



AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(formerly known as AVIC INTERNATIONAL INVESTMENTS LIMITED)

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2013

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 First Quarter ended 31 March 2013

	Group 1 Jan 13 to 31 Mar 13	Group 1 Jan 12 to 31 Mar 12	Change
	(RMB'000)	(RMB'000)	%
Revenue	113,939	6,775	1581.8
Contract cost	(47,438)	-	N/M
Other operating income	1,391	232	499.6
Employee benefits expense	(42,189)	(2,134)	1877.0
Travelling and entertainment expenses	(3,709)	(556)	567.1
Office rental and office expenses	(7,026)	(1,784)	293.8
Other operating expenses	(9,754)	(1,690)	477.2
Share of profit of associates	519	-	N/M
Finance costs	(3,022)	(329)	818.5
Profit before income tax	2,711	514	427.4
Income tax expense	(3,468)	(868)	299.5
Loss for the period	(757)	(354)	113.8
<u>Other comprehensive income:</u>			
Exchange differences arising on translation	2,027	2,198	(7.8)
Total comprehensive income for the period	1,270	1,844	(31.1)

	Group 1 Jan 13 to 31 Mar 13	Group 1 Jan 12 to 31 Mar 12	Change
	(RMB'000)	(RMB'000)	%
<u>Loss attributable to:</u>			
Owner of the company	(1,219)	(354)	244.4
Non-controlling interests	462	-	N/M
	<u>(757)</u>	<u>(354)</u>	<u>113.8</u>

Total comprehensive income attributable to:

Owner of the company	1,591	1,844	(13.7)
Non-controlling interests	(321)	-	N/M
	<u>1,270</u>	<u>1,844</u>	<u>(31.1)</u>

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2013

	Group 1 Jan 13 to 31 Mar 13	Group 1 Jan 12 to 31 Mar 12	Change
	(RMB'000)	(RMB'000)	%
Interest income	298	106	181.1
Net foreign exchange gain	1,093	126	767.5
Interest expense on bank loan	(2,762)	(325)	749.8
Operating lease expenses	(3,743)	(1,351)	177.1
Depreciation of plant and equipment	(924)	(321)	187.9
Amortisation of intangible assets	(273)	-	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 March 2013

	Group		Company	
	31 Mar 2013 (RMB'000)	31 Dec 2012 (RMB'000)	31 Mar 2013 (RMB'000)	31 Dec 2012 (RMB'000)
Assets				
<u>Current assets</u>				
Cash and cash equivalent	408,214	355,262	3,126	2,912
Cash held in trust by a third party	-	216,618	-	-
Pledged cash placed with a bank	11,721	8,036	-	-
Trade receivables	64,869	1,044	-	-
Other receivables	29,666	2,909	78	162
Amount due from subsidiaries	-	-	12,586	11,599
Derivative assets	149	-	-	-
	514,619	583,869	15,790	14,673
<u>Non-current assets</u>				
Plant and equipment	7,254	3,551	88	101
Investment in subsidiaries	-	-	433,130	433,130
Investment in associates	3,838	-	-	-
Available for sale investments	315	-	-	-
Intangible assets	2,342	-	-	-
Provisional goodwill	157,433	-	-	-
Deferred tax assets	233	-	-	-
	171,415	3,551	433,218	433,231
Total assets	686,034	587,420	449,008	447,904
<u>Current liabilities</u>				
Current portion of long-term loan	21,111	21,641	20,911	21,641
Trade payables	62,484	30,187	-	-
Advance received	14,629	23,291	-	-
Other payables and accruals	53,126	14,513	13,544	8,855
Finance lease liabilities	1,064	-	-	-
Income tax payable	1,748	-	-	-
	154,162	89,632	34,455	30,496
<u>Non-current liabilities</u>				
Long-term loan	348,924	336,668	330,382	336,668
Finance lease liabilities	787	-	-	-
Deferred tax liabilities	3,158	-	-	-
	352,869	336,668	330,382	336,668
Total liabilities	507,031	426,300	364,837	367,164
Net assets	179,003	161,120	84,171	80,740

	Group		Company	
	31 Mar 2013 (RMB'000)	31 Dec 2012 (RMB'000)	31 Mar 2013 (RMB'000)	31 Dec 2012 (RMB'000)
Capital and reserves				
Share capital	101,237	101,237	101,237	101,237
Capital reserve	12,124	10,257	10,257	10,257
Statutory reserve	8,094	8,094	-	-
Translation reserve	1,479	(1,331)	5,192	(944)
Accumulated profits/(losses)	41,644	42,863	(32,515)	(29,810)
	164,578	161,120	84,171	80,740
Non-controlling interests	14,425	-	-	-
Total equity	179,003	161,120	84,171	80,740

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 Mar 2013	
Secured (RMB'000)	Unsecured (RMB'000)
1,064	21,111

As at 31 Dec 2012	
Secured (RMB'000)	Unsecured (RMB'000)
Nil	21,641

(B) Amount repayable after one year

As at 31 Mar 2013	
Secured (RMB'000)	Unsecured (RMB'000)
787	348,924

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

(C) Details of any collaterals

- As at 31 March 2013, the Group had a bank loan of RMB200,000 (2012: RMB20 million) which was guaranteed by AVIC Beijing and bore a fixed interest rate of 6.9% per annum. The loan was advanced on 30 January 2013 and is due for repayment on 13 November 2013.
- 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. For the purposes of Proposed Intra-group Restructuring, on 20 March 2013, AVIC Kairong granted an additional US\$3,250,000 interest free loan to AVIC International Ship Development Pte Ltd ("AISD"), a wholly own subsidiary of the Company with the loan tenure of three years commencing from 20 March 2013.
4. As at 31 March 2013, the Group had a loan of EUR26,000,000 (31 March 2012: 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.
5. As at 31 March 2013, certain plant and equipment with carrying amount of EUR226,370 or RMB1,821,000 equivalent (2012: nil) are secured by the lessors' titles to the leased assets.

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 First Quarter ended 31 March 2013

	Group	Group
	1 Jan 13 to 31 Mar 13 (RMB'000)	1 Jan 12 to 31 Mar 12 (RMB'000)
Operating activities		
Profit before income tax	2,711	514
Adjustments for:		
Share of profit of associates	(519)	-
Interest income	(298)	(106)
Interest expense	2,762	325
Depreciation of plant and equipment	924	321
Amortisation of intangible assets	273	-
Foreign exchange (gain)/loss	(2,203)	1,952
Operating cash flows before movements in working capital	3,650	3,006
Trade receivables	(321)	9,911
Other receivables	(14,047)	(613)
Trade payables	5,702	28,013
Advances received	(8,662)	71,010
Finance lease liabilities	319	-
Other payables and accruals	7,786	(1,889)
Cash generated (used in)/ from operations	(5,573)	109,438
Income taxes paid	-	(10,664)
Interest received	298	106
Net cash (used in)/from operating activities	(5,275)	98,880

	Group	Group
	1 Jan 13 to 31 Mar 13 (RMB'000)	1 Jan 12 to 31 Mar 12 (RMB'000)
	<u> </u>	<u> </u>
Investing activity		
Purchase of plant and equipment	(917)	(10)
Net cash inflow on acquisition of a subsidiary (Note A)	44,346	-
Purchase of intangible assets	(121)	-
	<u> </u>	<u> </u>
Net cash from/(used in) investing activities	<u>43,308</u>	<u>(10)</u>
Financing activities		
Increase in pledged cash placed with a bank	(3,685)	-
New loans raised	20,893	-
Interest paid	(1,568)	(325)
Other receivables	-	20,000
	<u> </u>	<u> </u>
Net cash from financing activities	<u>15,640</u>	<u>19,675</u>
Net increase in cash and cash equivalents	53,673	118,545
Net effects of exchange rate changes on the balance of cash held in foreign currencies	(721)	133
Cash and cash equivalents at beginning of the financial period	<u>355,262</u>	<u>145,196</u>
Cash and cash equivalents at end of the financial period	<u>408,214</u>	<u>263,874</u>

Note: The cash and cash equivalents as at 31 March comprises the following:

	31 March 2013 (RMB'000)	31 March 2012 (RMB'000)
	<u> </u>	<u> </u>
Cash and bank balances	419,935	263,874
Less: Pledge cash placed with a bank	(11,721)	-
	<u> </u>	<u> </u>
Cash and cash equivalents in the statement of cash flows	<u>408,214</u>	<u>263,874</u>

Note A: Acquisition of a subsidiary

On 4 January, 2013, the group acquired a controlling interest in Deltamarin Oy (“Deltamarin”) for an aggregate consideration satisfied as follows:

- 1) Cash consideration of EUR25,980,000 (RMB214,866,000); and
- 2) The allotment and issuance of an aggregate of 950 new shares of AVIC International Marine Engineering Pte. Ltd. (“AIME”), an indirect wholly-owned subsidiary of the Company, as share consideration (amounting to 20.43% of the enlarged issued share capital of AIME) to the shareholder of Deltamarin amounting to an aggregate issue price of EUR6,129,000.

Assets acquired and liabilities at acquisition date

	RMB'000
Current assets	123,643
Non-current assets	10,301
Current liabilities	(58,602)
Non-current liabilities	(3,163)
Net assets	72,179
Provisional goodwill (i)	157,433
Non-controlling interest	(14,746)
Sub-total	214,866
Less: Cash and cash equivalents balances acquired	(44,346)
Decrease in cash held in trust (ii)	(214,866)
Net cash inflow on acquisition of a subsidiary	(44,346)

- (i) The group has engaged an independent valuer to determine the fair value of the assets and liabilities acquired. A purchase price allocation will be completed within one year from the date of acquisition.
- (ii) As at 31 December 2012, the group had cash held in trust by a third party lawyer for the acquisition of EUR25,980,000 (RMB 216,618,000). On 4 January 2013 (the acquisition date), the amount of cash held in trust EUR25,980,000 (RMB214,866,000) was paid out for the completion of the acquisition of Deltamarin.

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)	Equity attributable to owner of the Company (RMB'000)	Non-controlling interest (RMB'000)	Total equity (RMB'000)
The Group								
Balance at 1 Jan 2013	101,237	10,257	8,094	(1,331)	42,863	161,120	-	161,120
Total comprehensive income/(loss) for the period	-	-	-	2,810	(1,219)	1,591	(321)	1,270
Deemed contribution by the shareholder on the shareholder's loan	-	1,867	-	-	-	1,867	-	1,867
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	14,746	14,746
Balance at 31 Mar 2013	101,237	12,124	8,094	1,479	41,644	164,578	14,425	179,003
Balance at 1 Jan 2012	101,237	-	6,489	(2,070)	36,671	142,327	-	142,327
Total comprehensive income/(loss) for the period	-	-	-	2,198	(354)	1,844	-	1,844
Balance at 31 Mar 2012	101,237	-	6,489	128	36,317	144,171	-	144,171

Statement of Changes in Equity

	Share capital (RMB'000)	Capital reserve (RMB'000)	Translation reserve (RMB'000)	Accumulated profits/ (losses) (RMB'000)	Total equity (RMB'000)
<u>The Company</u>					
Balance at 1 Jan 2013	101,237	10,257	(944)	(29,810)	80,740
Total comprehensive income/(loss) for the period	-	-	6,136	(2,705)	3,431
Balance at 31 Mar 2013	101,237	10,257	5,192	(32,515)	84,171
Balance at 1 Jan 2012	101,237	-	(2,462)	(20,536)	78,239
Total comprehensive income/(loss) for the period	-	-	2,452	(1,664)	788
Balance at 31 Mar 2012	101,237	-	(10)	(22,220)	79,027

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.

There have been no changes to the issued share capital of the Company since 31 December 2012. As at 31 March 2013, 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 March 2013 (31 March 2012: 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 2012 and 31 March 2013, 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 March 2013 (31 March 2012: Nil). There were no sale, transfer, disposal, cancellation and/or use of treasury shares as at 31 March 2013.

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 2012, except for the adoption of the new and revised Financial Reporting Standards ("FRS") which came into effect of this financial year from 1 January 2013. 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.

	<u>1 Jan 2013 to 31 Mar 2013</u>	<u>1 Jan 2012 to 31 Mar 2012</u>
Losses per ordinary share attributable to owners of the Company		
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	(0.43)	(0.12)
Weighted average number of ordinary shares	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	(0.43)	(0.12)
Weighted average number of ordinary shares	285,576,000	285,576,000

Losses per ordinary share is calculated by dividing the consolidated losses after tax attributable to owner 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 losses per share.

- 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 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
Net asset value per share based on issued share capital (RMB cents)	57.63	56.42	29.47	28.27
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 Jan 13 to 31 Mar 13 ("1Q2013")		1 Jan 12 to 31 Mar 12 ("1Q2012")	
		%		%
Revenue by type of services:				
Service fee income	5,224	4.6	6,775	100.0
Shipbuilding revenue	35,120	30.8	-	-
Ship-design fee income	73,595	64.6	-	-
Total revenue	113,939	100.0	6,775	100.0

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by RMB107.16 million or 1,581.8% from RMB6.78 million in 1Q2012 to RMB113.94 million in 1Q2013 mainly due to 1) the shipbuilding revenue of RMB35.12 million for the construction of five vessels including three units of ASD tugboats, one unit of diver boat and one unit of bunkering tanker and 2) ship-design fee income of RMB73.60 million from the newly acquired Deltamarin Group.

Lower service fee income derived from the provision of shipbuilding project management and consultancy services ("M&C") was due to fewer milestones achieved.

In 1Q2013 the service fee income was derived from Asia and shipbuilding revenue was derived from Middle East. Ship-design fee income was mainly derived from Europe and Asia, with contribution from North America, South America, Africa and Australia. In 1Q2012 all of our revenue was derived from Asia.

Contract cost

The increase in contract cost in 1Q2013, as compared to 1Q2012 was mainly due to the construction work for the five vessels and the contract cost incurred to generate the ship-design fee income by Deltamarin Group. No contract cost was recorded in 1Q2012 as the construction work commenced from 3Q2012 and the acquisition of Deltamarin Group was completed on January 2013.

Other operating income

The increase in other operating income in 1Q2013 as compared to the same financial period last year was mainly due to the increase in foreign exchange gain from a long term loan which was denominated in Euro. In 1Q2013 there was a depreciation of Euro against Singapore dollars.

Employee benefits expense

Employee benefits expense increased by approximately RMB40.06 million or 1877.0% from RMB2.13 million in 1Q2012 to RMB42.19 million in 1Q2013 mainly due to increases in headcounts and salary adjustments as well as the inclusion of expenses from the newly acquired Deltamarin Group.

Travelling and entertainment expenses

Travelling and entertainment expenses increased by approximately RMB3.15 million or 567.1% to RMB3.71 million in 1Q2013, compared with RMB0.56 million for the same quarter last year. This was mainly due to the inclusion of expenses from the newly acquired Deltamarin Group.

Office rental and office expenses

Office rental and office expenses increased by approximately RMB5.24 million or 293.8% from RMB1.78 million in 1Q2012 to RMB7.03 million in 1Q2013. The increase in office expenses was generally due to the increase in the number of employees and costs incurred for maintaining the Group's facilities, after the acquisition of Deltamarin Group.

Operating lease expenses increased by approximately RMB2.39 million or 177.1% from RMB1.35 million in 1Q2012 to RMB3.74 million in 1Q2013 mainly due to the leasing expenses from the newly acquired Deltamarin Group.

Other operating expenses

Other operating expenses increased by approximately RMB8.06 million or 477.2% from RMB1.69 million in 1Q2012 to RMB9.75 million in 1Q2013. The increase was mainly due to expenses incurred in relation to acquisition of Deltamarin Group which cannot be capitalised and the increase in operating activities.

The Group's depreciation charge for plant and equipment increased by RMB0.6 million or 187.9%, mainly due to the addition of plant and equipment and depreciation charges from Deltamarin Group.

Share of results of associates

The share of profit from associates was arising from the investment in associates under the newly acquired Deltamarin Group.

Finance costs

Finance costs in 1Q2013 was mainly due to interest expenses incurred on (1) the shareholder's loan of USD15.90 million and USD8.10 million advanced from the Group's immediate holding company on 28 August 2012 and 2 November 2012 respectively, and (2) a loan of EUR26.00 million. The interest payable in relation to the shareholder's loan in 1Q2013 was RMB0.32 million.

Income tax expense

The operating subsidiaries in China and Finland are subject to an income tax rate of 25% and 24.5% respectively. The Group recorded income tax expense of approximately RMB3.47 million in 1Q2013 mainly due to the profits generated by the China subsidiary and Deltamarin Group which cannot be offset against losses incurred by other companies in the Group. The increase in income tax expense in the current quarter as compared to its corresponding period in 1Q2012 was in line with the higher profit generated by the Group for 1Q2013.

Loss for the period

Loss for the period increased in 1Q2013, compared to the respective financial period last year, mainly due to the reasons outlined above.

Statement of Financial Position

Current assets

As at 31 March 2013, the Group's cash and bank balances (including pledged cash with a bank and cash held in trust by a third party) represented 81.6% of total current assets. The decrease in Group's cash and bank balances as at 31 March 2013 compared to 31 December 2012 was mainly due to the cash paid for completing the acquisition of Deltamarin. The decrease was partially offset by the receipts of a shareholder's loan amounted to USD3.25 million or RMB20.69 million equivalent.

The increase in the Company's cash and bank balances as at 31 March 2013 compared to 31 December 2012 was mainly due to advances received from AVIC Kairong during the financial period.

The trade receivables of RMB64.87million comprised the amount due from customers of RMB33.52 million and amount due from the customer on construction contract of RMB31.35million. The increase in trade receivables was mainly due to trade receivables from the newly acquired Deltamarin Group as at 31 March 2013.

The Group's other receivables as at 31 March 2013 comprised mainly prepayments, other tax recoverable, staff advances and deposits. The increase in other receivables was mainly due to the prepayment of Finnish pension insurance premium and business expense as at 31 March 2013.

The Group's derivative assets amounting to RMB0.15 million represent the forward contract value which was used to hedge against the fluctuation of USD exchange rate.

Non-current assets

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

The investment in associates in 31 March 2013 represents the total amount of investment in non-controlling entities by the newly acquired Deltamarin Group whose results were consolidated since 4 January 2013.

The available for sale investments amounting to RMB0.32 million consist of both unquoted and quoted equity instruments held through Deltamarin Group as at 31 March 2013.

The intangible assets represent the ship design engineering software licenses from the newly acquired Deltamarin Group as at 31 March 2013.

The Group's provisional goodwill amounted to RMB157.43 million was recognised from the acquisition of Deltamarin Group. Such provisional goodwill will be subsequently adjusted upon the completion of the Purchase Price Allocation exercise.

The Deferred tax assets represent the timing differences between accounting and tax bases, and are derived from the newly acquired Deltamarin Group.

Current liabilities

Current portion of long term loan represents the loan raised which has been explained in 1(b)(ii)(C) 4.

The Group's trade payables consists of (1) the amount due to suppliers of Deltamarin Group amounting to RMB9.87million, (2) accrued amounts payable to suppliers under a M&C contract amounting to RMB28.80 million and (3) amount due to the customer on construction contract amounting to RMB23.82million. The increase was mainly due to (1) and (3).

The Group's advance received represent amounts received on behalf of third party shipyards for the purpose of acquiring tools and equipment. The decrease in advance received was mainly due to the amount paid to the supplier of tools and equipment during the financial period.

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 increase in advances from the immediate holding company and accrued operating and office expenses from the newly acquired Deltamarin Group during the financial period.

The current portion of finance lease liabilities represents the leasing liabilities of office equipment such as computers, laptops and monitors in the newly acquired Deltamarin Group.

The provision for income tax payable represents 25% and 24.5% of tax provision for profit generated by our subsidiaries in China and Finland respectively.

Non-current liabilities

Long-term portion of loan and shareholder's loan represents the loan raised which have been explained in 1(b)(ii)(C)2,(C)3 and (C)4.

The non-current portion of finance lease liabilities represents the long term leasing liabilities of office equipment such as computers, laptops and monitors in the newly acquired Deltamarin Group.

Deferred tax liabilities represent the tax liabilities for the timing differences arising from the recognition of the ship-design fee income from Deltamarin Group.

Capital reserve

The amount of capital reserve as at 31 March 2013 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

RMB5.28million was used in operating activities in 1Q2013, mainly due to the increase in other receivables, decrease in advance received, non-cash items such as net foreign exchange loss which was partially offset by profit from operations, the increase in other payables and accrual as well as adjustment for non-cash items such as interest expense and depreciation of plant and equipment.

RMB43.31 million was generated from investing activities in 1Q2013, mainly due to the net cash inflow from completion of the acquisition of Deltamarin and was partially offset by the purchase of new plant and equipment during the period.

In 1Q2013, RMB15.64million net cash was generated from financing activities as a result of new loans raised which was partially offset by the increase in pledged deposit and interest paid.

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 1Q2013 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 global shipping industry continues to face challenges such as vessel over-supply and uncertainty in the USA and European economies. Revival of the shipping industry is expected to eventually take place in tandem with the gradual recovery of the global economy.

The Group remains optimistic of the prospects of the global marine and offshore industry, particularly in the area of environmentally-friendly and fuel-efficient vessels and services, as well as the offshore oil and gas sector. The Group's acquisition of the Deltamarin Group, which is an experienced developer of profitable, sustainable and energy efficient concept vessels, is part of its strategy to establish its design, research and development capabilities in these sectors.

Moving forward, the Group will continue to focus on developing its existing shipbuilding project management and consultancy business, as well as expand its capabilities along the ship-design, shipbuilding and ship-trading related businesses value chain. The Group is also actively working on integrating the ship-trading and shipbuilding businesses of its majority shareholder, AVIC International Holding Corporation, and that of its subsidiaries, into the Group.

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 31 March 2013.

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 Jan 2013 to 31 Mar 2013</u>		
Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	948	-
Service fee income from AVIC Beijing (Note C)	1,391	-
<u>1 Jan 2012 to 31 Mar 2012</u>		
Service fee income from AVIC Beijing	2,981	-
Service fee income from CATIC	4,732	-

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 31 March 2013, the Group has not started to utilise the Placement Proceeds.

15 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.

16 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 three months ended 31 March 2013 to be false or misleading in any material aspect.

DMG & Partners Securities Pte Ltd ("DMG") was the financial adviser to AVIC International Maritime Holdings Limited (formerly known as 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 Officer
15 May 2013