



AVIC INTERNATIONAL INVESTMENTS LIMITED

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 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 Fourth Quarter and Full Year ended 31 December 2012

	Group 1 Oct 12 to 31 Dec 12	Group 1 Oct 11 to 31 Dec 11	Change	Group 1 Jan 12 to 31 Dec 12	Group 1 Jan 11 to 31 Dec 11	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	78,272	54,860	42.7	139,598	99,580	40.2
Contract cost	(67,770)	-	N/M	(92,465)	-	N/M
Other operating income	2,078	365	469.3	2,948	1,082	172.5
Employee benefits expense	(4,526)	(3,060)	47.9	(13,852)	(7,689)	80.2
Travelling and entertainment expenses	(866)	(1,974)	(56.1)	(2,681)	(4,085)	(34.4)
Office rental and office expenses	(1,586)	(1,075)	47.5	(6,107)	(2,943)	107.5
Listing expenses	-	(7,223)	N/M	-	(17,674)	N/M
Other operating expenses	(4,593)	(2,263)	103.0	(11,151)	(3,470)	221.4
Finance costs	(1,620)	(4)	N/M	(3,048)	(12)	N/M
(Loss)/ Profit before income tax	(611)	39,626	N/M	13,242	64,789	(79.6)
Income tax expense	749	(12,661)	N/M	(5,445)	(21,629)	(74.8)
Profit for the period, attributable to owners of the Company	138	26,965	(99.5)	7,797	43,160	(81.9)
<u>Other comprehensive income/ (loss)</u>						
Exchange differences arising on translation	(1,759)	(1,224)	43.7	739	(2,070)	N/M
Total comprehensive (loss)/ income for the period	(1,621)	25,741	N/M	8,536	41,090	(79.2)

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Fourth Quarter and Full Year ended 31 December 2012

	Group 1 Oct 12 to 31 Dec 12	Group 1 Oct 11 to 31 Dec 11	Change	Group 1 Jan 12 to 31 Dec 12	Group 1 Jan 11 to 31 Dec 11	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Interest income	344	365	(5.8)	898	1,082	(17.0)
Net foreign exchange gain/(loss)	1,733	(7)	N/M	2,050	(26)	N/M
Interest expenses on borrowings	(1,577)	-	N/M	(2,910)	-	N/M
Operating lease expenses	(1,379)	(532)	159.2	(5,448)	(2,228)	144.5
Depreciation of plant and equipment	(349)	(287)	21.6	(1,344)	(287)	368.3
Plant and equipment written off	-	-	N/M	(32)	-	N/M

N/M – Not meaningful

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 31 December 2012

	Group		Company	
	31 Dec 2012 (RMB'000)	31 Dec 2011 (RMB'000)	31 Dec 2012 (RMB'000)	31 Dec 2011 (RMB'000)
Assets				
<u>Current assets</u>				
Cash and bank balances	579,916	145,196	2,912	66,906
Trade receivables	1,044	11,065	-	-
Other receivables	2,909	21,631	162	-
Amount due from a subsidiary	-	-	11,599	13,397
	583,869	177,892	14,673	80,303
<u>Non-current assets</u>				
Plant and equipment	3,551	4,364	101	-
Investment in subsidiaries	-	-	433,130	*
	3,551	4,364	433,231	*
Total assets	587,420	182,256	447,904	80,303
<u>Current liabilities</u>				
Current portion of long-term loan	21,641	20,000	21,641	-
Trade payables	30,187	-	-	-
Advance received	23,291	-	-	-
Other payables and accruals	14,513	7,004	8,855	2,064
Income tax payable	-	12,925	-	-
	89,632	39,929	30,496	2,064
<u>Non-current liabilities</u>				
Long-term loan	336,668	-	336,668	-
Total liabilities	426,300	39,929	367,164	2,064
Net assets	161,120	142,327	80,740	78,239
Capital and reserves				
Share capital	101,237	101,237	101,237	101,237
Capital reserve	10,257	-	10,257	-
Statutory reserve	8,094	6,489	-	-
Translation reserve	(1,331)	(2,070)	(944)	(2,462)
Accumulated profits/(losses)	42,863	36,671	(29,810)	(20,536)
Total equity	161,120	142,327	80,740	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 31 Dec 2012	
Secured (RMB'000)	Unsecured (RMB'000)
Nil	21,641

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

(B) Amount repayable after one year

As at 31 Dec 2012	
Secured (RMB'000)	Unsecured (RMB'000)
Nil	336,668

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

(C) Details of any collaterals

1. As at 30 December 2012, the Group had made a full settlement of a bank loan of RMB20 million (31 December 2011: RMB20 million) which was secured by a corporate guarantee from an intermediate holding company.
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, desired 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 agreed 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 audited net tangible assets as at 31 December 2011.

On 28 August 2012 and 2 November 2012, AVIC Kairong remitted US\$15,900,000 and US\$8,100,000 respectively 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.

3. As at 31 December 2012, the Group obtained a loan of EUR26,000,000 (31 December 2011: nil) with the assistance of AVIC Kairong, the majority shareholder of the Company. The loan was advanced on 20 December 2012 and is secured by a standby letter of credit issued by Industrial and Commercial Bank of China Limited, Beijing Branch for an aggregate amount of not less than RMB230.00 million. The loan is due for repayment with three instalments: (1) 10% to be repaid 12 months after the date of first drawdown; (2) 20% to be repaid 24 months after the date of first drawdown; and (3) 70% of the principal to be repaid in three years from the date of the loan drawdown. The loan carries fixed interest rate of 3.00% per annum. The loan was obtained in connection with the proposed acquisition of Deltamarin Oy, the details of which are set out in the circular to Shareholders dated 10 December 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 Fourth Quarter ended 31 December 2012

	Group	Group	Group	Group
	1 Oct 12 to 31 Dec 12 (RMB'000)	1 Oct 11 to 31 Dec 11 (RMB'000)	1 Jan 12 to 31 Dec 12 (RMB'000)	1 Jan 11 to 31 Dec 11 (RMB'000)
Operating activities				
Profit/(Loss) before income tax	(611)	39,626	13,242	64,789
Adjustments for:				
Interest income	(344)	(365)	(898)	(1,082)
Interest expenses	1,577	-	2,910	-
Depreciation of plant and equipment	349	287	1,344	287
Plant and equipment written off	-	-	32	-
Listing expenses	-	7,223	-	17,674
Net foreign exchange (gain)/loss	(3,680)	(1,283)	345	(1,290)
Operating cash flows before movements in working capital	(2,709)	45,488	16,975	80,378
Trade receivables	(15,570)	16,001	10,021	(11,065)
Other receivables	951	(12)	(534)	(1,631)
Trade payables	22,275	-	30,187	-
Advance received	23,291	-	23,291	-
Other payables and accruals	9,373	(9,314)	6,952	7,004
Cash generated from operations	37,611	52,163	86,892	74,686
Income taxes paid	(4,066)	(8,704)	(19,114)	(8,704)
Interest received	344	1,082	898	1,082
Net cash from operating activities	33,889	44,541	68,676	67,064
Investing activities				
Purchase of plant and equipment	(189)	(243)	(356)	(4,638)
Increase in cash held in trust by third party	(216,618)	-	(216,618)	-
Net cash used in investing activities	(216,807)	(243)	(216,974)	(4,638)
Financing activities				
Proceeds on issue of shares	-	76,233	-	107,689
Payments of share issue expenses	-	(10,342)	-	(24,126)
Proceeds from shareholder's loan	50,740	-	151,204	-
Increase in pledged bank deposit	(8,036)	-	(8,036)	-
New loan raised	216,406	20,000	216,406	20,000
Interest paid	(348)	-	(1,397)	-
Repayment of loan	(20,000)	-	(20,000)	-
Other receivables	-	(20,000)	20,000	(20,000)
Net cash from financing activities	238,762	65,891	358,177	83,563
Net increase in cash and cash equivalents	55,844	110,189	209,879	145,989
Effect of exchange rate changes on the balance of cash held in foreign currencies	1,923	46	187	(793)
Cash and cash equivalents at beginning of the financial period	297,495	34,961	145,196	-
Cash and cash equivalents at end of the financial period	355,262	145,196	355,262	145,196

Note: The cash and cash equivalents as at 31 December comprises of followings:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Cash and bank balances	579,916	145,196
Less: Pledge bank deposit	(8,036)	-
Cash held in trust by third party	(216,618)	-
Cash and cash equivalents as at 31 December	355,262	145,196

Cash held in trust by third party as at 31 December 2012 represents RMB216.62 million held in trust by one of the indirect subsidiary's company lawyer's client fund account for the purpose of completing the proposed acquisition of the entire issued and paid-up share capital of Deltamarin Oy. (the "Proposed Acquisition", details of which are set out in the Company's announcement dated 12 October 2012 and the circular to Shareholders dated 10 December 2012). Subsequently, the amount was paid out for the completion of the Proposed Acquisition on 4 January 2013 (Finland Time).

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)
The Group						
Balance at 1 Jan 2012	101,237	-	6,489	(2,070)	36,671	142,327
Total comprehensive income/(loss)for the period	-	-	-	2,498	7,659	10,157
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
Total comprehensive income/(loss)for the period	-	-	-	(1,759)	138	(1,621)
Deemed contribution by the shareholder on the shareholder's loan	-	3,325	-	-	-	3,325
Transfer to statutory reserve	-	-	1,605	-	(1,605)	-
Balance at 31 Dec 2012	101,237	10,257	8,094	(1,331)	42,863	161,120
Balance at 1 Jan 2011	*	-	-	-	-	*
Total comprehensive income/(loss)for the period	-	-	-	(846)	16,195	15,349
Issue of ordinary shares	31,456	-	-	-	-	31,456
Share issue expenses	(3,333)	-	-	-	-	(3,333)
Balance at 30 Sep 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	101,237	-	6,489	(2,070)	36,671	142,327

Statement of Changes in Equity

	Share capital	Capital reserve	Translation reserve	Accumulated profits/ (losses)	Total equity
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
The Company					
Balance at 1 Jan 2012	101,237	-	(2,462)	(20,536)	78,239
Total comprehensive income/(loss)for the period	-	-	1,162	(4,014)	(2,852)
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
Total comprehensive income/(loss)for the period	-	-	356	(5,260)	(4,904)
Deemed contribution by the shareholder on the shareholder's loan	-	3,325	-	-	3,325
Balance at 31 Dec 2012	101,237	10,257	(944)	(29,810)	80,740
Balance at 1 Jan 2011	*	-	-	-	*
Total comprehensive loss for the period	-	-	(1,164)	(10,420)	(11,584)
Issue of ordinary shares	31,456	-	-	-	31,456
Share issue expenses	(3,333)	-	-	-	(3,333)
Balance at 30 Sep 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	101,237	-	(2,462)	(20,536)	78,239

* Denotes amount less than RMB1,000.

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 were no changes to the issued share capital of the Company since 31 December 2011. As at 31 December 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 31 December 2012 (31 December 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 31 December 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 31 December 2012. There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 31 December 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 Oct 2012 to 31 Dec 2012	1 Oct 2011 to Dec Sep 2011 Note 1	1 Jan 2012 to 31 Dec 2012	1 Jan 2011 to 31 Dec 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)	0.05	9.56	2.73	36.36
Weighted average number of ordinary shares	285,576,000	282,081,913	285,576,000	118,710,424 #
(b) On a fully diluted basis (RMB cents)	0.05	9.56	2.73	36.36
Weighted average number of ordinary shares	285,576,000	282,081,913	285,576,000	118,710,424 #

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 the last three months of the FY2011 and for the financial year ended 31 December 2011 would be 9.44 RMB cents and 15.11 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 31 December 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	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Net asset value per share based on issued share capital (RMB cents)	56.42	49.84	28.27	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.

<u>The Group</u>	1 Oct 12 to 31 Dec 12 ("4Q2012")		1 Oct 11 to 31 Dec 11 ("4Q2011")		1 Jan 12 to 31 Dec 12 ("FY2012")		1 Jan 11 to 31 Dec 11 ("FY2011")	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Service fee income	4,546	5.8	15,993	29.1	27,053	19.4	32,241	32.4
Management service fee	-	-	5,582	10.2	11,328	8.1	22,326	22.4
Commission Income	-	-	33,285	60.7	-	-	45,013	45.2
Shipbuilding revenue	73,726	94.2	-	-	101,217	72.5	-	-
Total revenue	78,272	100.0	54,860	100.0	139,598	100.0	99,580	100.0

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by RMB23.41 million or 42.7% from RMB54.86 million in 4Q2011 to RMB78.27 million in 4Q2012 mainly due to the shipbuilding revenue of RMB73.73 million for the construction of five vessels including three units of ASD tugboats, one unit of diver boat and one unit of bunkering tanker. The increase was offset by (1) lower service fee income derived from the provision of shipbuilding project management and consultancy services ("M&C Service") due to fewer milestones achieved and (2) the absence of management services income and commission income in 4Q2012, compared to 4Q2011.

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 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 4Q2012.

The commission income recognised in 4Q2011 and FY2011 was derived from marketing services rendered in securing shipbuilding contracts.

In 4Q2012 and FY2012, the service fee income and management services income were derived from Asia while the shipbuilding revenue was derived from Middle East. In 4Q2011 and FY2011, all of our revenue was derived from Asia.

Higher revenue was achieved in FY2012 compared to FY2011 mainly because of the shipbuilding revenue from the construction of five vessels.

Contract cost

The increase in contract cost in 4Q2012 and FY2012, as compared to 4Q2011 and FY2011 respectively, was mainly due to the commencement of construction work for five vessels. No contract cost was recorded in 4Q2011 and FY2011 as no shipbuilding revenue was recognised in those periods.

Other operating income

The increase in other operating income in 4Q2012 and FY2012 as compared to the same financial period last year was mainly due to the increase in foreign exchange gain from a shareholder's loan denominated in USD as a result of the depreciation of USD against SGD.

Employee benefits expense

Employee benefits expense increased by RMB1.47 million or 47.9% from RMB3.06 million in 4Q2011 to RMB4.53 million in 4Q2012 mainly due to increases in headcounts, directors' remuneration and salary adjustments. The same reason applies to the increase in employee benefits expenses for FY 2012 compared to FY2011.

Travelling and entertainment expenses

The decrease in travelling and entertainment expenses in 4Q2012 as compared to the corresponding period in FY2011 was mainly due to fewer business travels undertaken. The same reason applied to the decrease in travelling and entertainment expenses for FY2012 compared to FY2011.

Office rental and office expenses

Office rental and office expenses increased by RMB0.51 million or 47.5% from RMB1.08 million in 4Q2011 to RMB1.59 million in 4Q2012. The higher office expenses in 4Q2012 were mainly due to the increase in the number of employees and costs incurred for maintaining the Group's facilities and increased activities.

Operating lease expenses increased by RMB0.85 million or 159.2% from RMB0.53 million in 4Q2011 to RMB1.38 million in 4Q2012. The lower lease expense in 4Q2011 was mainly due to the adjustment for free rent periods of a wholly-owned subsidiary's office premises. The overall increase in operating lease expenses in FY2012 compared to FY2011 was mainly due to the leasing of our Singapore office premises since October 2011.

Listing expenses

There was no listing expense incurred in 4Q2012 and FY2012.

The Group incurred listing expenses in 4Q2011 and FY2011 including one-off professional fees 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 RMB2.33 million or 103.0% from RMB2.26 million in 4Q2011 to RMB4.59 million in 4Q2012. The increase was mainly due to increased operating activities in 4Q2012, compared to the same period last year.

The Group's depreciation charge for plant and equipment increased by RMB0.01 million or 21.6%, mainly due to the addition of plant and equipment. The same reason applied to the increase in depreciation charge for plant and equipment for FY2012 compared to FY2011.

Finance costs

Finance costs in 4Q2012 and FY2012 were mainly due to interest expenses incurred on (1) a bank loan of RMB20.00 million received on 31 December 2011, (2) the shareholder's loan of USD15.9 million (RMB 94.15 million) and USD8.1 million (RMB47.75 million) advanced from the Group's immediate holding company on 28 August 2012 and 2 November 2012 respectively, and (3) a loan of EUR26.00 million (RMB216.41 million). The interest payable in relation to the shareholder's loan in 4Q2012 and FY2012 was RMB0.28 million and RMB0.36 million respectively.

Income tax expense

The operating subsidiary in China is subject to an income tax rate of 25%. Tax income in 4Q2012 amounted to RMB0.75 million, due to the reversal of overprovision in prior periods. The decrease in income tax expense in FY2012 as compared to 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 4Q2012 and FY2012, 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 31 December 2012, the Group's cash and bank balances represented 99.3% of total current assets. The higher balance of Group's cash and bank balances as at 31 December 2012 compared to 31 December 2011 was mainly due to receipts of a shareholder's loan and a new loan raised.

The decrease in the Company's cash and bank balances as at 31 December 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 trade receivables of RMB1.04 million represent amount due from the customer on construction contract. This amount represents the excess of costs incurred plus recognised profits over progress billings for construction contract. The reduction of trade receivables as at 31 December 2012 was mainly due to payment received from a related company.

The Group's other receivables as at 31 December 2012 comprised mainly prepayments, tax recoverable and deposits. An amount of RMB20.00 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\$1.00 (RMB5.00) to S\$12.57 million (RMB63.47 million). In August 2012, AVIC International Ship Development, a wholly owned subsidiary of the Company in Singapore, increased its issued and fully paid up share capital from S\$1.00 (RMB5.00) to S\$19.95 million (RMB100.94 million) and the share capital was further increased to S\$30.13 million (RMB 153.36 million) in December 2012. In the same month, AVIC International Ship Engineering Pte Ltd, a wholly owned subsidiary of the Company in Singapore, increased its issued and fully paid up share capital from EUR1.00 (RMB8.00) to EUR 25.98 million (RMB216.30 million).

Current liabilities

Current portion of long term loan represents the new loan raised which has been explained in 1(b)(ii)(C) 3.

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

The Group's advance received represent amounts received on behalf of third party shipyards for the purpose of acquiring tools and equipment.

The Group's other payables comprised withholding taxes payable, sales tax and surcharges payable, accrued operating and office expenses, and amount due to the Company's immediate and intermediate holding companies which was non-trade in nature. The increase in other payable balance was mainly due to the advances from the immediate holding company during the financial year. Nil provision for income tax payable was due to overpayment made during the financial year, which will be recovered in subsequent period.

Non-current liabilities

Non-current liabilities comprised long-term portion of new loan raised and shareholder's loan which have been explained in 1(b)(ii)(C)2 and (C)3.

Capital reserve

The amount of capital reserve as at 31 December 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

RMB33.89 million was generated from operating activities in 4Q2012, mainly due to the decrease in other receivables, increase in trade payables, advance received, other payables and accruals and interest received, which was partially offset by loss from operations, cost incurred for construction work, income tax paid, and non-cash items such as unrealised foreign exchange gain.

RMB216.81 million was used in investing activities in 4Q2012, mainly due to the increase in cash held in trust by third party for the purpose to complete the proposed acquisition as refer to the Company's announcement dated 12 October 2012.

In 4Q2012, RMB238.76 million net cash was generated from financing activities as a result of the proceeds of a shareholder's loan and new loan raised, which was partially offset by the increase in pledged deposit.

Cash generated from operating activities in FY2012 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.

In FY2012, RMB216.97 million net cash used in investing activities as a result of the cash held in trust by third party amounted of RMB216.62 million.

In FY2012, RMB358.18 million net cash was generated from financing activities as a result of receipt of RMB20.00 million from a related company and the proceeds of the RMB216.41 million new loan and proceeds of the RMB151.20 million shareholder's loan, which was partially offset by settlement of RMB20.00 million loan, pledged deposit of RMB8.04 million.

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 4Q2012 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.

With sluggish global economic recovery, the global shipping industry remains challenging.

Notwithstanding the challenges in the industry, the Group will continue to focus on its diversification growth strategy, through the expansion of its business to become a well-rounded global shipping industry leader with capabilities across the ship design, shipbuilding and ship-trading related businesses.

We remain cautiously optimistic that the international shipping industry will recover eventually, and are preparing ourselves for the upturn.

On 26 December 2012, we obtained shareholders' approval for the proposed acquisition of the entire issued and paid-up share capital of Finnish ship design firm, Deltamarin Oy ("Deltamarin"), which specialises in ship design, engineering and contracting services for the offshore and marine industry. The transaction was completed on 4 January 2013, after which Deltamarin became a subsidiary of the Group.

We view this acquisition as a strategic and long-term investment of the Group by establishing our in-house design, research and development capabilities and complementing with our existing businesses. We believe that the acquisition will contribute positively to shareholders' value in the long-term. On 22 January 2013, we have announced that Deltamarin has obtained a new design contract, which is expected to contribute positively to the earnings of the Group for the current financial year ending 31 December 2013.

The Group's proposed consolidation of its ship-trading related businesses is also in progress. Following the findings and recommendations by professionals engaged by the Group in relation to the proposed consolidation, the Group is in the process of obtaining the approval from relevant authorities on its restructuring plans.

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 financial year ended 31 December 2012.

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) (RMB'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB'000)
	Note (B)	
<u>1 Oct 2012 to 31 Dec 2012</u>		
Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	1,420	-
Service fee income from AVIC Beijing (Note C)	3,396	-
<u>1 Jan 2012 to 31 Dec 2012</u>		
Service fee income from AVIC Beijing	8,914	-
Service fee income from CATIC	8,829	-
Service fee income from AVIC Beijing (Note C)	11,272	-
Management service fee income from AVIC Weihai Shipyard Co., Ltd	-	12,000
<u>1 Oct 2011 to 31 Dec 2011</u>		
Service fee income from AVIC Beijing	6,915	-
Service fee income from CATIC	9,046	-
Management fee income from AVIC Beijing	5,906	-
<u>1 Jan 2011 to 31 Dec 2011</u>		
Service fee income from AVIC Beijing	24,109	-
Service fee income from CATIC	9,046	-
Management fee income from AVIC Beijing	23,625	-

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.

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:

FY2012

	Service fee income (RMB'000)	Shipbuilding revenue (RMB'000)	Management service fee (RMB'000)	Total (RMB'000)
<u>Revenue</u>				
Related companies	26,883	-	11,328	38,211
External	170	101,217	-	101,387
	<u>27,053</u>	<u>101,217</u>	<u>11,328</u>	<u>139,598</u>
<u>Result</u>				
Segment result	7,540	8,752	3,157	19,449
Unallocated other operating income				2,948
Unallocated corporate expenses				(6,107)
Finance costs				(3,048)
Profit before income tax				<u>13,242</u>
Income tax expense				(5,445)
Profit for the period				<u>7,797</u>

FY2011

	Service fee <u>income</u> (RMB'000)	Commission income (RMB'000)	Management <u>service fee</u> (RMB'000)	<u>Total</u> (RMB'000)
<u>Revenue</u>				
Related companies	<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>43,160</u>

Geographical information

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

	<u>FY2012</u> (RMB'000)	<u>FY2011</u> (RMB'000)
Asia	38,381	99,580
Middle East	101,217	-
	<u>139,598</u>	<u>99,580</u>

Information about major customers

	<u>FY2012</u>			<u>FY2011</u>		
	<u>Service fee income</u>	<u>Shipbuilding revenue</u>	<u>Management Service fee</u>	<u>Service fee income</u>	<u>Commission Income</u>	<u>Management Service fee</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Customer 1	19,055	-	-	23,195	45,013	22,326
Customer 2	7,828	-	-	9,046	-	-
Customer 3	-	-	11,328	-	-	-
Customer 4	170	-	-	-	-	-
Customer 5	-	101,217	-	-	-	-
	<u>27,053</u>	<u>101,217</u>	<u>11,328</u>	<u>32,241</u>	<u>45,013</u>	<u>22,326</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

	<u>FY2012</u> (RMB'000)	<u>FY2011</u> (RMB'000)	<u>Change</u> %
a) Sales reported for the first half	26,005	23,462	10.8
b) Operating profit after tax before deducting minority interest reported for first half	6,831	3,809	79.3
c) Sales report for second half	113,593	76,118	49.2
d) Operating profit after tax before deducting minority interest reported for second half	966	39,351	(97.5)

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.

Pursuant to Rule 704(9) of the Listing Manual, the Board of Directors of the Company would like to confirm that none of the persons occupying managerial positions in the Company or its principal subsidiaries are related to a Director or Chief Executive Officer or Substantial Shareholder of the Company, for the financial year ended 31 December 2012.

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 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 31 December 2012, the Group has not started to utilise the Placement Proceeds.

20 Update on the consolidation of the shipbuilding and ship-trading related businesses

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.

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
26 February 2013