



AVIC INTERNATIONAL INVESTMENTS LIMITED

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD FROM THE DATE OF INCORPORATION, 11 NOVEMBER 2010, TO 31 DECEMBER 2011

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

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

1(a)(i) Consolidated Statement of Comprehensive Income for the period from the date of incorporation, 11 Nov 2010, to 31 Dec 2011 ("FP2011")

	Actual 1 Oct 11 to 31 Dec 11	Pro Forma [^] 1 Oct 10 to 31 Dec 10	Change	Actual 11 Nov 10 to 31 Dec 11	Pro Forma [^] 1 Jan 10 to 31 Dec 10	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	54,860	41,546	32.0	99,580	76,495	30.2
Other operating income	365	3,095	(88.2)	1,082	8,718	(87.6)
Employee benefits expense	(3,060)	(1,177)	160.0	(7,689)	(4,262)	80.4
Travelling and entertainment expenses	(1,974)	(1,013)	94.9	(4,085)	(2,553)	60.0
Office rental and office expenses	(1,075)	(576)	86.6	(2,943)	(1,830)	60.8
Listing expenses	(7,223)	-	N/M	(17,674)	-	N/M
Other operating expenses	(2,263)	(829)	173.0	(3,470)	(1,634)	112.4
Profit from operations	39,630	41,046	(3.4)	64,801	74,934	(13.5)
Finance costs	(4)	-	N/M	(12)	-	N/M
Profit before income tax	39,626	41,046	(3.5)	64,789	74,934	(13.5)
Income tax expense	(12,661)	(10,266)	23.3	(21,629)	(18,788)	15.1
Profit for the period, attributable to owners of the Company	26,965	30,780	(12.4)	43,160	56,146	(23.1)
<u>Other comprehensive income</u>						
Exchange differences on translation of foreign operations	(1,224)	-	N/M	(2,070)	-	N/M
Total comprehensive income for the period/year	25,741	30,780	(16.4)	41,090	56,146	(26.8)

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the period from the date of incorporation, 11 Nov 2010, to 31 Dec 2011

	Actual 1 Oct 11 to 31 Dec 11	Pro Forma[^] 1 Oct 10 to 31 Dec 10	Change	Actual 11 Nov 10 to 31 Dec 11	Pro Forma[^] 1 Jan 10 to 31 Dec 10	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Interest income	365	3,095	(88.2)	1,082	8,718	(87.6)
Net foreign exchange loss	(7)	-	N/M	(26)	-	N/M
Operating lease expenses	(532)	(625)	(14.9)	(2,228)	(1,606)	38.7
Depreciation of plant and equipment	(287)	-	N/M	(287)	-	N/M

N/M – Not meaningful

[^] The unaudited pro forma consolidated statement of comprehensive income was prepared from the divisional general ledgers of AVIC International Beijing Co., Ltd ("AVIC Beijing"), of which the ship trading and shipbuilding business (the "Shipbuilding Management Division") is a division for the year from 1 Jan 10 to 31 Dec 10 ("FY2010").

Note: The Company was incorporated on 11 Nov 2010 under the laws of Singapore and became the holding company of our Group pursuant to the Restructuring Exercise as described in our Information Memorandum dated 10 August 2011. The Group did not record any business activities from 11 Nov 2010 to 31 Dec 2010.

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

1(b)(i) Statements of Financial Position as at 31 Dec 2011

	Group	Company
	31 Dec 2011	31 Dec 2011
	(RMB'000)	(RMB'000)
Assets		
<u>Current assets</u>		
Trade receivables	11,065	-
Other receivables	21,631	-
Due from a subsidiary	-	13,397
Cash and cash equivalents	145,196	66,906
	<u>177,892</u>	<u>80,303</u>
<u>Non-current assets</u>		
Plant and equipment	4,364	-
Investment in a subsidiary	-	*
	<u>4,364</u>	<u>-</u>
Total assets	<u>182,256</u>	<u>80,303</u>
<u>Current liabilities</u>		
Other payables and accruals	7,004	2,064
Bank loan	20,000	-
Income tax payable	12,925	-
	<u>39,929</u>	<u>2,064</u>
Total liabilities	<u>39,929</u>	<u>2,064</u>
Net assets	<u>142,327</u>	<u>78,239</u>
Capital and reserves		
Share capital	101,237	101,237
Statutory reserve	6,489	-
Translation reserve	(2,070)	(2,462)
Accumulated profits/(losses)	36,671	(20,536)
Total equity	<u>142,327</u>	<u>78,239</u>

* Denotes amount less than RMB1,000.

Note: The unaudited pro forma statement of financial position of the Group as at 31 Dec 2010 was not prepared as the Shipbuilding Management Division in AVIC Beijing did not maintain a divisional bank account or have divisional assets or liabilities, and the Group did not record any business activities from the date of incorporation, 11 Nov 2010 to 31 Dec 2010.

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

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

As at 31 Dec 2011	
Secured (RMB'000)	Unsecured (RMB'000)
Nil	20,000

As at 31 Dec 2010	
Secured (RMB'000)	Unsecured (RMB'000)
NA	NA

(B) Amount repayable after one year

As at 31 Dec 2011	
Secured (RMB'000)	Unsecured (RMB'000)
Nil	Nil

As at 31 Dec 2010	
Secured (RMB'000)	Unsecured (RMB'000)
NA	NA

(C) Details of any collaterals

As at 31 Dec 2011, the Group has a bank loan of RMB20 million (2010: nil) covered by an intermediate holding company. The loan was advanced on 31 Dec 2011 and is due for repayment on 30 Dec 2012.

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

Consolidated Cash Flow Statements for the period ended 31 Dec 2011

	Group	Group
	1 Oct 11 to 31 Dec 11 (RMB'000)	11 Nov 10 to 31 Dec 11 (RMB'000)
Operating activities		
Profit before income tax	39,626	64,789
Adjustments for:		
Interest income	(365)	(1,082)
Depreciation of plant and equipment	287	287
Share issue expenses	7,223	17,674
Foreign exchange gains	(1,283)	(1,290)
Operating cash flows before movements in working capital	45,488	80,378
Trade receivables	16,001	(11,065)
Other receivables	(12)	(1,631)
Other payables and accruals	2,806	7,004
Due to holding company	(12,120)	-
Cash generated from operations	52,163	74,686
Income taxes paid	(8,704)	(8,704)
Interest received	1,082	1,082
Net cash from operating activities	44,541	67,064
Investing activity		
Purchase of plant and equipment	(243)	(4,638)
Net cash used in investing activity	(243)	(4,638)
Financing activities		
Proceeds on issue of shares	76,233	107,689
Payments of share issue expenses	(10,342)	(24,126)
Other receivables	(20,000)	(20,000)
New bank loan raised	20,000	20,000
Net cash from financing activities	65,891	83,563
Net increase in cash and bank balances	110,189	145,989
Net effects of exchange rate changes on the balance of cash held in foreign currencies	46	(793)
Cash and cash equivalents at beginning of the financial period	34,961	-
Cash and cash equivalents at end of the financial period	145,196	145,196

Note: The unaudited pro forma statements of cash flows of the Group for the period/year ended 31 Dec 2010 were not prepared as the Shipbuilding Management Division in AVIC Beijing did not maintain a divisional bank account or have divisional assets or liabilities.

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

Statement of Changes in Equity for the period ended 31 Dec 2011

	Share capital	Statutory reserve	Translation reserve	Accumulated profits/ (losses)	Total equity
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<u>The Group</u>					
Balance at 1 Oct 2011	28,123	-	(846)	16,195	43,472
Total comprehensive income/(loss) for the period	-	-	(1,224)	26,965	25,741
Issue of ordinary shares	76,233	-	-	-	76,233
Share issue expenses	(3,119)	-	-	-	(3,119)
Transfer to statutory reserve	-	6,489	-	(6,489)	-
Balance at 31 Dec 2011	<u>101,237</u>	<u>6,489</u>	<u>(2,070)</u>	<u>36,671</u>	<u>142,327</u>
Balance at date of incorporation, 11 Nov 2010	*	-	-	-	*
Total comprehensive income/(loss) for the period	-	-	(2,070)	43,160	41,090
Issue of ordinary shares	107,689	-	-	-	107,689
Share issue expenses	(6,452)	-	-	-	(6,452)
Transfer to statutory reserve	-	6,489	-	(6,489)	-
Balance at 31 Dec 2011	<u>101,237</u>	<u>6,489</u>	<u>(2,070)</u>	<u>36,671</u>	<u>142,327</u>
<u>The Company</u>					
Balance at 1 Oct 2011	28,123	-	(1,164)	(10,420)	16,539
Total comprehensive loss for the period	-	-	(1,298)	(10,116)	(11,414)
Issue of ordinary shares	76,233	-	-	-	76,233
Share issue expenses	(3,119)	-	-	-	(3,119)
Balance at 31 Dec 2011	<u>101,237</u>	<u>-</u>	<u>(2,462)</u>	<u>(20,536)</u>	<u>78,239</u>
Balance at date of incorporation, 11 Nov 2010	*	-	-	-	*
Total comprehensive loss for the period	-	-	(2,462)	(20,536)	(22,998)
Issue of ordinary shares	107,689	-	-	-	107,689
Share issue expenses	(6,452)	-	-	-	(6,452)
Balance at 31 Dec 2011	<u>101,237</u>	<u>-</u>	<u>(2,462)</u>	<u>(20,536)</u>	<u>78,239</u>

* Denotes amount less than RMB1,000.

Note: The statements of changes in equity for the period/year ended 31 Dec 2010 were not prepared as the Shipbuilding Management Division in AVIC Beijing did not maintain a divisional bank account or have divisional assets or liabilities.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the previous period of the immediately preceding financial year.

Details of the changes in the share capital of our Company since incorporation and up to 31 Dec 2011 are set out below:

Purpose	Number of shares	Share capital	
		(S\$'000)	(RMB'000 equivalent)
At incorporation	1	*	*
Issue of shares to AVIC International Kairong Limited ("AVIC Kairong") #	231,999,999	6,000	31,456
Capitalisation of listing expenses	-	(642)	(3,333)
30 Sep 2011	232,000,000	5,358	28,123
Compliance placement	53,576,000	15,269	76,233
Capitalisation of listing expenses	-	(626)	(3,119)
31 Dec 2011	285,576,000	20,001	101,237

* Denotes amount less than RMB1,000.

Pursuant to the scheme between Sino-Environment Technology Group Limited (in judicial management) ("SETGL") and its shareholders and creditors dated 10 Aug 2011 (the "Scheme"), on 9 Sep 2011, 12,000,000 shares were transferred from AVIC Kairong to the Scheme Administrators for distribution to SETGL shareholders and creditors. It is based on the value of the Consideration Shares of S\$6 million divided by the Projected Compliance Placement Price of S\$0.50 per Compliance Placement Share.

As announced by the Company on 3 Oct 2011, the Actual Compliance Placement Price has been fixed at S\$0.285. Based on the Actual Compliance Placement Price of S\$0.285, SETGL shareholders and SETGL creditors are entitled to an aggregate of 21,052,631 Consideration Shares pursuant to the Scheme. In view of the above, on 4 Oct 2011, an additional 9,052,631 Shares have been transferred from AVIC Kairong to the Scheme Administrators for distribution to SETGL shareholders and SETGL creditors pursuant to the Scheme.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 Dec 2011, the share capital of the Company comprised 285,576,000 ordinary shares (31 Dec 2010: 1 ordinary share).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures presented in this announcement have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

There were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent unaudited pro forma financial statements for the year ended 31 December 2010, except for the adoption of the new and revised Financial Reporting Standards which came into effect this financial year from 1 January 2011. The adoption of these new accounting policies has no material impacts to the financial statements in the period of their initial adoption.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

See note 4.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>11 Nov 2010 to 31 Dec 2011</u>	<u>1 Oct 2011 to 31 Dec 2011</u>
Earnings per ordinary share attributable to owners of the Company		
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	36.36	9.56
Weighted average number of ordinary shares	118,710,424	282,081,913
(b) On a fully diluted basis (RMB cents)	36.36	9.56
Weighted average number of ordinary shares	118,710,424	282,081,913

Earnings per ordinary share is calculated by dividing the consolidated profit after tax attributable to owners of the Company over the weighted average number of ordinary shares in issue during the period.

Weighted average number of ordinary shares used in the computation of earnings per share was derived from the number of ordinary shares in issue from 22 Jun 2011 to 31 Dec 2011.

The Company was incorporated on 11 Nov 2010. As at 31 Dec 2010, the share capital of the Company comprised 1 ordinary share. The Group did not record any business activities from 11 Nov 2010 to 31 Dec 2010. The earning per ordinary share of the Group for the period ended 31 Dec 2010 was not prepared as it will not be meaningful.

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

	Group 31 Dec 2011	Company 31 Dec 2011
Net asset value per share based on issued share capital at 31 Dec 2011 (RMB cents)	49.8	27.4
Number of ordinary shares issued as at 31 Dec 2011	285,576,000	285,576,000

Note: The net asset value per ordinary share based on the total number of issued shares for the year ended 31 Dec 2010 was not prepared due to (1) the unaudited pro forma statement of financial position of the Group as at 31 Dec 2010 was not prepared as the Shipbuilding Management Division in AVIC Beijing did not maintain a divisional bank account or have divisional assets or liabilities; and (2) the share capital of the Company was S\$1, comprising 1 ordinary share of S\$1 each as at 31 Dec 2010. The Group did not record any business activities from the date of incorporation, 11 Nov 2010 to 31 Dec 2010.

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Revenue

Revenue increased by approximately RMB13.31 million or 32.0% from RMB41.55 million in Q4 FY2010 to RMB54.86 million in Q4 FP2011 mainly due to (1) the provision of marketing services to a related company, which contributed to higher commission income; and (2) the Group's agreement with China National Aero-Technology Import and Export Corporation ("CATIC") pursuant to which a fee is payable to the Group for the provision of project management services for 19 vessels. Out of these 19 vessels, 6 vessels commenced steel cutting as at 31 Dec 2011.

The Group achieved revenue of RMB99.58 million in FP2011, which was approximately RMB23.1 million or 30.2 % higher than that of FY2010. The increase was mainly due to higher management service income, progress of work done in relation to the agreement with CATIC and higher commission income for services rendered to a related company in securing 8 shipbuilding contracts, which was offset by a decrease in service fee income pursuant to the Management Agreement with AVIC Beijing for the provision of services for existing projects.

All of our revenue in FP2011 was derived from Asia compared to 16.3% from Europe, 50.3% from Middle East and 33.4% from Asia in FY2010. The pro forma financial information for FY2010 represents the income and expenses of the Shipbuilding Management Division of AVIC Beijing. Following the restructuring exercise, AVIC Beijing and our Company entered into a Management Agreement which aims to ensure a smooth completion of outstanding projects. As a result, our service fee income from the provision of project management and consultancy services ("M&C Services") for 19 vessels in FP2011 was derived from AVIC Beijing, i.e. Asia instead of the customers' country of origin.

Two units of 118,000 DWT bulk carrier, four units of 92,500 DWT bulk carrier and one unit of 28,000 DWT MPP Ship were delivered in FP2011, compared to one unit of 6,500 DWT bunkering oil tanker and one unit of 92,500 DWT bulk carrier in FY2010.

Other Operating Income

Other operating income comprises mainly interest income. Interest income decreased from RMB3.10 million in Q4 FY2010 to RMB0.37 million in Q4 FP2011 mainly due to faster payments to shipyards during the period. Following the global financial crisis, ship-owners have generally requested to make lesser and fewer upfront and progress payments, and at the same time shipyards have sought faster payments from us. As a result, our interest income decreased despite the significant increase in revenue. Due to the same reason, interest income decreased by approximately RMB7.64 million or 87.6% from RMB8.72 million in FY2010 to RMB1.08 million in FP2011.

Employee benefits expense

Employee benefits expense increased by approximately RMB1.88 million or 160.0% from RMB1.18 million in Q4 FY2010 to RMB3.06 million in Q4 FP2011 mainly due to increases in headcounts and salary adjustments. The same reason applies to the increase in employee benefits expenses for FP2011 compared to FY2010.

Travelling and entertainment expenses

Travelling and entertainment expenses increased by approximately RMB0.96 million or 94.9% to RMB1.97 million in Q4 FP2011, compared with RMB1.01 million for the same quarter last year. This was mainly due to additional business trips to secure new orders and manage existing projects. The same reason applies to the increase in travelling and entertainment expenses for FP2011 compared to FY2010.

Office rental and office expenses

Office rental and office expenses increased from approximately RMB0.58 million in Q4 FY2010 to RMB1.08 million in Q4 FP2011, and increased by approximately RMB1.11 million or 60.8% from RMB1.83 million in FY2010 to RMB2.94 million in FP2011, which was generally in line with the increase in the number of our employees and the level of business activities.

The operating lease expenses increased by approximately RMB0.62 million or 38.7% from RMB1.61 million in FY2010 to RMB2.23 million in FP2011. The increase was mainly due to the leasing of our Singapore office premises in Oct 2011. The slight decrease in operating lease expenses in Q4 FP2011 by approximately RMB0.93 million or 14.9% compared to Q4 FY2010 was due to the adjustment for free rent periods of our current Beijing office premises.

Listing expenses

The increases were mainly due to one-off professional fee and miscellaneous charges incurred for the purpose of our Mainboard listing in FP2011. The company was admitted to the Official List of SGX-ST on 12 September 2011.

Other operating expenses

Other operating expenses increased by approximately RMB1.43 million or 173.0% from RMB0.83 million in Q4 FY2010 to RMB2.26 million in Q4 FP2011 and increased from approximately RMB1.63 million in FY2010 to RMB3.47 million in FP2011. Our other operating expenses mainly comprise advertising, promotion and exhibition costs, import and export related expenses. The increase was in line with the increase in revenue.

Profit from operations and profit before income tax

Profit from operations and profit before income tax decreased in Q4 FP2011 and FP2011 compared to the Q4 FY2010 and FY2010 respectively mainly due to lower interest income, one-off listing expenses and higher expenses for reasons as explained above.

Income tax Expense

The operating subsidiary in China is subject to income tax of 25%. The higher effective tax rate was due to non-tax deductible expenses incurred by the Group for FP2011.

Profit for the period

As a result of one-off expenses of RMB17.67 million incurred in FP2011 for the Group's Mainboard listing exercise, the Group's FP2011 net profit was a 23.1% decline from RMB56.1 million in FY2010. Excluding these one-off expenses, the Group's net profit for FP2011 would have grown 8.4% year-on-year to approximately RMB60.83 million. Excluding the one-off listing expenses of RMB7.22 million incurred in Q4 FP2011, the Group's net profit for Q4 FP2011 would have grown 11.1% to approximately RMB34.19 million.

Unaudited Statement of Financial Position and Unaudited Consolidated Cash Flow Statement

The unaudited pro forma statement of financial position of the Group as at 31 Dec 2010, and unaudited pro forma statement of cash flows for FY2010 were not prepared as the Shipbuilding Management Division in AVIC Beijing does not maintain a divisional bank account or have divisional assets or liabilities. Accordingly, review of material fluctuations of both statements will not be meaningful.

Current assets

The Group's cash and cash equivalents represent 81.6% of total current assets, and comprise mainly cash from our listing proceeds. Trade receivables comprise an amount due from an intermediate holding company which has been repaid in Jan 2012 and accrued revenue of approximately RMB 9.10 million which is related to the projects with CATIC. Other receivables comprise an amount due from a related company of RMB20 million, and prepayment and deposits of approximately RMB 1.63 million. The amount due from a related company has been repaid in Jan 2012.

Non-current assets

Our plant and equipment comprise a motor vehicle, furniture and fixtures, and office equipment.

Current liabilities

The Group's current liabilities mainly comprise payable sales tax and surcharges, accrued operating and office expenses, amount due to an intermediate holding company which is non-trade in nature, provision for income tax payable, and a bank loan of RMB20 million.

Capital and reserves

Our share capital increased since incorporation as explained in note 1d(ii).

According to the relevant PRC regulations, a subsidiary in China is required to transfer 10% of its profit after income tax to the statutory reserve until the reserve balance reaches 50% of its registered capital.

Consolidated cash flow statements

Approximately RMB67.06 million was generated from operating activities in FP2011, mainly due to the profit contributed from our core business, which was offset by the increase in trade receivables, other receivables, and taxes paid.

Approximately RMB83.56 million net cash from financing activities was mainly attributable to proceeds from the issuance of ordinary shares as a result of our Mainboard listing.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current announced results are in line with the general prospect commentary previously disclosed to shareholders in our Information Memorandum and results announcement for the third quarter ended 30 September 2011.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The global shipping industry is experiencing an oversupply of vessels, particularly dry bulk carriers, crude oil tankers and container vessels, amidst flagging demand, declining freight rates and higher operational costs arising from the on-going economic uncertainties.

Against the backdrop of this challenging environment, the bright spark in this industry comes from the offshore and LNG sectors which continue to be healthy, propped by robust demand due to rising oil prices. We will accelerate cooperation with ship-design institutes to increase research and development efforts in developing technologically-advanced vessels such as higher efficiency LNG carriers, LPG carriers, chemical tankers and offshore vessels, to tap this buoyant market.

Despite the downcast sentiment in Europe and the US, emerging markets like Asia, Africa and South America still present healthy growth opportunities. We will continue to leverage on AVIC Group's existing overseas network, especially offices in emerging countries, to expand our presence in these economies.

European banks used to be a major source of funding for the shipping industry, but they have adopted a more selective lending policy in view of the Euro-zone crisis. Chinese banks, with abundant liquidity and access to US dollar funding, are well positioned to enter the maritime financing market and fill the lending gap. As part of the state-owned AVIC Group, we have strong support from the PRC domestic financial institutions and are able to assist the shipyards that we are working with to secure new shipbuilding contracts through obtaining loans and/or procuring the issuance of refund guarantees by banks, as well as assist the ship-owners in obtaining financing, when required. This, we believe, is a strong competitive advantage of our Group.

The PRC government remains committed to achieving its target of becoming the largest shipbuilding nation in the world. To mitigate the negative impact of the shipping downturn, China's central and local governments have been reported to be planning to introduce a series of favourable policies, such as tax rebate or tax reduction, together with incentive subsidies, to support the development of its shipping industry. We believe these policies will boost the overall PRC shipping industry and in turn lead to more business opportunities for us.

11 Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) The date the Dividend is payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the period ended 31 Dec 2011.

13 A breakdown of total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not Applicable.

14 **Summary of Interested Person Transactions**

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	(RMB'000)	(RMB'000)
<u>FP2011</u>		
Service fee income from	33,155	-
Management service fee income from	23,625	-
<u>FY2010[^]</u>		
Service fee income from	18,600	-
Management fee income from	8,400	-

[^] The figures are extracted from pro forma consolidated statement of comprehensive income for the year.

Note: The amounts of the transactions are before sales taxes and surcharges.

15 **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Information regarding the Group's reportable segments is presented as follows:

FP2011

	<u>Service fee income</u> (RMB'000)	<u>Commission income</u> (RMB'000)	<u>Management service fee</u> (RMB'000)	<u>Total</u> (RMB'000)
<u>Revenue</u>				
Related party	32,241	45,013	22,326	99,580
	<u>32,241</u>	<u>45,013</u>	<u>22,326</u>	<u>99,580</u>
<u>Result</u>				
Segment result	27,306	38,122	18,908	84,336
Unallocated other operating income				1,082
Unallocated corporate expenses				(20,617)
Finance costs				(12)
Profit before income tax				<u>64,789</u>
Income tax expense				(21,629)
Profit for the period				<u><u>43,160</u></u>

FY2010^

	<u>Service fee income</u> (RMB'000)	<u>Management service fee</u> (RMB'000)	<u>Total</u> (RMB'000)
<u>Revenue</u>			
External	50,980	-	50,980
Related party	17,577	7,938	25,515
	<u>68,557</u>	<u>7,938</u>	<u>76,495</u>
<u>Result</u>			
Segment result	61,241	6,805	68,046
Unallocated other operating income			8,718
Unallocated corporate expenses			(1,830)
Profit before income tax			<u>74,934</u>
Income tax expense			(18,788)
Profit for the year			<u>56,146</u>

^ The figures are extracted from pro forma consolidated statement of comprehensive income for the year. It represents the revenue and results of the Shipbuilding Management Division of AVIC Beijing.

Geographical information

The Group generates revenue from customers located in the geographical areas as follows:

	<u>Actual FP2011</u> (RMB'000)	<u>Pro Forma FY2010</u> (RMB'000)
Asia	99,580	25,515
Europe	-	12,481
Middle East	-	38,499
	<u>99,580</u>	<u>76,495</u>

Information about major customers

	<u>Actual FP2011</u>			<u>Pro Forma FY2010</u>	
	<u>Service fee income</u> (RMB'000)	<u>Commission income</u> (RMB'000)	<u>Management Service fee</u> (RMB'000)	<u>Service fee income</u> (RMB'000)	<u>Management Service fee</u> (RMB'000)
Customer 1	-	-	-	35,038	-
Customer 2	-	-	-	17,577	7,938
Customer 3	23,195	45,013	22,326	-	-
Customer 4	9,046	-	-	-	-
	<u>32,241</u>	<u>45,013</u>	<u>22,326</u>	<u>52,615</u>	<u>7,938</u>

16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

See Paragraph 8 above.

17 A breakdown of sales as follows

	Actual FP2011 (RMB'000)	Pro Forma FY2010 (RMB'000)	Change %
a) Sales reported for the first half	23,462	22,040	6.5
b) Operating profit after tax before deducting minority interest reported for first half	13,144	16,578	(20.7)
c) Sales report for second half	76,118	54,455	39.8
d) Operating profit after tax before deducting minority interest reported for second half	31,422	39,568	(20.6)

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer.

Not applicable.

19 Update on utilisation of Placement Proceeds

Based on the Placement Price of S\$0.285 and the 53,576,000 Placement Shares subscribed for, the net proceeds raised from the Placement is approximately S\$10.6 million (after deducting listing expenses approximately S\$4.7 million). The net proceeds will be used for the same purposes as set out on page 19 of the Offer Information Statement in the following proportion:

- (i) approximately S\$8.0 million to partly finance acquisition; and
- (ii) the balance of approximately S\$2.6 million for our working capital purposes and any future acquisitions, joint ventures and strategic alliances.

As at 31 Dec 2011, the Group has not started to utilise the Placement Proceeds.

On Behalf of the Board of Directors

Diao Weicheng
Non-Executive Chairman
22 February 2012

DMG & Partners Securities Pte Ltd ("DMG") was the financial adviser to AVIC International Investments Limited in relation to its listing on the Singapore Exchange Securities Trading Limited. DMG assumes no responsibility for the contents of this announcement.