



**AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED**  
*(formerly known as AVIC INTERNATIONAL INVESTMENTS LIMITED)*

*(Company Registration No. 201024137N)*

**UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 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 Second Quarter ended 30 June 2013**

	<b>Group 1 Apr 13 to 30 Jun 13</b>	<b>Group 1 Apr 12 to 30 Jun 12</b>	<b>Change</b>	<b>Group 1<sup>st</sup> Half 2013</b>	<b>Group 1<sup>st</sup> Half 2012</b>	<b>Change</b>
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	142,451	19,230	640.77	256,390	26,005	885.93
Contract cost	(70,558)	-	N/M	(117,997)	-	N/M
Other operating income	588	196	200	886	428	107.01
Employee benefits expense	(42,716)	(3,151)	1,255.63	(84,905)	(5,285)	1,506.53
Travelling and entertainment Expenses	(4,736)	(775)	511.10	(8,445)	(1,331)	534.49
Office rental and office Expenses	(7,182)	(1,594)	350.56	(14,208)	(3,057)	364.77
Other operating expenses	(18,865)	(2,738)	589.00	(27,525)	(4,749)	479.60
Share of loss of associates	(1,446)	-	N/M	(927)	-	N/M
Finance costs	(2,958)	(376)	686.70	(5,980)	(705)	748.23
(Loss) profit) before income tax	(5,422)	10,792	N/M	(2,711)	11,306	N/M
Income tax expense	(3,925)	(3,607)	8.82	(7,393)	(4,475)	65.21
(Loss) profit for the period,	(9,347)	7,185	N/M	(10,104)	6,831	N/M
<u>Other comprehensive income</u>						
Exchange differences arising on translation	12,440	(133)	N/M	14,467	2,065	600.58
Available for sale financial asset- fair value	33	-	N/M	33	-	N/M
Total comprehensive income for the period	3,126	7,052	(55.67)	4,396	8,896	(50.58)

	<b>Group</b> <b>1 Apr 13 to</b> <b>30 Jun 13</b>	<b>Group</b> <b>1 Apr 12 to</b> <b>30 Jun 12</b>	<b>Change</b>	<b>Group</b> <b>1<sup>st</sup> Half</b> <b>2013</b>	<b>Group</b> <b>1<sup>st</sup> Half</b> <b>2012</b>	<b>Chang</b>
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
<u>Profit/loss attributable to:</u>						
Owner of the company	(10,237)	7,185	N/M	(11,456)	6,831	N/M
Non-controlling interests	890	-	N/M	1,352	-	N/M
	<b>(9,347)</b>	<b>7,185</b>	<b>N/M</b>	<b>(10,104)</b>	<b>6,831</b>	<b>N/M</b>
<u>Total comprehensive income attributable to:</u>						
Owner of the company	2,275	7,052	(67.74)	3,866	8,896	(56.54)
Non-controlling interests	851	-	N/M	530	-	N/M
	<b>3,126</b>	<b>7,052</b>	<b>(55.67)</b>	<b>4,396</b>	<b>8,896</b>	<b>(50.58)</b>

**1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2013**

	<b>Group</b> <b>1 Apr 13 to</b> <b>30 Jun 13</b>	<b>Group</b> <b>1 Apr 12 to</b> <b>30 Jun 12</b>	<b>Change</b>	<b>Group</b> <b>1<sup>st</sup> Half</b> <b>2013</b>	<b>Group</b> <b>1<sup>st</sup> Half</b> <b>2012</b>	<b>Change</b>
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Interest income	588	211	178.67	886	317	179.50
Net foreign exchange (loss)/profit	(10,395)	(15)	69,200.00	(9,299)	112	N/M
Interest expenses on bank loan	(2,892)	(369)	683.74	(5,653)	(694)	714.55
Operating lease expenses	(3,869)	(1,353)	185.96	(7,612)	(2,703)	181.61
Depreciation of plant and equipment	(907)	(335)	170.75	(1,831)	(656)	179.12
Amortisation of intangible assets	(245)	-	N/M	(518)	-	N/M
Fixed assets written off	120	-	N/M	120	-	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 30 June 2013**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2013</b> (RMB'000)	<b>31 Dec 2012</b> (RMB'000)	<b>30 Jun 2013</b> (RMB'000)	<b>31 Dec 2012</b> (RMB'000)
<b>Assets</b>				
<u>Current assets</u>				
Cash and cash equivalents	419,932	355,262	1,400	2,912
Cash held in trust by a third party	-	216,618	-	-
Pledged cash placed with a bank	-	8,036	-	-
Trade receivables	98,969	1,044	-	-
Other receivables	21,043	2,909	9,448	162
Amount due from subsidiaries	-	-	-	11,599
	539,944	583,869	10,848	14,673
<u>Non-current assets</u>				
Plant and equipment	6,486	3,551	75	101
Investment in subsidiaries	-	-	433,130	433,130
Investment in associates	2,393	-	-	-
Available for sale Investments	357	-	-	-
Intangible assets	2,404	-	-	-
Provisional goodwill	157,433	-	-	-
Deferred tax assets	211	-	-	-
	169,284	3,551	433,205	433,231
<b>Total assets</b>	<b>709,228</b>	<b>587,420</b>	<b>444,053</b>	<b>447,904</b>
<u>Current liabilities</u>				
Current portion of long-term loan	21,107	21,641	20,908	21,641
Trade payables	61,393	30,187	-	-
Advances received	38,917	23,291	-	-
Other payables and accruals	52,148	14,513	11,790	8,855
Finance lease liabilities	1,082	-	-	-
Derivative financial instruments	17	-	-	-
Income tax payable	4,787	-	-	-
	179,451	89,632	32,698	30,496

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2013</b> (RMB'000)	<b>31 Dec 2012</b> (RMB'000)	<b>30 Jun 2013</b> (RMB'000)	<b>31 Dec 2012</b> (RMB'000)
<b>Non-current liabilities</b>				
Long-term loan	344,448	336,668	326,029	336,668
Finance lease liabilities	746	-	-	-
Deferred tax liabilities	2,454	-	-	-
	<b>347,648</b>	<b>336,668</b>	<b>326,029</b>	<b>336,668</b>
<b>Total liabilities</b>	<b>527,099</b>	<b>426,300</b>	<b>358,727</b>	<b>367,164</b>
<b>Capital and reserves</b>				
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	-	-
Other reserve	26	-	-	-
Translation reserve	13,965	(1,331)	18,153	(944)
Accumulated profits/(losses)	31,407	42,863	(44,321)	(29,810)
	<b>166,853</b>	<b>161,120</b>	<b>85,326</b>	<b>80,740</b>
Non-controlling interests	15,276	-	-	-
<b>Total equity</b>	<b>182,129</b>	<b>161,120</b>	<b>85,326</b>	<b>80,740</b>
<b>Total Equity and Liabilities</b>	<b>709,228</b>	<b>587,420</b>	<b>444,053</b>	<b>447,904</b>

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

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

<b>As at 30 Jun 2013</b>	
Secured (RMB'000)	Unsecured (RMB'000)
1,082	21,107

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

**(B)** Amount repayable after one year

<b>As at 30 Jun 2013</b>	
Secured (RMB'000)	Unsecured (RMB'000)
746	344,448

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

**(C)** Details of any collaterals

- As at 30 June 2013, the Group had a bank loan of RMB200,000 (2012: RMB20 million) which was guaranteed by AVIC Beijing(an intermediate company) 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 ("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, funded the Intra-group Restructuring by extending two unsecured shareholder’s loans (the “Shareholder’s Loan”) to the Company, amounting to 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. The terms of repayment will be negotiated six months before the end of the loan tenure.

On 8 April 2013, the Company and AVIC Kairong entered into a supplementary agreement, in which both parties agree that in relation to the repayment of the loan principal of USD24,000,000, the Company will repay the loan amount with the revised principal amount at SGD29,769,600, at the fixed exchange rate of 1.2404. With effect from 1 April 2013, the principal interest will be computed based on principal amount of SGD29,769,600 instead.

3. For the purposes of the 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 30 June 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 30 June 2013, certain plant and equipment with carrying amount of EUR143,558 or RMB 1,154,379 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 Second Quarter ended 30 June 2013

	Note	Group	Group	Group	Group
		1 Apr 13 to 30 Jun 13 (RMB'000)	1 Apr 12 to 30 Jun 12 (RMB'000)	1 <sup>st</sup> Half 2013 (RMB'000)	1 <sup>st</sup> Half 2012 (RMB'000)
<b>Operating activities</b>					
(Loss)/profit before income tax		(5,422)	10,792	(2,711)	11,306
Adjustments for:					
Share of loss of associates		1,446	-	927	-
Interest income		(588)	(211)	(886)	(317)
Interest expenses		2,892	369	5,653	694
Depreciation of plant and equipment		907	335	1,831	656
Amortisation of intangible assets		245	-	518	-
Fixed asset written off		120	-	120	-
Fair value change of derivative financial instruments		166	-	166	-
Net foreign exchange loss/(gain)		8,242	(70)	6,040	1,882
Operating cash flows before movements in working capital					
		8,008	11,215	11,658	14,221
Trade receivables		(34,111)	1,154	(34,432)	11,065
Advanced payments		-	(52,709)	-	(52,709)
Other receivables		8,621	(290)	(5,426)	(904)
Trade payables		(1,087)	(4,097)	4,615	23,916
Advances received		24,288	(189)	15,626	70,821
Other payables and accruals		716	(1,070)	8,502	(2,959)
Cash generated from/(used in) operations		6,435	(45,986)	543	63,451
Income taxes paid		(2,624)	(4,184)	(2,624)	(14,848)
Interest received		588	211	886	317
Net cash (used in)/from operating activities		4,399	(49,959)	(1,195)	48,286
<b>Investing activity</b>					
Purchase of plant and equipment (Note A)		(401)	(158)	(999)	(167)
Net cash inflow on acquisition of a subsidiary (Note B)		-	-	44,346	-
Purchase of intangible assets		(306)	-	(427)	-
Net cash from/(used in) investing activities		(707)	(158)	42,920	(167)
<b>Financing activities</b>					
Decrease in pledged cash placed with a bank		11,721	-	8,036	-
New loans raised		-	-	20,893	-
Interest paid		(1,570)	(369)	(3,138)	(694)
Other receivables		-	-	-	20,000
Net cash from/(used in) financing activities		10,151	(369)	25,791	19,306

	<b>Note</b>	<b>Group</b>	<b>Group</b>	<b>Group</b>	<b>Group</b>
		<b>1 Apr 13 to 30 Jun 13 (RMB'000)</b>	<b>1 Apr 12 to 30 Jun 12 (RMB'000)</b>	<b>1<sup>st</sup> Half 2013 (RMB'000)</b>	<b>1<sup>st</sup> Half 2012 (RMB'000)</b>
Net increase/(decrease) in cash and cash equivalents		13,843	(50,486)	67,516	68,059
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,125)	10	(2,846)	143
Cash and cash equivalents at beginning of the financial period		408,214	263,874	355,262	145,196
<b>Cash and cash equivalents at end of the financial period</b>		<b>419,932</b>	<b>213,398</b>	<b>419,932</b>	<b>213,398</b>

Note A: Purchase of plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB 1,295,604 (2012: Nil) of which RMB 296,520 (2012: Nil) were acquired by means of finance leases. Cash payment of RMB 999,083 (2012: Nil) were made to purchase property, plant and equipment.

Note B: 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**

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

- (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 of 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

	<u>Share capital</u> (RMB'000)	<u>Capital reserve</u> (RMB'000)	<u>Statutory reserve</u> (RMB'000)	<u>Other reserve</u> (RMB'000)	<u>Translation reserve</u> (RMB'000)	<u>Accumulated profits/ (losses)</u> (RMB'000)	<u>Equity attributable to owner of the Company</u> (RMB'000)	<u>Non-controlling interest</u> (RMB'000)	<u>Total equity</u> (RMB'000)
<b><u>The Group</u></b>									
<b>Balance at 1 Jan 2013</b>	101,237	10,257	8,094	-	(1,331)	42,863	<b>161,120</b>	-	<b>161,120</b>
Total comprehensive income/(loss) for the period	-	-	-	-	2,810	(1,219)	<b>1,591</b>	(321)	<b>1,270</b>
Deemed contribution by the shareholder on the shareholder's loan	-	1,867	-	-	-	-	<b>1,867</b>	-	<b>1,867</b>
Non-controlling interest upon acquired of a subsidiary	-	-	-	-	-	-	-	14,746	<b>14,746</b>
<b>Balance at 31 Mar 2013</b>	101,237	12,124	8,094	-	1,479	41,644	<b>164,578</b>	14,425	<b>179,003</b>
Total comprehensive income/(loss) for the period	-	-	-	26	12,486	(10,237)	<b>2,275</b>	851	<b>3,126</b>
<b>Balance at 30 Jun 2013</b>	101,237	12,124	8,094	26	13,965	31,407	<b>166,853</b>	15,276	<b>182,129</b>



	<b>Share capital</b> (RMB'000)	<b>Statutory reserve</b> (RMB'000)	<b>Translation reserve</b> (RMB'000)	<b>Accumulated profits/ (losses)</b> (RMB'000)	<b>Total equity</b> (RMB'000)
<b>The Group</b>					
<b>Balance at 1 Jan 2012</b>	101,237	6,489	(2,070)	36,671	<b>142,327</b>
Total comprehensive income/(loss) for the period	-	-	2,198	(354)	<b>1,844</b>
<b>Balance at 31 Mar 2012</b>	101,237	6,489	128	36,317	<b>144,171</b>
Total comprehensive income/(loss) for the period	-	-	(133)	7,185	<b>7,052</b>
<b>Balance at 30 Jun 2012</b>	<u>101,237</u>	<u>6,489</u>	<u>(5)</u>	<u>43,502</u>	<u><b>151,223</b></u>

	<b>Share capital</b> (RMB'000)	<b>Capital reserve</b> (RMB'000)	<b>Translation reserve</b> (RMB'000)	<b>Accumulated profit/ losses</b> (RMB'000)	<b>Total equity</b> (RMB'000)
<b>The Company</b>					
<b>Balance at 1 Jan 2013</b>	101,237	10,257	(944)	(29,810)	<b>80,740</b>
Total comprehensive income/(loss) for the period	-	-	6,136	(2,705)	<b>3,431</b>
<b>Balance at 31 Mar 2013</b>	101,237	10,257	5,192	(32,515)	<b>84,171</b>
Total comprehensive income/(loss) for the period	-	-	12,961	(11,806)	<b>1,155</b>
<b>Balance at 30 Jun 2013</b>	<u>101,237</u>	<u>10,257</u>	<u>18,153</u>	<u>(44,321)</u>	<u><b>85,326</b></u>
<b>Balance at 1 Jan 2012</b>	101,237	-	( 2,462)	(20,536)	<b>78,239</b>
Total comprehensive income/(loss) for the period	-	-	2,452	(1,664)	<b>788</b>
<b>Balance at 31 Mar 2012</b>	101,237	-	(10)	(22,200)	<b>79,027</b>
Total comprehensive loss for the period	-	-	(165)	(2,070)	<b>(2,235)</b>
<b>Balance at 30 Jun 2012</b>	<u>101,237</u>	<u>-</u>	<u>(175)</u>	<u>(24,270)</u>	<u><b>76,792</b></u>

- 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 June 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 30 June 2013 (30 June 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 30 June 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 30 June 2013. There were no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 June 2013.

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

The figures presented in announcement is neither audited nor 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.**

	<b>1 Apr 2013 to 30 Jun 2013</b>	<b>1 Apr 2012 to 30 Jun 2012</b>	<b>1<sup>st</sup> Half 2013</b>	<b>1<sup>st</sup> Half 2012</b>
(Losses)/earnings per ordinary share attributable to owners of the Company				
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	(3.58)	2.52	(4.01)	2.39
Weighted average number of ordinary shares	285,576,000	285,576,000	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	(3.58)	2.52	(4.01)	2.39
Weighted average number of ordinary shares	285,576,000	285,576,000	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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2013</b>	<b>31 Dec 2012</b>	<b>30 Jun 2013</b>	<b>31 Dec 2012</b>
Net asset value per share based on issued share capital (RMB cents)	58.43	56.42	29.88	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.**

<b>The Group</b>	<b>1 Apr 13 to 30 Jun 13 ("2Q2013")</b>		<b>1 Apr 12 to 30 Jun 12 ("2Q2012")</b>		<b>1 Jan 13 to 30 Jun 13 ("1H2013")</b>		<b>1 Jan 12 to 30 Jun 12 ("1H2012")</b>	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Service fee income	6,056	4.3	7,902	41.1	11,280	4.4	14,677	56.4
Management service fee	-	-	11,328	58.9	-	-	11,328	43.6
Shipbuilding revenue	59,050	41.4	-	-	94,171	36.7	-	-
Ship-design fee income	77,345	54.3	-	-	150,940	58.9	-	-
<b>Total revenue</b>	<b>142,451</b>	<b>100.0</b>	<b>19,230</b>	<b>100.0</b>	<b>256,391</b>	<b>100.0</b>	<b>26,005</b>	<b>100.0</b>

### **Consolidated Statement of Comprehensive Income**

#### Revenue

Revenue increased by RMB123.22 million or 640.77% from RMB19.23 million in 2Q2012 to RMB142.45 million in 2Q2013 mainly due to 1) the shipbuilding revenue of RMB59.05 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 RMB77.34 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 2Q2013 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 2Q2012 all of our revenue was derived from Asia.

The higher revenue in 1H2013 compared to 1H2012 was mainly due to the ship-design fee income from the newly acquired Deltamarin Group and the shipbuilding revenue for the construction of five vessels derived in 2Q2013.

#### Contract cost

The increase in contract cost in 2Q2013, as compared to 2Q2012 was mainly due to the construction work for the five vessels and the contract cost incurred by Deltamarin Group to generate the ship-design fee income. No contract cost was recorded in 2Q2012 as the construction work commenced from 3Q2012 and the acquisition of Deltamarin Group was completed in January 2013. Contract cost was higher in 1H2013 compared to 1H2012 for the same reason..

#### Other operating income

The increase in other operating income in 2Q2013 as compared to the same financial period last year was mainly due to increases in interest income. Similarly, other operating income increased by RMB0.46 million or 107.01% from RMB0.43 million in 1H2012 to RMB0.89 million in 1H2013.

#### Employee benefits expense

Employee benefits expense increased by RMB39.57 million or 1255.63% from RMB3.15 million in 2Q2012 to RMB42.72 million in 2Q2013 mainly due to increase in headcounts as the Group expanded its operations as well as the inclusion of expenses from the newly acquired Deltamarin Group. The same reason applied to the increase in employee benefits expense for 1H2013 compared to the same financial period of last year.

#### Travelling and entertainment expenses

Travelling and entertainment expenses increased by RMB3.96 million or 511.10% to RMB4.74 million in 2Q2013, compared with RMB0.76 million for the same quarter last year. This was mainly due to expanded operations and the acquisition of the Deltamarin Group. The same reason resulted in the increase in travelling and entertainment expenses in 1H2013 compared to 1H2012.

#### Office rental and office expenses

Office rental and office expenses increased by RMB5.59 million or 350.56% from RMB1.59 million in 2Q2012 to RMB7.18 million in 2Q2013. 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 RMB2.52 million or 186.7% from RMB1.35 million in 2Q2012 to RMB3.87 million in 2Q2013 mainly due to the leasing expenses from the newly acquired Deltamarin Group.

The same reason applied to the increase in office rental and office expenses as well as the operating lease expenses for 1H2013 compared to 1H2012.

#### Other operating expenses

Other operating expenses increased by RMB16.13 million or 589.00% from RMB2.74 million in 2Q2012 to RMB18.87 million in 2Q2013. The increase was mainly due to the increase in foreign exchange loss from a long term loan which was denominated in Euro and the bank balances of PRC subsidiaries denominated in USD. In 2Q2013, the appreciation of Euro against Singapore dollars, and RMB against US dollars, resulted in a foreign exchange loss of RMB10.14 million. The increase in other operating expenses in 1H2013 as compared to the same financial period last year was mainly due to 1) the increase in foreign exchange loss of RMB9.05 million from the above mentioned loan and bank balances and 2) expenses of RMB4.25 million incurred in relation to acquisition of Deltamarin Group which cannot be capitalised and 3) the increase in operating activities

The Group's depreciation charge for plant and equipment increased by RMB0.57 million or 172.73%, mainly due to the addition of plant and equipment and depreciation charges from Deltamarin Group.

#### Share of results of associates

The share of loss from associates in 2Q2013 as well as in 1H2013 arose from the share of losses incurred by associates under the newly acquired Deltamarin Group.

#### Finance costs

Finance costs in 2Q2013 and 1H2013 was mainly due to interest expenses incurred on (1) the shareholder's loan of USD24.0 million advanced from the Group's immediate holding company, and (2) a loan of EUR26.00 million. The interest payable on the shareholder's loan in 2Q2013 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 RMB3.92 million in 2Q2013 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 2Q2013 and 1H2013 as compared to the previous corresponding period in 2012 was in line with the higher profit generated by the China subsidiary and Deltamarin Group for 2Q2013 and 1H2013.

#### Loss for the period

Loss for the period increased in 2Q2013 and 1H2013 compared to the respective financial period last year mainly due to the reasons outlined above.

### **Statement of Financial Position**

#### Current assets

As at 30 June 2013, the Group's cash and bank balances represented 77.77% of total current assets. The decrease in Group's cash and bank balances as at 30 June 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 trade receivables of RMB98.97 million comprised (1) the amount due from customers of RMB44.09, (2) amounts receivables related to percentage of completion based contract sales of RMB34.60 and (3) amount due from the customer on construction contract of RMB20.28. The increase in trade receivables was mainly due to trade receivables from the newly acquired Deltamarin Group and the amount due from the customer on construction contract as at 30 June 2013.

The Group's other receivables as at 30 June 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 30 June 2013.

#### Non-current assets

The Group's plant and equipment comprised a motor vehicle, computers and software, furniture and fixtures, and office equipment. The increase in plant and equipment of RMB2.93 million was mainly attributed to the inclusion of the newly acquired Deltamarin Group.

The investment in associates in 30 June 2013 represents the total amount of investment in non-controlling entities by the newly acquired Deltamarin Group.

The available for sale investments amounting to RMB0.36 million consist of both unquoted and quoted equity instruments held through Deltamarin Group as at 30 June 2013.

The intangible assets represent the ship design engineering software licenses from the newly acquired Deltamarin Group as at 30 June 2013.

The Group's provisional goodwill amounting 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 within 1 year of the acquisition.

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 RMB10.85million, (2) amounts payable related to percentage of completion based contract of Deltamarin Group amounting to RMB15.46million, (3)accrued amounts payable to suppliers under M&C contracts amounting to RMB68.44 million. The increase of the Group's trade payables was mainly due to the trade payables from the newly acquired Deltamarin Group.

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 30 June 2013 represents a deemed contribution from the immediate holding company as a result of initially measuring the shareholder's loan at fair value. The increase in capital reserve in 1H2013 was due to an additional US\$3,250,000 interest free loan from AVIC Kairong.

#### Consolidated cash flow statements

RMB4.40 million cash was generated from operating activities in 2Q2013, compared to cash outflow of RMB45.96 million in 2Q2012. The improvement was attributed mainly to receipts of advance payments amounting to RMB24.29 million in 2Q2013 against advance payments of RMB52.71 million made in 2Q2012, and partially offset by increase in trade receivables in 2Q2013.

RMB0.71 million was used in investing activities in 2Q2013, mainly due to the purchase of new plant and equipment as well as the intangible assets during the period. In 1H2013, RMB42.92 million was generated from investing activities, 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 and intangible assets during the period.

In 2Q2013, RMB10.15 million net cash was generated from financing activities as a result of the decrease in pledged deposit which was partially offset by the interest paid. In 1H2013, RMB25.79 million net cash was generated from financing activities as a result of new loans raised and the decrease in pledged deposit 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.**

Not applicable.

**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 the importance of maritime transport and the rising demand for energy, the Group remains optimistic of the long-term prospects of the marine and offshore industry.

As part of its growth strategy, the Group is focusing its efforts on environmentally-friendly and fuel-efficient vessels and services. Its goal is to provide its customers with a full suite of integrated services along the marine business value chain, including shipbuilding project management and consultancy, design and engineering, shipbuilding and ship-trading.

The Group's acquisition of the Deltamarin Group in January this year was a strategic step in this direction. As part of its expansion plans, the Group is also in the midst of obtaining approval from the relevant authorities to integrate the ship-trading and shipbuilding businesses of its majority shareholder, AVIC International Holding Corporation and 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 30 June 2013.

**13 Summary of Interested Person Transactions**

	<b>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)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</b>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
<u>1 Apr 2013 to 30 Jun 2013</u>		
Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	2,575	-
Service fee income from AVIC Beijing (Note C)	3,090	
Interest expenses to AVIC Kairong (Note D)	314	
<u>1 Apr 2012 to 30 Jun 2012</u>		
Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	4,274	-
Service fee income from CATIC	4,097	-
Management service fee income from AVIC Weihai Shipyard Co., Ltd	-	12,000

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.



(D) The details of the interest expenses to AVIC Kairong are disclosed in **1(b)(ii)(C)2.** of the announcement.

#### **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 June 2013, the Group has not started to utilise the Placement Proceeds.

#### **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 Jun 2013 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

14 August 2013