



# AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Company Registration No. 201024137N)

## UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

### 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 Profit or Loss and Comprehensive Income for the First Quarter ended 31 March 2014

	<b>Group</b> <b>1 Jan 14 to</b> <b>31 Mar 14</b>	<b>Group</b> <b>1 Jan 13 to</b> <b>31 Mar 13</b>	<b>Change</b>
	(RMB'000)	(RMB'000)	%
Revenue	105,514	113,939	(7.4)
Cost of sales	(73,766)	(76,422)	(3.5)
Gross profit	31,748	37,517	(15.4)
Other operating income	2,456	1,391	76.6
Marketing and distribution expenses	(8,777)	(5,898)	48.8
Administrative expenses	(25,064)	(27,021)	(7.2)
Finance cost	(3,263)	(3,022)	7.9
Other operating expenses	(47)	(775)	(93.9)
Share of results of associates	280	519	(46.1)
(Loss)Profit before income tax	(2,667)	2,711	N/M
Income tax expense	(2,022)	(3,468)	(41.7)
Loss for the period	(4,689)	(757)	519.4
<u>(Loss)Profit attributable to:</u>			
Owner of the company	(5,559)	(1,219)	356.0
Non-controlling interests	870	462	88.3
Loss for the period	(4,689)	(757)	519.4

	<b>Group</b> <b>1 Jan 14 to</b> <b>31 Mar 14</b>	<b>Group</b> <b>1 Jan 13 to</b> <b>31 Mar 13</b>	<b>Change</b>
	(RMB'000)	(RMB'000)	%
<u>Other comprehensive (loss)income:</u>			
Exchange differences arising on translation	(420)	2,027	N/M
Total comprehensive (loss)income for the period	(5,109)	1,270	N/M

Total comprehensive (loss)profit attributable to:

Owner of the company	(7,099)	1,591	N/M
Non-controlling interests	1,990	(321)	N/M
	(5,109)	1,270	N/M

**1(a)(ii)** Notes to the Consolidated Statement of Profit or Loss and Comprehensive Income for the First Quarter ended 31 March 2014

	<b>Group</b> <b>1 Jan 14 to</b> <b>31 Mar 14</b>	<b>Group</b> <b>1 Jan 13 to</b> <b>31 Mar 13</b>	<b>Change</b>
	(RMB'000)	(RMB'000)	%
Interest income	116	298	(61.1)
Net foreign exchange gain	2,340	1,093	114.1
Interest expense on borrowings	(2,908)	(2,762)	5.3
Operating lease expenses	(4,441)	(3,743)	18.6
Depreciation of plant and equipment	(1,008)	(924)	9.1
Amortisation of intangible assets	(1,008)	(273)	269.2
Fixed assets written off	(35)	-	N/M

N/M – Not meaningful

when differences +/- greater than 1000%

**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 2014**

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 2014</b> (RMB'000)	<b>31 Dec 2013</b> (RMB'000)	<b>31 Mar 2014</b> (RMB'000)	<b>31 Dec 2013</b> (RMB'000)
<b>Assets</b>				
<u>Current assets</u>				
Cash and cash equivalent	390,963	403,234	3,747	6,683
Pledged cash placed with a bank	49,619	49,540	-	-
Trade receivables	110,077	109,087	-	-
Other receivables	32,320	12,399	301	165
Amount due from subsidiaries	-	-	7,600	7,507
	<b>582,979</b>	<b>574,260</b>	<b>11,648</b>	<b>14,355</b>
<u>Non-current assets</u>				
Plant and equipment	8,558	7,594	43	52
Investment in subsidiaries	-	-	414,498	407,854
Investment in associates	1,356	1,060	-	-
Available for sale investments	56	55	-	-
Goodwill	123,895	120,891	-	-
Intangible assets	99,022	96,164	-	-
Deferred tax assets	571	557	-	-
	<b>233,458</b>	<b>226,321</b>	<b>414,541</b>	<b>407,906</b>
<b>Total assets</b>	<b>816,437</b>	<b>800,581</b>	<b>426,189</b>	<b>422,261</b>
<u>Current liabilities</u>				
Short-term loan	77,447	66,990	67,653	66,990
Trade payables	44,440	30,243	-	-
Advance received	43,353	39,103	-	-
Other payables and accruals	68,963	77,351	18,587	18,221
Finance lease liabilities	973	1,018	-	-
Income tax payable	2,228	6,836	-	-
	<b>237,404</b>	<b>221,541</b>	<b>86,240</b>	<b>85,211</b>
<u>Non-current liabilities</u>				
Long-term loan	314,036	309,552	295,210	291,032
Finance lease liabilities	820	838	-	-
Deferred tax liabilities	26,763	26,127	-	-
	<b>341,619</b>	<b>336,517</b>	<b>295,210</b>	<b>291,032</b>
<b>Total liabilities</b>	<b>579,023</b>	<b>558,058</b>	<b>381,450</b>	<b>376,243</b>

	Group		Company	
	31 Mar 2014 (RMB'000)	31 Dec 2013 (RMB'000)	31 Mar 2014 (RMB'000)	31 Dec 2013 (RMB'000)
<b>Capital and reserves</b>				
Share capital	101,237	101,237	101,237	101,237
Capital reserve	12,470	12,470	10,603	10,603
Statutory reserve	10,209	10,209	-	-
Translation reserve	19,691	21,231	(2,063)	(2,782)
Accumulated profits/(losses)	37,309	42,868	(65,038)	(63,040)
	<b>180,916</b>	<b>188,015</b>	<b>44,739</b>	<b>46,018</b>
<b>Non-controlling interests</b>	<b>56,498</b>	<b>54,508</b>	-	-
<b>Total equity</b>	<b>237,414</b>	<b>242,523</b>	<b>44,739</b>	<b>46,018</b>
<b>Total Equity and Liabilities</b>	<b>816,437</b>	<b>800,581</b>	<b>426,189</b>	<b>422,261</b>

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 2014	
Secured (RMB'000)	Unsecured (RMB'000)
973	77,447

As at 31 Dec 2013	
Secured (RMB'000)	Unsecured (RMB'000)
1,018	66,990

(B) Amount repayable after one year

As at 31 Mar 2014	
Secured (RMB'000)	Unsecured (RMB'000)
820	314,036

As at 31 Dec 2013	
Secured (RMB'000)	Unsecured (RMB'000)
838	309,552

(C) Details of any collaterals

- 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 USD24,000,000 ("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 USD612,000 ("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 agreed that in relation to the repayment of the loan principal of USD24,000,000, the Company will repay the principal loan amount at SGD29,769,600, based on the exchange rate of 1.2404 against USD. With effect from 1 April 2013, the principal interest will remain unchanged at 0.85% and will be payable 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 31 March 2014, the Group had an outstanding EUR loan with remaining amount balances of EUR23,400,000 (31December 2012: EUR26,000,000). The loan, which was obtained with the assistance of AVIC Kairong Limited the majority shareholder of the Company 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 in 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 to finance the acquisition of Deltamarin Oy, the details of which are set out in the circular to Shareholders dated 10 December 2012. The first instalment of the loan was repaid on 20 December 2013 with an 6 months interest free loan of EUR2,800,000 from AVIC Kairong.
5. As at 31 March 2014, the Group had an outstanding unsecured SGD loan amounting SGD2,000,000( 31 March 2013 : Nil). The principal loan amount is to be repaid within 12 months from the date of drawdown.
6. As at 31 March 2014, certain plant and equipment with carrying amount of EUR208,000 or RMB 1,764,000 equivalent (31 March 2013: EUR226,000 or RMB1,821,000) 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 2014

	<b>Group</b>	<b>Group</b>
	<b>1 Jan 14 to 31 Mar 14 (RMB'000)</b>	<b>1 Jan 13 to 31 Mar 13 (RMB'000)</b>
<b>Operating activities</b>		
(loss)profit before income tax	(2,667)	2,711
Adjustments for:		
Share of profit of associates	(280)	(519)
Interest income	(116)	(298)
Interest expense	2,908	2,762
Depreciation of plant and equipment	1,008	924
Amortisation of intangible assets	1,008	273
Plant and equipment written off	35	-
Foreign exchange gain	(2,166)	(2,203)
Operating cash flows before movements in working capital	(270)	3,650
Trade receivables	(625)	(321)
Other receivables	(19,921)	(14,047)
Trade payables	18,779	5,702
Advances received	(332)	(8,662)
Finance lease liabilities	(348)	319
Other payables and accruals	(8,929)	7,786
Cash used in operations	(11,646)	(5,573)
Income taxes paid	(6,597)	-
Interest received	116	298
Net cash used in operating activities	(18,127)	(5,275)

	<b>Group</b>	<b>Group</b>
	<b>1 Jan 14 to 31 Mar 14 (RMB'000)</b>	<b>1 Jan 13 to 31 Mar 13 (RMB'000)</b>
	<hr/>	<hr/>
<b>Investing activity</b>		
Purchase of plant and equipment (Note A)	(1,650)	(917)
Net cash inflow on acquisition of a subsidiary	-	44,346
Increase in intangible assets	(1,527)	(121)
	<hr/>	<hr/>
Net cash (used in)/from investing activities	(3,177)	43,308
	<hr/>	<hr/>
<b>Financing activities</b>		
Proceeds from shareholder's loan	-	20,693
Increase in pledged cash placed with a bank	(79)	(3,685)
New loan raised	9,794	200
Interest paid	(1,514)	(1,568)
	<hr/>	<hr/>
Net cash from financing activities	8,201	15,640
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(13,103)	53,673
Net effects of exchange rate changes on the balance of cash held in foreign currencies	832	(721)
Cash and cash equivalents at beginning of the financial period	403,234	355,262
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<b>Cash and cash equivalents at end of the financial period</b>	<b>390,963</b>	<b>408,214</b>
	<hr/>	<hr/>

Note A: Purchase of plant and equipment

During the 1Q2014, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB1,921,000 (1Q2013: RMB 917,000) of which RMB 271,000(1Q2013:Nil) were acquired by means of finance leases, and cash payment made amounted to RMB1,650,000(1Q2013: RMB917,000).

- 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)
<b>The Group</b>								
<b>Balance at 1 Jan 2014</b>	101,237	12,470	10,209	21,231	42,868	<b>188,015</b>	54,508	<b>242,523</b>
Total comprehensive income/(loss)for the period								
Loss for the period	-	-	-	-	(5,559)	<b>(5,559)</b>	870	<b>(4,689)</b>
Other comprehensive loss	-	-	-	(1,540)	-	<b>(1,540)</b>	1,120	<b>(420)</b>
<b>Balance at 31 Mar 2014</b>	<b>101,237</b>	<b>12,470</b>	<b>10,209</b>	<b>19,691</b>	<b>37,309</b>	<b>180,916</b>	<b>56,498</b>	<b>237,414</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								
Loss for the period	-	-	-	-	(1,219)	<b>(1,219)</b>	462	<b>(757)</b>
Other comprehensive income	-	-	-	2,810	-	<b>2,810</b>	(783)	<b>2,027</b>
Transactions with owners, recognised directly in equity								
Deemed contribution by the shareholder on the shareholder's loan	-	1,867	-	-	-	<b>1,867</b>	-	<b>1,867</b>
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	14,746	<b>14,746</b>
<b>Balance at 31 Mar 2013</b>	<b>101,237</b>	<b>12,124</b>	<b>8,094</b>	<b>1,479</b>	<b>41,644</b>	<b>164,578</b>	<b>14,425</b>	<b>179,003</b>

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)
<b><u>The Company</u></b>					
<b>Balance at 1 Jan 2014</b>	101,237	10,603	(2,782)	(63,040)	<b>46,018</b>
Total comprehensive income/(loss) for the period					
Loss for the period	-	-	-	(1,998)	<b>(1,998)</b>
Other comprehensive income	-	-	719	-	<b>719</b>
<b>Balance at 31 Mar 2014</b>	<b>101,237</b>	<b>10,603</b>	<b>(2,063)</b>	<b>(65,038)</b>	<b>44,739</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					
Loss for the period	-	-	-	(2,705)	<b>(2,705)</b>
Other comprehensive income	-	-	6,136	-	<b>3,431</b>
<b>Balance at 31 Mar 2013</b>	<b>101,237</b>	<b>10,257</b>	<b>5,192</b>	<b>(32,515)</b>	<b>84,171</b>

**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 2013. As at 31 March 2014, 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 2014 (31 March 2013: 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 2013 and 31 March 2014, 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 2014 (31 March 2013: Nil). There were no sale, transfer, disposal, cancellation and/or use of treasury shares as at 31 March 2014.

**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 2013, except for the adoption of the new and revised Financial Reporting Standards ("FRS") which came into effect of this financial year from 1 January 2014. 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 2014 to 31 Mar 2014</u>	<u>1 Jan 2013 to 31 Mar 2013</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)	(1.95)	(0.43)
Weighted average number of ordinary shares	285,576,000	285,576,000
(b) On a fully diluted basis (RMB cents)	(1.95)	(0.43)
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 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
Net asset value per share based on issued share capital (RMB cents)	63.35	65.84	15.67	16.11
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 14 to 31 Mar 14 ("1Q2014")		1 Jan 13 to 31 Mar 13 ("1Q2013")	
		%		%
Revenue by type of services:				
Service fee income	3,388	3.2	5,224	4.6
Management fee income	4,013	3.8	-	-
Shipbuilding revenue	30,589	29.0	35,120	30.8
Ship-design fee income	63,736	60.4	73,595	64.6
Other income	3,788	3.6	-	-
Total revenue	105,514	100.0	113,939	100.0

**Consolidated Statement of Comprehensive Income**

Revenue

Revenue decreased by RMB8.43 million or 7.4% from RMB113.94 million in 1Q2013 to RMB105.51 million in 1Q2014 mainly due to 1) lower shipbuilding revenue for the construction of five vessels including three units of ASD tugboats, one unit of diver boat and one unit of bunkering tanker, 2) lower ship-design fee income. However, the decrease was partially offset by the increase in management service fee income from the provision of marketing, administration and management services and other income from the trading of steel plate.

In both 1Q2014 and 1Q2013 the service fee income and management service fee 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.

#### Gross profit

Gross profit decreased by 15.4% to RMB31.7 million in 1Q2014 attributable mainly to lower revenue and higher cost of delivery for five vessels that were completed during the period.

#### Other operating income

The increase in other operating income in 1Q2014 as compared to the corresponding period last year was due mainly to increase in foreign exchange gain arising from a long term loan denominated in Euro.

#### Marketing and distribution expenses

Marketing and distribution expenses comprised mainly sales and marketing department's office rental, employee benefits expenses and travelling expenses.

Marketing and distribution expenses increased by RMB2.88 million or 48.8% from RMB5.90 million in 1Q2013 to RMB8.78 million in 1Q2014 due mainly to increase in staffing following the commencement of operation of a new subsidiary in Shanghai and the consequent increase in employee benefits expenses and travelling expenses.

Operating lease expenses increased by approximately RMB0.37million or 75% from RMB0.49 million in 1Q2013 to RMB0.86 million in 1Q2014 due mainly to the increase in leasing expenses from china subsidiary.

#### Administrative expenses

Administrative expenses comprised office rental and office expenses, depreciation expenses, amortisation expenses, professional fee incurred for maintaining the Group's listing status, employee benefits and travelling expenses.

There was no material change in administrative expenses for 1Q2014 as compared to 1Q2013.

Operating lease expenses increased by approximately RMB0.33million or 10.2% from RMB3.25 million in 1Q2013 to RMB3.58 million in 1Q2014 due mainly to the increase in leasing expenses from Finland subsidiary.

There was no significant difference for the Group's depreciation charge for plant and equipment in 1Q2014 as compared to 1Q2013. Amortisation of intangible assets increased by approximately RMB0.73 million or 269.2% from RMB 0.27 million in 1Q2013 to RMB 1.01 million in 1Q2014 due mainly to the amortisation of technical knowhow from Deltamarin.

#### Finance costs

The increase in finance costs was due mainly to higher interest expenses incurred as a result of additional shareholder loan during the financial period.

#### Other operating expenses

Other operating expenses decreased by RMB0.79 million because no foreign exchange loss was incurred in 1Q2014 compared to 1Q2013 when the Group incurred foreign exchange loss arising from Euro denominated long term loans.

#### Share of results of associates

The share of results from associates in 1Q2014 decreased by RMB0.24 million was due mainly to the decrease in associates profit as compared to the corresponding period last year.

#### Income tax expense

The operating subsidiaries in China and Finland are subject to an income tax rate of 25% and 20% respectively. The Group recorded income tax expense of approximately RMB2.02 million in 1Q2014 mainly due to the profits generated by a China subsidiary and the Deltamarin Group which cannot be offset against losses incurred by other companies in the Group. The decrease in income tax expense in 1Q2014 and as compared to the previous corresponding period in 2013 was in line with the lower profit generated by the China subsidiary and Deltamarin Group.

### Loss for the period

The Group reported loss of RMB4.68 million in 1Q2014 compared to RMB0.76 million in 1Q2013 due mainly to the reasons outlined above.

## **Statement of Financial Position**

### Current assets

As at 31 March 2014, the Group's cash and bank balances represented 75.57% of total current assets. The decrease in Group's cash and bank balances as at 31 March 2014 compared to 31 December 2013 was due mainly to the cash payment for other payable and accruals as well as tax paid during the period. The decrease was partially offset by the receipts of a bank loan amounted to SGD 2 million or RMB9.79 million equivalent.

The trade receivables of RMB110.08 million mainly comprised (1) the amount due from customers of RMB36.92 million, (2) amounts receivable related to ship-designing service contracts of RMB34.15 million. (3) amounts receivables related to steel trading of RMB32.10 million. There was no significant difference between the Group's trade receivables as at 31 March 2014 and that as at 31 December 2013.

The Group's other receivables as at 31 March 2014 comprised mainly prepayments, other tax recoverable, staff advances and deposits. The increase in other receivables was mainly due to the prepayment of Deltamarin Group's business expense as at 31 March 2014.

### 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 RMB0.96 million was mainly attributed to additions made during the period.

The increase in investment in associates as at 31 March 2014 was due mainly to share of results of associate during the financial period.

Intangible assets as at 31 March 2014 comprised ship design engineering software licenses (RMB4.39million), Brandname (RMB56.55million) and Technical knowhow (RMB38.08million) from the acquisition of Deltamarin Group.

The Group's goodwill amounting to RMB123.89 million was recognised from the acquisition of Deltamarin Group based on the purchase price allocation exercise.

### Current liabilities

Short term loan represents the short term portion of loans raised, the details of which are set out in 1(b)(ii)(C)4 and (C)5.

The Group's trade payables consist of (1) the amounts due to suppliers (RMB13.73 million), (2) amounts due to customer on construction contract (RMB30.71 million). The increase of the Group's trade payables was due mainly to lesser amounts having been paid to suppliers during the financial period.

The Group's advances received represented amounts received on behalf of shipyards for the purpose of acquiring tools and equipment. The increase in advances received was mainly due to lesser amounts having been paid to the suppliers 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 holding company which was non-trade in nature. The decrease in other payable balance was due mainly to amount paid to intermediate holding company and payment made for accrued operating and office expenses during the financial period.

The provision for income tax payable represents 25% and 20% 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)1,(C)2, (C)3 and (C)4.

Deferred tax liabilities represent the tax liabilities for the timing differences arising from the recognition of the intangible assets, ship-design fee income and fair valuation of Deltamarin Group's assets.

### Consolidated cash flow statements

RMB18.13 million was used in operating activities in 1Q2014, compared to RMB5.28 million in 1Q2013. The increase in cash outflow was due to increase in other receivables and reduction in other payables and accruals, partially offset by the decrease in trade payables in 1Q2014.

In 1Q2014, RMB8.20million of net cash was from financing activities as a result of new loan raised which was partially offset by 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 1Q2014 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 shipping industry has had to navigate rough waters since the end of a boom in 2008. But industry watchers have said certain segments are starting to show signs of recovery, and as a result, more funding is flowing back into the industry.<sup>1</sup> With the improving market conditions, the Group is actively seeking for new projects and is confident in securing its fair share of contracts, given its strong track record and financial stability.

The Group has been actively working on integrating the ship-trading related businesses of the majority shareholder, AVIC International Holding Corporation, and that of its subsidiaries, into the Group. The focus is also 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. Seeing the heightened interest in environmentally-friendly and fuel efficient vessels, the Group is optimistic of the demand prospects for such vessels and its related services and is confident that Deltamarin Group will continue to put the Group in good stead with its proven innovations in the sustainability arena.

<sup>1</sup> *Channel NewsAsia - Some segments of shipping industry showing signs of recovery, dated 21 March 2014*

**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 2014.

**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>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
	Note (B)	
<u>1 Jan 2014 to 31 Mar 2014</u>		
Interest expenses to AVIC International Kairong Limited (Note D)		301
Management fee income from AVIC DingHeng (Note E)		2,150
Service fee income from AVIC DingHeng (Note F)		930
Ship-designing fee from AVIC International Kairong Limited (Note G)		1,641
Service fee income from Taizhou CATIC Shipbuilding Heavy Industry Limited (Note H)		651
Management fee income from AVIC Zhengjiang Shipyard Marine Pte Ltd (Note I)		102
<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	-

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)1** of the announcement.

(E) AVIC International Ship Development (China) Co., Ltd. ("AISD Shanghai") a wholly-owned subsidiary, has separately entered into three (3) service agreements with AVIC Dingheng Shipbuilding Co., Ltd. ("Dingheng Shipyard") and AVIC International Shanghai Co., Ltd. ("AVIC International Shanghai") on 1 October 2013. Pursuant to which the management fee on an aggregate amount of RMB12,130,000, ("Management Fee", before sales taxes and surcharges) is payable to AISD Shanghai from Dingheng Shipyard.

Pursuant to the agreement AISD Shanghai is engaged to provide services in support of vessel construction, export, delivery and import of marine equipment; ship-trading related consultancy services in respect of vessel construction, import & export; and other import & export related business and is chargeable by man hour basis.

The Company had on 29 April 2014 obtained its shareholders' approval for the adoption of the IPT Mandate in respect of certain categories of transactions that the Group may, in the ordinary course of business, enter into with any member of the AVIC Group. In this regard, the Service Agreement has been entered into pursuant to the authority conferred under the IPT Mandate in accordance with the guidelines and review procedures for interested person transactions as disclosed in the IPT Mandate.

(F) AVIC International Ship Development (China) Co., Ltd. ("AISD Shanghai") a wholly-owned subsidiary, has separately entered into two (2) service agreements with AVIC Dingheng Shipbuilding Co., Ltd. ("Dingheng Shipyard") and the contracts were effective on 3 January 2014 and 17 January 2014 respectively. Pursuant to which the service fee on an aggregate amount of USD 0.41 million and USD 0.50 million ("Service fee income", before sales taxes and surcharges) is payable to AISD Shanghai from Dingheng Shipyard.

Pursuant to the agreement AISD Shanghai is engaged to provide services in support of vessel construction, export, delivery and import of marine equipment; ship-trading related consultancy services in respect of vessel construction, import & export; and other import & export related business and is chargeable by man hour basis.

The Company had on 29 April 2014 obtained its shareholders' approval for the adoption of the IPT Mandate in respect of certain categories of transactions that the Group may, in the ordinary course of business, enter into with any member of the AVIC Group. In this regard, the Service Agreement has been entered into pursuant to the authority conferred under the IPT Mandate in accordance with the guidelines and review procedures for interested person transactions as disclosed in the IPT Mandate.

(G) Deltamarin Ltd. ("Deltamarin") a 79.57% owned subsidiary has entered into a consultancy, engineering services agreement with AVIC Beijing on 22 October 2013. Pursuant to which the designing services fee on an aggregate amount of EUR450,000. (approximate RMB3.7million).

On 23 October 2013, Deltamarin entered into a supplementary agreement with AVIC Beijing and AVIC Kairong, pursuant to which AVIC Kairong will act as the coordinator to deal with communicating and coordinating affairs between AVIC Beijing and Deltamarin, and the amount is payable to Deltamarin from AVIC Kairong.

The Company had on 29 April 2014 obtained its shareholders' approval for the adoption of the IPT Mandate in respect of certain categories of transactions that the Group may, in the ordinary course of business, enter into with any member of the AVIC Group. In this regard, the Service Agreement has been entered into pursuant to the authority conferred under the IPT Mandate in accordance with the guidelines and review procedures for interested person transactions as disclosed in the IPT Mandate.

- (H) AVIC Kaixin (Beijing) Ship Industry Co., Ltd., (“Kaixin Beijing”) a wholly-owned subsidiary of the Company, had on 26 November 2013 entered into an agency agreement with Taizhou CATIC Shipbuilding Heavy Industry Limited (“Taizhou Shipyard”) and AVIC International Beijing Co.,Ltd. (“AVIC International Beijing”), pursuant to which Kaixin Beijing and AVIC International Beijing shall act as the co-agent to provide ancillary services for the construction by Taizhou Shipyard of 8 bulk carriers, at a service fee payable to Kaixin Beijing of US\$2.4 million for the 4 carriers plus RMB12.2 million for the other 4 carriers;

The Company had on 29 April 2014 obtained its shareholders’ approval for the adoption of the IPT Mandate in respect of certain categories of transactions that the Group may, in the ordinary course of business, enter into with any member of the AVIC Group. In this regard, the Service Agreement has been entered into pursuant to the authority conferred under the IPT Mandate in accordance with the guidelines and review procedures for interested person transactions as disclosed in the IPT Mandate.

- (I) AVIC International Offshore (Xiamen) Co., Ltd (“AIOXM”), a wholly-owned subsidiary of the Company, has entered into a management service agreement (the “**Management Agreement**”) with AVIC Zhengjiang Shipyard Marine Pte Ltd (“AVIC Zhengjiang”) on 05 July 2013, pursuant to which the management fee of an aggregate amount of USD0.15 million (the “Management Fee”, before sales taxes and surcharges) is payable to AIOXM by AVIC Zhengjiang.

The management agreement is for the service period from July 2013 to October 2014 with service to be provided such as on-site supervision/inspection and management of shipbuilding contracts for 3 vessels (33m Ramparts 3300AV Class ASD Tugs boat).

The Company had on 29 April 2014 obtained its shareholders’ approval for the adoption of the IPT Mandate in respect of certain categories of transactions that the Group may, in the ordinary course of business, enter into with any member of the AVIC Group. In this regard, the Service Agreement has been entered into pursuant to the authority conferred under the IPT Mandate in accordance with the guidelines and review procedures for interested person transactions as disclosed in the IPT Mandate.

## 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 2014, 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 three months ended 31 March 2014 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  
9 May 2014