



AVIC INTERNATIONAL INVESTMENTS LIMITED

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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

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

1(a)(i) Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2012

	Group 1 Jul 12 to 30 Sep 12	Group 1 Jul 11 to 30 Sep 11	Change	Group 1 Jan 12 to 30 Sep 12	Group 1 Jan 11 to 30 Sep 11	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	35,321	21,258	66.2	61,326	44,720	37.1
Cost of sales	(24,695)	-	N/M	(24,695)	-	N/M
Gross Profit	10,626	21,258	(50.0)	36,631	44,720	(18.1)
Other operating income	442	118	274.6	870	717	21.3
Employee benefits expense	(4,041)	(1,423)	184.0	(9,326)	(4,629)	101.5
Travelling and entertainment expenses	(484)	(814)	(40.5)	(1,815)	(2,111)	(14.0)
Office rental and office expenses	(1,464)	(676)	116.6	(4,521)	(1,868)	142.0
Listing expenses	-	(1,114)	N/M	-	(10,451)	N/M
Other operating expenses	(1,809)	(421)	329.7	(6,558)	(1,207)	443.3
Profit from operations	3,270	16,928	(80.7)	15,281	25,171	(39.3)
Finance costs	(723)	(8)	N/M	(1,428)	(8)	N/M
Profit before income tax	2,547	16,920	(84.9)	13,853	25,163	(44.9)
Income tax expense	(1,719)	(4,534)	(62.1)	(6,194)	(8,968)	(30.9)
Profit for the period, attributable to owners of the Company	828	12,386	(93.3)	7,659	16,195	(52.7)
<u>Other comprehensive income</u>						
Exchange differences arising on translation	433	(824)	N/M	2,498	(846)	N/M
Total comprehensive income for the period	1,261	11,562	(89.1)	10,157	15,349	(33.8)

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2012

	Group 1 Jul 12 to 30 Sep 12	Group 1 Jul 11 to 30 Sep 11	Change	Group 1 Jan 12 to 30 Sep 12	Group 1 Jan 11 to 30 Sep 11	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Interest income	237	118	100.8	554	717	(22.7)
Net foreign exchange gain/(loss)	205	136	50.7	317	(19)	N/M
Interest expenses on borrowings	(639)	-	N/M	(1,333)	-	N/M
Operating lease expenses	(1,366)	(565)	141.8	(4,069)	(1,696)	140.0
Depreciation of plant and equipment	(339)	-	N/M	(995)	-	N/M
Plant and equipment written off	(32)	-	N/M	-	-	N/M

N/M – Not meaningful

Note: The 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 described in our Information Memorandum dated 10 August 2011. The Group did not record any business activities from 11 November 2010 to 31 December 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) Unaudited Statements of Financial Position as at 30 September 2012

	Group		Company	
	30 Sep 2012 (RMB'000)	31 Dec 2011 (RMB'000)	30 Sep 2012 (RMB'000)	31 Dec 2011 (RMB'000)
Assets				
<u>Current assets</u>				
Cash and cash equivalents	297,495	145,196	1,947	66,906
Trade receivables	-	11,065	-	-
Other receivables	3,116	21,631	-	-
Amount due from a subsidiary	-	-	10,960	13,397
	300,611	177,892	12,907	80,303
<u>Non-current assets</u>				
Plant and equipment	3,713	4,364	112	-
Investment in subsidiaries	-	-	164,411	*
	3,713	4,364	164,523	*
Total assets	304,324	182,256	177,430	80,303
<u>Current liabilities</u>				
Bank loan	20,000	20,000	-	-
Trade payables	7,912	-	-	-
Due to customer on construction contract	14,526	-	-	-
Other payables and accruals	4,660	7,004	1,372	2,064
Income tax payable	4,071	12,925	-	-
	51,169	39,929	1,372	2,064
<u>Non-current liabilities</u>				
Shareholder's loan	93,739	-	93,739	-
	93,739	-	93,739	-
Total liabilities	144,908	39,929	95,111	2,064
Net assets	159,416	142,327	82,319	78,239
Capital and reserves				
Share capital	101,237	101,237	101,237	101,237
Capital reserve	6,932	-	6,932	-
Statutory reserve	6,489	6,489	-	-
Translation reserve	428	(2,070)	(1,300)	(2,462)
Accumulated profits/(losses)	44,330	36,671	(24,550)	(20,536)
Total equity	159,416	142,327	82,319	78,239

* Denotes amount less than RMB1,000.

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 30 Sep 2012	
Secured (RMB'000)	Unsecured (RMB'000)
Nil	20,000

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

(B) Amount repayable after one year

As at 30 Sep 2012	
Secured (RMB'000)	Unsecured (RMB'000)
Nil	93,739

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

(C) Details of any collaterals

1. As at 30 September 2012, the Group had a bank loan of RMB20 million (30 September 2011: nil) secured by a corporate guarantee from an intermediate holding company. The loan was advanced on 31 December 2011 and is due for repayment on 30 December 2012.
2. In connection with the intra-group restructuring ("Proposed Intra-group Restructuring") as disclosed on pages 100 and 101 of the Company's information memorandum dated 10 August 2011, AVIC International Kairong Limited ("AVIC Kairong"), the majority shareholder of the Company, desires to fund the Proposed Intra-group Restructuring by extending an unsecured shareholder's loan (the "Shareholder's Loan") to the Company, pursuant to which AVIC Kairong agrees to make available to the Company a loan facility of an aggregate principal amount of US\$24,000,000 ("Principal Sum") with a term of three years. The Shareholder's Loan shall bear an interest rate of 0.85% per annum ("Interest Per Annum"), with the cumulative interest payable to AVIC Kairong being US\$612,000 ("Cumulative Interest"). For the avoidance of doubt, the Interest Per Annum and the Cumulative Interest are less than 3% of the Group's latest audited net tangible assets.

On 28 August 2012, AVIC Kairong remitted US\$15,900,000 to the Company with the loan tenure of three years and an interest rate of 0.85% per annum. The terms of repayment will be negotiated six months before the end of the loan tenure.

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

Consolidated Cash Flow Statements for the Third Quarter ended 30 September 2012

	Group	Group	Group	Group
	1 Jul 12 to 30 Sep 12 (RMB'000)	1 Jul 11 to 30 Sep 11 (RMB'000)	1 Jan 12 to 30 Sep 12 (RMB'000)	1 Jan 11 to 30 Sep 11 (RMB'000)
Operating activities				
Profit before income tax	2,547	16,920	13,853	25,163
Adjustments for:				
Interest income	(237)	(118)	(554)	(717)
Interest expenses	639	-	1,333	-
Depreciation of plant and equipment	339	-	995	-
Plant and equipment written off	32	-	32	-
Listing expenses	-	1,114	-	10,451
Net foreign exchange (gain)/loss	2,143	(141)	4,025	(7)
Operating cash flows before movements in working capital	5,463	17,775	19,684	34,890
Trade receivables	-	(8,567)	11,065	(27,067)
Due to customer on construction contract	(3,586)	-	14,526	-
Other receivables	(581)	(1,619)	(1,485)	(1,619)
Trade payables	(16,004)	-	7,912	-
Other payables and accruals	538	4,572	(2,421)	5,867
Cash (used in)/generated from operations	(14,170)	12,161	49,281	12,071
Income taxes paid	(200)	-	(15,048)	-
Interest received	237	-	554	-
Interest paid	(355)	-	(1,049)	-
Net cash (used in)/from operating activities	(14,488)	12,161	33,738	12,071
Investing activity				
Purchase of plant and equipment, representing net cash used in investing activity	-	(4,394)	(167)	(4,394)
Financing activities				
Proceeds on issue of shares	-	26,756	-	31,456
Payments of share issue expenses	-	(3,333)	-	(3,333)
Proceeds from shareholder's loan	100,464	-	100,464	-
Other receivables	-	-	20,000	-
Net cash from financing activities	100,464	23,423	120,464	28,123
Net increase in cash and cash equivalents	85,976	31,190	154,035	35,800
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1,879)	(752)	(1,736)	(839)
Cash and cash equivalents at beginning of the financial period	213,398	4,523	145,196	-
Cash and cash equivalents at end of the financial period	297,495	34,961	297,495	34,961

- 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

	Share capital (RMB'000)	Capital reserve (RMB'000)	Statutory reserve (RMB'000)	Translation reserve (RMB'000)	Accumulated profits/ (losses) (RMB'000)	Total equity (RMB'000)
<u>The Group</u>						
Balance at 1 Jul 2012	101,237	-	6,489	(5)	43,502	151,223
Total comprehensive income for the period	-	-	-	433	828	1,261
Deemed contribution by the shareholder on the shareholder's loan	-	6,932	-	-	-	6,932
Balance at 30 Sep 2012	101,237	6,932	6,489	428	44,330	159,416
Balance at 1 Jul 2011	31,456	-	-	(9)	3,809	35,256
Total comprehensive income/(loss) for the period	-	-	-	(837)	12,386	11,549
Share issue expenses	(3,333)	-	-	-	-	(3,333)
Balance at 30 Sep 2011	28,123	-	-	(846)	16,195	43,472
<u>The Company</u>						
Balance at 1 Jul 2012	101,237	-	-	(175)	(24,270)	76,792
Total comprehensive loss for the period	-	-	-	(1,125)	(280)	(1,405)
Deemed contribution by the shareholder on the shareholder's loan	-	6,932	-	-	-	6,932
Balance at 30 Sep 2012	101,237	6,932	-	(1,300)	(24,550)	82,319
Balance at 1 Jul 2011	31,456	-	-	(78)	(9,352)	22,026
Total comprehensive loss for the period	-	-	-	(1,086)	(1,068)	(2,154)
Share issue expenses	(3,333)	-	-	-	-	(3,333)
Balance at 30 Sep 2011	28,123	-	-	(1,164)	(10,420)	16,539

- 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 corresponding period of the immediately preceding financial year.

There have been no changes to the issued share capital of the Company since 31 December 2011. As at 30 September 2012, the issued share capital of the Company was RMB 101,237,000 comprising 285,576,000 ordinary shares.

There were no outstanding convertibles as well as number of shares held as treasury shares of the Company as at 30 September 2012 (30 September 2011: Nil).

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

As at 31 December 2011 and 30 September 2012, the share capital of the Company comprised 285,576,000 ordinary shares.

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

The Company did not hold any treasury shares as at 30 September 2012. There were no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 September 2012.

- 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 audited financial statements for the financial year ended 31 December 2011, except for the adoption of the new and revised Financial Reporting Standards ("FRS") which came into effect of this financial year from 1 January 2012. The adoption of the new and revised FRSs is assessed to have no material impact to the financial statements of the Group and of the Company 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 answer to item 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.

	1 Jul 2012 to 30 Sep 2012	1 Jul 2011 to 30 Sep 2011 Note 1	1 Jan 2012 to 30 Sep 2012	1 Jan 2011 to 30 Sep 2011 Note 1
Earnings per ordinary share attributable to owners of the Company				
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	0.29	5.34	2.68	18.87
Weighted average number of ordinary shares	285,576,000	232,000,000	285,576,000	85,831,502 #
(b) On a fully diluted basis (RMB cents)	0.29	5.34	2.68	18.87
Weighted average number of ordinary shares	285,576,000	232,000,000	285,576,000	85,831,502 #

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.

There is no difference between the basic and diluted earnings per share.

Note 1

The earnings per ordinary share for three months and nine months period ended 30 September 2011 would be 4.34 RMB cents and 5.67 RMB cents respectively, based on 285,576,000 weighted average number of ordinary shares, if the Compliance Placement as described in Company's announcement dated 6 October 2011 had been completed since 1 January 2011.

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 30 September 2011.

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

	Group		Company	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
Net asset value per share based on issued share capital (RMB cents)	55.82	49.84	28.83	27.40
Number of ordinary shares issued at the end of period / year	285,576,000	285,576,000	285,576,000	285,576,000

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Group	1 Jul 12 to 30 Sep 12 ("3Q2012")		1 Jul 11 to 30 Sep 11 ("3Q2011")		1 Jan 12 to 30 Sep 12 ("9M 2012")		1 Jan 11 to 30 Sep 11 ("9M 2011")	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Service fee income	7,830	22.2	3,949	18.6	22,507	36.7	16,248	36.4
Management service fee	-	-	5,582	26.2	11,328	18.5	16,745	37.4
Commission Income	-	-	11,727	55.2	-	-	11,727	26.2
Shipbuilding revenue	27,491	77.8	-	-	27,491	44.8	-	-
Total revenue	35,321	100.0	21,258	100.0	61,326	100.0	44,720	100.0

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by RMB14.06 million or 66.2% from RMB21.26 million in 3Q2011 to RMB35.32 million in 3Q2012 mainly due to (1) the shipbuilding revenue of RMB27.49 million for the construction of five vessels including three units of ASD tugboats, one unit of diver boat and one unit of bunkering tanker (2) higher service fee income derived from the provision of shipbuilding project management and consultancy services ("M&C Service") in line with milestones of projects achieved, offset by absence of management services income and commission income in 3Q2012. .

AVIC Kaixin (Beijing) Ship Industry Co., Ltd. ("Kaixin Beijing"), a wholly-owned subsidiary of the Company, had on 28 July 2012 entered into two service agreements with the unrelated third parties, pursuant to which Kaixin Beijing shall provide the services including but not limited to the project management, consultancy and marine finance services. Subject to the terms and conditions of the said agreements, the aggregate income to be realised from the said agreements over the contractual period is estimated to be RMB9.75 million. In 3Q2012, amount of RMB180,000 had been recognised as service fee income based on the service rendered during the relevant period.

With reference to the Service Agreement entered into with AVIC Weihai Shipyard Co., Ltd. ("Weihai Shipyard") (as defined in the Company's announcement dated 8 August 2012 ("2QFY2012 Announcement") in relation to its unaudited financial results for the period ended 30 June 2012), the parties have on 8 November 2012, entered into a termination agreement ("Termination Agreement") pursuant to which they have agreed to terminate the Service Agreement with effect from 1 November 2012 and that no service fees would be payable for the 3Q2012 and 4Q2012. The parties have entered into the Termination Agreement as the shipbuilding industry is experiencing a downturn at the moment, and the management and consultancy services required by Weihai Shipyard pursuant to the Service Agreement were much lower than expected. As a result, no management service fee was recognised for 3Q2012.

The commission income recognised in 9M2011 was derived from marketing services rendered in securing shipbuilding contracts.

In 3Q2012, the service fee income was derived from Asia while the shipbuilding revenue was derived from Middle East. In 3Q2011, all of our revenue was derived from Asia.

Higher revenue was achieved in 9M2012 compared to 9M2011 mainly because of the shipbuilding revenue and higher service fee income derived in 3Q2012 as explained above.

Cost of sales

The increase in cost of sales in 3Q2012 and 9M2012, as compared to 3Q2011 and 9M2011 respectively, was mainly due to the commencement of construction work for five vessels. No cost of sales was recorded in 3Q2011 and 9M2011 as no shipbuilding revenue was recognised in those period.

Gross profit and gross profit margin

Gross profit in 3Q2012 was RMB10.63 million, compared to RMB21.26 million in 3Q2011. Gross profit margin for shipbuilding activities in 3Q2012 was 10.2%, while overall gross margin was 30.1%.

Similarly, gross profit for 9M2012 was lower at RMB36.63 million, compared to RMB44.72 million in 9M2011. Overall gross profit margin for 9M2012 was 59.7%.

Other operating income

The increase in other operating income in 3Q2012 as compared to 3Q2011 was mainly due to the increase in foreign exchange gain as a result of the appreciation of USD against RMB, and higher interest income as a result of higher bank balances. Other operating income increased by RMB0.15 million or 21.3% from RMB0.72 million in 9M2011 to RMB0.87 million in 9M2012 mainly due to foreign exchange gain in 9M2012.

Employee benefits expense

Employee benefits expense increased by RMB2.62 million or 184% from RMB1.42 million in 3Q2011 to RMB4.04 million in 3Q2012 mainly due to increases in headcounts and salary adjustments. The same reason applied to the increase in employee benefits expense for 9M2012 compared to the same financial period last year.

Travelling and entertainment expenses

The decrease in travelling and entertainment expenses in 3Q2012 as compared to the corresponding period in FY2011 was mainly due to fewer business travels undertaken.

Office rental and office expenses

Office rental and office expenses increased by RMB0.79 million or 116.6% from RMB0.68 million in 3Q2011 to RMB1.46 million in 3Q2012. The higher office expenses in 3Q2012 were mainly due to the increase in the number of employees in Singapore and costs incurred for maintaining the Group's facilities and increased activities.

Operating lease expenses increased by RMB0.80 million or 141.8% from RMB0.57 million in 3Q2011 to RMB1.37 million in 3Q2012. The increase was mainly due to the leasing of our Singapore office premises since October 2011. The same reason applied to the increase in operating lease expenses for 9M2012 compared to 9M2011.

Listing expenses

There was no listing expense incurred in 3Q2012 and 9M2012.

The Group incurred listing expenses in 3Q2011 and 9M2011 including one-off professional fee and miscellaneous charges for the purpose of our Mainboard listing in FY2011. The Company was admitted to the Official List of SGX-ST on 12 September 2011.

Other operating expenses

Other operating expenses increased by RMB1.39 million or 329.7% from RMB0.42 million in 3Q2011 to RMB1.81 million in 3Q2012. The increase was mainly due to increased operating activities in 3Q2012, compared to the same period last year.

The Group had a depreciation charge of RMB0.34 million for plant and equipment in 3Q2012. As the Group had no plant and equipment as at 30 September 2011, it incurred no depreciation charge for 3Q2011.

Profit from operations

Profit from operations decreased in 3Q2012 and 9M2012 compared to the respective financial periods last year for the reasons outlined above.

Finance costs

Finance costs in 3Q2012 and 9M2012 were mainly due to interest expenses incurred on a bank loan of RMB20.00 million received on 31 December 2011 and a shareholder's loan of USD15.90 million advanced from the Group's immediate holding company on 28 August 2012.

Income tax expense

The operating subsidiary in China is subject to an income tax rate of 25%. The decrease in income tax expense in 3Q2012 as compared to the corresponding period last year was mainly due to lower profits generated by the Group's operating subsidiary in China.

Profit for the period

Profit for the period decreased in 3Q2012 and 9M2012, compared to the respective financial periods last year, mainly due to lower profit from operations for the reasons outlined above.

Statement of Financial Position

Current assets

As at 30 September 2012, the Group's cash and cash equivalents represented 99.0% of total current assets. The higher balance of Group's cash and cash equivalents as at 30 September 2012 compared to 31 December 2011 was mainly due to receipts of a shareholder's loan, advances received in relation to shipbuilding projects and repayment from a related company.

The decrease in the Company's cash and cash equivalents as at 30 September 2012 compared to 31 December 2011 was mainly due to the capital injection amounting to S\$12.57 million (RMB63.47 million) into Kaixin Industrial Pte Ltd ("Kaixin Industrial"), a wholly owned subsidiary of the Company in February 2012.

The reduction of trade receivables as at 30 September 2012 was mainly due to payment received from a related company.

The Group's other receivables as at 30 September 2012 comprised mainly prepayments and deposits. An amount of RMB20 million was received from a related company in January 2012.

Non-current assets

The Group's plant and equipment comprised a motor vehicle, computers and software, furniture and fixtures, and office equipment.

Investment in subsidiaries

In February 2012, Kaixin Industrial, a wholly owned subsidiary of the Company in Singapore, increased its issued and fully paid up share capital from S\$1 (RMB5) to S\$12.57 million (RMB63.47 million). In August 2012, AVIC International Ship Investment, a wholly owned subsidiary of the Company in Singapore, increased its issued and fully paid up share capital from S\$1 (RMB5) to S\$19.93 million (RMB100.94 million).

Current liabilities

The Group's trade payables represent accrued amounts payable to suppliers under a shipbuilding project management and consultancy contract.

The Group's other payables comprised sales tax and surcharges payable, accrued operating and office expenses, and amount due to the Group's intermediate holding company which was non-trade in nature. The decrease in other payable balance was mainly due to the settlement of operating and office expenses during the financial period. The lower provision for income tax payable was mainly due to lower profits generated by the Group's operating subsidiary in China and payment made during the financial period.

An amount of RMB14.53 million was due to the customer on construction contract. This amount represents the excess of progress billings over costs incurred plus recognised profits.

Non-current liabilities

The amount of shareholder's loan as at 30 September 2012 represents the fair value of a loan from the immediate holding company AVIC International Kairong Limited on 28 August 2012.

Capital reserve

The amount of capital reserve as at 30 September 2012 represents a deemed contribution from the immediate holding company as a result of initially measuring the shareholder's loan at fair value.

Consolidated cash flow statements

RMB14.48 million was used in operating activities in 3Q2012, mainly due to the increase in other receivables, decrease in trade payables, cost incurred for construction work, interest paid and income taxes paid, partially offset by profits generated from operations, increase in other payables and accruals, and non-cash items such as accrued interest expenses, depreciation and unrealised foreign exchange loss.

In 3Q2012, RMB100.46 million net cash was generated from financing activities as a result of the proceeds of a shareholder's loan.

Cash generated from operating activities in 9M2012 was mainly due to the profits generated from operations and positive cash flows arising from working capital changes, partially offset by outflows for payment of income taxes and interest expenses.

In 9M2012, RMB120.46 million net cash was generated from financing activities as a result of repayment of RMB20.00 million received from a related company and the proceeds of the RMB100.46 million shareholder's loan.

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

No forecast was given in our results announcements since the date of Company's admission into Mainboard of SGX-ST ("Result Announcements"). The 3Q2012 results are in line with the general commentary stated in Paragraph 10 of our past Results Announcements and past announcements released by the Company.

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 weak global economic growth, excess ship supply and falling freight rates continue to affect the global shipping industry. The Group remains focused on its multi-pronged growth strategy to expand along the ship design, shipbuilding and ship-trading related businesses value chain. The Group announced on 12 October 2012 that it had entered into a Sale and Purchase Agreement to acquire Deltamarin Oy, a Finnish ship design firm that specialises in ship design, engineering and contracting services for offshore and marine industries. The proposed acquisition, which is subject to shareholders' approval, is a strategic and long-term investment of the Group to establish its research and development capabilities, particularly in the area of technologically-advanced vessels.

The Group is also working on the proposed integration of the shipbuilding and ship-trading related businesses of AVIC International Holding Corporation and its subsidiaries. On 22 May 2012, a wholly-owned subsidiary in Singapore, AVIC International Ship Development Pte Ltd, was incorporated for this purpose. On 27 August 2012, the Group also incorporated a wholly-owned subsidiary in Hong Kong, AVIC Ship Investments Limited. On 22 September 2012, AVIC International Ship Development Pte. Ltd incorporated an indirect wholly-owned subsidiary in Singapore, AVIC International Offshore Pte. Ltd, whose principal activities will be ship-trading and shipbuilding related businesses.

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 interim dividend has been declared or recommended for the quarter ended 30 September 2012.

13 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)
	Note (B)	
<u>1 Jul 2012 to 30 Sep 2012</u>		
Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	239	-
Service fee income from AVIC Beijing (Note C)	7,876	-
<u>1 Jul 2011 to 30 Sep 2011</u>		
Service fee income from AVIC Beijing	4,179	-
Management fee income from AVIC Beijing	5,906	-
Commission income from AVIC International Beijing Co., Ltd	12,410	-

Note:

(A) The amounts of the transactions are before sales taxes and surcharges.

(B) The details of the interested person transactions are disclosed on page 97 and 98 of the Information Memorandum.

(C) Novation Arrangement

Unless otherwise defined, terms used in this section shall bear the same meaning ascribed to them in the information memorandum of the Company dated on 10 August 2011 (the "Information Memorandum").

For AVIC Group's internal projects/resources consolidation purposes, AVIC Kaixin (Beijing) Ship Industry Co., Ltd., a wholly-owned subsidiary of the Company, had on 6 August 2012 entered into a novation agreement ("Novation Agreement") with CATIC and AVIC International Beijing (the majority shareholder of the Company), pursuant to which CATIC will novate all its rights and obligations under a Sale and Purchase Agreement (as disclosed on page 98 of the Information Memorandum) to AVIC International Beijing and the salient terms and conditions of the Sale and Purchase Agreement remain unchanged.

The Novation Agreement is not expected to have any material impact on the earnings per share and net tangible assets of the Company.

14 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 are 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 30 September 2012, the Group has not started to utilise the Placement Proceeds.

The management of the Group is in the process of negotiating with the relevant parties in relation to the proposed consolidation of the shipbuilding and ship-trading related businesses from AVIC International and its subsidiaries as disclosed in the Company's Information Memorandum dated 10 August 2011. The Company will make announcements on the matter via SGXNET as and when appropriate. As at the date of this announcement, the terms and conditions of the proposed consolidation have not been determined.

15 Confirmation of the Board

The directors of the Company have confirmed that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the unaudited financial results for the period ended 30 September 2012 to be false or misleading in any material aspect.

On Behalf of the Board of Directors

Diao Weicheng

Executive Chairman and Interim Chief Executive

Xiao Zheng

Chief Financial Officer

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.

On Behalf of the Board of Directors

Diao Weicheng

Executive Chairman and Interim Chief Executive

9 November 2012