the Determination Date.

A copy of this Offer Information Statement has been lodged with the Monetary Authority of Singapore (the “**Authority**”). The Authority assumes no responsibility for the contents of this Offer Information Statement. Lodgement of this Offer Information Statement with the Authority does not imply that the Securities and Futures Act (Cap. 289), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the securities being offered for investment.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in, and for listing and quotation of, the Placement Shares. Such approval in-principle granted by the SGX-ST is in no way reflective of and is not to be taken as an indication of the merits of the Placement (as defined herein), the Placement Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Offer Information Statement.

The Placement Shares have not been and will not be registered under the Companies Ordinance (Chapter 32 of the Laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”)) or any other laws of Hong Kong.

No securities shall be allotted or allocated on the basis of this Offer Information Statement later than 6 months after the date of lodgement of this Offer Information Statement.



AVIC International Investments Limited

(Incorporated in Singapore on 11 November 2010)

(Registration Number: 201024137N)

**PROPOSED PLACEMENT OF UP TO 65,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF
THE COMPANY (“PLACEMENT SHARES”) AT AN ESTIMATED PRICE RANGE OF UP TO S\$0.50
FOR EACH PLACEMENT SHARE**

Placement Agent

OSK | DMG

(Incorporated in Singapore)

(Registration Number: 198701140E)

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DEFINITIONS

In this Offer Information Statement, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

Group Companies and Enlarged Group Companies

“Company”	:	AVIC International Investments Limited
“Group”	:	The Company and its subsidiaries
“Kaixin (Beijing)”	:	AVIC Kaixin (Beijing) Ship Industry Co., Ltd (中航凯新 (北京) 船舶有限公司)
“Kaixin Industrial”	:	Kaixin Industrial Pte. Ltd.

Other Companies, Organisations and Agencies

“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“Authority” or “MAS”	:	Monetary Authority of Singapore
“AVIC”	:	Aviation Industry Corporation of China (中国航空工业集团公司)
“AVIC Group”	:	AVIC and its subsidiaries as at the date of this Offer Information Statement
“AVIC International”	:	AVIC International Holding Corporation (中国航空技术国际控股有限公司)
“AVIC International Beijing”	:	AVIC International Beijing Co., Ltd (中国航空技术北京有限公司)
“AVIC International Group”	:	AVIC International and its subsidiaries as at the date of this Offer Information Statement
“AVIC International Guangzhou”	:	AVIC International Guangzhou Co., Ltd (中国航空技术广州有限公司)
“AVIC International Kairong”	:	AVIC International Kairong Limited (中航国际凯融有限公司)
“AVIC International Shanghai”	:	AVIC International Shanghai Co., Ltd (中国航空技术上海有限公司)
“AVIC International Xiamen”	:	AVIC International Xiamen Co., Ltd (中国航空技术厦门有限公司)
“AVIC International Shenzhen”	:	AVIC International Shenzhen Company Limited (中国航空技术深圳有限公司)
“CATIC Shenzhen”	:	CATIC Shenzhen Holdings Limited (深圳中航集团股份有限公司)
“CDP” or “Depository”	:	The Central Depository (Pte) Ltd
“CPF”	:	Central Provident Fund

DEFINITIONS

“CSRC”	:	China Securities Regulatory Commission
“DMG”	:	DMG & Partners Securities Pte Ltd
“HKSE”	:	Hong Kong Stock Exchange
“IRISL”	:	Islamic Republic of Iran Shipping Lines
“IRISL Marine Services”	:	IRISL Marine Services and Engineering Co., Ltd
“MOC”	:	Ministry of Commerce of the PRC
“NDRC”	:	National Development and Reform Commission of the PRC
“PBOC”	:	People’s Bank of China
“SAFE”	:	State Administration for Foreign Exchange of the PRC
“SAIC”	:	State Administration for Industry and Commerce of the PRC
“SASAC”	:	State-owned Assets Supervision and Administration Commission of the PRC
“SAT”	:	State Administration of Taxation of the PRC
“SETGL”	:	Sino-Environment Technology Group Limited (in judicial management)
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Taizhou CATIC”	:	Taizhou CATIC Shipbuilding Heavy Industry Limited (泰州中航船舶重工有限公司)
“Taizhou Kouan”	:	Taizhou Kouan Shipbuilding Co., Ltd (泰州口岸船舶有限公司)
General		
“Audit Committee”	:	The audit committee of our Company as at the date of this Offer Information Statement, unless the context otherwise requires
“AVIC Shipbuilding Management Business”	:	The business division of AVIC International Beijing providing M&C Services
“Board”	:	Our board of Directors as at the date of this Offer Information Statement, unless the context otherwise requires
“CEO”	:	Chief Executive Officer
“Commencement Date”	:	1 April 2011
“Companies Act”	:	Companies Act (Cap. 50) of Singapore, as amended or modified from time to time
“Completion Date”	:	The date of completion of the Placement

DEFINITIONS

“Consideration Shares”	:	S\$6 million in value of Shares to be distributed to the SETGL Creditors and the SETGL Shareholders pursuant to the Scheme of Arrangement
“Date of Transfer”	:	9 September 2011, being the date of completion of the transfer of the Consideration Shares to the Scheme Administrators for distribution to the SETGL Creditors and the SETGL Shareholders pursuant to the Scheme
“Determination Date”	:	The date on which the Placement Price is determined
“Directors”	:	Directors of our Company as at the date of this Offer Information Statement, unless the context otherwise requires
“EPS”	:	Earnings per Share
“Estimated Price Range”	:	The Placement Price of up to S\$0.50 per Placement Share, subject to the Minimum Placement Price
“Executive Directors”	:	The executive directors of our Company as at the date of this Offer Information Statement, namely, Mr Zhang Wanping, Mr Cheng Xuhui and Mr Wu Weidong
“Executive Officers”	:	The key executives of our Group as at the date of this Offer Information Statement, comprising our Executive Directors and our Financial Controller
“FIEs”	:	Foreign investment enterprises
“Financial Controller”	:	The financial controller of our Company as at the date of this Offer Information Statement, namely, Ms Li Ying
“First Trading Date”	:	The date on which our Shares will commence trading on the SGX-ST, following, <i>inter alia</i> , the completion of the Placement
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Implementation Agreement”	:	The implementation agreement dated 7 January 2011 entered into between SETGL and AVIC International Kairong in connection with the Scheme
“Independent Directors”	:	The non-executive independent Directors of our Company as at the date of this Offer Information Statement, namely, Mr Teng Cheong Kwee, Ms Alice Lai Kuen Kan and Mr Chong Teck Sin
“Information Memorandum”	:	The information memorandum dated 10 August 2011 issued by the Company in connection with the Listing, containing, <i>inter alia</i> , information on the Group, and accompanying the Scheme Document
“Latest Practicable Date”	:	6 September 2011, being the latest practicable date prior to the lodgement of this Offer Information Statement with the Authority

DEFINITIONS

“Listing”	:	The listing of and quotation for our Shares on the SGX-ST
“Listing Manual”	:	The listing manual issued by the SGX-ST, as amended or modified from time to time
“M&C Services”	:	The project management and consultancy services provided by AVIC Shipbuilding Management Business relating to shipbuilding, including ship design, construction (both of which are out-sourced to third parties), procurement, newbuilding management and marine finance arrangement
“Management Agreement”	:	The management agreement dated 29 June 2011 entered into between our Company and AVIC International Beijing in relation to the provision of M&C Services
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maximum Placement Price”	:	S\$0.50 per Placement Share, being the highest point of the Estimated Price Range
“Maximum Placement Size”	:	65,000,000 Placement Shares
“Minimum Placement Price”	:	The minimum Placement Price at which the Placement Shares may be offered pursuant to the Placement, namely S\$0.20 per Placement Share
“NAV”	:	Net asset value
“New M&A Regulations”	:	The new Regulations on Foreign Investors’ Merger and Acquisition of Domestic Enterprises (关于外国投资者并购境内企业的规定) jointly issued by the MOC, the SASAC, the SAT, the SAIC, the CSRC and the SAFE on 8 August 2006, which became effective on 8 September 2006 and were subsequently amended on 22 June 2009 by the MOC
“Offer Information Statement”	:	This document and any supplementary or replacement document which is issued by our Company in connection with the Placement and lodged with the Authority
“Outstanding Projects”	:	The 19 vessels to be delivered by 2013 under the order book of AVIC International Beijing as at the end of FY2010
“Period Under Review”	:	FY2008, FY2009 and FY2010
“Placement”	:	The placement of the Placement Shares by our Company for subscription at the Placement Price, on the terms and subject to the conditions of this Offer Information Statement for the purposes of complying with the shareholding spread and distribution requirements under Rule 210(1)(a) of the Listing Manual
“Placement Agent”	:	DMG, the placement agent in relation to the Placement

DEFINITIONS

“Placement Agreement”	:	The placement agreement dated 12 September 2011 entered into between our Company and DMG in relation to the Placement
“Placement Price”	:	The price at which each Placement Share is issued and/or sold pursuant to the Placement, which is expected to be within the Estimated Price Range
“Placement Shares”	:	Up to 65,000,000 new Shares to be allotted and issued by the Company pursuant to the Placement
“PRC” or “China”	:	People’s Republic of China
“Proposed Internal Restructuring”	:	The internal restructuring of the AVIC Group, pursuant to which CATIC Shenzhen will acquire, <i>inter alia</i> , the entire equity interest of each of AVIC International Beijing, AVIC International Guangzhou and AVIC International Xiamen, more particularly described in the section entitled “History and Development of our Group” under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement
“Remaining Subsidiaries”	:	Subsidiaries of AVIC International, other than AVIC International Beijing, that are engaged in ship-trading and/or shipbuilding-related businesses, namely AVIC International Xiamen, AVIC International Shanghai and AVIC international Guangzhou
“Restructuring Exercise”	:	The restructuring exercise undertaken by our Group in connection with, <i>inter alia</i> , the Listing, more particularly described in the section entitled “Restructuring Exercise” under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement
“Scheme” or “Scheme of Arrangement”	:	The scheme of arrangement relating to the shareholders and creditors of SETGL, which was approved by the Court on 6 September 2011
“Scheme Administrators”	:	The administrators of the Scheme as described in the Scheme Document
“Scheme Document”	:	The document dated 10 August 2011 issued by SETGL to its shareholders and creditors containing, <i>inter alia</i> , details of the Scheme of Arrangement
“Securities Account”	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
“Securities and Futures Act”	:	Securities and Futures Act (Cap. 289) of Singapore, as amended or modified from time to time
“Service Agreements”	:	The service agreements, each dated 1 July 2011, entered into between our Company and each of our Executive Directors

DEFINITIONS

“SETGL Creditors”	:	The creditors of SETGL as described in the Scheme Document
“SETGL Judicial Managers”	:	Mr Seshadri Rajagopalan and Ms Ee Meng Yen Angela, the judicial managers of SETGL as at the date of this Offer Information Statement
“SETGL Shareholders”	:	The shareholders of SETGL as described in the Scheme Document
“SGXNET”	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system network prescribed by the SGX-ST
“Shareholders”	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of our Company
“Ship-trading Related Businesses”	:	Has the meaning ascribed to it in the section entitled “Undertaking by AVIC International and AVIC International Beijing” under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement
“VAT”	:	Value added tax
“WFOE”	:	Wholly foreign owned enterprise

Currencies, Units of Measurements and Others

“RMB” and “RMB cents”	:	Renminbi and Renminbi cents, respectively
“S\$” or “\$” and “cents”	:	Singapore dollars and cents, respectively
“US\$” and “US cents”	:	United States dollars and cents, respectively
“%” or “per cent.”	:	Per centum or percentage

Technical Terms

“Capesize”	:	Dry bulk vessels above 100,000 DWT
“CBM”	:	Cubic metre
“CGT”	:	Compensated gross tonnage, a measurement of shipbuilding output and capacity used to estimate the amount of work involved in building a ship
“containerships”	:	Containerships are cargo ships that carry all of their load in trucksize containers, in a technique called containerization

DEFINITIONS

“DWT”	:	Deadweight tonnage, a measurement which refers to the weight of cargo and consumables that a ship is designed to carry in metric tones
“EPC”	:	Engineering, procurement and construction
“FPSOs”	:	Floating production, storage and offloading units
“keel”	:	A structural keel is a large beam around which the hull of a ship is built. The keel runs in the middle of the ship, from the bow to the stern, and serves as the foundation or spine of the structure, providing the major source of structural strength of the hull. The keel is generally the first part of a ship’s hull to be constructed
“keel laying”	:	The placing of the first block in the slipway or drydock in which a vessel will be built
“LNG”	:	Liquefied natural gas
“LPG”	:	Liquefied petroleum gas
“MPP Ships”	:	Multipurpose ships
“Panamax”	:	Ships classified as Panamax are of the maximum dimensions that will fit through the locks of the Panama Canal, each of which is 1,000 feet long by 110 feet wide and 85 feet deep. Accordingly, a Panamax ship will usually have dimensions of close to 965 feet long (294.0 meters), 106 feet wide (32.3 meters) and a draft of 39.5 feet (12.0 meters)
“Post-Panamax”	:	Ships larger than Panamax, which currently do not fit through the locks of the Panama Canal but will be able to do so after the expansion of the Panama Canal is complete
“Ro-Ro vessels”	:	This is an abbreviation of roll-on, roll-off. The Ro-Ro ship is designed to allow wheeled cargo to drive or be pulled onboard. The ship will be fitted with at least one ramp, the key component to providing the flexibility to deliver cargo into ports with very little infrastructure
“Suezmax tankers”	:	A tanker of 120,000 to 199,999 DWT, with dimensions allowing it to transit the Suez Canal fully loaded
“tonnage”	:	A measure of the size or cargo capacity of a ship, and a “tonne” is a unit of such measure
“VLCCs”	:	Very large crude carriers

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act. The terms “subsidiary” and “Substantial Shareholder” shall have the same meanings ascribed to them respectively in Sections 5 and 81 of the Companies Act.

DEFINITIONS

Any reference to “we”, “us”, “our” and “ourselves” in this Offer Information Statement is a reference to our Company, our Group or any member of our Group as the context requires.

The terms “associated company”, “associated entity”, “controlling interest-holder”, “controlling shareholder”, “entity”, “related corporation”, “related entity”, “subsidiary”, “subsidiary entity” and “substantial interest-holder” shall have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

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

Any discrepancies in the tables included in this Offer Information Statement between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless otherwise indicated, any reference in this Offer Information Statement to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act, the Listing Manual or any statutory modification thereof and used in this Offer Information Statement shall, where applicable, have the meaning ascribed to it under the Companies Act, the Securities and Futures Act, the Listing Manual or such statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Offer Information Statement shall be a reference to Singapore time, unless otherwise stated.

Certain names written with Chinese characters have been translated into English. Such translations are provided solely for the convenience of Singapore-based investors who may be unfamiliar with Chinese. These English names may not be registered with the relevant PRC authorities and should not be construed as representations that the English names actually or officially represent the Chinese names and/or characters.

Any reference to “announcement” of or by our Company in this Offer Information Statement includes announcements by our Company posted on the website of the SGX-ST, <http://www.sgx.com>.

IMPORTANT NOTES

If you wish to subscribe for the Placement Shares, you should, before deciding whether to so subscribe, read this Offer Information Statement carefully in its entirety so as to make an informed assessment of the assets and liabilities, profits and losses, financial position, risk factors, performance and prospects of our Company and our Group and the rights and liabilities attaching to the Placement Shares. You should also make your own independent enquiries and investigations of any bases and assumptions, upon which financial projections, if any, are made or based, and carefully consider this Offer Information Statement in light of your personal circumstances (including financial and taxation affairs). We recommend that you seek professional advice from your accountant, stockbroker, bank manager, lawyer or other professional adviser before deciding whether to acquire or subscribe for our Placement Shares or invest in any Shares.

No person has been authorised to give any information or to make any representation not contained in this Offer Information Statement and any information or representation not so contained must **not** be relied upon as having been authorised by or made on behalf of our Company or the Placement Agent. Save as expressly stated in this Offer Information Statement, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our Group. Neither the delivery of this Offer Information Statement, nor any offer of or the issue of our Placement Shares shall, under any circumstances, constitute a continuing representation, or give rise to any implication, that there has been no change or development reasonably likely to involve a material change in the affairs, conditions and prospects of our Company, any of our subsidiaries or any of our securities since the date of this Offer Information Statement. Where such changes occur after the date hereof and are material, or are required to be disclosed by law and/or the SGX-ST, the Company may make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement document with the Authority. All subscribers of the Placement Shares should take note of any such announcement and/or supplementary or replacement document and, upon the release of such announcement or lodgement of such supplementary or replacement document, as the case may be, shall be deemed to have notice of such changes.

None of our Company, our Directors, officers, employees, agents, representatives and advisers and the Placement Agent are making any representation or undertaking to any person regarding the legality of an investment in the Placement Shares by such person under any investment or any other laws or regulations. No information in this Offer Information Statement should be considered to be business, legal, financial or tax advice. You should be aware that, if you subscribe for the Placement Shares, you may be required to bear the financial risks of such subscription for an indefinite period of time. You should consult your own professional adviser for business, legal, financial or tax advice regarding a subscription for the Placement Shares.

This Offer Information Statement has been prepared solely for the purpose of the subscription of the Placement Shares under the Placement and may not be relied upon by any persons (other than the subscribers to whom it is dispatched by our Company) or for any other purpose.

The distribution of this Offer Information Statement and the offering of and/or subscription for our Placement Shares in certain jurisdictions may be restricted by law. Our Company and the Placement Agent require you to inform yourself about and to observe any such restrictions at your own expense and without liability to our Company and the Placement Agent. This Offer Information Statement may not be used for the purpose of and does not constitute an offer to sell, or the solicitation of or invitation for an offer to buy or subscribe for, the Placement Shares, nor shall there be any sale or subscription of the Placement Shares in any jurisdictions in which such offer, solicitation, invitation or sale would be unlawful.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Information Statement, statements made in press releases and oral statements that may be made by our Company or our Directors, officers or employees acting on its behalf, that are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by words such as, without limitation, “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or other similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our Group’s expected financial position, operating results, business strategies, plans and prospects are forward-looking statements. These forward-looking statements, including but not limited to statements as to our Group’s revenue and profitability, prospects, future plans and other matters discussed in this Offer Information Statement regarding matters that are not historical facts, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our Group’s actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements.

Given the risks, uncertainties and other factors that may cause our Group’s actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Information Statement, undue reliance must not be placed on these statements. Our Group’s actual results, performance or achievements may differ materially from those anticipated in these forward-looking statements. Neither our Company, the Placement Agent nor any other person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements.

Further, our Company and the Placement Agent disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. Where such developments, events or circumstances occur and are material, or are required to be disclosed by law and/or the SGX-ST, our Company may make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement document with the Authority. Our Company is also subject to the provisions of the Listing Manual regarding corporate disclosure.

TRANSFER AND SELLING RESTRICTIONS

GENERAL

No person should acquire any Placement Shares except on the basis of the information contained in this Offer Information Statement. This Offer Information Statement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Placement Shares or to take up any entitlements to the Placement Shares in any jurisdiction in which such an offer or solicitation is unlawful.

The distribution of this Offer Information Statement into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this Offer Information Statement and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Investors are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Placement Shares. No action has been or will be taken to permit the Placement in any jurisdiction where action would be required for that purpose, except that this Offer Information Statement has been lodged with the Authority. Accordingly, the Placement Shares may not be offered, sold or delivered, directly or indirectly, and this Offer Information Statement may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. The Placement Agent assumes no responsibility in the event there is a violation by any person of such restrictions.

No actions have been taken to register or qualify the Shares offered by this document or otherwise to permit a public offer of the Shares in any jurisdiction outside Singapore.

Hong Kong

WARNING: The contents of this Offer Information Statement have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Offer Information Statement, you should obtain independent professional advice.

This Offer Information Statement has not been approved by the Securities and Futures Commission in Hong Kong and, accordingly, (i) the Placement Shares may not be offered or sold in Hong Kong by means of this Offer Information Statement or any other document other than to “professional investors” as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder, or in other circumstances which do not result in this Offer Information Statement being a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap. 32) (“**Companies Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance, and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Placement Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Placement Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made under that ordinance.

This Offer Information Statement is strictly confidential and is being furnished by the Company in connection with the subscription of the Placement Shares under the Placement. Any reproduction or distribution of this Offer Information Statement, in whole or in part, and any disclosure of its contents or use of any information in this Offer Information Statement without the Company’s prior approval is prohibited. Each of the recipients of this Offer Information Statement, by accepting delivery of this Offer Information Statement, agrees to the foregoing.

PART II (IDENTITY OF DIRECTORS, ADVISERS AND AGENTS)

Directors

1. Provide the names and addresses of each of the directors or equivalent persons of the Company.

Name	Address	Designation
Diao Weicheng (刁伟程)	No. 8, Beichendong Road, Chaoyang District, Beijing, the PRC 北京市朝阳区北辰东路8号	Non-Executive Chairman
Li Jin (李进)	3-502, Building No. 204, Huizhongbeili, Chaoyang District, Beijing, the PRC 北京市朝阳区慧忠北里204号 楼3单元 502号	Non-Executive Director and Deputy Chairman
Zhang Wanping (张万萍)	3-501, Building No. 39, Huayanbeili, Chaoyang District, Beijing, the PRC 北京市朝阳区华严北里39号楼3门501号	Executive Director and CEO
Cheng Xuhui (程旭辉)	2-602, Building No. 14, Shuguangli, Chaoyang District, Beijing, the PRC 北京市朝阳区曙光里14楼2单元602号	Executive Director
Wu Weidong (吴卫东)	3-8, Building No. 9, Dongjunzhuang, Chaoyang District, Beijing, the PRC 北京市朝阳区东军庄9楼3门8号	Executive Director
Teng Cheong Kwee	16B Margoliouth Road #06-03 Singapore 258542	Lead Independent Director
Alice Lai Kuen Kan	1203 Lippo Centre Tower 2, Admiralty, Hong Kong	Independent Director
Chong Teck Sin	16 Jalan Kakatua, Singapore 598533	Independent Director

Advisers

2. Provide the names and addresses of:
- (a) the issue manager to the offer, if any;
 - (b) the underwriter to the offer, if any; and
 - (c) the legal adviser for or in relation to the offer, if any.
-

PART II (IDENTITY OF DIRECTORS, ADVISERS AND AGENTS)

Placement Agent	:	DMG & Partners Securities Pte Ltd 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315
Legal Adviser to our Company	:	Stamford Law Corporation 10 Collyer Quay #27-00 Ocean Financial Centre Singapore 049315
Legal Adviser to the Placement Agent	:	Colin Ng & Partners LLP 36 Carpenter Street Singapore 059915

Registrars and Agents

3. Provide the names and addresses of the registrars, transfer agents and receiving bankers for the securities being offered, where applicable.
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Share Registrar and Share Transfer Office	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Receiving Banker	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #10-00 OCBC Centre Singapore 049513

PART III (OFFER STATISTICS AND TIMETABLE)

Offer Statistics

1. For each method of offer, state the number of the securities being offered.

Placement : Up to 65,000,000 Placement Shares, representing approximately 28.0% of the existing issued share capital of our Company as at the date of lodgement of this Offer Information Statement and approximately 21.9% of the enlarged issued share capital of our Company immediately after the completion of the Placement (taking into account the 65,000,000 Placement Shares issued and allotted pursuant to the Placement).

Placement Price : The Placement Price is expected to be within the Estimated Price Range.

Status of Placement Shares : The Placement Shares, when issued, will rank *pari passu* in all respects with the existing issued Shares save that they shall not rank for any entitlements, distributions, dividends or rights (if any), the record date in respect of which falls prior to the date of issue of the Placement Shares.

Upon the listing of the Placement Shares on the SGX-ST, the Placement Shares will be traded on the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Shares will comprise 1,000 Shares.

Pursuant to the Scheme, the SETGL Shareholders and SETGL Creditors may receive odd lots of Shares (i.e. lots other than board lots of 1,000 Shares). Such SETGL Shareholders and SETGL Creditors who receive odd lots of Shares pursuant to the Scheme and who wish to trade in odd lots on the SGX-ST should note that the unit share market has been set up to allow trading in odd lots with a minimum size of one share on the SGX-ST. The unit share market will enable trading in odd lots in any quantity less than one board lot of the underlying shares in the ready market.

PART III (OFFER STATISTICS AND TIMETABLE)

Method and Timetable

2. Provide the information referred to in paragraphs 3 to 7 of this Part to the extent applicable to:
- (a) the offer procedure; and
 - (b) where there is more than one group of targeted potential investors and the offer procedure is different for each group, the offer procedure for each group of targeted potential investors.

Please see paragraphs 3 to 7 below.

3. State the time at, date on, and period during which the offer will be kept open, and the name and address of the person to whom the purchase or subscription applications are to be submitted. If the exact time, date or period is not known on the date of lodgement of the offer information statement, describe the arrangements for announcing the definitive time, date or period. State the circumstances under which the offer period may be extended or shortened, and the duration by which the period may be extended or shortened. Describe the manner in which any extension or early closure of the offer period shall be made public.

Pursuant to the Placement Agreement, the Placement Agent has agreed to place, on a best efforts basis, the Placement Shares to subscribers, upon the terms and subject to the conditions of the Placement Agreement.

Completion of the Placement is conditional upon, *inter alia*:

- (i) the lodgement with the Authority by the Company of this Offer Information Statement being acceptable to the Authority;
- (ii) in-principle approval for the listing and quotation of the Placement Shares on the Official List of the SGX-ST not having been revoked or amended and any conditions attached thereto which are required to be fulfilled on or before the Completion Date, having been so fulfilled before that date to the satisfaction of the SGX-ST unless otherwise waived by the SGX-ST;
- (iii) receipt of confirmation from the SGX-ST that the suspension of dealing in the Shares on the SGX-ST will or has been lifted;
- (iv) the Placement not being prohibited by any statute, order, rule or regulation promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company or the Placement Agent;
- (v) there having been, as at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any material respect any of the representations, warranties and undertakings contained in the Placement Agreement if they were repeated on and as of the Completion Date;

PART III (OFFER STATISTICS AND TIMETABLE)

- (vi) the compliance with all applicable laws and regulations concerning the Placement, the listing of the Placement Shares on the Official List of the SGX-ST and the transactions contemplated in the Placement Agreement and no new laws, regulations and directives having been promulgated, published and/or issued and/or having taken effect or any other similar matter having occurred which, in the reasonable opinion of the Placement Agent, has or may have a material adverse effect on the Placement and the listing of the Placement Shares on the Official List of the SGX-ST; and
- (vii) the Placement Agent being satisfied that the Placement Shares will be admitted for listing by the SGX-ST without undue delay after the Completion Date.

The Placement Agent may, and upon such terms as it thinks fit, waive compliance with any of the conditions set out above (except for conditions (i) and (iv) above).

Completion of the Placement is to take place on 27 September 2011 or such other date as the Company and the Placement Agent may agree in writing.

If any of the conditions above is not satisfied or waived on or before the Completion Date or such other dates as the Company and the Placement Agent may mutually agree in writing, the Placement Agreement shall terminate and in that event the obligations of the Company and the Placement Agent under the Placement Agreement shall be released and discharged except as specifically provided under the Placement Agreement.

The SGX-ST has stated in its letter dated 21 June 2011 to the Company that the Company is conditionally eligible for a SGX-Mainboard listing subject to, *inter alia*, the Placement being completed within one month from the date of admission of the Shares to the Official List of the SGX-ST.

4. State the method and time limit for paying up for the securities and, where payment is to be partial, the manner in which, and dates on which, the amounts are to be paid.

Completion of the Placement is to take place on 27 September 2011 or such other date as the Company and the Placement Agent may agree in writing.

By no later than 5.00 p.m. on the third Market Day immediately following the Completion Date, against delivery by the Company to the Placement Agent of a written confirmation that the Company has instructed CDP to credit the Placement Shares to the Placement Agent's securities account with CDP or such securities account(s) as notified by the Placement Agent, the Placement Agent is required to make payment to the Company of the aggregate Placement Price of the Placement Shares subscribed for, less the commission payable to the Placement Agent and any costs and expenses reimbursable to the Placement Agent under the Placement Agreement, by way of wire transfer to such bank account designated by our Company.

The Placement Shares will be fully paid-up. Accordingly, partial payment is not relevant in the context of the Placement.

PART III (OFFER STATISTICS AND TIMETABLE)

5. State where applicable, the methods of and time limits for:

- (a) the delivery of the documents evidencing title to the securities being offered (including temporary documents of title, if applicable) to subscribers or purchasers; and**
- (b) the book-entry transfers of the securities being offered in favour of subscribers or purchasers.**

Under the terms of the Placement Agreement, on the Completion Date, our Company shall instruct CDP to credit the Placement Shares to the Placement Agent's securities account with CDP or such securities account(s) as notified by the Placement Agent shall deliver to the Placement Agent written confirmation of our Company's instruction to CDP. The Company shall no later than the Market Day after the Completion Date deliver to CDP for the account of the subscribers share certificate(s) in respect of the Placement Shares.

6. In the case of any pre-emptive rights to subscribe for or purchase the securities being offered, state the procedure for the exercise of any right of pre-emption, the negotiability of such rights and the treatment of such rights which are not exercised.

Not applicable.

7. Provide a full description of the manner in which results of the allotment or allocation of the securities are to be made public and, where appropriate, the manner for refunding the excess amounts paid by applicants (including whether interest will be paid).

Our Company will announce the completion of the Placement (including the number of Placement Shares which the Placement Agent has successfully placed to subscribers) by way of an SGXNET announcement to be posted on the internet at the SGX-ST website, <http://www.sgx.com>. No excess amounts are expected to be received in respect of the Placement Shares.

PART IV (KEY INFORMATION)

Use of Proceeds from the Offer and Expenses Incurred

1. In the same section, provide the information set out in paragraphs 2 to 7 of this Part.

Please see paragraphs 2 to 7 below.

2. Disclose the estimated amount of the proceeds from the offer (net of the estimated amount of expenses incurred in connection with the offer) (referred to in this paragraph and paragraph 3 of this Part as the net proceeds). Where only a part of the net proceeds will go to the relevant entity, indicate the amount of the net proceeds that will be raised by the relevant entity. If none of the proceeds will go to the relevant entity, provide a statement of that fact.

Based on the Maximum Placement Price and the Maximum Placement Size, assuming that the Placement is fully subscribed, our Company expects to receive net proceeds of approximately S\$28.7 million (after deducting estimated expenses) from the Placement.

3. Disclose how the net proceeds raised by the relevant entity from the offer will be allocated to each principal intended use. If the anticipated proceeds will not be sufficient to fund all of the intended uses, disclose the order of priority of such uses, as well as the amount and sources of other funds needed. Disclose also how the proceeds will be used pending their eventual utilisation for the proposed uses. Where specific uses are not known for any portion of the proceeds, disclose the general uses for which the proceeds are proposed to be applied. Where the offer is not fully underwritten on a firm commitment basis, state the minimum amount which, in the reasonable opinion of the directors or equivalent persons of the relevant entity, must be raised by the offer of securities.

As stated in paragraph 2 of this Part above, based on the Maximum Placement Price and the Maximum Placement Size, assuming that the Placement is fully subscribed, our Company expects to receive net proceeds of approximately S\$28.7 million⁽¹⁾ (after deducting estimated expenses) from the Placement.

We intend to utilise the estimated net proceeds for the purposes set out below and in the following order of priority:

- (i) S\$25.0 million (or equivalent to approximately RMB132.4 million⁽²⁾) to partly finance the acquisition of a shipyard; and
- (ii) the balance S\$3.7 million for our working capital purposes and any future acquisitions, joint ventures and strategic alliances.

Notes:

(1) The net proceeds amount of S\$28.7 million may vary depending on the final terms of the Placement. Further, this net proceeds amount is only an indicative figure and cannot be guaranteed due to market conditions, unforeseen circumstances, difficulties and complications.

(2) Based on the closing exchange rate of S\$1:RMB5.297 as at the Latest Practicable Date. (source: Bloomberg L.P.)

PART IV (KEY INFORMATION)

In addition to the S\$25.0 million referred to in (i) above, our Company expects that it will need to raise additional funds of approximately S\$75 million to complete the acquisition of the shipyard.

Please refer to the section entitled “Business Strategies and Future Plans” under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for further details on our plans above. In particular, apart from the proceeds from the issue of the Placement Shares, our future plans may be funded either through the issuance of new securities, debt-financing, internally generated funds and/or external borrowings.

Pending the deployment of the net proceeds for the purposes mentioned above, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis as our Directors may, in their absolute discretion, deem fit.

In the reasonable opinion of our Directors, there is no minimum amount which must be raised from the Placement.

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4. **For each dollar of the proceeds from the offer that will be raised by the relevant entity, state the estimated amount that will be allocated to each principal intended use and the estimated amount that will be used to pay for expenses incurred in connection with the offer.**
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The allocation of the net proceeds from the Placement to each principal intended use of proceeds and each item of expenses borne by our Company is as follows:

Intended use and expenses	Estimated amount (S\$'000)⁽¹⁾	Estimated amount to be used for each S\$ (cents)
Use of Proceeds		
Acquisition of shipyard, part-finance	25,000	76.9
General working capital requirements and any future acquisitions, joint ventures and strategic alliances	3,664	11.3
Listing Expenses		
Listing fees	70	0.2
Professional fees	2,129	6.6
Placement commission and brokerage ⁽²⁾	1,137	3.5
Miscellaneous expenses ⁽³⁾	500	1.5
Total	32,500	100.0

Notes:

- (1) Based on the Maximum Placement Size and the Maximum Placement Price and assuming the Placement is fully subscribed.
- (2) For illustrative purposes, we have assumed that the placement commission and brokerage is 3.5%.
- (3) This includes applicable goods and services tax payable for, *inter alia*, listing fees, professional fees, placement commission and brokerage, out-of-pocket expenses and other miscellaneous expenses.

PART IV (KEY INFORMATION)

The foregoing discussion represents our Company's best estimate of its allocation of the net proceeds from the Placement based on its current plans and estimates regarding its anticipated expenditures. Actual expenditures may vary from these estimates and our Company may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that our Company decides to reallocate the net proceeds from the Placement, our Company will publicly announce its intention to do so through an SGXNET announcement to be posted on the internet at the SGX-ST website, <http://www.sgx.com>.

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- 5. If any of the proceeds to be raised by the relevant entity will be used, directly or indirectly, to acquire or refinance the acquisition of an asset other than in the ordinary course of business, briefly describe the asset and state its purchase price. If the asset has been or will be acquired from an interested person of the relevant entity, identify the interested person and state how the cost to the relevant entity is or will be determined.**
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As stated in paragraphs 3 and 4 above, we intend to utilise S\$25.0 million of the net proceeds from the Placement to partly finance the acquisition of a shipyard. As mentioned in the section entitled "Overview of our Group and Business Activities" under paragraph 9(b) of Part IV (Key Information) of this Offer Information Statement, we intend to diversify into shipbuilding in the near future by acquiring existing reputable shipyards, including but not limited to, those within the AVIC International Group as provided in the undertaking given by AVIC International and AVIC International Beijing. Please refer to the section entitled "Undertaking by AVIC International and AVIC International Beijing" under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement for details of the said undertaking. Any acquisitions of shipyards pursuant to the said undertaking will still be subject to the approvals of the relevant PRC authorities. The Company will announce any acquisitions of shipyards pursuant to the above-mentioned undertaking by way of an SGXNET announcement to be posted on the internet at the SGX-ST website, <http://www.sgx.com>, as appropriate.

As at the Latest Practicable Date, no decision has been made by our Company to acquire any specific shipyard. Our Company is currently on the lookout for opportunities to acquire suitable shipyards. As at the Latest Practicable Date, our Company is in discussions for the acquisition of a shipyard. However, the discussions are currently at a preliminary stage and no memorandum of understanding or definitive agreements has been entered into by our Group as at the Latest Practicable Date. Our Company will evaluate all opportunities and should there be any material development, our Company will make the necessary announcement.

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- 6. If any of the proceeds to be raised by the relevant entity will be used to finance or refinance the acquisition of another business, briefly describe the business and give information on the status of the acquisition.**
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Please see paragraph 5 of this Part above.

PART IV (KEY INFORMATION)

7. If any material part of the proceeds to be raised by the relevant entity will be used to discharge, reduce or retire the indebtedness of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, of the group, describe the maturity of such indebtedness and, for indebtedness incurred within the past year, the uses to which the proceeds giving rise to such indebtedness were put.

Not applicable.

8. In the section containing the information referred to in paragraphs 2 to 7 of this Part or in an adjoining section, disclose the amount of discount or commission agreed upon between the underwriters or the other placement or selling agents in relation to the offer and the person making the offer. If it is not possible to state the amount of discount or commission, the method by which it is to be determined must be explained.

The placement commission payable to the Placement Agent is 3.5% of the aggregate Placement Price for the total number of Placement Shares which the Placement Agent has successfully placed to subscribers.

Information on the Relevant Entity

9. Provide the following information:

Please see below.

- (a) the address and telephone and facsimile numbers of the relevant entity's registered office and principal place of business (if different from those of its registered office);

Registered Office

Address	:	10 Collyer Quay #27-00 Ocean Financial Centre Singapore 049315
Telephone	:	+65 6389 3000
Facsimile	:	+65 6389 3099

PART IV (KEY INFORMATION)

Principal Place of Business

Address : 24th Floor, North Star Times Tower
No. 8 Beichendong Road
Chaoyang District
Beijing 100101
The People's Republic of China

Telephone : +86 10 8497 1051

Facsimile : +86 10 8497 1149

- (b) the nature of the operations and principal activities of the relevant entity or, if it is the holding company or holding entity of a group, of the group;**
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OVERVIEW OF OUR GROUP AND BUSINESS ACTIVITIES

Our Group is principally involved in the provision of M&C Services. We work with established shipyards in the PRC as co-sellers whereby the shipyard is 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. As part of the state-owned AVIC Group, we have had strong support from the PRC domestic financial institutions and have been able to assist the shipyards that we have worked with in obtaining loans and/or procuring the issuance of refund guarantees by banks and the shipowners in obtaining financing, when required.

In FY2010, we began to provide marketing and consultancy services to a shipyard in the PRC, namely Taizhou CATIC, to help promote its corporate profile in the overseas markets, seek out shipowners and secure shipbuilding contracts, including working with the shipyards to negotiate with shipowners on the terms and other details of the shipbuilding contracts, amongst others. AVIC International Beijing owns 45% of the equity interest in Taizhou CATIC pursuant to a joint venture entered into in 2007, with Taizhou Kouan holding 44% and other domestic investors holding the remaining 11%.

As at the end of FY2010, AVIC International Beijing had an order book consisting of 19 vessels to be delivered by 2013. In order to enable AVIC International Beijing to manage and complete the Outstanding Projects following the Restructuring Exercise, AVIC International Beijing and our Company had on 29 June 2011 entered into the Management Agreement, pursuant to which AVIC International Beijing engaged our Company to provide M&C Services for the Outstanding Projects with effect from 1 January 2011 until the 19 vessels are delivered. The Management Agreement is a transitional arrangement which aims to ensure a smooth completion of the Outstanding Projects following the Restructuring Exercise. Going forward, all new shipbuilding contracts secured after the Commencement Date will be entered into directly by our Group.

We intend to diversify into shipbuilding in the near future by acquiring existing reputable shipyards, including but not limited to, those within the AVIC International Group as provided in the undertaking given by AVIC International and AVIC International Beijing. To the extent that our Group is not able to legally acquire and hold part or all of such interests pursuant to the said undertaking under current PRC law due to restrictions on foreign ownership, our

PART IV (KEY INFORMATION)

Company intends to obtain effective control over such interests by entering into a series of contracts through AVIC International Beijing. These may include management and consultancy service agreements, assignment agreements, equity interests pledge agreements, exclusive purchase agreements and powers of attorney. Please refer to the section entitled “Undertaking by AVIC International and AVIC International Beijing” under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement for details of the said undertaking.

GROUP STRUCTURE

Our Group structure as at the date of this Offer Information Statement is as follows:



The details of the subsidiaries of our Company and their principal activities as at the Latest Practicable Date are as follows:

Name of Subsidiary	Date and place of incorporation	Principal place of business/registered address	Principal activities	Issued and paid-up/registered capital	Equity Interest held by our Company (%)
Kaixin Industrial Pte. Ltd.	14 January 2011, Singapore	10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315	Ship-trading and shipbuilding businesses	S\$1.00	100%
AVIC Kaixin (Beijing) Ship Industry Co., Ltd. ⁽¹⁾	19 April 2011, PRC	A-401, Building No. 3, No.16 Hongdabei Road, Beijing Economic-Technological Development Area, Beijing, PRC 北京市北京经济技术开发区宏达北路16号3号楼A门401号	Ship-trading agency and import and export business	US\$650,000	100%

Note:

- (1) Under Kaixin (Beijing)’s business licence, it has a term of operation of 30 years ending on 18 April 2041. Upon the expiry of the business licence, the business licence of Kaixin (Beijing) may be extended upon application to the relevant authorities.

None of our subsidiaries are listed on any stock exchange.

PART IV (KEY INFORMATION)

- (c) **the general development of the business from the beginning of the period comprising the 3 most recent completed financial years to the Latest Practicable Date, indicating any material change in the affairs of the relevant entity or the group, as the case may be, since —**
- (i) **the end of the most recent completed financial year for which financial statements of the relevant entity have been published; or**
 - (ii) **the end of any subsequent period covered by interim financial statements, if interim financial statements have been published;**
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HISTORY AND DEVELOPMENT OF OUR GROUP

About our Company

Our Company was incorporated on 11 November 2010 under the laws of Singapore and became the holding company of our Group pursuant to the Restructuring Exercise.

As part of the Restructuring Exercise, the personnel of AVIC Shipbuilding Management Business were transferred to our Group from 1 January 2011 and the shipbuilding business was henceforth undertaken by our Group. As one of the business divisions of AVIC International Beijing, AVIC Shipbuilding Management Business was principally involved in the provision of M&C Services.

AVIC International Beijing began to provide M&C Services in 1994, when a Middle Eastern shipowner ordered five 21,000 DWT MPP Ships through AVIC International's marketing network. As AVIC International is focused on the aircraft business, the orders were undertaken by AVIC International Beijing. In 1996, the shipowner and AVIC International Beijing entered into an agreement to export the five MPP Ships via an Export Credit financing arrangement. Export Credit is a form of financing provided by PRC banks to the shipowners to finance their purchase of ships. AVIC Shipbuilding Management Business acts as an arranger by facilitating this arrangement between the banks and the shipowners. Our association with the state-owned AVIC Group has given us a competitive edge in obtaining support from the major local financial institutions. This paved the way for the Chinese shipbuilding industry to begin exporting vessels using Export Credit financing arrangements.

With the development of China's shipbuilding industry in the late 1990s, foreign shipowners, in particular European shipowners, began to recognise the quality of China-built vessels. Against this backdrop, AVIC International Beijing decided to set up a new division, AVIC Shipbuilding Management Business, to focus on the M&C Services in August 2000. AVIC Shipbuilding Management Business managed to secure contracts for two 27,000 DWT bulk carriers, two 35,000 DWT bulk carriers and two 51,000 DWT bulk carriers in 2000.

As the shipping industry began to recover in 2003, AVIC Shipbuilding Management Business took the opportunity to build on its foundation and increase its marketing efforts in the industry. This proved to be rewarding, as AVIC Shipbuilding Management Business secured contracts for a total of 39 vessels, consisting of bulk carriers, MPP Ships and tankers, with an aggregate value of US\$1.35 billion from 2003 to 2008, before the global financial crisis.

PART IV (KEY INFORMATION)

At the same time, AVIC Shipbuilding Management Business placed great emphasis on building up its management team and recruited new employees from Shanghai Jiaotong University and Harbin Engineering University, being two of the more renowned shipping educational institutes in the PRC, to join its management team. The size of its team increased to 19 employees in 2008.

As at the end of FY2010, AVIC International Beijing had an order book consisting of 19 vessels to be delivered by 2013. In order to enable AVIC International Beijing to manage and complete the Outstanding Projects, AVIC International Beijing and our Company had on 29 June 2011 entered into the Management Agreement, pursuant to which AVIC International Beijing engaged our Company to provide M&C Services for the Outstanding Projects with effect from 1 January 2011 until the 19 vessels are delivered. The Management Agreement is a transitional arrangement which aims to ensure a smooth completion of the Outstanding Projects following the Restructuring Exercise. Going forward, all new shipbuilding contracts secured after the Commencement Date will be entered into directly by our Group.

About the AVIC Group

Our Company is an indirect wholly-owned subsidiary of AVIC through AVIC International, AVIC International Beijing and AVIC International Kairong. AVIC holds 62.5% of the registered capital of AVIC International, which in turn holds 100% of the registered capital of AVIC International Beijing. AVIC International Beijing is the sole shareholder of AVIC International Kairong, which is the largest shareholder of our Company as at the date of this Offer Information Statement.

AVIC is a large state-owned enterprise and an investment institution that is authorised and managed by the Central Government of the PRC. Its key business units are Defense, Transport Aircraft, Aviation Engine, Helicopters, Avionics, General Aviation Aircraft, Aviation Research and Development, Flight Test, Trade and Logistics, and Asset Management. Further information on the AVIC Group may be found on the following website: <http://www.avic2.com>.

AVIC International's predecessor, China National Aero-Technology Import and Export Corporation (中国航空技术进出口总公司), was established in January 1979. As an important part of the aviation industry, AVIC International has become a comprehensive platform that leads the rapid development of world sectors like world aviation, trade and logistics, real estate & service and industrial investment. So far, AVIC International has established wholly-owned or holding subsidiaries in main cities in the PRC, owns seven listed companies and about 60 overseas offices, and its business covers over 180 countries and regions. The business assets of AVIC International have a collective asset value of nearly RMB100 billion. More details can be found on the following website: <http://www.avic-intl.cn>.

AVIC International Beijing was established in 1992 in the PRC, and is a state-owned enterprise which mainly focuses on trading and manufacturing of ships, EPC services relating to port machinery and equipment (such as quayside and rubber type gantry cranes) and investment-holding.

AVIC International Kairong, a company incorporated on 16 August 2010 under the laws of Hong Kong, is principally an investment holding company.

PART IV (KEY INFORMATION)

AVIC International has recently approved the Proposed Internal Restructuring. The Proposed Internal Restructuring is part of an acquisition exercise to be executed by CATIC Shenzhen (the “**Acquisition**”) to, *inter alia*, broaden CATIC Shenzhen’s existing manufacturing and trading platform with a greater variety of products and services, as well as introduce some prospective sectors including tendering, construction and shipbuilding, thereby creating synergy with the current businesses of CATIC Shenzhen and provide the AVIC Group with opportunities for continuous development. Pursuant to the Acquisition, CATIC Shenzhen will be acquiring the entire equity interest of each of AVIC International Beijing, AVIC International Guangzhou and AVIC International Xiamen, and a few other companies from AVIC International and other subsidiaries of the AVIC Group. The businesses undertaken by these target companies are diversified and wide-ranging, including trading and logistics of shipping, cement production lines, petrochemical facilities, electric power facilities, trading and logistics of bitumen, motorcycles bearings, coal and medical facilities, trading and logistics of marine engineering and shipping and related equipment, chemicals, stone materials, minerals and medical equipment, project tendering, internet communications and trading of wind power energy equipment, production of fasteners for aviation use and real estate development.

CATIC Shenzhen is a subsidiary of AVIC International which is listed on the HKSE. CATIC Shenzhen is a diversified strategic investment holding company, and is principally engaged in electronic components, luxurious goods, commercial real estate industries and resource business via its subsidiaries, of which its core companies include Shenzhen Tian Ma Microelectronics Co., Ltd, Shenzhen Shennan Circuit Ltd. Corp, Shenzhen Fiyta Holdings Limited, and Shenzhen CATIC Resources Company Limited. Further information on CATIC Shenzhen may be found on the following website: <http://www.avic161.com>.

CATIC Shenzhen is currently 58.8% held by AVIC International through its wholly-owned subsidiary, AVIC International Shenzhen, and after completion of the Proposed Internal Restructuring, CATIC Shenzhen will be 39.4% held directly by AVIC International and 35.6% held indirectly by AVIC International through AVIC International Shenzhen. Our Company will also become an indirect subsidiary of CATIC Shenzhen through its wholly-owned subsidiary, AVIC International Beijing, and AVIC International Beijing’s wholly-owned subsidiary, AVIC International Kairong, after completion of the Proposed Internal Restructuring.

The Proposed Internal Restructuring, along with the acquisitions of other subsidiaries of the AVIC Group by CATIC Shenzhen, has been approved by the SASAC in July 2011. The Proposed Internal Restructuring is expected to be completed by 31 December 2011.

In conjunction with the Listing, AVIC International and AVIC International Beijing have given an undertaking to our Group to, *inter alia*, transfer all interests of the AVIC International Group in any business or assets engaged in or connected to the ship-trading and shipbuilding industry to our Group. The Proposed Internal Restructuring will not have an impact on the said undertaking, and it remains the intention that all business or assets of AVIC International and AVIC International Beijing engaged in or connected to the ship-trading and shipbuilding industry will be consolidated under our Group.

Any acquisitions of shipyards pursuant to the said undertaking will still be subject to the approval of the relevant PRC authorities.

PART IV (KEY INFORMATION)

UNDERTAKING BY AVIC INTERNATIONAL AND AVIC INTERNATIONAL BEIJING

AVIC International and AVIC International Beijing have given an undertaking to our Group (the “**Undertaking**”) that:

- (a) all future activities and business of AVIC International and AVIC International Beijing relating to ship-trading, including without limitation thereto design, procurement and construction (by third parties) of ships, newbuilding management and marine finance (the “**Ship-trading Related Businesses**”), will be referred to and undertaken by and through our Group with effect from the Commencement Date, while the activities and business of (i) AVIC International relating to shipbuilding and (ii) the Remaining Subsidiaries relating to the Ship-trading Related Businesses and shipbuilding will be consolidated at our Group level as soon as possible, but in any event within:

(A) one year of the Listing, for all Ship-trading Related Businesses other than shipbuilding; and

(B) two years of the Listing, for the existing shipbuilding business,

in accordance with paragraph (b), save that the activities and business of AVIC International Beijing relating to shipbuilding shall be referred to and undertaken by and through our Group not later than 31 December 2012;

- (b) subject to the requirements under the PRC laws and regulations, all interests of the AVIC International Group in any business or assets engaged in or connected to the ship-trading and shipbuilding industry, including but not limited to its shipyards and clients (the “**Core Business**”) will be offered for transfer to our Group on normal commercial terms and terms which are not prejudicial to the interests of our Company and its minority shareholders, at a price based on an independent valuation, as soon as possible, but in any event within:

(A) one year of the Listing for all Ship-trading Related Businesses other than shipbuilding, or

(B) two years of the Listing for the shipbuilding business;

- (c) in accordance with paragraph (b) above, subject to requirements under the PRC laws and regulations, all acquisitions of shares, business or assets in the Core Business by AVIC International and/or AVIC International Beijing on or after the Commencement Date shall be acquired through our Group. If any memorandum of understanding or other preliminary letters of intent has been entered into on or after the Commencement Date by AVIC International and/or AVIC International Beijing, we shall procure that the definitive agreement shall be entered into by and for the benefit of our Group and shall assist our Group in completing those acquisitions as soon as possible. From the date of the successful transfer of the relevant subsidiary’s interest in the Core Business in accordance with paragraph (b) or the date falling:

(A) one year from the Listing for all Ship-trading Related Businesses other than shipbuilding, or

(B) two years from the Listing for the shipbuilding business,

the preceding two sentences shall apply, *mutatis mutandis*, to the Remaining Subsidiaries; and

PART IV (KEY INFORMATION)

(d) subject to paragraph (b) above, on or after the Commencement Date, AVIC International and AVIC International Beijing shall not carry on, be engaged or be interested in a capacity (either solely or jointly with or on behalf of any person, firm or corporation) which competes with our Group in respect of the Core Business in any country. From the date of the successful transfer of the relevant subsidiary's interest in the Core Business in accordance with paragraph (b) or the date falling:

(A) one year from the Listing for all Ship-trading Related Businesses other than shipbuilding, or

(B) two years from the Listing for the shipbuilding business,

the preceding sentence shall apply, *mutatis mutandis*, to the Remaining Subsidiaries.

According to the latest Catalogue of Foreign Investment Industries promulgated by the NDRC and the MOC on 31 October 2007, which became effective on 1 December 2007, and the State Shipping Industry Mid-and-Long-Term Development Plan (2006-2015), some ship-related industries in the PRC, including the shipbuilding industry, are classified as restricted industries where foreign ownership is allowed only up to 49.0%.

To the extent that our Group is not able to legally acquire and hold part or all of the interests of the Core Business of the AVIC International Group pursuant to paragraphs (a) to (c) above, our Company intends to acquire the maximum equity interest in the relevant companies which carry on the Core Business as permitted by the relevant PRC laws. In relation to the remaining equity interest, our Company intends to enter into a series of contracts through AVIC International Beijing (the "**Contractual Arrangements**"), that will provide our Group with effective operational control over and (to the extent permitted by PRC law) a right to acquire the equity interests in such companies. These may include management consultancy service agreements, assignment agreements, equity interests pledge agreements, exclusive purchase agreements, and powers of attorney.

The Contractual Arrangements will collectively enable our Company, through AVIC International Beijing, to receive the income and other economic benefits accruing to the Core Business through (i) the right to receive the management consultancy service fees, (ii) the acquisition (if and when the PRC law allows our Company to hold more than a 49.0% equity interest in the relevant companies which carry on the Core Business) of all the equity interest in such companies, and (iii) the right to govern the financial and operating policies as well as, in substance, all of the voting rights of such companies.

As at the date of this Offer Information Statement, taking into consideration (i) the intention to acquire up to 49.0% interest in the Core Business of the AVIC International Group as allowed by the relevant PRC regulations, and (ii) failing which, the implementation of the Contractual Arrangements, we do not foresee any legal obstacles with regards to us acquiring the effective operational control over such businesses and thereby allowing us to receive income and other economic benefits accruing to the Core Business as we intend to structure the proposed acquisitions to be in compliance with the relevant PRC regulatory requirements, and in particular, those of the New M&A Regulations (if applicable). Please refer to the sections entitled "Changes in the New M&A Regulations by the PRC government could adversely affect our future acquisitions of PRC businesses" and "If the PRC government takes the view that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the shipbuilding industry, our business, financial condition, results of operations and prospects could be materially and adversely

PART IV (KEY INFORMATION)

affected” in the “Risk Factors” section under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement, for risks involved in future acquisitions pursuant to the Undertaking.

Any acquisitions of the Core Business by our Group pursuant to the above Undertaking will be subject to the provisions of Chapter 9 of the Listing Manual which governs transactions with interested persons as defined in Chapter 9 of the Listing Manual. For the avoidance of doubt, the subscription of the Placement Shares by investors will not constitute approval for such interested person transactions, and Shareholders’ approval will be sought separately if required.

Such acquisitions will also be subject to the approval of the relevant PRC regulatory authorities.

In view of the Proposed Internal Restructuring, following which our Company will become an indirect subsidiary of CATIC Shenzhen, a company listed on the HKSE, our Company has been advised by Jackson Woo & Associates (the “**Hong Kong lawyers**”) (solely for the benefit of our Company) that on the basis that:

- (a) AVIC International Beijing, AVIC International Guangzhou, AVIC International Xiamen and AVIC International Shanghai will be wholly-owned subsidiaries of CATIC Shenzhen at the time of the acquisitions of the shipbuilding business and the Ship-trading Related Businesses by our Company from these four entities pursuant to the Undertaking;
- (b) our Company is an indirect non wholly-owned subsidiary of CATIC Shenzhen;
- (c) no connected person(s) as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HK Listing Rules**”) of CATIC Shenzhen (other than at the level of its subsidiaries) is/are (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company and our Company is not a connected person of CATIC Shenzhen under the HK Listing Rules; and
- (d) the H shares of CATIC Shenzhen will continue to be listed on HKSE,

barring any unforeseeable circumstances, any acquisitions of the shipbuilding business and the Ship-trading Related Businesses as aforesaid would be exempted from the requirement for shareholders’ approval of CATIC Shenzhen under Chapter 14A of the HK Listing Rules (Connected Transactions). However, such transactions would be subject to the shareholders’ approval of CATIC Shenzhen under Chapter 14 of the HK Listing Rules (Notifiable Transactions) if they constitute (whether individually or in aggregate) a major or very substantial disposal under such rules.

Assuming that AVIC International and AVIC International Shenzhen, as shareholders of CATIC Shenzhen following the Proposed Internal Restructuring, and none of their respective associates hold any shares in our Company (other than via CATIC Shenzhen) and have any direct or indirect material interest in the aforesaid transactions which is different from those of the other shareholders of CATIC Shenzhen, the Hong Kong lawyers, to the best of their knowledge and belief are of the view that they shall be entitled to vote at the shareholders’ meeting of CATIC Shenzhen to approve the aforesaid transactions unless HKSE determines

PART IV (KEY INFORMATION)

otherwise. The HK Listing Rules are not exhaustive and HKSE has the discretion to impose requirements whenever it considers it appropriate.

As at the date of this Offer Information Statement, it is expected that AVIC International and AVIC International Shenzhen will collectively hold majority equity interest in CATIC Shenzhen immediately after the Proposed Internal Restructuring. Barring any unforeseen circumstances, taking this and the Undertaking as provided by AVIC International into consideration, we do not foresee any major obstacles for the aforesaid acquisitions to be approved, if required, by shareholders of CATIC Shenzhen.

RESTRUCTURING EXERCISE

We undertook the following Restructuring Exercise in preparation for the Listing, resulting in our Company becoming the investment-holding company of our Group:

(a) Incorporation of our Company

Our Company was incorporated under the Companies Act on 11 November 2010 as a public limited company. At incorporation, the share capital of our Company comprised one Share, which was held by AVIC International Kairong.

(b) Incorporation of Kaixin Industrial

Kaixin Industrial was incorporated under the Companies Act on 14 January 2011 as a private limited company. At incorporation, the share capital of Kaixin Industrial comprised one share, which was held by our Company.

(c) Incorporation of Kaixin (Beijing)

Kaixin (Beijing) was incorporated in the PRC on 19 April 2011 as a WFOE. At incorporation, Kaixin (Beijing) had a registered capital of US\$650,000, which was entirely held by Kaixin Industrial.

(d) Transfer of personnel of AVIC Shipbuilding Management Business and entry into Management Agreement

As part of the Restructuring Exercise, the personnel of AVIC Shipbuilding Management Business was transferred to our Group on 1 January 2011 and the shipbuilding business was henceforth undertaken by our Group.

Separately, in order to enable AVIC International Beijing to manage and complete the Outstanding Projects, AVIC International Beijing and our Company had on 29 June 2011 entered into the Management Agreement, pursuant to which AVIC International Beijing engaged our Company to provide M&C Services for the Outstanding Projects with effect from 1 January 2011 until the 19 vessels are delivered. The Management Agreement is a transitional arrangement which aims to ensure a smooth completion of the Outstanding Projects following the Restructuring Exercise.

Going forward, all new shipbuilding contracts secured after the Commencement Date will be entered into directly by our Group.

PART IV (KEY INFORMATION)

Following the completion of the Restructuring Exercise, the structure of our Group is as set out in the section entitled “Group Structure” under paragraph 9(b) of Part IV (Key Information) of this Offer Information Statement.

MORATORIUM

To demonstrate its commitment to our Group, our controlling shareholder, AVIC International Kairong, which (assuming that the Placement is undertaken with 65,000,000 Placement Shares at the Maximum Placement Price of S\$0.50 per Placement Share) will directly own 220,000,000 Shares, representing approximately 74.1% of the issued share capital of our Company immediately after the Placement, has undertaken not to sell, realise, transfer or otherwise dispose of any part of its interest in the issued share capital of our Company immediately after the Placement for a period of 24 months from the First Trading Date.

The sole shareholder of AVIC International Kairong, being AVIC International Beijing, has also undertaken that it shall not sell, realise, transfer or otherwise dispose of any part of its interest in the issued share capital of AVIC International Kairong for a period of 24 months from the First Trading Date.

AVIC International has undertaken that, save for the transfer of the equity interest in AVIC International Beijing to CATIC Shenzhen pursuant to the Proposed Internal Restructuring, which is expected to be completed by 31 December 2011, it shall not sell, realise, transfer or otherwise dispose of any part of its interest in the equity interest of AVIC International Beijing for a period of six months from the First Trading Date. The transfer by AVIC International of the equity interest in AVIC International Beijing to CATIC Shenzhen is subject to the execution and delivery by CATIC Shenzhen of a similar undertaking to the reasonable satisfaction of DMG, the financial adviser to our Company in relation to the Listing, in relation to the undertaking by AVIC International, and which is to remain in effect for the remainder of the relevant lock-up period.

In this regard, CATIC Shenzhen has given an undertaking that, upon completion of the Proposed Internal Restructuring, it shall not sell, realise, transfer or otherwise dispose of any part of its interest in the equity interest of AVIC International Beijing from the completion of the Proposed Internal Restructuring till the end of the six-month period from the First Trading Date. In addition, CATIC Shenzhen has undertaken that it will, directly or indirectly, hold a majority of the equity interest in AVIC International Beijing from the completion of the Proposed Internal Restructuring till the end of the 24-month period from the First Trading Date.

AVIC International has also given an undertaking that it will, directly or indirectly, hold a majority of the equity interest in AVIC International Beijing for a period of 24 months from the First Trading Date.

PART IV (KEY INFORMATION)

(d) the equity capital and the loan capital of the relevant entity as at the Latest Practicable Date, showing —

(i) in the case of the equity capital, the issued capital; or

(ii) in the case of the loan capital, the total amount of the debentures issued and outstanding, together with the rate of interest payable thereon;

As at the Latest Practicable Date, the share and loan capital of our Company were as follows:

Issued and Paid-Up Share Capital : S\$6,000,001 comprising 232,000,000 Shares.

Loan Capital : Not applicable.

(e) where —

(i) the relevant entity is a corporation, state the number of shares of the relevant entity owned by each substantial shareholder as at the Latest Practicable Date; or

(ii) the relevant entity is not a corporation, state the amount of equity interests in the relevant entity owned by each substantial interest-holder as at the Latest Practicable Date;

The substantial shareholders of our Company and the number of Shares held by each of them as recorded in the Register of Substantial Shareholders maintained by our Company pursuant to the Companies Act as at the Latest Practicable Date were as follows:

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
AVIC International Kairong	232,000,000	100	—	—
AVIC International Beijing ⁽¹⁾	—	—	232,000,000	100
AVIC International ⁽²⁾	—	—	232,000,000	100
AVIC ⁽³⁾	—	—	232,000,000	100

Notes:

- (1) AVIC International Beijing is deemed interested in our Shares held by AVIC International Kairong, its wholly-owned subsidiary, by virtue of Section 4 of the Securities and Futures Act.
- (2) AVIC International is deemed interested in our Shares held by AVIC International Kairong through its shareholding in AVIC International Beijing by virtue of Section 4 of the Securities and Futures Act.
- (3) AVIC is deemed interested in our Shares held by AVIC International Kairong through its shareholding in AVIC International by virtue of Section 4 of the Securities and Futures Act.

PART IV (KEY INFORMATION)

The shareholdings of our Company immediately after the completion of the Scheme but before the completion of the Placement will be as follows:

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
AVIC International Kairong	220,000,000	94.8	—	—
AVIC International Beijing ⁽¹⁾	—	—	220,000,000	94.8
AVIC International ⁽²⁾	—	—	220,000,000	94.8
AVIC ⁽³⁾	—	—	220,000,000	94.8
SETGL Creditors pursuant to the Scheme ⁽⁴⁾	10,640,000	4.6	—	—
SETGL Shareholders pursuant to the Scheme ⁽⁴⁾	1,360,000	0.6	—	—

Notes:

- (1) AVIC International Beijing is deemed interested in our Shares held by AVIC International Kairong, its wholly-owned subsidiary, by virtue of Section 4 of the Securities and Futures Act.
- (2) AVIC International is deemed interested in our Shares held by AVIC International Kairong through its shareholding in AVIC International Beijing by virtue of Section 4 of the Securities and Futures Act.
- (3) AVIC is deemed interested in our Shares held by AVIC International Kairong through its shareholding in AVIC International by virtue of Section 4 of the Securities and Futures Act.
- (4) For illustrative purposes only, the aggregate number of Shares transferred to the Scheme Administrators for distribution to the SETGL Creditors and the SETGL Shareholders pursuant to the Scheme is based on the value of the Consideration Shares of S\$6 million divided by the Maximum Placement Price. Pursuant to the Implementation Agreement, the SETGL Creditors and the SETGL Shareholders will be entitled to such aggregate number of Consideration Shares, subject at all times to the agreed apportionment set out in the Scheme of Arrangement and to be determined based on the actual Placement Price.

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- (f) any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgement of the offer information statement, a material effect on the financial position or profitability of the relevant entity or, where the relevant entity is a holding company or holding entity of a group, of the group;**
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As at the date of lodgement of this Offer Information Statement, to the best of their knowledge, our Directors are not aware of any legal or arbitration proceedings to which our Company or any of our subsidiaries is a party or which is pending or contemplated, which, in the opinion of our Directors, may have or have had in the last 12 months immediately preceding the date of lodgement of this Offer Information Statement, a material effect on the financial position or the profitability of our Group.

- (g) where any securities or equity interests of the relevant entity have been issued within the 12 months immediately preceding the Latest Practicable Date:**
- (i) If the securities or equity interests have been issued for cash, state the prices at which the securities have been issued and the number of securities or equity interests issued at each price; or**

PART IV (KEY INFORMATION)

- (ii) if the securities or equity interests have been issued for services, state the nature and value of the services and give the name and address of the person who received the securities or equity interests; and**
-

231,999,999 new Shares were issued and allotted on 22 June 2011 to AVIC International Kairong at an issue price of approximately S\$0.0259 per Share each credited as fully paid up.

Save as disclosed above, our Company has not issued any securities or equity interests within the 12 months immediately preceding the Latest Practicable Date.

- (h) a summary of each material contract, other than a contract entered into in the ordinary course of business, to which the relevant entity or, if the relevant entity is the holding company or holding entity of a group, any member of the group is a party, for the period of 2 years immediately preceding the date of lodgement of the offer information statement, including the parties to the contract, the date and general nature of the contract, and the amount of any consideration passing to or from the relevant entity or any other member of the group, as the case may be.**
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A summary of the material contracts, not being contracts entered into in the ordinary course of business, entered into by the Company or its subsidiaries during the two years immediately preceding the date of lodgement of this Offer Information Statement with the Authority is set out below:

- (a) the Management Agreement dated 29 June 2011 entered into between our Company and AVIC International Beijing for the provision of M&C Services, pursuant to which our Company agreed to provide M&C Services for the Outstanding Projects with effect from 1 January 2011 until the date when the outstanding order books are fulfilled, for an annual fee of RMB28.0 million (before sales taxes and surcharges of approximately 5.5%), subject to adjustments as may be agreed upon between the parties, depending on the progress of the construction of the vessels. The total fee to be collected from the Outstanding Projects is estimated to be RMB70 million, of which approximately RMB56 million (or 80%) will be payable to our Group. Such outstanding order books are expected to be fulfilled over a two year period; and
- (b) the service agreement dated 3 August 2011 entered into between Kaixin (Beijing) and AVIC International Beijing, pursuant to which a fee of RMB25 million (before sales taxes and surcharges of approximately 5.5%) is payable to Kaixin (Beijing) by AVIC International Beijing for financial and sales and marketing services to be provided in 2011 in respect of Taizhou CATIC's shipbuilding business.

On 7 January 2011, AVIC International Kairong entered into the Implementation Agreement with SETGL pursuant to which AVIC International Kairong will transfer the Consideration Shares to the Scheme Administrators for distribution to the SETGL Creditors and the SETGL Shareholders. Further information on the Implementation Agreement and the above-mentioned contracts is contained in the Information Memorandum. A copy of the Information Memorandum can be found on the website of the SGX-ST, <http://www.sgx.com>.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Operating Results

1. Provide selected data from —
 - (a) the audited income statement of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, the audited consolidated income statement of the relevant entity or the audited combined income statement of the group, for each financial year (being one of the 3 most recent completed financial years) for which that statement has been published; and
 - (b) any interim income statement of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, any interim consolidated income statement of the relevant entity or interim combined income statement of the group, for any subsequent period for which that statement has been published.
2. The data referred to in paragraph 1 of this Part shall include the line items in the audited income statement, audited consolidated income statement, audited combined income statement, interim income statement, interim consolidated income statement or interim combined income statement, as the case may be, and in addition include the following items:
 - (a) dividends declared per share in both the currency of the financial statements and the Singapore currency, including the formula used for any adjustment to dividends declared;
 - (b) earnings or loss per share; and
 - (c) earnings or loss per share, after any adjustment to reflect the sale of new securities.

The following table should be read in conjunction with paragraph 3 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement and the “Independent Auditors’ Report and Unaudited Pro Forma Financial Information for the Year Ended 31 December 2008, 2009 and 2010” in Appendix A of the Information Memorandum. A copy of the Information Memorandum can be found on the website of the SGX-ST, <http://www.sgx.com>.

Selected items from the Unaudited Pro Forma Statements of Comprehensive Income of the Group

RMB’000	FY2008	FY2009	FY2010
Revenue	42,367	24,566	76,495
Other operating income	11,967	8,506	8,718
Employee benefits expense	(2,346)	(2,866)	(4,262)
Travelling and entertainment expenses	(1,352)	(2,219)	(2,553)
Office rental and office expenses	(1,050)	(1,403)	(1,830)
Other operating expenses	(1,673)	(1,579)	(1,634)
Profit before tax	47,913	25,005	74,934
Income tax expense	(12,020)	(6,376)	(18,788)
Profit for the year, representing total comprehensive income for the year⁽¹⁾	35,893	18,629	56,146

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

RMB'000	FY2008	FY2009	FY2010
EPS ⁽²⁾ (RMB cents)	15.5	8.0	24.2
EPS (as adjusted for the Placement) ⁽³⁾ (RMB cents)	12.1	6.3	18.9

Notes:

- (1) Had the Service Agreements entered into between our Company and each of our Executive Directors, namely, Mr Zhang Wanping, Mr Cheng Xuhui and Mr Wu Weidong, been in existence since 1 January 2010, our Group's net profit for FY2010 would have been approximately RMB54.7 million.
- (2) For comparative purposes, the EPS has been calculated based on our Group's net profit and the pre-Placement issued share capital of 232,000,000 Shares.
- (3) For comparative purposes, the EPS (as adjusted for the Placement) has been calculated based on our Group's net profit and the post-Placement issued share capital of 297,000,000 Shares.

No member of our Group has declared or paid dividends since their incorporation up to the Latest Practicable Date.

Review of Past Performance

3. In respect of —

(a) each financial year (being one of the 3 most recent completed financial years) for which financial statements have been published; and

(b) any subsequent period for which interim financial statements have been published,

provide information regarding any significant factor, including any unusual or infrequent event or new development, which materially affected profit or loss before tax of the relevant entity or, if it is the holding company or holding entity of a group, of the group, and indicate the extent to which such profit or loss before tax of the relevant entity or the group, as the case may be, was so affected. Describe any other significant component of revenue or expenditure necessary to understand the profit or loss before tax for each of these financial periods.

BASIS OF PRESENTATION AND PREPARATION

AVIC Shipbuilding Management Business was a division of AVIC International Beijing during the Period Under Review and maintained its own divisional ledgers. Revenue for AVIC Shipbuilding Management Business is distinctively identifiable and costs are mainly direct costs attributable to its personnel and business activities. As such, the unaudited pro forma statements of comprehensive income of our Group for the Period Under Review are prepared from the divisional general ledgers of AVIC Shipbuilding Management Business, which was a division of AVIC International Beijing during the Period Under Review.

The financial information presented in the unaudited pro forma statements of comprehensive income of our Group represents the income and expenses of AVIC Shipbuilding Management Business for the Period Under Review and has been prepared by the management of our Group in accordance with Singapore Financial Reporting Standards and in a manner consistent with both the format of the financial statements and accounting policies adopted by our Group.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

The unaudited pro forma statements of comprehensive income of our Group for the Period Under Review have not been audited or reviewed. An agreed-upon procedure was performed with respect to the unaudited pro forma statements of comprehensive income of our Group, in accordance with Singapore Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.

The financial information has been prepared for illustrative purposes only and has been prepared based on certain assumptions and after making certain adjustments to show:

- (i) what the unaudited pro forma results of our Group for the Period Under Review would have been if our Group has been in place since 1 January 2008; and
- (ii) the unaudited pro forma statement of financial position of our Group as at the Date of Transfer.

The unaudited pro forma statements of financial position of our Group as at the end of FY2008, FY2009 and FY2010 and the unaudited pro forma statements of cash flows for the Period Under Review are not prepared as AVIC Shipbuilding Management Business does not maintain a divisional bank account or have divisional assets or liabilities. Accordingly, the preparation of the unaudited pro forma statements of financial position as at the end of FY2008, FY2009 and FY2010, and unaudited pro forma statements of cash flows of our Group for the Period Under Review will not be meaningful.

OVERVIEW

Revenue

We are principally involved in the provision of M&C Services. In FY2010, we began to provide marketing and consultancy services for Taizhou CATIC to help promote their corporate profile in overseas markets, seek out shipowners and secure shipbuilding contracts, including negotiating on behalf of shipyards with shipowners on the terms and other details of the shipbuilding contract, amongst others. We work with several ship-design institutes and have an extensive network with local shipyards in the PRC to undertake the building of a variety of ships such as bulk carriers, tankers, MPP Ships and LPG ships.

Our revenue comprises (i) service fee income relating to shipbuilding; and (ii) management service fee income as described below.

Our service fee income mainly derives from the services that we provide in relation to shipbuilding contracts. Typically, we enter into a tripartite shipbuilding contract with the shipyard and the shipowner where we and the shipyard are the co-sellers, while the shipowner is the buyer. In connection with the shipbuilding contract, we enter into a separate agreement with the shipyard to define, *inter alia*, the scope of each other's responsibilities, services to be provided by us and service fees payable to us in respect of such services under the shipbuilding contract. Generally, the shipyard is responsible for the construction of the vessels, while we are in charge of the non-construction aspects of the shipbuilding project, such as arranging for marine finance, handling export procedural matters and overseeing the utilisation of the progress payment by the shipowner. Our service fee income is usually determined based on a percentage of the value of the contract, less sales taxes and surcharges of approximately 5.5% of our service fee income.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

As a common market practice, the shipowner makes progress payments in accordance with the following milestones: (1) signing of shipbuilding contract; (2) steel cutting; (3) keel laying; (4) launching; and (5) delivery of vessel. The percentage for each of the milestones varies from case to case depending on mutual agreement and market conditions. The shipowner makes payment to us, being one of the co-sellers, and we will subsequently disburse the same to the shipyard, after deducting the fee payable to us.

In FY2010, we began to provide marketing and consultancy services to Taizhou CATIC whereby a fixed management service fee is charged for the engagement of our marketing and consultancy services for 2010 and on top of the fixed fee, we charge a service fee based on a percentage of the value of the shipbuilding contract or the banking facilities that we have assisted Taizhou CATIC in obtaining, in the event that our marketing efforts or services come to fruition.

We begin to recognise our service fee income relating to shipbuilding upon commencement of steel cutting based on the stage-of-completion method, while we recognise the management service fee on an accrual basis when services are rendered.

The types of vessels that we had focused on were initially bulk carriers, tankers, MPP Ships and containerships. Since 2008, we have expanded to engineering ships, such as dredgers, tug boats and offshore vessels. To the best of our Directors' knowledge, the vessels that we supply usually operate internationally, such as from South America to Europe or from Africa or Asia to the Middle East, given that our customers are international shipowners.

We have delivered the following vessels during the Period Under Review:

No. of vessels	FY2008	FY2009	FY2010
Bulk carrier	3	4	1
Tanker	—	2	—
Oil tanker	1	—	—
Bunkering oil tanker	—	1	1
Total	4	7	2

These vessels comprise: (a) three 53,100 DWT bulk carriers and one 73,000 DWT oil tanker in FY2008; (b) one 92,500 DWT bulk carrier, three 53,100 DWT bulk carriers, two 114,000 DWT tankers and one 6,500 DWT bunkering oil tanker in FY2009; and (c) one 92,500 DWT bulk carrier and one 6,500 DWT bunkering oil tanker in FY2010.

Although we delivered seven vessels in FY2009 as compared to four in FY2008 and two in FY2010, our revenue decreased from RMB42.4 million in FY2008 to RMB25.0 million in FY2009 and increased to RMB76.5 million in FY2010 mainly because we recognised revenue progressively with reference to the stage-of-completion of the vessels. Most of the revenue for building the seven vessels that were delivered in FY2009 had been recognised in FY2008; in addition, only three vessels commenced steel cutting in FY2009 as compared to eight in FY2008. Other key factors attributable to the higher revenue in FY2008 and FY2010 as compared to FY2009, despite the lower number of vessels delivered, include (i) a service fee income of RMB7.8 million and RMB3.5 million for the procurement of port machinery for our customers in FY2008 and FY2010 respectively; (ii) a one-off service fee of RMB25.5 million in FY2010; and (iii) service agreement with Taizhou CATIC with a total fee income of RMB25.5 million (after sales taxes and surcharges of approximately 5.5%). Accordingly, our revenue has increased from

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

RMB42.4 million for FY2008 to RMB76.5 million for FY2010 and our profit after tax increased from RMB35.9 million to RMB56.1 million for the same period. Please refer to the sections entitled “FY2009 vs FY2008” and “FY2010 vs FY2009” under paragraph 3 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement below, for more details.

Our customers include major shipowners based in Europe and the Middle East.

Major factors affecting our revenue

The key factors which affect our business and revenue are as follows:

- Worldwide demand for and supply of commercial vessels;
- Value of contracts;
- Types of vessels;
- Competition;
- Fluctuations of the US\$ against the RMB; and
- Monetary policies, which will have an impact on the availability of credit for marine finance.

Please refer to the section entitled “Risk Factors” under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for more details as to the factors and risks which have or may have an impact on our business operations and financial performance.

Other operating income

Our other operating income comprises interest income on cash and cash equivalents. Our interest income is mainly derived from the cash advances and progress payments that we receive from the shipowners and deposit in banks. As such, our interest income generally changes along with the number of new projects and/or number of vessels under construction as well as changes in interest rates.

Employee benefits expense

Our employee benefits expense comprises mainly salaries, bonuses, insurance premiums, pension funds and housing subsidies for our employees. As such, our employee benefits expense is mainly affected by the number of employees, salary increment and amount of bonuses.

Travelling and entertainment expenses

Travelling and entertainment expenses refer to such expenses incurred in the course of carrying out our business activities. The travelling and entertainment expenses increased from RMB1.4 million in FY2008 to RMB2.6 million in FY2010, which were generally in line with the increase in our business volume.

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Office rental and office expenses

Our office rental and office expenses increased from approximately RMB1.1 million in FY2008 to RMB1.8 million in FY2010, which were generally in line with the increase in the number of our employees and business activities.

Other operating expenses

Our other operating expenses mainly comprise advertising, promotion and exhibition costs, import and export related expenses.

Income tax expenses

Our income tax expenses are calculated using the PRC tax rates on the estimated assessable profit for the years. The tax rate used for each of the years during the Period Under Review is 25.0%.

REVIEW OF PAST PERFORMANCE

Breakdown of past performance by business activities

Set out below is the breakdown of our revenue based on the nature of our services:

Revenue (RMB'000)	FY2008	%	FY2009	%	FY2010	%
Service fee income relating to shipbuilding	42,367	100.0	24,566	100.0	68,557	89.6
Management service fee income	—	—	—	—	7,938	10.4
Total	42,367	100.0	24,566	100.0	76,495	100.0

Breakdown of past performance by geographical regions

Our geographical segmentation of revenue is based on our customers' billing addresses. The breakdown of our revenue by geographical regions for the Period Under Review is set out below:

Revenue (RMB'000)	FY2008	%	FY2009	%	FY2010	%
Middle East	29,970	70.7	12,496	50.9	38,499	50.3
Europe	12,397	29.3	12,070	49.1	12,481	16.3
Asia (PRC)	—	—	—	—	25,515	33.4
Total	42,367	100.0	24,566	100.0	76,495	100.0

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

FY2009 vs FY2008

Revenue

Our revenue decreased by approximately RMB17.8 million or 42.0% from RMB42.4 million in FY2008 to RMB24.6 million in FY2009. This decrease was mainly due to the slowdown in shipbuilding activities and ship delivery during FY2009 as a result of the global financial crisis that began in the second half of FY2008. The slowdown led to a significant increase in the “idle” fleet and excess shipping capacity around the world. In addition, we derived service fee income of RMB7.8 million from procurement of port machinery for a Middle Eastern customer in FY2008, which did not recur in FY2009.

Against the backdrop of the global financial crisis, we commenced steel cutting for three vessels in FY2009 as compared to eight in FY2008. Nevertheless, we managed to deliver four bulk carriers, two tankers and one oil tanker that we secured prior to the global financial crisis.

Revenue from the Middle East in FY2008 and FY2009 was mainly in relation to the construction of two 6,500 DWT bunkering oil tankers and six 53,100 DWT bulk carriers that began in FY2008 for IRISL Marine Services and IRISL respectively. Revenue recognised was in accordance with the stage of completion in the respective year. Revenue from Europe decreased slightly by RMB327,000 or 2.6% from RMB12.4 million in FY2008 to RMB12.1 million in FY2009. We derived revenue of RMB7.5 million and RMB3.9 million in FY2008 and FY2009 respectively from the construction of two 114,000 DWT tankers for MT “King Charles” Tankschiffabrts GmbH & Co. KG that began in FY2008. We also recorded revenue of RMB1.2 million from delivery of a 73,000 DWT oil tanker to D’Amato Di Navigazione in FY2008 and revenue of RMB3.6 million and RMB4.1 million in FY2008 and FY2009 respectively from the construction of two 92,500 DWT bulk carriers for Gestioni Armatoriali S.P.A., which began in FY2008. One of them was delivered in FY2009, while the construction for the other had progressed to launching by the end of FY2009. We also commenced steel cutting for two 92,500 DWT bulk carriers ordered by a Greek shipowner, W-Marine Inc., which contributed approximately RMB4.0 million to our revenue in FY2009.

Other operating income

Our other operating income decreased by approximately RMB3.5 million or 29.2% from RMB12.0 million in FY2008 to RMB8.5 million in FY2009, as a result of lower interest income received on cash and cash equivalents, in line with lower revenue recorded. The average interest rate of 1.35% per annum remained stable in FY2008 and FY2009.

Employee benefits expense

Our employee benefits expense increased by approximately RMB520,000 or 22.2% from RMB2.3 million in FY2008 to RMB2.9 million in FY2009 along with additional workforce and salary increment. Despite the global economic slowdown, our staff headcount increased from 19 in FY2008 to 23 in FY2009 due to recruitment of additional sales and marketing personnel in FY2009 to ensure that we have sufficient experienced workforce to continue with our marketing activities.

Travelling and entertainment expenses

Our travelling and entertainment expenses increased by approximately RMB867,000 or 64.1% from RMB1.4 million in FY2008 to RMB2.2 million in FY2009. The increase of the expenses is mainly due to an increase of approximately RMB840,000 in travelling expenses in connection with exhibition and overseas marketing activities.

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Office rental and office expenses

Our office rental and office expenses increased by approximately RMB353,000 or 33.6% from RMB1.1 million in FY2008 to RMB1.4 million in FY2009. This is mainly due to an increase in office expenses as we upgraded our office management system in FY2009.

Other operating expenses

Our other operating expenses decreased marginally by approximately RMB94,000 or 5.6% from RMB1.7 million in FY2008 to RMB1.6 million in FY2009 mainly due to our participation in two biennial trade fairs in FY2008.

Profit before income tax

Our profit before income tax decreased by approximately RMB22.9 million or 47.8% from RMB47.9 million in FY2008 to RMB25.0 million in FY2009 due to significant decreases in our revenue and other operating income, coupled with increases in employee benefits expense, travelling and entertainment expenses, and office rental and office expenses.

Income tax expense

Our income tax expense decreased by approximately RMB5.6 million or 46.7% from RMB12.0 million in FY2008 to RMB6.4 million in 2009, in line with the decline in our profit before income tax.

Net profit

Our net profit decreased by approximately RMB17.3 million or 48.2% from RMB35.9 million in 2008 to RMB18.6 million in 2009 in line with the decline in our profit before income tax.

FY2010 vs FY2009

Revenue

Our revenue more than tripled and increased by approximately RMB51.9 million or 211.0% from RMB24.6 million for FY2009 to RMB76.5 million for FY2010 due to an increase in service fee income relating to shipbuilding of approximately RMB44.0 million in FY2010 and the provision of marketing, management and financial services to Taizhou CATIC, which contributed to management service fee income of approximately RMB7.9 million for the same period. The increase in service fee income relating to shipbuilding was mainly due to (1) the commencement of steel cutting for nine vessels in FY2010, comprising two 118,000 DWT bulk carriers, two 92,500 DWT bulk carriers and five 28,000 DWT multipurpose carriers, as compared to three in FY2009, which our Directors believe was largely driven by the gradual recovery of the world economy from the global financial crisis; (2) a service fee income of RMB3.5 million from the procurement of port machinery for a Middle Eastern customer; and (3) a one-off service fee of RMB14.9 million from IRISL for our project management services and the arrangement of certain banking facilities. In addition, we were engaged by Taizhou CATIC to provide project management and marketing services, for which we were paid a net fixed management service fee of approximately RMB7.9 million. Apart from the management service fee, we generated service fee income relating to shipbuilding amounting to approximately RMB17.6 million from the services rendered to Taizhou CATIC in securing two shipbuilding contracts and the arrangement of certain banking facilities.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

The increase of approximately RMB26.0 million in revenue from the Middle East was mainly in relation to the commencement of steel cutting for five 28,000 DWT MPP Ships. Revenue from Europe increased marginally by approximately RMB411,000 or 3.3% from RMB12.1 million in FY2009 to RMB12.5 million in FY2010. We derived revenue of approximately RMB4.5 million from the commencement of steel cutting for two 118,000 DWT bulk carriers ordered by a German shipowner, Hartmann Schiffahrts GmbH & Co. KG, and one of which had progressed to keel laying by the end of FY2010, as compared to RMB3.9 million from the delivery of two 114,000 DWT tankers to MT "King Charles" Tankschiffahrts GmbH & Co. KG in FY2009. We commenced steel cutting for two of the three 92,500 DWT bulk carriers ordered by a Dutch shipowner, Seaarland Shipping Management B.V. in FY2010, which contributed approximately RMB4.0 million to our revenue. The above was offset by a decrease in revenue of approximately RMB4.1 million from Italian and Greek shipowners in FY2010 compared to FY2009 as there was no new projects secured from them in FY2010. We registered revenue of approximately RMB25.5 million from the PRC due to the marketing and other services provided to Taizhou CATIC as stated above.

Other operating income

Our other operating income increased by approximately RMB212,000 or 2.5% from RMB8.5 million in FY2009 to RMB8.7 million in FY2010. Following the global financial crisis, shipowners generally requested to make lesser and fewer upfront and progress payments, and at the same time shipyards sought faster payments from us. As a result, our interest income received on cash and cash equivalents in banks only increased marginally despite the significant increase in our revenue.

Employee benefits expense

Our employee benefits expense increased by approximately RMB1.4 million or 48.3% from RMB2.9 million in FY2009 to RMB4.3 million in FY2010 mainly due to the recruitment of additional sales and marketing personnel and the increase in salary and bonus payouts as a result of strong growth in profit. We had a total of 29 employees as at the end of FY2010 as compared to 23 as at the end of FY2009.

Travelling and entertainment expenses

Our travelling and entertainment expenses increased slightly by approximately RMB334,000 or 15.1% from RMB2.2 million in FY2009 to RMB2.6 million in FY2010 in line with the increase of sales and marketing personnel and additional business trips in securing new orders and managing existing projects.

Office rental and office expenses

Our office rental and office expenses increased by approximately RMB427,000 or 30.4% from RMB1.4 million in FY2009 to RMB1.8 million in FY2010 mainly due to an increase in office rental of approximately RMB1.0 million as we moved to our current office premises in the second quarter of 2010, which resulted in an increase in monthly rental from RMB46,482 to RMB192,871. This was offset by a decrease in office expenses of approximately RMB531,000 as we upgraded our office management system in FY2009, which incurred a one-off expense in FY2009.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Other operating expenses

Our other operating expenses remained stable at approximately RMB1.6 million in FY2010.

Profit before income tax

Our profit before income tax increased by approximately RMB49.9 million or 199.6% from RMB25.0 million in FY2009 to RMB74.9 million in FY2010 mainly due to the strong increase in revenue offset by moderate increases in our operating expenses.

Income tax expense

Our income tax expense increased by approximately RMB12.4 million or 193.8% from RMB6.4 million in FY2009 to RMB18.8 million in FY2010 in line with the increase in our profit before income tax.

Net profit

Our net profit increased by approximately RMB37.5 million or 201.6% from RMB18.6 million in FY2009 to RMB56.1 million in FY2010 in line with the increase in profit before income tax.

FOREIGN EXCHANGE MANAGEMENT

Our financial statements are prepared in RMB, which is our functional currency. Our foreign exchange exposure arises from our sales that are denominated in US\$, whereas our operating expenses are mainly denominated in RMB. In the event that the US\$ depreciates against RMB, other things being equal, our sales after converting to RMB will decline and our profitability will be adversely affected. Further, any restrictions over the conversion or timing of conversion of foreign currencies into RMB may also expose us to fluctuations in the exchange rates between US\$ and RMB. Please refer to the section entitled "Risk Factors" under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for more details on our foreign exchange risk.

The percentages of our sales denominated in US\$ and RMB for the Period Under Review are as follows:

Sales (%)	FY2008	FY2009	FY2010
US\$	100.0	100.0	66.6
RMB	—	—	33.4
	100.0	100.0	100.0

Currently, we do not have a formal hedging policy with respect to our foreign exchange exposure as our foreign exchange exposure for the Period Under Review has been insignificant. We will continue to monitor our foreign exchange exposure in the future and will consider hedging any material foreign exchange exposure should the need arise. Should we enter into any hedging transaction in the future, such transaction shall be subject to review and approval by our Board. In addition, should we decide to establish any formal hedging policy in the future, such policy shall be subject to review and approval by our Board prior to implementation. Our Audit Committee will review periodically the hedging policies (if any), all types of instruments used for hedging as well as the foreign exchange policies and practices of our Group.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Financial Position

4. Provide selected data from the balance sheet of the relevant entity or, if it is the holding company or holding entity of a group, the group as at the end of:
 - (a) the most recent completed financial year for which audited financial statements have been published; and
 - (b) if interim financial statements have been published for any subsequent period, that period.
5. The data referred to in paragraph 4 of this Part shall include the line items in the audited or interim balance sheet of the relevant entity or the group, as the case may be, and shall in addition include the following items:
 - (a) number of shares after any adjustment to reflect the sale of new securities;
 - (b) net assets or liabilities per share; and
 - (c) net assets or liabilities per share after any adjustment to reflect the sale of new securities.

The following table should be read in conjunction with paragraph 3 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement and the “Independent Auditors’ Report and Unaudited Pro Forma Financial Information for the Year Ended 31 December 2008, 2009 and 2010” in Appendix A of the Information Memorandum. A copy of the Information Memorandum can be found on the website of the SGX-ST, <http://www.sgx.com>.

Unaudited Pro Forma Statement of Financial Position of the Group

	As at the Date of Transfer RMB’000
ASSETS	
Current assets⁽¹⁾	
Cash and bank balances, representing total assets	31,782
EQUITY	
Capital	
Share capital, representing total equity	31,782
NAV per Share prior to the completion of the Placement⁽²⁾ (RMB cents)	13.7
Number of Shares in issue	232,000,000
NAV per Share after the completion of the Placement (RMB cents)⁽³⁾⁽⁴⁾	10.7
Number of Shares in issue after the completion of the Placement ⁽⁵⁾	297,000,000

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Notes:

- (1) The share capital of S\$6 million has been fully paid by our Shareholder, AVIC International Kairong, as at the Latest Practicable Date. As at the Date of Transfer, our Company had current assets of S\$6 million (equivalent to RMB31,782,000 based on the closing exchange rate of S\$1: RMB5.297 as at the Latest Practicable Date (source: Bloomberg L.P.)), which represents the capital injected by our Shareholder, and had no non-current assets and liabilities.
- (2) The NAV per Share has been calculated based on our Company's NAV as at the Date of Transfer and the pre-Placement share capital of 232,000,000 Shares.
- (3) The NAV per Share does not take into account the net proceeds raised from the Placement, and has been calculated based on our Company's NAV as at the Date of Transfer and the maximum post-Placement share capital of 297,000,000 Shares.
- (4) If the estimated net proceeds raised from the Placement are taken into account, the NAV per Share would be 61.8 RMB cents as at the Date of Transfer based on the Maximum Placement Price.
- (5) Based on the Maximum Placement Size and assuming the Placement is fully subscribed.

Liquidity and Capital Resources

- 6. Provide an evaluation of the material sources and amounts of cash flows from operating, investing and financing activities in respect of:**
 - (a) the most recent completed financial year for which financial statements have been published; and**
 - (b) if interim financial statements have been published for any subsequent period, that period.**

The unaudited pro forma statements of financial position of our Group as at the end of FY2008, FY2009 and FY2010 and the unaudited pro forma statements of cash flows for the Period Under Review were not prepared as the AVIC Shipbuilding Management Business does not maintain a divisional bank account or have divisional assets or liabilities. Accordingly, the preparation of the unaudited pro forma statements of financial position as at the end of FY2008, FY2009 and FY2010 and the unaudited pro forma statements of cash flows of our Group for the Period Under Review will not be meaningful.

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- 7. Provide a statement by the directors or equivalent persons of the relevant entity as to whether, in their reasonable opinion, the working capital available to the relevant entity or, if it is the holding company or holding entity of a group, to the group, as at the date of lodgement of the offer information statement, is sufficient for present requirements and, if insufficient, how the additional working capital considered by the directors or equivalent persons to be necessary, is proposed to be provided.**
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PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Our Directors are of the reasonable opinion that, barring unforeseen circumstances and after taking into account our Group's cash and bank balances position and cash from operating activities, the working capital available to our Group is sufficient for its present requirements as at the date of lodgement of this Offer Information Statement.

8. **If the relevant entity or any other entity in the group is in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect the relevant entity's financial position and results or business operations, or the investments by holders of securities in the relevant entity, provide —**
- (a) **a statement of that fact;**
 - (b) **details of the credit arrangement or bank loan;**
 - (c) **any action taken or to be taken by the relevant entity or other entity in the group, as the case may be, to rectify the situation (including the status of any restructuring negotiations or agreement, if applicable).**
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As at the Latest Practicable Date, our Directors are not aware of any breach by any entity in our Group of any terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our Group's financial position and results or business operations, or the investments by holders of securities in our Group.

Trend Information and Profit Forecast or Profit Estimate

9. **Discuss, for at least the current financial year, the business and financial prospects of the relevant entity or, if it is the holding company or holding entity of a group, the group, as well as any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on net sales or revenues, profitability, liquidity or capital resources, or that would cause financial information disclosed in the offer information statement to be not necessarily indicative of the future operating results or financial condition. If there are no such trends, uncertainties, demands, commitments or events, provide an appropriate statement to that effect.**
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PROSPECTS

The following information is primarily based on the market knowledge of our Executive Directors.

In 2009, the volume of vessels built in the PRC amounted to an aggregate of 36.0 million DWT.¹ The PRC's market share for ships in the global order book by CGT amounted to 37.7%, ahead of

¹ Clarkson Research Services Limited, World Shipyard Monitor Vol 18. No.1, January 2011. Clarkson Research Services Limited has not consented for the purposes of Section 249 of the Securities and Futures Act to the inclusion of the information referred to above and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the above information in its proper form and context and has not verified the accuracy of such information.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Japan.² In 2010, the volume of vessels completed in the PRC amounted to 61.2 million DWT, an increase of 70% compared to 2009³, and is expected to become the world's largest shipbuilding country.

Our Executive Directors expect that international trade could decline following the global financial crisis, resulting in a corresponding decrease in the need for vessels. For example, crude oil trade decreased from 20.6 million barrels per day in 2008 to 18.2 million barrels per day in 2010, steel production declined from 818.2 million tonnes in 2008 to 805.6 million tonnes in 2009, and coal trade import declined from 494.0 million tonnes in 2008 to 462.0 million tonnes in 2010.⁴ Financial institutions may reduce the amount of shipping loans, restricting the ability of shipowners to construct new vessels. Shipowners may also order fewer vessels if the future development of the economy is not clear, and there is a risk that shipowners may abandon their vessels, thereby adversely affecting orders already in hand.

Although there may be a decline in orders in the market, our Executive Directors expect that we may be able to take advantage of AVIC International Beijing's existing network, our financing capabilities and lower costs of expansion to compete against smaller and less efficient players in the industry. For example, AVIC Shipbuilding Management Business managed to secure contracts for two 27,000 DWT bulk carriers, two 35,000 DWT bulk carriers and two 51,000 DWT bulk carriers in 2000, when the industry was experiencing a downturn.

Based on the foregoing and our competitive strengths, our Directors are cautiously optimistic about the prospects of our Group.

ORDER BOOK

Our order book on hand as of a certain date represents the total nominal contract value of the contracts that have not been completed, including the portion of revenue in respect of those orders that we have recognised as of such date. For the purpose of calculating AVIC International Beijing's order book in 2010, we consider an order to be effective when it signs the shipbuilding contract and receives the first instalment payments.

On 29 June 2011, our Company entered into the Management Agreement with AVIC International Beijing, pursuant to which our Company agreed to provide M&C services for the Outstanding Projects with effect from 1 January 2011 until the date when the Outstanding Projects are completed, for an annual fee of RMB28.0 million (before sales taxes and surcharges of approximately 5.5%), subject to adjustments as may be agreed upon between the parties, depending on the progress of the construction of the vessels. The Outstanding Projects refer to the 19 vessels to be delivered by 2013 under the order book of AVIC International Beijing as at the end of FY2010. Please refer to paragraphs 9(b), 9(c) and 9(h) of Part IV (Key Information) of this Offer Information Statement for more details on the Management Agreement.

2 *Ibid.*

3 *Ibid.*

4 Clarkson Research Services Limited, Shipping Intelligence Weekly Issue No. 967, 15 April 2011. Clarkson Research Services Limited has not consented for the purposes of Section 249 of the Securities and Futures Act to the inclusion of the information referred to above and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the above information in its proper form and context and has not verified the accuracy of such information.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Our Company has delivered three vessels under the Management Agreement since 1 January 2011. Set out below are the remaining 16 vessels which are to be delivered between 2011 and 2013 by our Company under the Management Agreement as at the Latest Practicable Date:

Type of Vessel	No. of Vessels	Shipbuilding Company	Expected Year of Delivery
28,000 DWT MPP Ship	9	Huanghai Shipbuilding Co., Ltd (黄海造船有限公司)	2011 to 2012
92,500 DWT bulk carrier	3	Taizhou CATIC	2011 to 2012
118,000 DWT bulk carrier	1	Yangzhou Dayang Shipbuilding Co., Ltd (扬州大洋造船有限公司)	2011
12,000 CBM LPG vessel	1	Yangzhou Dayang Shipbuilding Co., Ltd (扬州大洋造船有限公司)	2012
82,000 DWT bulk carrier	2	Taizhou CATIC	2012 to 2013

On 18 June 2011, Kaixin (Beijing) entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with China National Aero-Technology Import and Export Corporation (中航技进出口有限责任公司) (“**CATIC**”) pursuant to which a fee of RMB28.3 million is payable to Kaixin (Beijing) for, *inter alia*, the provision of project management services, the handling of export procedural matters, and the delivery of 19 vessels by our Group. The vessels will subsequently be sold by CATIC to a third party buyer.

The following table shows a list of vessels which are to be delivered by our Group pursuant to the Sale and Purchase Agreement:

Type of Vessel	No. of Vessels
Cutter Suction Dredger CSD600	4
Tugboat	1
Landing craft vessel	1
Multi-craft workboat	6
Barge	4
Backhoe Dredger	2
Cutter Suction Dredger CSD1700	1

These vessels are expected to be delivered in 2013.

In addition, Taizhou CATIC has renewed its service agreement with AVIC International Beijing for FY2011, pursuant to which a fee of RMB25 million (before sales taxes and surcharges) is payable to AVIC International Beijing by Taizhou CATIC for financial and sales and marketing services to be provided in 2011 in respect of the latter’s shipbuilding business. Our Group has since entered into an agreement with AVIC International Beijing pursuant to which our Group will provide M&C Services to AVIC International Beijing in order for the latter to fulfil its obligations under the service agreement with Taizhou CATIC. In return, AVIC International Beijing will pay the net fees (after sales taxes and surcharges of approximately 5.5%) received from Taizhou CATIC to our Group within three business days.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

TRENDS

We expect our revenue and results of operations in FY2011 to be affected by the following principal considerations:

- The volume of international trade following the global financial crisis is subject to uncertainty and may be likely to decline, resulting in a corresponding drop in demand for vessels. The volume of new orders received globally since the beginning of 2011 was 58% less than that in 2010.⁵ The amount of loans from financial institutions may also be reduced, restricting the ability of shipowners to purchase new ships. This would adversely affect our Company's ability to secure new orders and expand internationally. Our Company expects that it may face difficulty in securing new orders, in line with the general industry trend of a decline in new orders globally.
- The value of the RMB relative to the US\$ as at the beginning of 2011 has strengthened compared to the beginning of 2010. Any increase in the value of the RMB relative to the US\$ will reduce the value of our US\$ denominated revenue, as reported in RMB, thereby adversely affecting our operating results.
- Our operating expenses are expected to increase due mainly to salary adjustments, additional headcount to the sales and marketing team and increased marketing activities.

Save as disclosed above, under the section entitled "Review of Past Performance" under paragraph 3 of Part V (Operating and Financial Review and Prospects) and the section entitled "Risk Factors" under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement, in the Information Memorandum and announced by the Company on the SGXNET, and barring any unforeseen circumstances, our Directors are not aware of any other known recent trends in FY2011 or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material and adverse effect on our revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Offer Information Statement to be not necessarily indicative of our future operating results or financial condition.

BUSINESS STRATEGIES AND FUTURE PLANS

We intend to implement the following business strategies and future plans to grow and expand our business:

(1) Establish and improve our shipbuilding capabilities and efficiencies

We plan to establish our own shipbuilding capabilities by acquiring existing reputable shipyards when suitable opportunities arise. We believe the expansion into shipbuilding and improvements on the manufacturing processes will complement our existing businesses and broaden our revenue streams.

AVIC International Beijing intends to position our Company as an investment-holding vehicle in the ship-trading and shipbuilding industry. The intention is to make long-term strategic investments and acquisitions in this industry globally through our Company.

⁵ Clarkson Research Services Limited, World Shipyard Monitor Vol 18. No.3, March 2011. Clarkson Research Services Limited has not consented for the purposes of Section 249 of the Securities and Futures Act to the inclusion of the information referred to above and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the above information in its proper form and context and has not verified the accuracy of such information.

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We intend to acquire shipbuilding and related businesses from AVIC International and its subsidiaries, including AVIC International Beijing in the near future, subject to relevant governmental and regulatory approvals. The acquisitions, if and when they materialise, are expected to contribute to the growth of our Company.

We plan to use approximately S\$25 million of the net proceeds from the Placement to partly finance the acquisition of a shipyard.

(2) Establish our research and design capabilities

In order to maximise the potential of the shipbuilding strategies and achieve overall development of our Company's shipbuilding business, we intend to acquire or form strategic alliances with ship design houses and other business partners in order to develop new vessels to differentiate ourselves from our competitors. This will enable us to own proprietary rights in our future ship designs and compete more effectively against our competitors. As part of our business strategy, we intend to expand our products/services and value chains in the next few years. We will establish and build up on our capability in ship design to provide better and environmentally-friendly products to customers, and increase the capacity of our manufacturing bases.

(3) Improve on our business model

We will continue to improve on our business model, in particular the financing structure which we are able to package, so as to provide a greater variety of financial products such as financial leasing to our customers. These products/services and various value-added services will boost our Group's competitiveness globally as it aims to satisfy the needs and preferences of a wider range of customers worldwide.

(4) Expand our global reach and build our overseas network

AVIC International has already established over 60 overseas offices across the world, and its business covers over 180 countries and regions. We plan to leverage on AVIC International's existing network in order to expand our business activities globally.

(5) Develop more sophisticated and higher value-added vessels

We intend to enhance and develop our design and manufacturing capabilities in order to be able to build higher value-added vessels such as LNG carriers, LPG carriers, chemical tankers and offshore vessels.

RISK FACTORS

Prospective investors should consider carefully, together with all other information contained in this document, the risks described below before deciding to invest in our Shares. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

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This Offer Information Statement also contains forward-looking statements that involve risks and uncertainties. The actual results of our operations could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this Offer Information Statement.

Before deciding to invest in our Shares, prospective investors should seek professional advice from their advisers about their particular circumstances.

RISKS RELATING TO OUR BUSINESS

You should not rely on the past track record of AVIC Shipbuilding Management Business as an indication of our growth in the future

Benefiting from the recent boom in the PRC shipbuilding industry, AVIC Shipbuilding Management Business experienced a significant growth in revenue from approximately RMB42.4 million in FY2008 to approximately RMB76.5 million in FY2010.

Our future growth in the industry will depend on a number of factors, many of which are beyond our control, including the growth of the world economy, demand for new vessels, the macroeconomic and monetary policies of the PRC government, and the level of competition in the PRC and international shipbuilding industry. For example, following the onset of the global financial crisis in the third quarter of 2008, seaborne trade fell sharply and demand for new vessels declined significantly. Consequently, our revenue decreased. Since the end of 2008 till the Latest Practicable Date, and in line with the general downward industry trend, our Company has seen a reduction in orders and enquiries received. We therefore expect that our revenue and/or profits could be affected.

We cannot assure you that we will be able to maintain the historical rate of growth or track record of AVIC Shipbuilding Management Business, and its past growth rate is not an indication of our growth in the future. To the extent that we experience any significant decrease in demand for our services or increase in competition, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The fluctuations in demand for our services may adversely affect our financial performance

In general, demand for our services is highly related to demand for new ships. Demand for new ships is mainly driven by shipping freight rates, the growth in global carriage of goods by sea and the replacement of old ships that are sold for scrap. Please refer to Appendix 1 of this Offer Information Statement for an overview of the shipbuilding industry. The numbers of orders received by shipyards and the shipyard's profit margins for each project will also affect the service fees which shipyards are willing to pay us.

Accordingly, any significant adverse fluctuation in demand for our services may result in a decline in our service fees, and hence our business operations and financial performance may be materially and adversely affected.

We may not be able to successfully implement our future plans

We have identified some plans to be carried out in the near future as set out above under the section entitled "Business Strategies and Future Plans", Part V (Operating and Financial Review

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and Prospects) of this Offer Information Statement. In particular, we intend to establish our own shipbuilding capabilities by acquiring existing reputable shipyards when suitable opportunities arise. The acquisition of shipyards will involve commercial negotiation process and approvals from relevant authorities, our Shareholders and the SGX-ST, as the case may be. In addition, such acquisitions, to the extent that they are to be funded by the proceeds other than from the Placement, may strain our financial resources. It may also overstretch our management personnel and require us to restructure our management structure. Further, in conjunction with the Listing, AVIC International and AVIC International Beijing have given an undertaking to our Group to, *inter alia*, transfer all interests of the AVIC International Group in the Core Business to our Group on normal commercial terms which are not prejudicial to the interest of our Company and our Shareholders. Please refer to the section entitled “Undertaking by AVIC International and AVIC International Beijing” under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement for further details on the said undertaking.

All future acquisitions of business relating to the Core Business will be subject to the latest Catalogue of Foreign Investment Industries promulgated by the NDRC and the MOC, and the State Shipping Industry Mid-and-Long-Term Development Plan (2006-2015), and the future acquisitions of shipyards might also be subject to the New M&A Regulations. Please refer to the sections entitled “Changes in the New M&A Regulations by the PRC government could adversely affect our future acquisitions of PRC businesses” and “If the PRC government takes the view that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the shipbuilding industry, our business, financial condition, results of operations and prospects could be materially and adversely affected” in the “Risk Factors” section under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement below for further details on the potential risks we face with respect to our future acquisitions.

If we are unable to successfully implement our future plans or face any unexpected delays, we will continue with our existing business and source for alternative plans to diversify, but our business prospects and financial results may be materially and adversely affected.

Our business model is expected to change, our business is expected to become more diversified and our historical results of operations may not be indicative of our future performance

We have been concentrating on the provision of M&C Services. However, we intend to diversify our business into shipbuilding in the near future. As we may not have sufficient experience and expertise in managing the shipbuilding business, we may encounter greater risks of cost overruns and delays in delivery on shipbuilding contracts. We may not have adequate technology or intellectual property rights in building certain types of vessels and may have to invest a substantial amount of capital and other resources in conducting research and designing and building prototypes. These factors may adversely affect our business, financial condition, results of operations and prospects.

In view of our plan to diversify into shipbuilding, our business model and risk profile are expected to change. There can be no assurance that we will successfully diversify into shipbuilding and that our new businesses will be profitable. As a result, our historical results of operations may not be indicative of our future performance.

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Tightening of credit may adversely affect our business

Business conditions in the shipbuilding industry in general are affected by the availability of credit. Tightening of credit may result in higher costs to finance building of new ships and also in the slowing of growth in the world economy. Existing orders for new ships may be cancelled as shipowners may struggle to secure financing or reassess the demand for new vessels. Any cancellation of our existing orders, or reduction in new orders would have a material adverse effect on our business, financial condition, results of operations and prospects.

The shipbuilding industry is highly competitive and we cannot assure you that we will be able to compete successfully against our competitors and new entrants to the industry

Our business is highly competitive. We face competition from existing competitors in the PRC and other countries, in particular Japan and South Korea, as well as new entrants to this industry. Some of our competitors have more resources and may have lower costs of operations than us. In addition, some of our competitors may have competitive advantages in building certain types of vessels compared to our business partners. Our competitors, particularly those in the PRC, may engage in aggressive pricing from time to time in order to gain market share.

We cannot assure you that we will be able to compete successfully against our competitors as well as new entrants in this industry in the future. Accordingly, our business, financial condition, results of operations and prospects will be adversely and materially affected if we are unable to maintain our competitive advantage and compete successfully against our competitors and any new entrants to this industry in the future.

Our order book may not be an accurate indicator of our future performance

As at the end of FY2010, AVIC International Beijing had an outstanding order book of 19 ships with an aggregate contract value of approximately US\$801.5 million, which are the subject of the Management Agreement entered into between AVIC International Beijing and our Company. These shipbuilding orders are to be completed between 2011 and 2013. The contract value of US\$801.5 million does not represent our Company's revenue, which will be based on the services rendered under the Management Agreement. Further details of the Management Agreement are set out in paragraphs 9(b), 9(c), and 9(h) of Part IV (Key Information) and the section entitled "Order Book" under this paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement. With effect from 1 April 2011, we will enter into new shipbuilding contracts directly with shipyards and shipowners. Our revenue will be recognised based on a percentage of the contract value derived from these new shipbuilding contracts depending on the terms of the relevant shipbuilding contract. Generally, only a percentage of the value of a shipbuilding contract will be paid to us as a service fee, depending on the terms of such contract, and the rest of the contract value will be paid to the shipyard as co-seller under the contract. Please refer to the section entitled "Overview — Revenue" under paragraph 3 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for further details on how we recognise our revenue.

We have not taken into account any potential delays in construction or delivery problems in calculating our order book. The successful conversion of these orders into our revenue depends on a number of factors including, among other things, absence of adverse changes in the PRC and global shipping markets, the availability of funds to shipowners, competition, the shipyard's production capacity and our project management capability. Some of the factors are beyond our control and by nature, are subject to uncertainty. Going forward, our order book may be affected

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by delays, cancellations and the renegotiations of the contracts, hence we cannot assure you that we will be able to deliver all of our existing orders on schedule and successfully turn them into our revenue. Therefore, you should not consider our order book as an accurate indicator of our future performance or future revenue.

The terms of the Management Agreement are subject to modification and the management fee payable thereunder is subject to adjustments

We have entered into the Management Agreement with AVIC International Beijing to manage certain shipbuilding contracts that had been entered into by AVIC International Beijing prior to the Restructuring Exercise, for a management fee of RMB28 million per annum. Under the terms of the Management Agreement, our Company will provide M&C Services for the Outstanding Projects with effect from 1 January 2011 until the 19 vessels under the Outstanding Projects are delivered by 2013. The terms of the Management Agreement may be subject to modification and the annual management fee of RMB28 million is also subject to adjustments depending on the progress of the construction of the vessels. For example, if any of the shipbuilding projects is delayed or cancelled, the fee payable to us for the particular year may be adjusted downwards accordingly. There can be no assurance that we will be able to successfully receive the full management fee or that the terms of the Management Agreement will not be amended. Therefore, you should not consider the management fee as an accurate indicator of our future revenue and any adjustments to the management fee may adversely affect our financial condition and results of operations.

Please refer to paragraphs 9(b), 9(c), and 9(h) of Part IV (Key Information) and the section entitled "Order Book" under this paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for further information on the Management Agreement.

We may not be able to secure new contracts if our banks fail to issue the requisite refund guarantees

As the contract prices for new vessels are high, we are usually required to furnish the shipbuyers with refund guarantees issued by our banks as security for the refund of installment payments made by the shipbuyers if we fail to fulfill our contractual obligations under the shipbuilding contracts. The costs of the refund guarantees are borne entirely by the shipyards, and are generally about 0.36% per annum of the amount received from the shipowner from time to time pursuant to the contract. In order to decide whether to grant us the refund guarantees, banks review, among other things, our financial standing and creditworthiness. Previously, the refund guarantees from the banks were secured by AVIC International Beijing. Following the Restructuring Exercise, our Group will apply for the refund guarantees on our own for future shipbuilding contracts. Existing refund guarantees secured by AVIC International Beijing will continue to subsist in its name until the shipbuilding contracts underlying the Management Agreement are fulfilled. In the event that we are unable to secure refund guarantees from the banks, we may be unable to secure new contracts, which may adversely affect our prospects and future financial performance.

Depreciation of the US\$ may adversely affect our financial condition and results of operations

Our financial statements are prepared in RMB, which is our functional currency. Our foreign exchange exposure arises from our sales that are denominated in US\$, whereas our operating expenses are mainly denominated in RMB. In the event that the US\$ depreciates against RMB,

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other things being equal, our sales (after conversion to RMB) and our profit margin will decline. Further, any restriction over the conversion or timing of conversion of foreign currencies into RMB may also expose us to fluctuations in the exchange rates between US\$ and RMB. Please refer to the section entitled “Foreign Exchange Management” under paragraph 3 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for more details on our foreign exchange exposure during the Period Under Review.

In addition, depreciation of the US\$ will also result in the lower profit margins of shipyards, which will be less willing to pay a favourable fee to us. Accordingly, any significant fluctuations between the RMB and US\$, specifically any appreciation of the RMB against the US\$, will adversely affect our revenue, which could adversely affect our business, financial condition, results of operations and prospects.

We are dependent on the shipyards that we work with as co-sellers to produce vessels that meet the quality and delivery requirements of our customers and comply with the rules and regulations of the classification societies

We are dependent on the shipyards that we work with as co-sellers for the timely delivery of vessels that meet the contractual and regulatory requirements. Any delay in the construction of a vessel by our suppliers, including for reasons beyond our and/or our suppliers’ control, could restrict our ability to meet the delivery dates in our shipbuilding contracts. For example, our suppliers’ shipbuilding facilities may be disrupted by accidents, power failures, outbreaks of infectious diseases or natural calamities such as fires, floods or snow storms. Their ability to meet the delivery schedules may also depend on reliable and adequate supply of raw materials at acceptable prices.

The shipyards which we work with as co-sellers may use poor quality or defective sub-components or underqualified or less skilled workers at their facilities, which may result in our inability to meet the quality specifications in accordance with the shipbuilding contracts.

Further, as the shipyard is responsible for the construction of vessels while our Company is in charge of the non-construction aspects of the shipbuilding project, the insurance for a shipbuilding project is paid by the shipyard accordingly. Although our Company and the shipyard are jointly responsible for production liabilities or damage to vessels under construction or prior to delivery, pursuant to the separate contract between our Company and the relevant shipyard, the shipyard is required to bear such liabilities and/or costs. In the event that the shipyard is in financial difficulties and the insurance it has taken is insufficient to cover such liabilities and/or costs, our business and financial performance may be materially and adversely affected.

Apart from the contractual specifications and requirements, shipyards are required to construct the vessels in accordance with the rules and regulations of classification societies, which are organisations that establish and maintain technical standards for the construction and operation of ships. If the shipyards are unable to obtain the necessary certifications from the classification societies, they may experience delays and disruptions in the shipbuilding process.

If any of the abovementioned events occurs, our customers may cancel or rescind their shipbuilding contracts with us. Upon cancellation or rescission of the contracts by customers, we and the shipyard are jointly required under the contracts to refund all payments we have received from the customers plus interest to the customers. However, pursuant to separate contracts between our Company and the shipyards, the shipyards are contractually required to bear the cost of refunds. Our Company will be responsible for the refunds only if the shipyards are not able

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to bear the cost of refunds. As a result, our financial performance, customer relationships and company reputation will be adversely affected.

We are dependent on our management team and key personnel

We attribute our success to the leadership and contributions of our management team comprising our Executive Directors and Executive Officers, who have been instrumental in charting the business direction and spearheading our growth. We rely on their extensive knowledge and experience in corporate management, strategic planning, finance and business practices of the shipbuilding industry. We expect to face increasing competition for management personnel from our competitors, driven largely by strong growth in the PRC shipbuilding industry. Our continued success is therefore dependent to a large extent on our ability to retain our key management personnel, who are responsible for formulating and implementing growth, corporate development and overall business strategies. The demand for such experienced personnel is intense and the search for personnel with the relevant skill sets can be time consuming. The loss of our key management personnel without suitable and timely replacements, or our inability to attract a sufficient number of management personnel to meet the needs of our growth, will have a material and adverse effect on our business operations and financial performance.

We may not have sufficient insurance coverage

We have maintained insurance coverage for our employees, office and service facilities. However, we currently do not maintain any insurance policies against loss of key personnel and business interruption, service liability claims or delay of delivery of ships or damage to ships. There is no assurance that our insurance coverage would be sufficient and as such, any uninsured loss or a loss in excess of insured limits may have a material adverse impact on our business and financial performance.

We could incur losses as a result of cancellation of orders and requests for delayed delivery by our customers

Since the onset of the global financial crisis, shipowners with vessels on order have experienced financing problems as a result of decreased demand in the shipping market, declines in asset values and lack of financing facilities. These factors make the risk of cancellation or delays of orders significant, and have caused delays and cancellations of orders for new vessels.

The global economy may further deteriorate or may not improve, which could adversely affect the economic conditions and seaborne trade in particular of the PRC and other countries where our customers are located. Any of these events may result in additional requests by our customers for cancellation of orders or for delays of delivery of vessels in the future.

Any cancellation of orders by our customers or significant delay in the delivery of vessels at our customers' request, which could affect our recognition of revenue from such contracts, could materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on external design houses for our vessel model designs

As we do not have the independent capability to carry out vessel model designs, we out-source all of our vessel model designs, including preliminary designs and detailed designs, to external

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design houses. To ensure the quality of the designs, we have established business relationships with a few reputable design houses, including Shanghai Merchant Ship Design & Research Institute (上海船舶研究设计院), a leading state-owned vessel research and design house in the PRC, Shanghai Odely Marine Engineering Co., Ltd (上海欧得利船舶工程有限公司) and Marine Design & Research Institute of China (中国船舶及海洋工程设计研究院). We are reliant on these few external design houses for vessel model designs. As we continue to expand our products/services offerings, our dependence on these external houses may increase. If we fail to maintain good relationships with these design houses or if they fail to deliver quality design products to us on a timely basis, we could lose business opportunities or may not be able to meet our delivery schedule. In addition, when global demand for ships is strong, we face competition from other shipbuilders for the services of well-known design houses. If we are required to pay substantially higher design fees to procure the services of these design houses, our costs will increase and we may not be able to maintain our cost structure. Any of these events would materially and adversely affect our business, financial condition, results of operations and prospects.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could adversely affect our business

We may experience disruptions to our business as a result of severe communicable disease, such as severe acute respiratory syndrome (SARS), avian influenza (H5N1 bird flu), and H1N1 flu. As an illustration, the SARS outbreak in 2003 resulted in an adverse impact on the health of our employees and consequently their ability to carry out their responsibilities, the closure of our office premises and our customers being unwilling to come to our offices. These business disruptions could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, the spread of any severe communicable disease in the PRC could result in a general slow-down in the PRC economy and may affect the operations of our suppliers and customers, as well as our own operations including our key management and employees, as we rely on them to carry out marketing activities and negotiate with our customers and suppliers. Any of these events could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be involved in legal or other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may be involved from time to time in material disputes with various parties in the ordinary course of our business. These disputes may lead to protests, or legal or other proceedings, and may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. If such legal proceedings occur, we cannot assure you as to their outcome, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE SHIP-TRADING AND SHIPBUILDING INDUSTRY

The recent global financial crisis and economic downturn has impacted the shipbuilding and ship-trading industry and could materially and adversely affect our business, financial condition, results of operations and prospects

The global capital and credit markets have in the last few years experienced periods of extreme volatility and disruption. The global financial crisis, concerns over recession, inflation or deflation, energy costs, geopolitical issues, commodity prices and the availability and cost of credit, have contributed to unprecedented levels of market volatility and diminished expectations for the global

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economy and the capital and consumer markets. These factors, combined with others, have precipitated a severe global economic downturn, the extent of which remains uncertain. Due to the global financial crisis, our customers have been reluctant to or lack sufficient financing or funds to place orders for new vessels. The global economy may further deteriorate, causing a decline in the economies of the PRC and other countries where our customers are located and in seaborne trade in particular. If that happens we may not experience a sufficient number of new orders in the future. The usual business factors and risks, including those described in this "Risk Factors" section may adversely affect our business (including the number of completed vessels delivered), financial condition, results of operations and prospects in the current and future financial years. Our aim is to market to potential customers and to add new orders on acceptable terms from FY2011 onwards. However, we cannot assure you that we will be able to do so, and accordingly, our failure to add new orders on acceptable terms from FY2011 onwards may also adversely affect our business, financial condition, results of operations and prospects.

During the global financial crisis, the value of vessels and prices which our suppliers can charge for vessels they build have declined, leading to a corresponding drop in our fees. If prices do not recover, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Fluctuations in freight and charter rates and vessel values may result in volatility of our financial performance

The commercial shipping industry has traditionally experienced fluctuations in freight and charter rates and vessel values, which are dependent on factors including the demand for, and supply of, shipping capacity. Shipowners tend to order more new ships when freight and charter rates are rising. When shipowners place orders for more new ships, additional capacity is generated which in turn results in overcapacity when supply outstrips demand for ships. Overcapacity exerts a downward pressure on freight and charter rates. Falling freight and charter rates typically reduce the demand for new ships, which results in a shrinking fleet because fewer new ships are built and an increased scrapping of older ships. The shrinking fleet creates a shortfall in capacity, which generally leads to an increase in freight and charter rates over time. The increasing freight and charter rates again result in orders for new ships. Accordingly, if we are not able to receive new orders as a result of reduction in the demand of new ships, our financial performance will be adversely affected. As part of our marketing strategy, we also need to predict these cycles and we face the challenge of doing so accurately. If we are unable to accurately predict these cycles, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We expect global shipbuilding capacity to continue to expand, which could result in overcapacity in the shipbuilding industry

In recent years, driven in part by strong growth in global demand for vessels, global shipbuilding capacity has expanded significantly, particularly in the PRC and South Korea. Since 2002, global shipbuilding capacity may have increased by as much as nine times. However, since the third quarter of 2008, global demand for shipbuilding has fallen as a result of the global economic crisis. The shipbuilding industry has periodically suffered from depressed prices and lower profit margins due to overcapacity. Overcapacity in the shipbuilding industry may return if global demand for commercial vessels does not recover or keep pace with the growth in production capacity. Overcapacity would reduce the prices in US\$ terms of our principal services, which would adversely affect our business, financial condition, results of operations and prospects.

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RISKS RELATING TO THE PRC

Our operations are subject to the laws and regulations of the PRC

The PRC legal system is based on the PRC constitution and is made up of written laws, regulations, circulars and directives. The PRC government is still in the process of developing its legal system to, amongst others, meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities will not have an adverse impact on our business or prospects.

Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited, and unlike other common law countries such as Singapore, decisions on precedent cases are not binding on lower courts. As such, the outcome of dispute resolutions may not be as consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement of laws in the PRC, or obtain enforcement of legal judgments by a court of another jurisdiction.

Changes in the PRC government rules and regulations will have a significant impact on our business

Currently, our business and operations in the PRC entail the procurement of licences and permits from the relevant authorities. Thus, our business and operations in the PRC are subject to the PRC government rules and regulations. From time to time, changes in the rules and regulations or the implementation thereof may require us to obtain additional approvals and licences from the PRC authorities for the conduct of our operations in the PRC, or we may be required to renew our existing approvals and licences. In the event of such an occurrence, we may need to incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business costs will increase. Further, there can be no assurance that such approvals or licences will be granted to us promptly or at all. If we experience delay in or are unable to obtain such required approvals or licences, our operations and business in the PRC, and hence our overall financial performance, will be adversely affected. Please refer to the “Summary of Relevant PRC Laws and Regulations” in Appendix 2 of this Offer Information Statement for details.

Our operating results and financial conditions are highly susceptible to changes in the PRC’s political, economic and social conditions as our revenue is currently wholly derived from our operations in the PRC

Since 1978, the PRC government has undertaken various reforms in its economic framework. Such reforms have resulted in economic growth for the PRC in the last three decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further reforms. This refinement and adjustment process may consequently have a material impact on

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our operations in the PRC or a material adverse impact on our financial performance. Our results and financial condition may be adversely affected by changes in the PRC's political, economic and social conditions.

Our operations could be adversely affected if we fail to comply with PRC laws and regulations and the conditions stipulated in our licenses, permits or approvals

Our business and operations and that of our business partners in the PRC are subject to government rules and regulations, including safety and health regulations. We and our business partners may not be able to meet the requirements set by the PRC authorities at all times. We and our business partners may also be required to incur higher costs to comply with new PRC regulations if stricter or more onerous laws, rules or regulations are imposed, and our business, financial condition, results of operations and prospects could be materially and adversely affected if our business partners pass on the costs to us by lowering our fees.

We are required to obtain various licenses, permits and approvals for our operations, including foreign investment approvals, business licenses, tax registration certificates and foreign exchange registration certificates. Failure by us or our business partners to obtain and maintain any licenses, permits and approvals necessary to operate our respective businesses could have a material adverse effect on our business, financial condition, results of operations and prospects.

Breach or non-compliance with these PRC laws and regulations may result in the suspension, withdrawal or termination of our business licenses or permits, or the imposition of penalties, by the relevant authorities. Any suspension, withdrawal, termination or refusal to extend our business licenses or permits would require us to cease production of some or all of our products/services, which would adversely affect our business, financial condition, results of operations and prospects.

Failure by our business partners to comply with laws and regulations which they are subject to may materially and adversely affect our business, financial condition, results of operations and prospects

The operations of our business partners in China are subject to laws and regulations of the PRC. The PRC government may impose significant fines or penalties for violations of these laws and regulations. If our business partners fail to comply with these requirements or fail to pass any inspections conducted by any relevant PRC authorities, they could be subject to fines. In addition, as some of the vessels are exported to overseas markets, our business partners are also subject to the applicable environmental laws and regulations of various jurisdictions or international industry organisations. As awareness of environmental issues and protection increases, our business partners may be required to adapt to new laws and regulations and any failure to comply with such laws and regulations will cause them to be in breach and be subject to penalties. Any resulting suspension of their operations could materially and adversely affect our business, financial condition, results of operations and prospects.

Any changes in environmental or other laws affecting our business partners may further increase our costs, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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Protection afforded to our Shareholders under Singapore laws is limited as substantially all our assets and operations are located in the PRC

Our operations and significant assets are or will be located in the PRC and are therefore subject to the relevant laws and regulations of the PRC. In addition, most of our Directors and Executive Officers are not residents in Singapore and their assets are located outside Singapore. As a result, it may be difficult for investors to effect service of process in Singapore, or to enforce a judgment obtained in Singapore against us or any of such persons. It may also be difficult for investors to take legal action against us in a foreign jurisdiction and the costs of bringing such action could be prohibitive.

Changes in tax and other preferential policies may adversely affect our business, financial condition, results of operations and prospects

Our Company is incorporated under the laws of Singapore with substantially all of our operations in the PRC. Any increase of the income tax rate applicable to our subsidiaries operating in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects and may adversely affect the value of our Shares.

Our Company may be deemed a PRC resident enterprise under the New Income Tax Law and be subject to PRC taxation on our world-wide income

Under the New Income Tax Law (as defined in “Taxation — PRC Taxation” in Appendix 3 of this Offer Information Statement), enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and their global income will generally be subject to the uniform 25.0% enterprise income tax rate. On 6 December 2007, the PRC State Council promulgated the Implementation Regulations on the New Income Tax Law (the “**Implementation Regulations**”), which define “de facto management bodies” as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In addition, a recent circular issued by the SAT on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management bodies” located within the PRC if the following requirements are satisfied:

- (i) the senior management and core management departments in charge of its daily operations function mainly in the PRC;
- (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC;
- (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and
- (iv) more than half of the enterprise’s directors or senior management with voting rights reside in the PRC.

The New Income Tax Law and Implementation Regulations are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to resident enterprise issues. We cannot assure you that we will not be deemed to be a PRC resident enterprise under the New

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Income Tax Law and Implementation Regulations. If we are deemed to be a PRC resident enterprise, we will be subject to PRC enterprise income tax at the rate of 25.0% on our world-wide income.

If we became a PRC resident enterprise under the New Income Tax Law and received income other than dividends, our profitability and cash flows would be adversely affected due to our world-wide income being taxed in the PRC under the New Income Tax Law.

Dividends payable by our Company to our foreign investors on our Shares may become subject to withholding taxes under the New Income Tax Law and Implementation Regulations

Under the previous PRC tax laws and regulations, dividends paid by our Company to investors who were not residents of the PRC were not subject to PRC withholding tax or income tax. Under the New Income Tax Law and Implementation Regulations, PRC withholding tax at the rate of 10.0% is applicable to dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. The 10.0% withholding tax rate applicable to dividends may be subject to a reduced rate of tax based on an available tax treaty between the PRC and the government of the jurisdiction of which the recipient is a tax resident. It is uncertain whether we will be considered a PRC “resident enterprise”, and it is unclear whether the dividends payable to our foreign investors would be treated as income coming from “sources within the PRC” and be subject to PRC tax.

On 24 August 2009, the SAT issued the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation) (“**Notice 124**”), which became effective on 1 October 2009. This legislation requires non-resident enterprises to obtain the competent tax authority’s approval to enjoy preferential tax treatments under tax treaties. No assurance can be given that we can satisfy all the requirements set forth by the aforementioned laws and regulations and obtain necessary approval to enjoy preferential treatment of the tax treaty. If our Company is considered a PRC “resident enterprise” under the “de facto management bodies” test of the New Income Tax Law and Implementation Regulations, dividends on the Shares may be regarded as income from “sources within the PRC” and therefore become subject to a 10.0% withholding tax, unless otherwise reduced by applicable tax treaties. If our Company is required under the New Income Tax Law to withhold PRC income tax on any dividends it pays to our Shareholders who are not PRC residents, the value of your investment in our Shares may be materially and adversely affected.

Gains on the sale of our Shares may become subject to withholding taxes under the New Income Tax Law and Implementation Regulations

Under the previous PRC tax laws and regulations, gains on the sale of the Shares were not subject to PRC withholding tax or income tax. Under the New Income Tax Law and Implementation Regulations, however, if our Company is considered a PRC “resident enterprise” under the “de facto management bodies” test, gains on the sale of the Shares may be regarded as income from “sources within the PRC” and therefore become subject to a 10.0% withholding tax. If our Shareholders who are not PRC residents are required to pay PRC withholding tax or income tax on capital gains on sale of our Shares, the value of your investment in our Shares may be materially and adversely affected.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

The enforcement of the Labour Contract Law and other labour-related regulations in the PRC may adversely affect our business, financial condition, results of operations and prospects

On 29 June 2007, the National People's Congress of China enacted the Labour Contract Law (劳动合同法), which became effective on 1 January 2008. Compared to the prior Labour Law (劳动法), the Labour Contract Law establishes more restrictions and increases the cost to employers of terminating employment, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with labour unions and employee general assemblies, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts. The employer also has to pay compensation to employees if the employer terminates an unlimited term labour contract. Unless an employee refuses to extend an expired labour contract, such compensation is also required when the labour contract expires.

Further, under the Regulations on Paid Annual Leave for Employees (职工带薪年休假条例), which became effective on 1 January 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers must be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labour measures, our labour costs may increase. Any disputes, work stoppages or strikes that arise in the future could have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, we are required to contribute to a number of employee social insurance schemes such as pension insurance. We provide social insurance and housing funds to our employees in accordance with local government authorities' implementation policies. Therefore, we may be required to incur additional expenses to comply with such laws and regulations, which in turn may affect our results of operations.

Changes in the New M&A Regulations by the PRC government could adversely affect our future acquisitions of PRC businesses

On 8 August 2006, six PRC central government bodies, the MOC, the SASAC, the SAT, the SAIC, the CSRC and the SAFE jointly issued the New M&A Regulations. Under the New M&A Regulations, the overseas listing and trading of shares of a special purpose vehicle requires the approval of the CSRC if the shareholder of the special purpose vehicle proposes to acquire his or her equity interest in PRC domestic companies or subscribe for the increased registered capital of such companies by way of a share swap with the purpose of listing the interests of such PRC domestic companies on an overseas stock exchange. The term "special purpose vehicles" is defined as overseas companies directly or indirectly controlled by PRC companies or individuals formed for the purpose of overseas listing of their equity interests in PRC domestic entities.

The Restructuring Exercise for the purposes of the Listing included (i) the incorporation of each of our Company, Kaixin Industrial and Kaixin (Beijing), (ii) the transfer of personnel of AVIC Shipbuilding Management Business to, and the undertaking of the shipbuilding business by, our Group, and (iii) the entry into the Management Agreement by our Company with AVIC International Beijing. Please refer to the section entitled "Restructuring Exercise" under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement for further details.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

As none of these steps under the Restructuring Exercise involved the acquisition of PRC companies by way of a share swap as stipulated in the New M&A Regulations, and none of our overseas subsidiaries shall be considered as a special purpose vehicle pursuant to the New M&A Regulations, the New M&A Regulations are not applicable to the Listing of our Company.

In conjunction with the Listing, AVIC International and AVIC International Beijing have given an undertaking to our Group to, *inter alia*, transfer all interests of the AVIC International Group in any business or assets engaged in or connected to the ship-trading and shipbuilding industry to our Group. Please refer to the section entitled “Undertaking by AVIC International and AVIC International Beijing” under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement for further details on the said undertaking by AVIC International and AVIC International Beijing.

The New M&A Regulations also establish additional procedures and requirements that apply to some acquisitions of PRC companies by foreign entities, including requirements of obtaining approvals from the competent counterpart of the MOC. Our future acquisitions of shipbuilding and ship-trading assets pursuant to the undertaking provided by AVIC International and AVIC International Beijing could be subject to the procedures and requirements of the New M&A Regulations, depending on the structure of the transactions to be implemented when such acquisitions take place. If applicable, the future acquisitions by our Company shall comply with such procedures and requirements of the New M&A Regulations. We cannot assure you that the PRC regulatory authorities will not issue new regulations or further interpretations on the New M&A Regulations or other current PRC laws and regulations that may require us to obtain further approvals from PRC government bodies with respect to our future acquisitions. Any of these factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Complying with the requirements of the New M&A Regulations to complete transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOC, may delay or inhibit the completion of such transactions, which could affect our ability to expand our business.

If the PRC government takes the view that the Contractual Arrangements (as defined below) do not comply with PRC government restrictions on foreign investment in the shipbuilding industry, our business, financial condition, results of operations and prospects could be materially and adversely affected

According to the latest Catalogue of Foreign Investment Industries promulgated by the NDRC and the MOC on 31 October 2007, which became effective on 1 December 2007, and the State Shipping Industry Mid-and-Long-Term Development Plan (2006-2015), some ship-related industries in the PRC, including the shipbuilding industry, are classified as restricted industries where foreign ownership is allowed only up to 49.0%.

In conjunction with the Listing, AVIC International and AVIC International Beijing have given an undertaking to our Group to, *inter alia*, transfer all interests of the AVIC International Group in the Core Business to our Group on normal commercial terms which are not prejudicial to the interest of our Company and our Shareholders.

Due to the above restrictions, our Company intends to acquire the maximum equity interest of 49.0% in the relevant companies which carry on the Core Business as permitted by the relevant PRC laws. To the extent that our Group is not able to legally acquire and hold part or all of the interests of the AVIC International Group in the Core Business, our Company intends to enter into

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

the Contractual Arrangements, that will provide our Group with effective operational control over and (to the extent permitted by PRC law) a right to acquire the equity interests in such companies. These may include management and consultancy service agreements, assignment agreements, equity interests pledge agreements, exclusive purchase agreements, and powers of attorney. Please refer to the section entitled “Undertaking by AVIC International and AVIC International Beijing” under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement for more details on the Contractual Arrangements.

Given the substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations, we cannot assure you that our understandings of the Contractual Arrangements will be consistent with those of PRC authorities. In addition, we cannot assure you that the Contractual Arrangements will not be considered by the PRC government, courts or tribunals of the PRC to be in breach of relevant PRC laws, regulations, policies and provisions. We cannot assure you that the government authorities will not in the future issue new interpretations and/or issue new laws, regulations, policies or provisions that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws, regulations, policies or provisions.

In the event of occurrence of any of the above, we would not be able to gain the other economic benefits from the remaining equity interest of the Core Business. We could also as a result, lose control over the operations of the relevant companies which carry on the Core Business and not be able to effect our future plans as set out in the section entitled “Business Strategies and Future Plans” under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement. Accordingly, you should not consider the economic benefits to be derived from the Core Business as an accurate indicator of our future revenue, and any adjustments to our right to such economic benefits may materially and adversely affect our financial condition and results of operations.

RISKS RELATING TO THE OWNERSHIP OF OUR SHARES

The Placement may not be successfully carried out

Our Company seeks to comply with the shareholding spread and distribution requirements under Rule 210(1)(a) of the Listing Manual and maintain its listing status by placing out the Placement Shares pursuant to the Placement. The trading of our Shares has been suspended from the date of transfer of listing status to our Company and such suspension will continue during the period allowed for the placement of the Placement Shares and until such time as the requirements under the Listing Manual are met. There is no assurance that the Placement will be successfully carried out. If the Placement is not or is unable to be carried out so as to meet the applicable shareholding spread requirements of the Listing Manual, trading of our Shares may continue to be suspended and the SGX-ST may require our Shares to be de-listed.

There is no prior public market for our Shares and there may not be an active or liquid market for our Shares

Prior to the Listing, there has been no public market for our Shares. Our Shares were listed on 12 September 2011 and immediately suspended from trading. As mentioned above, our Company seeks to comply with the shareholding spread and distribution requirements under Rule 210(1)(a) of the Listing Manual and maintain its listing status by placing out the Placement Shares pursuant to the Placement. However, assuming that the shareholding spread and distribution requirements under Rule 210(1)(a) of the Listing Manual are met and the trading suspension on our Shares are

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

lifted, we cannot assure you that an active public market will develop or be sustained after the completion of the Placement. Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors.

Our Share price may be volatile in future which could result in substantial losses for investors purchasing our Shares pursuant to the Placement

The Placement Price will be determined through a book-building exercise and negotiations between us and the Placement Agent, and may not be indicative of prices that will prevail in the trading market. You may not be able to resell your Shares at or above the Placement Price. Volatility in the trading price of our Shares may be caused by factors outside our control and may be unrelated or be disproportionate to our operating results.

The trading price of our Shares may fluctuate significantly and rapidly after the Placement as a result of, among others, the following factors, some of which are beyond our control:

- (i) variations in our operating results;
- (ii) changes in securities analysts' estimates of our financial performance;
- (iii) announcements by us of significant acquisitions, strategic alliances or joint ventures;
- (iv) additions or departures of key personnel;
- (v) fluctuations in stock market prices and volume;
- (vi) involvement in litigation; and
- (vii) changes in general economic and stock market conditions.

Further, shares of other companies listed on the SGX-ST with significant operations and assets in the PRC have experienced price volatility in the past due to reasons unrelated to their performance, and our Shares may also be subject to changes in price not directly related to our performance.

Future sale or issuance of our Shares could adversely affect our Share price

Any future sale, availability or issuance of our Shares could exert a downward pressure on our Share price. The sale of a significant amount of our Shares in the public market after the Placement, or the perception that such sales may occur, could materially and adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in the section entitled "Moratorium" under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement, there will be no restriction on the ability of our existing Shareholders to sell their Shares either on the SGX-ST or otherwise.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Negative publicity which includes those relating to any of our Directors, Executive Officers or Substantial Shareholders may adversely affect our Share price

Negative publicity or announcements relating to any of our Directors, Executive Officers or Substantial Shareholders may adversely affect the market perception or the share performance of our Company, whether or not it is justified. Examples of these include unsuccessful attempts in joint ventures, acquisitions or takeovers, or involvement in insolvency proceedings.

We may require additional funding for our growth plans, and such funding may result in a dilution of your investment

We have attempted to estimate our funding requirements for the implementation of our growth plans as set out in the section entitled “Business Strategies and Future Plans” under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement.

In the event that the costs of implementing such plans should exceed these estimates significantly or if we come across opportunities to grow through expansion plans which cannot be predicted at this juncture, and if our funds generated from our operations prove insufficient for such purposes, we may need to raise additional funds to meet these funding requirements.

These additional funds may be raised by issuing equity or debt securities or by borrowing from banks or other resources. We cannot ensure that we will be able to obtain any additional financing on terms that are acceptable to us, or at all. If we fail to obtain additional financing on terms that are acceptable to us, we will not be able to implement such plans fully. Such financing, even if obtained, may be accompanied by conditions that limit our ability to pay dividends or require us to seek lenders’ consent for payment of dividends, or restrict our freedom to operate our business by requiring lenders’ consent for certain corporate actions.

Further, if we raise additional funds by way of a placement or by a rights offering or through the issuance of new Shares, any Shareholders who are unable or unwilling to participate in such an additional round of fund raising may suffer dilution in their investment.

Control by our controlling shareholder, AVIC International Kairong, may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

After the completion of the Scheme and the Placement, our controlling shareholder, namely AVIC International Kairong, will beneficially own not less than 50.0% of our enlarged share capital after the Placement. As a result, AVIC International Kairong will be able to significantly influence all matters requiring approval by our Shareholders, including the appointment of directors and the approval of significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of our Company and our Group or otherwise discourage a potential acquirer from attempting to obtain control of us through corporate actions such as merger or take-over attempts, which could conflict with the interests of other Shareholders.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

10. Where a profit forecast is disclosed, state the extent to which projected sales or revenues are based on secured contracts or orders, and the reasons for expecting to achieve the projected sales or revenues and profit, and discuss the impact of any likely change in business and operating conditions on the forecast.

Not applicable, as no profit forecast is disclosed.

11. Where a profit forecast or profit estimate is disclosed, state all principal assumptions, if any, upon which the directors or equivalent persons of the relevant entity have based their profit forecast or profit estimate, as the case may be.

Not applicable, as no profit forecast or profit estimate is disclosed.

12. Where a profit forecast is disclosed, include a statement by an auditor of the relevant entity as to whether the profit forecast is properly prepared on the basis of the assumptions referred to in paragraph 11 of this Part, is consistent with the accounting policies adopted by the relevant entity, and is presented in accordance with the accounting standards adopted by the relevant entity in the preparation of its financial statements.

Not applicable, as no profit forecast is disclosed.

13. Where the profit forecast disclosed is in respect of a period ending on a date not later than the end of the current financial year of the relevant entity, provide in addition to the statement referred to in paragraph 12 of this Part:

- (a) a statement by the issue manager to the offer, or any other person whose profession or reputation gives authority to the statement made by him, that the profit forecast has been stated by the directors or equivalent persons of the relevant entity after due and careful enquiry and consideration; or
- (b) a statement by an auditor of the relevant entity, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part and in accordance with the Singapore Standards on Auditing or such other auditing standards as may be approved in any particular case by the Authority, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.

Not applicable, as no profit forecast is disclosed.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

14. Where the profit forecast disclosed is in respect of a period ending on a date after the end of the current financial year of the relevant entity, provide in addition to the statement referred to in paragraph 12 of this Part:
- (a) a statement by the issue manager to the offer, or any other person whose profession or reputation gives authority to the statement made by him, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast; or
 - (b) a statement by an auditor of the relevant entity, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part and in accordance with the Singapore Standards on Auditing or such other auditing standards as may be approved in any particular case by the Authority, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.

Not applicable, as no profit forecast is disclosed.

Significant Changes

15. Disclose any event that has occurred from the end of:
- (a) the most recent completed financial year for which financial statements have been published; or
 - (b) if interim financial statements have been published for any subsequent period, that period,
- to the latest practicable date which may have a material effect on the financial position and results of the relevant entity or, if it is the holding company or holding entity of a group, the group, or, if there is no such event, provide an appropriate negative statement

Meaning of “published”

16. In this Part, “published” includes publication in a prospectus, in an annual report or on the SGXNET.
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Save as disclosed in this Offer Information Statement, the Information Memorandum and announced by the Company on the SGXNET and save for changes in our retained earnings arising from the day-to-day operations in the ordinary course of business, our Directors are not aware of any event which has occurred from 31 December 2010 up to the Latest Practicable Date which may have a material effect on the financial position and results of our Group provided in its unaudited pro forma financial information for the period ended 31 December 2010.

PART VI (THE OFFER AND LISTING)

Offer and Listing Details

- 1. Indicate the price at which the securities are being offered and the amount of any expense specifically charged to the subscriber or purchaser. If it is not possible to state the offer price at the date of lodgement of the offer information statement, the method by which the offer price is to be determined must be explained.**

Placement Price : Up to S\$0.50 per Placement Share, subject to the Minimum Placement Price.

The Placement Price is currently expected to be within the Estimated Price Range. However, the Placement Price may not necessarily be set within the Estimated Price Range, save that the Placement Price shall not be less than the Minimum Placement Price of S\$0.20. The Placement Price will be determined through a book-building exercise by our Company in consultation with the Placement Agent after taking into consideration, *inter alia*, prevailing market conditions and the estimated market demand for our Shares. The Placement Price and the number of Placement Shares offered will be determined at the discretion of the Board in consultation with the Placement Agent. An SGXNET announcement will be posted on the internet at the website of the SGX-ST, <http://www.sgx.com> after the Placement Price and the number of Placement Shares to be offered have been determined on the Determination Date.

The placement commission payable to the Placement Agent is 3.5% of the aggregate Placement Price for the total number of Placement Shares which the Placement Agent has successfully placed to subscribers.

Subscribers may be required to pay, and the Placement Agent shall be entitled to keep for its own account, any brokerage fee that it may require and receive from any subscriber from whom they receive subscription and payment for the Placement Shares.

The placement commission shall be deducted from the gross proceeds from the Placement.

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- 2. If there is no established market for the securities being offered, provide information regarding the manner of determining the offer price, the exercise price or conversion price, if any, including the person who establishes the price or is responsible for the determination of the price, the various factors considered in such determination and the parameters or elements used as a basis for determining the price.**

The Placement Price will be determined through a book-building exercise by our Company in consultation with the Placement Agent after taking into consideration, *inter alia*, prevailing market conditions and the estimated market demand for our Shares.

PART VI (THE OFFER AND LISTING)

3. If:

- (a) any of the relevant entity's shareholders or equity interest-holders have pre-emptive rights to subscribe for or purchase the securities being offered; and**
- (b) the exercise of the rights by the shareholder or equity interest-holder is restricted, withdrawn or waived,**

indicate the reasons for such restriction, withdrawal or waiver, the beneficiary of such restriction, withdrawal or waiver, if any, and the basis for the offer price.

Not applicable. None of the Shareholders has pre-emptive rights to subscribe for the Placement Shares.

4. If securities of the same class as those securities being offered are listed for quotation on any securities exchange:

- (a) in a case where the first-mentioned securities have been listed for quotation on the securities exchange for at least 12 months immediately preceding the latest practicable date, disclose the highest and lowest market prices of the first-mentioned securities:**
 - (i) for each of the 12 calendar months immediately preceding the calendar month in which the latest practicable date falls; and**
 - (ii) for the period from the beginning of the calendar month in which the latest practicable date falls to the latest practicable date; or**
 - (b) in a case where the first-mentioned securities have been listed for quotation on the securities exchange for less than 12 months immediately preceding the latest practicable date, disclose the highest and lowest market prices of the first-mentioned securities:**
 - (i) for each calendar month immediately preceding the calendar month in which the latest practicable date falls; and**
 - (ii) for the period from the beginning of the calendar month in which the latest practicable date falls to the latest practicable date;**
 - (c) disclose any significant trading suspension that has occurred on the securities exchange during the 3 years immediately preceding the latest practicable date or, if the securities have been listed for quotation for less than 3 years, during the period from the date on which the securities were first listed to the latest practicable date; and**
 - (d) disclose information on any lack of liquidity, if the securities are not regularly traded on the securities exchange.**
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PART VI (THE OFFER AND LISTING)

- (a) Not applicable.
- (b) Our Shares were listed on 12 September 2011 and immediately suspended from trading, subject to, *inter alia*, completion of the Placement. As such, no trades in our Shares have been recorded.
- (c) Please refer to (b) above.
- (d) Not applicable.

5. Where the securities being offered are not identical to the securities already issued by the relevant entity, provide:

- (a) a statement of the rights, preferences and restrictions attached to the securities being offered; and**
- (b) an indication of the resolutions, authorisations and approvals by virtue of which the entity may create or issue further securities, to rank in priority to or *pari passu* with the securities being offered.**

Not applicable. The Placement Shares shall, upon allotment and issue, rank in all respects *pari passu* with the existing issued Shares and be free from all claims, charges, pre-emption rights, liens and other encumbrances and with all rights and benefits attaching thereto except that the Placement Shares will not rank for any dividends, rights, allotments or other distributions the record date for which falls on or before the date of issue of the Placement Shares.

Plan of Distribution

6. Indicate the amount, and outline briefly the plan of distribution, of the securities that are to be offered otherwise than through underwriters. If the securities are to be offered through the selling efforts of any broker or dealer, describe the plan of distribution and the terms of any agreement or understanding with such entities. If known, identify each broker or dealer that will participate in the offer and state the amount to be offered through each broker or dealer.

Pursuant to the Placement Agreement, the Placement Agent has agreed to place, on a best efforts basis, the Placement Shares to subscribers. Under the terms of the Placement Agreement, the Company will pay to the Placement Agent a placement commission of 3.5% of the aggregate Placement Price for the total number of Placement Shares which the Placement Agent has successfully placed to subscribers.

The Placement Agent has undertaken pursuant to the Placement Agreement, among other things, that it will comply with Rule 240 of the Listing Manual, where applicable. The Placement is undertaken for the purpose of meeting the shareholding spread and distribution requirements under Rule 210(1)(a) of the Listing Manual.

PART VI (THE OFFER AND LISTING)

The placees for the Placement may include institutional investors, retail investors, and/or existing Shareholders (so long as such placees are acceptable to the SGX-ST for the purposes of fulfilling the free float requirements under Rule 210(1)(a) of the Listing Manual).

The Placement Shares will not be placed to any person falling within the categories as set out in Rule 812(1) of the Listing Manual, unless otherwise agreed to by the SGX-ST.

- 7. Provide a summary of the features of the underwriting relationship together with the amount of securities being underwritten by each underwriter.**
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Not applicable.

PART VII (ADDITIONAL INFORMATION)

Statements by Experts

- 1. Where a statement or report attributed to a person as an expert is included in the offer information statement, provide such person's name, address and qualifications.**

The statements under the section entitled "Undertaking by AVIC International and AVIC International Beijing" under paragraph 9(c) of Part IV (Key Information) of this Offer Information Statement relating to the requirement for shareholders' approval under Chapter 14A of the HK Listing Rules (Connected Transactions) and Chapter 14 of the HK Listing Rules (Notifiable Transactions) for any acquisitions of the shipbuilding business and the Ship-trading Related Businesses in view of the Proposed Internal Restructuring (the "**Relevant Statements**") are based on a letter dated 8 August 2011 issued to our Company by the Hong Kong lawyers, Jackson Woo & Associates, which is located at 16/F ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

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- 2. Where the offer information statement contains any statement (including what purports to be a copy of, or extract from, a report, memorandum or valuation) made by an expert:**
 - (a) state the date on which the statement was made;**
 - (b) state whether or not it was prepared by the expert for the purpose of incorporation in the offer information statement; and**
 - (c) include a statement that the expert has given, and has not withdrawn, his written consent to the issue of the offer information statement with the inclusion of the statement in the form and context in which it is included in the offer information statement.**

The Relevant Statements which were contained in the letter dated 8 August 2011 issued to our Company by the Hong Kong lawyers were not prepared by the Hong Kong lawyers for the purpose of incorporation in this Offer Information Statement.

The Hong Kong lawyers have given, and have not withdrawn, their written consent to the issue of this Offer Information Statement with the inclusion of the Relevant Statements, in the form and context in which they are included in this Offer Information Statement.

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- 3. The information referred to in paragraphs 1 and 2 of this Part need not be provided in the offer information statement if the statement attributed to the expert is a statement to which the exemption under regulation 26(2) or (3) applies.**

Noted.

PART VII (ADDITIONAL INFORMATION)

Consents from Issue Managers and Underwriters

4. **Where a person is named in the offer information statement as the issue manager or underwriter (but not a sub-underwriter) to the offer, include a statement that the person has given, and has not withdrawn, his written consent to being named in the offer information statement as the issue manager or underwriter, as the case may be, to the offer.**

There is no issuer manager or underwriter for the Placement. DMG acts as the Placement Agent to the Placement.

DMG has given and has not withdrawn its written consent to being named in this Offer Information Statement as the Placement Agent for the Placement and the issue of this Offer Information Statement with the inclusion of its name and all references thereto, in the form and context in which it appears in this Offer Information Statement.

Other Matters

5. **Include particulars of any other matters not disclosed under any paragraph of this Schedule which could materially affect, directly or indirectly:**
- (a) the relevant entity's business operations or financial position or results; or**
 - (b) investments by holders of securities in the relevant entity.**

Save as disclosed in this Offer Information Statement, the Information Memorandum and announced by the Company on the SGXNET, our Directors are not aware of any other matters which could materially affect, directly or indirectly:

- (a) the Company's business operations or financial position or results; or
- (b) investments by holders of securities in the Company.

Disclaimers

DMG, Stamford Law Corporation, Colin Ng & Partners LLP, Boardroom Corporate & Advisory Services Pte. Ltd. and Oversea-Chinese Banking Corporation Limited have each given and have not withdrawn their respective written consents to the issue of this Offer Information Statement with the inclusion of their respective names and all references thereto, in the form and context in which they respectively appear in this Offer Information Statement. Each of them does not make, or purport to make, any statement in this Offer Information Statement and is not aware of any statement in this Offer Information Statement which purports to be based on a statement made by it and each of them makes no representation, expressed or implied, regarding, and subject to applicable law and regulations, and takes no responsibility for, any statements in or omissions from this Offer Information Statement.

None of the abovementioned parties has authorised or caused the issue of this Offer Information Statement.

**PART VIII (ADDITIONAL INFORMATION REQUIRED FOR OFFER OF
DEBENTURES OR UNITS OF DEBENTURES)**

Not applicable.

**PART IX (ADDITIONAL INFORMATION REQUIRED FOR CONVERTIBLE
DEBENTURES)**

Not applicable.

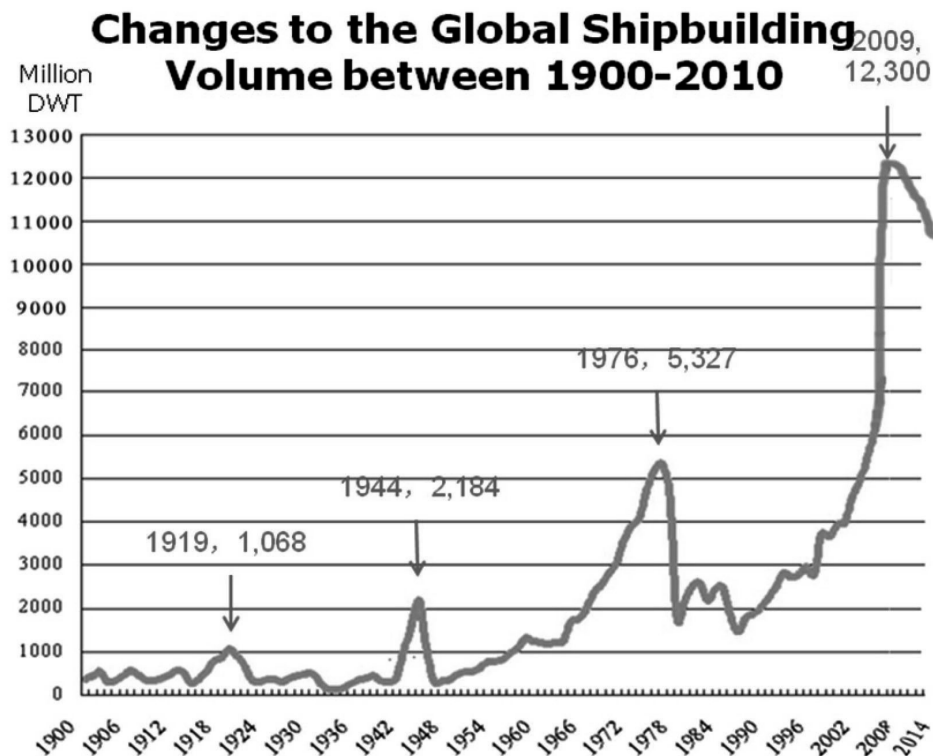
**PART X (ADDITIONAL INFORMATION REQUIRED FOR OFFER OF SECURITIES
BY WAY OF RIGHTS ISSUE)**

Not applicable.

APPENDIX 1 — OVERVIEW OF THE SHIPBUILDING INDUSTRY

The following write-up is based on the observations and industry knowledge of our Executive Directors, drawing, where relevant, on sources believed by them to be accurate and relevant.

The shipbuilding industry requires substantial capital outlay and technical expertise as it is a heavy engineering business, and is influenced by the cyclical nature of the wider shipping markets. Shipbuilding prices are governed by factors such as the supply and demand of shipbuilding berths, the cost of building ships, and exchange rates. The international shipbuilding business has experienced major shifts in recent years, being the shift from England to Japan in the 1950s, from Japan to South Korea in the 1990s and from South Korea to the PRC in the beginning of the 21st century. This includes a shift in the focus from the production of smaller to larger vessels.



Source: China Shipbuilding Industry Association (中国船舶工业行业协会)¹

Because of the continued growth in carriage of goods by sea, there was an increasing demand for new ships and this was followed by a subsequent build-up of shipyard capacity in the early 1970s. Shipbuilding output peaked in the mid-1970s, but the oil crisis of 1973 had already led to stagnation in the growth of seaborne trade, particularly in the oil tanker markets. The sudden drop in demand for new vessels created vast shipyard overcapacity and this led to a long and sustained shipbuilding recession. This was further worsened by South Korea's entry into the market. The 1980s saw many shipyards closing and a depressed shipbuilding market. This reached a low in 1988 when output level was similar to that in the early 1960s.

¹ The China Shipbuilding Industry Association has not consented for the purposes of Section 249 of the Securities and Futures Act to the inclusion of the information referred to above and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the above information in its proper form and context and has not verified the accuracy of such information.

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By the 1990s, the market had recovered and the replacement of vessels built in the 1970s, along with renewed growth in global seaborne trade, saw an increase in shipbuilding output. However, the number and price of new contracts have fallen significantly since mid-2008 because of the upheaval in the world's economy. During 2009, delays and cancellations increased and the delivery of the order book became increasingly uncertain. Delays and cancellations created financial difficulties for shipyards, especially if the owners do not meet their payment obligations on time or are unable to take delivery of vessels.

Demand Factors

The main drivers behind the long-term demand for new ships include growth in global carriage of goods by sea and the replacement of old ships that are then sold for scrap. However, in the short and medium term, freight rates are very important in determining this demand. The supply of and demand for shipping capacity influences freight rates and thus freight rates are volatile. Although shipping freight rates have been cyclical, these cycles have varied in length.

The replacement of old ships is directly related to the age of the fleet. Market conditions also play a part in determining the age at which ships are replaced. The growth in global seaborne trade is closely linked to fluctuations in the world economy and this can vary greatly from one year to the next. This explains why the market for shipbuilding and the level of new orders can be so volatile; prices paid for ships can vary greatly from one year to another.

Growth in Seaborne Trade

The four largest segments in the shipping industry are tankers, bulk carriers, containerships and gas tankers. Tankers carry cargos such as crude oil and petroleum products while bulk carriers carry iron ore, coal and grain, among others. A containership, as its name suggests, carries only containers. Likewise, gas tankers carry mostly LPG and LNG. Broadly speaking, demand for the commodities traded by sea is principally affected by the overall economic and political conditions of the world as well as other factors such as changes in transportation patterns and changes in the prices of goods. These demand cycles generally move in line with the global economy, and until recently, demand for seaborne trade had benefited from the recent expansion in industrial production in Asia, particularly the PRC. Conversely, following the global economic crisis in 2008, seaborne trade levels fell notably.

Replacement Demand

The second factor relating to the underlying requirement for ships is the demand for replacement ships. Ships are sold for scrap when they reach the end of their lifetime or when the cost of maintaining and operating them outweighs their earnings. The age at which ships are scrapped thus varies according to the varying freight markets.

If freight rates are higher than normal, ships are able to operate for longer than they would under normal market conditions and this will increase the average scrapping age. Conversely, when freight rates are low, ships will be scrapped earlier. In addition, regulations may require certain ships to be scrapped. For example, the International Convention for the Prevention of Pollution from Ships (“**MARPOL**”) regulation 13G requires the gradual phase-out of single hull tankers which came into force in April 2005 (renamed MARPOL Annex 1, Regulation 20).

Thus, the level of scrapping is a result of the combination of the age at which ships are scrapped and the age profile of the fleet. Between 2004 and 2008, only a very small number of vessels were

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scrapped. However, since the onset of the global economic crisis and the corresponding fall in the freight markets, scrapping has increased once again.

Geographical Distribution and Capacity

Shipbuilding is a long cycle business. Over the last century, the centre of the global shipbuilding industry has gradually shifted. At the start of the 20th century, shipbuilding was dominated by Great Britain. Gradually, continental Europe and Scandinavia reduced Great Britain's share to about 40.0%; Europe still remained the centre of the shipbuilding industry. In the 1950s, Japan gained prominence and by 1969, Japan had overtaken Europe to reach a market share of around 50.0%. In the 1980s, the South Korean shipbuilding industry started to challenge the Japanese and by the 1990s, South Korea had become the largest shipbuilding nation. This established East Asia as the dominant shipbuilding region. In recent years, PRC shipyards have become more important and are now the second largest shipbuilding nation behind South Korea in terms of percentage of global CGT delivered in 2009.

Newbuilding Prices

Newbuilding prices are very sensitive to the supply of, and demand for, shipbuilding berths as shipbuilding is a very open and competitive market. As such, newbuilding prices are highly volatile, and can change drastically over a short period of time. Prices are primarily determined by the amount of shipbuilding berths in the market and the demand for new ships. In a market where there are few berths but demand is high, builders are able to increase prices. Conversely, when many berths are available and the demand for new ships is low, prices will come down as builders face more competition to fill available capacity. There is therefore a delicate balance between demand and supply that determines the movements in newbuilding prices. Furthermore, newbuilding prices are influenced by many other factors such as the cost of raw materials, the cost of building ships, as well as by exchange rates. These contribute to the volatility of the price.

The development in newbuilding prices has been dramatic in recent years. Until the third quarter of 2008, advantageous market conditions allowed the shipping industry to prosper, and this in turn helped to generate an increase in newbuilding activity across all sectors. This was especially true of the bulk carrier market. A combination of elevated demand, a decrease in berth space, along with the weak US\$ and rising raw material costs saw the price of newbuildings increase substantially. However, after the financial crisis in 2008, the banks were more cautious in lending money for shipbuilding activities. With global dry bulk demand volumes and charter rates falling notably, especially in Europe and America, the newbuilding market slowed dramatically and the prices underwent a severe correction.

It is important to note that newbuilding prices for different types of ships generally move in tandem with one another to a large extent. Reduced demand in one sector may reduce prices in another sector. This is because the newbuilding price is affected by the supply of berths to the overall market as a whole and not just individual fleet sectors.

Shipbuilding Costs

The shipbuilding industry is highly capital intensive and huge funds and investments are required to support the operations and expansion of business. Shipbuilding is a complex process and the level of efficiency and costs varies across different shipyards to a considerable extent. On one hand, shipyards in developing countries have low productivity and a large workforce but low wages while highly technical shipyards with a high rate of production have high labour costs but a smaller workforce. The shipyards with lower production typically depend on a high degree of internal production and import sophisticated equipment from abroad. The developed shipyards, on the other hand, source for their

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materials, equipment and services from a range of local or regional suppliers. Costs of building materials, facilities, skilled labour, wages, labour productivity, the availability of local materials and equipment suppliers, exchange rates and, in some cases, government subsidies, will influence the competitiveness and profitability of a shipyard.

A major problem that shipyards face is the risk of escalating costs, such as labour, building materials, and exchange rate movements. Labour costs are one of the main outlays for a shipyard and costs may increase as it takes on more staff to increase output or as the average hourly wage of a shipbuilding country increases due to improvements in the economy. Exchange rates also have a large bearing on the potential earnings of a shipyard as a shipyard often has many foreign customers and while the building costs may be in local currency, its revenue is often in a foreign currency. This is particularly true for shipyards that receive the US\$ for ship sales but use their local currency to pay for their costs. In addition, the majority of a shipbuilding contract bill is normally paid on the delivery of the ship, which can be more than three years after signing of the contract and by which time the exchange rate may have changed considerably. For example, a revaluation of the RMB may lead to a change in the costs for PRC shipyards. While some shipyards do hedge positions, this can also create difficulties. Finally, material costs can change dramatically in a short period of time, in particular the price of steel plates.

The PRC Shipbuilding Industry

The PRC has been one of the key drivers behind the growth in global seaborne trade in recent years. A great deal of global seaborne trade has been driven by the strength of PRC exports. In particular, since the PRC's entry to the World Trade Organisation, the export of manufactured goods has increased due to the transfer of production facilities to the PRC from the rest of the world. Trade with developed economies in the West has shown the most notable growth.

However, PRC imports have also grown significantly, in particular for raw materials such as crude oil, iron ore, capital goods and intermediate/semi-finished goods. Indeed, despite the economic downturn in 2008, PRC demand for imports has increased in 2009, unlike many other nations.

In terms of delivery levels, the PRC has overtaken Japan to become the second largest shipbuilding nation in 2009. The PRC shipbuilding industry grew dramatically in the mid-1990s because of a large increase in both capacity and output. It is the PRC government's stated aim to become the biggest shipbuilding nation in the world. In June 2009, the State Council released a stimulus plan which outlined a number of measures to support the PRC shipbuilding industry. This included output targets of 50 million DWT and 35.0% global market share by 2011. The PRC has achieved its previously stated aims in relation to global market share development well ahead of schedule. However, this was significantly down on expected deliveries in this period, as owners and yards sought to reach agreements on delays. Some shipyards also faced problems in maintaining the delivery schedule.

The PRC shipbuilding industry has been well supported by domestic owners, some of whom have stakes in particular shipyards or close links with the state. This may encourage them to place their orders within the PRC. By the end of 2008, the total number of registered vessels in China had reached 250,000 vessels with a total shipping capacity of 96,000,000 DWT.² However, despite the strong performance in 2008 and 2009, the future outlook could become more uncertain as there are fewer new

2 Li, Bob of DC Marine Supply China and Mehlsen, Anne Katherine of DI-Asia Base Business Services Ltd, The Report on The Chinese Shipbuilding Industry: Targets after 2008. DC Marine Supply China and DI-Asia Base Business Services Ltd have not consented for the purposes of Section 249 of the Securities and Futures Act to the inclusion of the information referred to above and is thereby not liable for such information under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the above information in its proper form and context and has not verified the accuracy of such information.

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contracts due to the global economic situation and newer shipyards are finding it increasingly difficult to deliver the heavy order book load on schedule.

On top of the number of ships delivered, the PRC shipbuilding industry's capability in building various types and sizes of ships has also evolved. In the 1980s, PRC shipyards mainly built a limited number of small ship types such as small bulk carriers and cargo vessels. During the late 1990s, the PRC started to build larger vessels such as Suezmax tankers, Panamax bulk carriers and Ro-Ro vessels. More recently, PRC shipyards have started to build large, value-added vessels such as Capesize bulk carriers, VLCCs, Post-Panamax containerships, FPSOs and LNG carriers. The PRC's first LNG carrier was delivered in 2008 by the Hudong Zhonghua shipyard, marking a technological first for the PRC shipbuilding industry. Another LNG carrier was ordered in February 2010. Although the number of large ship types built in the PRC is now higher than in the past, South Korea still has a greater market share of larger vessel orders.

In recent years there have been numerous plans for new shipbuilding sites in the PRC and for the expansion of existing sites. Some of the greenfield shipyards are currently owned by finance corporations with little or no shipbuilding experience. As such, it is unlikely that all of these sites will be developed. However, some are owned and will be operated by experienced shipbuilding entities and a large number are already marketing berths. Some have also taken orders.

The PRC enjoys several advantages such as low costs of labour, plentiful resources, good infrastructure for development and a huge market with a fast-growing economy. The recent global financial crisis has also helped to eliminate smaller unqualified businesses. This will be conducive to the long-term development of the shipping market. As the Chinese economy continues to develop rapidly and the global economic situation improves, demand for trade and shipping will continue to be strong.

Please refer to the section entitled "Prospects" under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for more details on the prospects and trends of the shipbuilding industry applicable to our Group's business operations.

APPENDIX 2 — SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

1. PRC legal system

The PRC legal system is based on the PRC constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered by the PRC constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC constitution and to enact and amend primary laws governing the state organs and civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

2. Judicial system

The People's Courts are the judicial organs of the PRC. Under the PRC constitution and the Law of Organisation of the People's Courts of the People's Republic of China, the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of

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people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The People's Courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding if no appeals are made before they take effect. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures. The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (the "**Civil Procedure Law**") adopted on 9 April 1991 and amended on 28 October 2007. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. The time limit on the right to apply for such enforcement is two years.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

3. Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (the "**Arbitration Law**") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law

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and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity; and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

4. Company Law

On 29 December 1993, the Standing Committee of the Eighth National People's Congress of the PRC promulgated the Company Law of the PRC which came into effect on 1 July 1994 and was amended on 25 December 1999, 28 August 2004 and 27 October 2005. Companies established under laws, administrative regulations, local laws and the Standard Opinion for Companies Limited by Shares and Limited Liability Companies formulated by the relevant departments of the State Council before the implementation of the Company Law will not be affected by the Company Law and shall continue to be recognised. Those companies which have not totally complied with the provisions of the Company Law shall comply with the relevant requirements within a specified period of time. The State Council may separately promulgate detailed implementing measures.

A "limited liability company" refers to a company whose shareholders are responsible for the debts of the company in the amount equivalent to the amount of capital they contribute to the registered capital of the company. The company bears responsibility for its debts equivalent to the value of its total assets.

A "company limited by shares" refers to a company whose total capital is divided equally amongst shares of equivalent value. The liability of the shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

APPENDIX 2 — SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

Establishment of limited liability companies and companies limited by shares must be in compliance with the requirements stipulated in the Company Law. The following conditions must be fulfilled in order to establish a limited liability company:

- (a) joint capital contribution by not more than 50 shareholders;
- (b) the minimum amount of registered capital of RMB30,000 must be met;
- (c) the company's articles of association is to be formulated jointly by the shareholders;
- (d) the company shall have a name and organisational structure commensurate with the demands for a limited liability company; and
- (e) the company shall have a domicile.

A company limited by shares may be established if the following conditions are fulfilled:

- (a) there shall be 2 to 200 promoters with a majority domiciled in the PRC;
- (b) the minimum registered capital requirement of RMB5.0 million must be met;
- (c) share issue arrangements are in compliance with the provisions of PRC Law;
- (d) the company's articles of association shall be formulated by the promoters and adopted by the founding meeting;
- (e) the company shall have a name and organisational structure commensurate with that of a company limited by shares; and
- (f) the company shall have a domicile.

The company may invest in other limited liability companies and companies limited by shares and the company's liabilities with respect to such invested companies are limited to the amount invested.

The promoters are prohibited from transferring their shares in a company limited by shares within one year commencing from the date of incorporation of the company.

5. Importation and Exportation of Goods

Pursuant to the Foreign Trade Law of the People's Republic of China, which was promulgated on 6 April 2004 and became effective on 1 July 2004, foreign trade dealers engaged in import and export of goods or technologies shall register with the authority responsible for foreign trade. Where foreign trade dealers fail to register as required, the customs authority shall not process the procedures of declaration, examination and release for the imported and exported goods.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Bodies by the PRC Customs Authorities, which was promulgated on 31 March 2005 and became effective from 1 June 2005, "consignor or consignee of export or import goods" means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import and export goods are required to go through registration formalities with the appropriate local customs authority in accordance with the

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applicable provisions. After going through the registration customs formalities, consignors or consignees of import and export goods are permitted to handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. The Registration Certificate for Customs Declaration by PRC Consignor/Consignee of Export or Import Goods is valid for a period of three years.

6. Foreign exchange control

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The PBOC, with the authorisation of the State Council, issued respectively the Notice on the Further Reform of the Foreign Exchange Control System on 28 December 1993 and the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange on 26 March 1994, which came into effect on 1 April 1994. On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations which took effect on 1 April 1996 and was amended on 5 August 2008. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement, Sale and Payment of Foreign Exchange, which took effect on 1 July 1996. On 25 October 1998, the PBOC and the SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, all foreign exchange transactions for FIEs may only be conducted through authorised banks.

On 14 January 1997, the State Council amended and re-promulgated the PRC Foreign Exchange Administration Regulations by segregating international earnings into current activities and capital activities. Except for foreign exchange relating to capital activities, the use of foreign exchange for current activities does not require the approval from the Foreign Exchange Control Department.

These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

On 21 July 2005, the Public Announcement of the People's Bank of China on Reforming the RMB Exchange Rate Regime (the "**Announcement**") was promulgated by the PBOC. In accordance with the Announcement, the PRC government has reformed the RMB exchange rate regime into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, giving more flexibility as compared with the former system in which the RMB was pegged to the US\$. Under this reformed system, the PBOC announces the closing price of a foreign currency traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day. PRC banks licensed to engage in foreign exchange transactions use the closing price announced by the PBOC as a basis and decide a rate of their own to enter into foreign exchange sale and purchase transactions with customers, such rate being within a specified floating band around the central parity which may be adjusted by the PBOC from time to time according to the economic and financial condition in the PRC.

Under the PRC Foreign Exchange Administration Regulations, international payments and transfers were segregated into current account items and capital account items. All organisations and individuals within the PRC, including FIEs, were required to remit their foreign exchange earnings to the PRC. The foreign exchange earnings under the current account items of all PRC enterprises, other than those FIEs, who were allowed to retain a part of their regular foreign exchange earnings or specifically exempted under the relevant regulations, were to be sold to designated banks. Foreign exchange earnings under the capital account items obtained from borrowings from foreign institutions or issues of shares or bonds denominated in foreign currency

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need not be sold to designated banks, but must be kept in foreign exchange bank accounts of designated banks unless specifically approved otherwise. On 1 August 2008, the State Council further amended the PRC Foreign Exchange Administration Regulations (the “**New Foreign Exchange Administration Regulations**”) which became effective from 5 August 2008. According to the New Foreign Exchange Administration Regulations, foreign exchange earnings of domestic institutions and individuals could be repatriated into the PRC as well as deposited overseas. The conditions and time limitation for repatriation into the PRC or deposit overseas shall be specified by the State Council foreign exchange management departments in accordance with the international balance payments situations and the needs of foreign exchange managements. Furthermore, foreign exchange earnings under the current account items could be retained or sold to financial institutions which conduct business of settlement, sale and payment of foreign exchange.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the SAFE.

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by FIEs to their foreign investors, then, subject to the due payment of tax on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and when the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks upon the presentation of the resolutions of the board of directors on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval of the foreign exchange administration authority is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre (the “**CFETC**”) was formally established and came into operation on 1 January 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an inter-bank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through Swap Centre or through designated PRC banks. From 1 December 1998 onwards, exchange transactions will have to be conducted through designated banks. Swap Centres became restricted to conducting foreign exchange transactions between authorised banks and inter-bank lending between PRC banks.

APPENDIX 2 — SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

7. Taxation

The applicable income tax laws, regulations, notices and decisions (collectively referred to as the “**Applicable Foreign Enterprises Tax Law**”) related to FIEs and their investors include the following:

- (a) Income Tax Law Applicable to Individuals of the PRC promulgated by Standing Committee of NPC on 10 September 1980 and last amended on 29 December 2007;
- (b) Notice on Relevant Policies Concerning Individual Income Tax issued by Ministry of Finance and the State Tax Bureau on 13 May 1994;
- (c) Enterprise Income Tax Law of the PRC promulgated by the NPC, which came into effect on 1 January 2008;
- (d) Implementing Rules of the Enterprise Income Tax Law of the PRC, which came into effect on 1 January 2008;
- (e) Notice on the Implementation of Preferential Transitional Enterprise Income Tax Policy promulgated by the State Council, which came into effect on 1 January 2008;
- (f) Notice on the Implementation of Preferential Transitional Tax Treatment on Newly Established High-tech Enterprises in Special Economic Zones and in Shanghai Pudong New Area promulgated by the State Council, which came into effect on 1 January 2008:
 - (i) Income tax on FIEs

According to the Applicable Foreign Enterprises Tax Law, a uniform enterprise income tax (“**EIT**”) rate of 25% has been applied towards FIEs which have set up institutions or facilities within the territory of China and domestic enterprises.

Small meagre-profit enterprises complied with certain requirements may enjoy a reduced EIT rate of 20% and high-tech enterprises which needed key support from the State may enjoy a reduced EIT rate of 15%. Furthermore, high-tech enterprises which needed key national support that established on or after 1 January 2008 in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong New Area shall be exempted from the EIT for the first two taxable years and a 50% reduction in the EIT for the next three years.

Losses incurred in a tax year may be carried forward for not more than five years.

Upon approvals by the people’s government of provinces, autonomous regions and municipalities directly under the central government, the people’s governments of autonomous organisations in autonomous areas may grant exemptions from or reduced EIT in the part which is shared by the local governments for an enterprise in the autonomous region.

However, some transitional preferential measures have been adopted for old enterprises established before the promulgation of the EIT Law which enjoyed low tax rates or regular tax reduction and exemption treatment under former tax laws and administrative regulations. The transitional EIT rate for enterprises which originally enjoyed the rate of 15% is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and

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25% in 2012; the EIT rate for enterprises which originally enjoyed the rate of 24% has been fixed at 25% from 2008.

(ii) VAT

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994 and last amended on 5 November 2008. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

VAT payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of VAT included in the price or charges, and less any deductible VAT already paid by the taxpayer on purchases of goods and services in the same financial year.

(iii) Business tax

With effect from 1 January 1994 and last amended on 5 November 2008, businesses that provide services (except entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 5% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

(iv) Tax on dividends from PRC enterprise with foreign investment

According to the Applicable Foreign Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable Foreign Enterprises Tax Law. Pursuant to a tax treaty between the PRC and the Republic of Singapore which became effective on 1 January 2008, a company incorporated in Singapore will be subject to a withholding tax at the rate of no more than 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interests in the PRC company, or no more than 10% if it holds less than 25% interests in the PRC company. If the Singapore company is required under the New Income Tax Law to pay withholding tax for any dividends it receives from its subsidiaries, it will materially and adversely affect the amount of dividends it may pay to its shareholders.

8. Outbound Investment

On 16 March 2009, the MOC issued the Measures for the Administration of Outbound Investment (the "**Outbound Investment Measures**") which was effective on 1 May 2009. The aim of the new Outbound Investment Measures is to simplify the approval procedure of outbound investment for Chinese entities under the current global economic environment.

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The Outbound Investment Measures divide the approval authority of overseas investment between the MOC and the commerce authorities at the provincial level. The MOC will only retain the approval authority on the investments in certain specific countries and areas as well as those with an investment scale in excess of US\$100 million, leaving other projects to the commerce authorities at the provincial level.

The MOC is responsible for approving and reviewing outbound investments as follows:

- the investment is to take place in a country with which China has not established diplomatic relations;
- the investment is to take place in a country or territory as set out in a list to be formulated jointly by the MOC, the Ministry of Foreign Affairs and other relevant authorities;
- the amount to be invested by the PRC investor equals or exceeds US\$100 million;
- the interests of multiple countries (territories) will be involved; or
- where a PRC investor has established an offshore special purpose vehicle for the purpose of listing overseas.

The MOC's provincial counterparts are responsible for approving and reviewing outbound investments as follows:

- the investment amount is less than US\$100 million;
- the investment is to be made in the area of energy or mining; or
- if an “invitation for business and investment” in China is necessary.

Generally, the approval process for the above mentioned investments will take approximately 20 to 40 business days according to the Outbound Investment Measures, and the length of the process usually depends on various factors such as the size and type of the proposed projects, the type of applicant and whether the MOC or a commerce authority has jurisdiction.

9. Wholly Foreign-owned Enterprise Laws

WFOEs are governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments, which was promulgated on 12 April 1986 and was subsequently amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 and was subsequently amended on 12 April 2001 (together, the “**Foreign Enterprises Law**”).

(a) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by the MOC (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to the MOC (or its delegated authorities) for its record. A WFOE must also obtain a business license from the SAIC (or its delegated authorities) before it can commence business.

(b) Nature

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A WFOE is a limited liability company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. The foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by the MOC (or its delegated authorities) in accordance with relevant regulations.

(c) Profit distribution

The Foreign Enterprise Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund at least 10% of the after tax profits. If the accumulative amount of allocated reserve funds reaches 50% of an enterprise's registered capital, the WFOE will not be required to make any additional contribution. The WFOE is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

10. Labour Law

According to the Labour Contract Law of the PRC, which became effective on 1 January 2008, the employer and employee are required to execute a labour contract if a labour relationship is to be established between the employer and the employee. The employer cannot require the employee to work in excess of the time limit and shall provide the wages which are not lower than local standards on minimum wages to the employee in time. The employer shall establish and perfect its system for labour safety and sanitation, strictly abide by State rules and standards on labour safety and sanitation, and educate employees in labour safety and sanitation. Labour safety and sanitation facilities shall meet State-fixed standards. The employer shall provide its employees with labour safety and sanitation conditions meeting State stipulations and necessary articles of labour protection.

11. Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection and adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused

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severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised, ordered to suspend operations or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger or effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

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SINGAPORE TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

The discussion is limited to a general description of certain Singapore income tax, stamp duty, estate duty and Goods and Services Tax (“**GST**”) consequences with respect to the subscription for and/or purchase, ownership and disposal of our Shares, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to subscribe for and/or purchase, hold or dispose of our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of subscribing for and/or purchasing, owning and disposing our Shares. It is emphasised that none of our Company, our Directors or any other persons involved in the Placement accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, ownership or disposal of our Shares.

SINGAPORE INCOME TAX

Companies

Singapore resident companies are subject to Singapore income tax on income that is accrued in or derived from Singapore and on foreign-sourced income received or deemed received in Singapore, subject to certain exceptions.

Foreign-sourced income in the form of branch profits, dividends and service income received or deemed received in Singapore by a Singapore resident company shall be exempt from tax provided the following conditions are met:

- (i) such income has been subject to tax of a similar character to income tax in the foreign jurisdiction from which such income is received;
- (ii) at the time such income is received in Singapore by the Singapore resident company, the highest rate of tax of a similar character to income tax levied under the law of the foreign jurisdiction from which such income is received on any gains or profits from any trade or business carried on by any company in that foreign jurisdiction is at least 15%; and
- (iii) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the Singapore resident company.

Non-resident companies are subject to income tax on income that is accrued in or derived from Singapore, and on foreign-sourced income received or deemed received in Singapore, subject to certain exceptions.

A company is resident in Singapore if the control and management of its business is exercised in Singapore.

Tax Rate

The corporate tax rate in Singapore for both resident and non-resident companies is 17% with effect from year of assessment 2010. In arriving at the chargeable income, there is partial exemption on three

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quarters of the first S\$10,000 and one-half on the next S\$290,000 of a company's normal chargeable income. The remaining chargeable income will be taxable at the corporate tax rate of 17%.

In his 2011 Budget Statement delivered on 18 February 2011, the Minister for Finance proposed that a one-off support measure be given to companies for year of assessment 2011 in the form of either (a) a corporate income tax rebate of 20% of year of assessment 2011 corporate income tax payable capped at S\$10,000 or (b) a cash grant for small and medium enterprises ("**SME cash grant**") based on 5% of the company's revenue for year of assessment 2011 capped at \$5,000, whichever is the higher. The SME cash grant will only be available to companies which have made CPF contributions in year of assessment 2011.

Individuals

Individual taxpayers who are Singapore residents are subject to tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore on or after 1 January 2004 and certain Singapore-sourced investment income from financial instruments derived by Singapore resident individuals (except for income received through a partnership in Singapore or derived from the carrying on of a trade, business or profession) is exempt from Singapore income tax.

Non-resident individuals, subject to certain exceptions, are subject to Singapore income tax on income accruing in or derived from Singapore. Non-resident individuals are not subject to tax on foreign-sourced income received in Singapore and certain Singapore-sourced investment income from financial instruments.

An individual is a resident of Singapore in a year of assessment if, in the preceding year, he resides in Singapore (except for temporary absences from Singapore) or if he is physically present or exercises an employment in Singapore (other than as a director of a company) for 183 days or more.

Tax Rate

Currently, a Singapore resident individual is subject to tax at progressive rates, ranging from 0% to 20%. Income derived by a non-Singapore resident individual is normally taxed at the rate of 20% except for Singapore employment income which is taxed at a flat rate of 15% or at resident rates, whichever yields a higher tax.

In his 2011 Budget Statement, the Minister for Finance proposed that a one-off personal income tax rebate of 20%, capped at S\$2,000 be given to resident individual taxpayers for year of assessment 2011. For year of assessment 2012, it was proposed that the marginal tax rates for the 1st S\$120,000 of chargeable income will be reduced, with the top marginal rate remaining at 20%.

Dividend Distributions

Singapore introduced the one-tier corporate tax system on 1 January 2003. Under the one-tier corporate tax system, the tax paid by companies in Singapore, whether resident in Singapore or not, would constitute a final tax. Dividends payable by Singapore resident companies under the one-tier corporate tax system would be tax exempt in Singapore in the hands of its shareholders. Such dividends are referred to as tax exempt (one-tier) dividends.

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Where our Company is considered to be resident in Singapore, it will be under the one-tier corporate tax system. In such a situation, when our Company distributes dividends, these dividends will be tax exempt (one-tier) dividends and such dividends are tax exempt in Singapore in the hands of our shareholders.

There is no Singapore withholding tax on dividends paid to both Singapore resident shareholders as well as non-Singapore resident shareholders. Foreign shareholders are advised to consult their own tax advisors in respect of the tax laws of their respective countries of residence, which are applicable on such dividends received by them and the applicability of any double taxation agreement that their country of residence may have with Singapore.

Gains on Disposal of our Shares

Singapore currently does not impose tax on capital gains. Shareholders who held our Shares on capital account will not be subject to income tax on the gains arising from the disposal of the Shares. However, there are no specific laws or regulations which deal with the characterisation of capital gains. In general, gains from the disposal of shares may be construed to be revenue in nature and subject to Singapore income tax if they arise from activities which are regarded as the carrying on of a trade or business of dealing in securities in Singapore.

Stamp Duty

No stamp duty is payable if an instrument of transfer is not executed or the instrument of transfer is executed outside Singapore and not brought into Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

No stamp duty is payable on the subscription for, allotment or holding of our Shares. Stamp duty is payable on the instrument of transfer of our Shares at the rate of S\$0.20 for every S\$100 or any part thereof, computed based on the consideration for the transfer, or market value, of our Shares, whichever is higher. The stamp duty is borne by the purchaser, unless otherwise agreed.

The above stamp duty is not applicable to electronic transfers of our Shares through CDP.

Estate Duty

With effect from 15 February 2008, no estate duty is leviable in respect of the estate of any person whose death has occurred on or after 15 February 2008.

GST

The sale of our Shares by a GST-registered investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply and so would not be subject to GST. In this regard, generally, GST directly incurred by the GST-registered investor in making such supplies may not be recovered from the Comptroller of GST. If our Shares are sold by a GST-registered person who is a member of the Association of Banks in Singapore, the input tax is recoverable subject to the conditions stipulated by the Comptroller of GST.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore and who is outside Singapore at the time the sale is executed, the sale is generally a taxable sale subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this taxable supply

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in the course or furtherance of a business, subject to the provision of the GST Act, Chapter 117A of Singapore, may be recovered from the Comptroller of GST.

Services consisting of arranging, brokering, underwriting or advising on the issue, allotment or transfer of ownership of our Shares rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the standard rate (currently at 7%). Similar services supplied contractually to and for the direct benefit of a person belonging outside Singapore and who is outside Singapore when the services are performed would generally be subject to GST at zero-rate.

PRC TAXATION

The applicable income tax laws, regulations, notices and decisions related to FIEs and their investors are as follows:

1. Notice on Some Policy Questions Concerning Individual Income Tax (关于个人所得税若干政策问题的通知) issued by the Ministry of Finance and the State Administration of Taxation on 13 May 1994;
2. Notice on the Reduction of Income Tax on Interest and Other Income Derived by Foreign Enterprises within the PRC (关于外国企业来源于我国境内的利息等所得减徵所得税问题的通知) issued by the State Council, which came into effect on 1 January 2000;
3. The fifth amendments to the Income Tax Law Applicable to Individuals of the PRC (中华人民共和国个人所得税法 (第五次修正)) promulgated by the Standing Committee on 29 December 2007, which came into effect on 1 March 2008;
4. Implementing Regulations of the Individual Income Tax Law of the People's Republic of China (中华人民共和国个人所得税法实施条例) adopted by the State Council on 28 January 1994
5. Enterprise Income Tax Law of the PRC (中华人民共和国企业所得税法) adopted by the NPC on 16 March 2007, which came into effect on 1 January 2008 (the "**New Income Tax Law**");
6. Implementing Regulations of Enterprise Income Tax Law of the PRC (中华人民共和国企业所得税法实施条例) promulgated by the State Council on 6 December 2007, which came into effect on 1 January 2008 (the "**Implementing Regulations of New Income Tax Law**");
7. Notice on the Implementation of Preferential Transitional Enterprise Income Tax Policy (关于实施企业所得税过渡优惠政策的通知) promulgated by the State Council, which came into effect on 1 January 2008; and
8. Arrangement between the Mainland and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (内地和香港特别行政区关于对所得避免双重徵税和防止偷漏税的安排) executed on 21 August 2006 which came into effect on 1 January 2007 (the "**Taxation Arrangement**").

Income Tax on FIEs

According to the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises ("**Income Tax Law**"), FIEs (including sino-foreign equity joint ventures, sino-foreign co-operative joint ventures and WFOEs established within the PRC) are required to pay a state corporate income tax at a rate of 30% of their taxable income and a local corporate income tax at a rate of 3% of their taxable income.

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An FIE engaged in production having a period of operation of not less than 10 years shall be exempted from the state corporate income tax for the first two profit-making years and a 50% reduction in the state corporate income tax payable for the next three years.

FIEs established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and FIEs engaged in production in economic and technological zones may pay state corporate income tax at a reduced rate of 15%. FIEs engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay state corporate income taxes at a reduced rate of 24%. A reduced state corporate income tax rate of 15% may apply to an enterprise located in such regions which is engaged in energy, communication, harbour, wharf or other projects encouraged by the State.

Losses incurred in a tax year may be carried forward for not more than five years.

The People's Government of provinces, autonomous regions and municipalities directly under the PRC Central Government may grant exemptions from or reduced local income tax for an FIE engaged in an industry or a project encouraged by the State.

Export-oriented enterprises invested in and operated by foreign businesses for which in any year the output value of all export products amounts to 70% or more of the output value of the products of the enterprise for that year may pay enterprise income tax at the tax rate specified in the Income Tax Law and its Implementing Rules reduced by one half after the period of corporate income tax exemptions or reductions has expired in accordance with the provisions of the Income Tax Law and its Implementing Rules. If the corporate income tax rate for such export-oriented enterprises is 15% pursuant to preferential tax treatment as mentioned above, the rate for these enterprises shall be 10%.

According to the New Income Tax Law, from 1 January 2008, the rate of enterprise income tax applicable to all resident enterprises, including FIEs and domestic companies in the PRC shall be at a uniform rate of 25%. Enterprises established prior to 16 March 2007 shall continue to be eligible for preferential tax treatment in accordance with the current prevailing tax laws and administrative regulations. However, under the State Council regulations, such enterprises will gradually become subject to the new tax regime over a 5-year transition period starting from 1 January 2008 (the **"Transitional Arrangement"**). In addition, enterprises which are entitled to enjoy regular tax reduction and exemption treatment under the current income tax laws may continue to enjoy the remaining incentives in accordance with the requirements and period specified by the relevant income tax laws.

Some transitional preferential measures have been adopted for old enterprises established before the promulgation of the New Income Tax Law which enjoyed low tax rates or regular tax reduction and exemption treatment under former tax laws and administrative regulations. The transitional corporate income tax rate for enterprises which originally enjoyed the rate of 15% is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; the corporate income tax rate for enterprises which originally enjoyed the rate of 24% has been fixed at 25% from 2008.

Tax on Income from the PRC Derived by a Non-Resident Enterprise

According to the New Income Tax Law and Implementing Regulations of New Income Tax Law, income such as dividends, rental, interest and royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any

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applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to FIEs and their investors.

According to the Taxation Arrangement, the applicable income tax rate for dividends arising from enterprises incorporated in the PRC by an enterprise incorporated in Hong Kong or a foreign enterprise incorporated outside Hong Kong but being controlled or managed in Hong Kong is 5%, if such enterprise holds not less than 25% equity interest in the said enterprises incorporated in the PRC.

VAT

The Provisional Regulations of the PRC concerning Value Added Tax promulgated by the State Council came into effect on 1 January, 1994 and was last amended on 5 November 2008. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC concerning Value Added Tax (中华人民共和国增值税暂行条例), VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

VAT payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of VAT included in the price or charges, and less any deductible VAT already paid by the taxpayer on purchases of goods and services in the same financial year.

Business Tax

With effect from 1 January 1994 and as such relevant regulations as last amended on 5 November 2008, businesses that provide services (except entertainment businesses), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 5% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

DIRECTORS' RESPONSIBILITY STATEMENT

Our Directors collectively and individually accept responsibility for the accuracy of the information given in this Offer Information Statement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Offer Information Statement are fair and accurate in all material aspects as at the date of this Offer Information Statement and there are no material facts the omission of which would make any statement in this Offer Information Statement misleading in any material respect. Where information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of our Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Offer Information Statement.

Dated 13 September 2011

For and on behalf of

AVIC INTERNATIONAL INVESTMENTS LIMITED

DIAO WEICHENG

LI JIN

ZHANG WANPING

CHENG XUHUI

WU WEIDONG

TENG CHEONG KWEE

CHONG TECK SIN

ALICE LAI KUEN KAN

