



AVIC International Investments Limited

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PRESS RELEASE

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AVIC International Investments achieves FP2011 net profit of RMB43.2 million

- Revenue of RMB99.6 million in FP2011
- Excluding one-off listing expenses, FP2011 net profit would have been approximately RMB60.8 million

For the period ended 31 December

RMB' million	4Q2011	4Q2010 <i>Pro forma*</i>	Change (%)	FP2011**	FY2010 <i>Pro forma*</i>	Change (%)
Revenue	54.9	41.5	32.0	99.6	76.5	30.2
Operating Profit	39.6	41.0	(3.4)	64.8	74.9	(13.5)
Net Profit	27.0	30.8	(12.4)	43.2	56.1	(23.1)

* 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/period.

** For the financial period from the Company’s date of incorporation on 11 November 2010 to 31 December 2011. However, the Group did not record any business activities from 11 November 2010 to 31 December 2010.

SINGAPORE – 22 February 2012 – PRC-based shipbuilding management and consultancy (“M&C”) services provider, **AVIC International Investments Limited** (“AVIC Singapore”, and together with its subsidiaries, the “Group”) (中航国际投资有限公司), which is a member of the Aviation Industry Corporation of China (“AVIC”) (中国航空工业集团公司) group of companies (the “AVIC Group”), has ended its 2011 financial year with a revenue of RMB99.6 million.

For the financial period ended 31 December 2011 (“FP2011”)¹, the Group achieved a net profit attributable to shareholders of RMB43.2 million against a 30.2% rise in Group revenue, buoyed by higher management service fee income and marketing commission income.

As a result of one-off expenses of RMB17.7 million incurred for the Group’s Mainboard listing exercise in September 2011, 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 8.3% year-on-year to approximately RMB60.8 million.

“Our FP2011 performance was creditable in light of the prevailing challenges in the shipping industry. We have a healthy order book of 38 vessels at the beginning of 2011, of which seven were delivered as at 31 December 2011. As part of the state-owned AVIC Group, we continue to leverage on our strong network and contacts in the world to provide value-added services to our customers,” said AVIC Singapore’s Non-Executive Chairman Dr Diao Weicheng (刁伟程).

On an operating level, other operating income which comprises mainly interest income decreased by 87.6% to RMB1.1 million in FP2011, due to faster payments to shipyards during the year. 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, the Group’s interest income decreased despite the significant increase in revenue.

As the Group’s headcount grew in FP2011, employee benefits and office expenses rose in tandem. Travelling, entertainment and other operating expenses also increased in line with the higher level of business activities.

As at 31 December 2011, the Group’s basic earnings per share was 36.36RMB cents (based on the weighted average number of 118,710,424 shares²). Net asset value per share stood at 49.8 RMB cents (based on 285,576,000 shares issued as at end of FP2011).

¹ For the financial period from the Company’s date of incorporation on 11 November 2010 to 31 December 2011. However, the Group did not record any business activities from 11 November 2010 to 31 December 2010.

² The 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 June 2011 to 31 December 2011. The share capital of the Company has increased from S\$1, comprising 1 ordinary share of S\$1 each as at 22 June 2011 to approximately of S\$ 20.0 million, comprising 285,576,000 ordinary shares of S\$1 each as at 31 December 2011.

Business Review

The Group's FP2011 revenue comprised (i) service fee income derived from the services it provides in relation to shipbuilding contracts, (ii) commission income for services rendered in securing shipbuilding contracts; and (iii) management service fee income relating to marketing and consultancy services it provides to a shipyard.

On a segmental basis, 32.4% of its FP2011 revenue was derived from service fee income, 45.2% from commission income, and the remaining 22.4% from management service fee income. All of its FP2011 revenue was derived from Asia compared to 16.3% from Europe, 50.3% from Middle East and 33.4% from Asia in FY2010³.

In 2011, seven vessels – two units of 118,000 DWT bulk carrier, four units of 92,500 DWT bulk carrier and one unit of 28,000 DWT multi-purpose ship – were delivered pursuant to the Management Agreement with AVIC International Beijing Co., Ltd (“AVIC Beijing”) for the provision of services for 19 vessels. This compared to one unit of 6,500 DWT bunkering oil tanker and one unit of 92,500 DWT bulk carrier delivered in 2010.

The Group also made progress in its work done in relation to its 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, six vessels commenced steel cutting as at 31 December 2011.

In addition, the Group registered higher commission income for services rendered to a related company in securing eight shipbuilding contracts.

Business Prospects

Looking ahead, the global economy continues to be uncertain as fears of a full-blown Eurozone crisis remain. The global shipping industry is similarly affected, experiencing an

³ 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, pursuant to which AVIC Beijing engaged our Company to provide M&C services with effect from 1 January 2011 until the outstanding 19 vessels are delivered. As a result, our service fee income from the provision of M&C services in FP2011 was derived from AVIC Beijing, i.e. Asia instead of the customers' country of origin.

oversupply of vessels, particularly dry bulk carriers, crude oil tankers and container vessels, amidst flagging demand, declining freight rates and higher operational costs.

Commenting on the Group's prospects, Dr Diao said, "Against an increasingly challenging environment, the bright spark in this industry comes from the offshore and LNG sectors which continue to see robust demand due to rising oil prices. We will step up our 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."

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. The Group believes these policies will boost the overall PRC shipping industry and in turn lead to more business opportunities for AVIC Singapore.

"The PRC government remains committed to achieving its target of becoming the largest shipbuilding nation in the world. The Group still intends to broaden our revenue stream by diversifying into shipbuilding in the future by acquiring existing reputable shipyards in China and overseas. At the same time, we will continue to boost our competitiveness by providing a greater variety of financing arrangements and value-added services for our customers. One of our key strengths is being a part of the state-owned AVIC Group, which has helped us to receive strong support from PRC domestic financial institutions," elaborated Dr Diao.

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About AVIC International Investments Limited

AVIC International Investments Limited is the shipbuilding management arm of AVIC International Beijing Co., Ltd, which is a member of the PRC Central Government-owned Aviation Industry Corporation of China ("AVIC") group of companies. Ranked 310 amongst international Fortune 500 companies in 2011, AVIC is a large state-owned enterprise in the PRC and an investment institution that is authorised and managed by the Central Government of the PRC.

AVIC Singapore and its subsidiaries (the "Group") currently provide shipbuilding management and consultancy ("M&C") services, and plan to diversify into the ship-trading and shipbuilding business.

The Group currently works with established shipyards in the PRC as co-sellers, where the shipyard is responsible for the construction of the vessels and the Group undertakes the non-construction aspects of the shipbuilding project. The Group out-sources the design of vessels to several renowned ship-design institutes in the PRC. As part of the state-owned AVIC Group, it has strong support from major PRC financial institutions and has been able to assist shipyards and the shipowners in obtaining financing, when required.