AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED
(formerly known as AVIC International Investments Limited)

(Company Registration No. 201024137N)

UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENTFOR THE SECONDQUARTER ENDED 30 JUNE 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 Comprehensive Income for the Second Quarter and Half Year ended 30 June 2014

	Second Quarter			Half Year		
	Group 1 Apr 14 to 30 Jun 14	Group 1 Apr 13 to 30 Jun 13	Change	Group 1 Jan 14 to 30 Jun 14	Group 1 Jan 13 to 30 Jun 13	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	43,830	142,451	(69)	149,275	256,390	(42)
Cost of sales	4,630	(102,428)	N/M	(69,067)	(178,849)	(61)
Gross profit	48,460	40,023	21	80,208	77,541	3
Other operating income	4,234	588	620	6,691	886	655
Marketing and distribution expenses	(7,689)	(7,086)	9	(16,466)	(12,984)	27
Administrative expenses	(29,524)	(24,424)	21	(54,589)	(51,446)	6
Finance cost	(3,453)	(2,958)	17	(6,716)	(5,980)	12
Other operating expenses	45	(10,119)	N/M	(2)	(9,801)	N/M
Share of results of associates	(239)	(1,446)	(83)	41	(927)	N/M
Profit/(Loss) before income tax	11,834	(5,422)	N/M	9,167	(2,711)	N/M
Income tax expense	(5,617)	(3,925)	43	(7,639)	(7,393)	3
Profit/(Loss) for the period	6,217	(9,347)	N/M	1,528	(10,104)	N/M
Profit attributable to:						
Owner of the company	3,731	(10,237)	N/M	(1,828)	(11,456)	(84)
Non-controlling interests	2,486	890	179	3,356	1,352	148
Profit/(Loss) for the period	6,217	(9,347)	N/M	1,528	(10,104)	N/M

	Second Quarter			Half Year		
	Group 1 Apr 14 to 30 Jun 14	Group 1 Apr 13 to 30 Jun 13	Change	Group 1 Jan 14 to 30 Jun 14	Group 1 Jan 13 to 30 Jun 13	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Other comprehensive income (loss)						
Exchange differences arising on translation	(4,633)	12,440	N/M	(5,053)	14,467	N/M
Available for sale financial asset –fair value	-	33	N/M	-	33	N/M
Total comprehensive profit (loss) for the period	1,584	3,126	(49)	(3,525)	4,396	N/M
Total comprehensive profit(loss) attributable to:						
Owner of the company	(399)	2,275	N/M	(7,497)	3,866	N/M
Non-controlling interests	1,983	851	133	3,972	530	649
	1,584	3,126	(49)	(3,525)	4,396	N/M

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Second Quarter and Half Year ended 30 June 2014

	Second Quarter			Half Year		
	Group 1 Apr 14 to 30 Jun 14	Group 1 Apr 13 to 30 Jun 13	Change	Group 1 Jan 14 to 30 Jun 14	Group 1 Jan 13 to 30 Jun 13	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Interest income	820	588	39	936	886	6
Net foreign exchange gain/(loss)	3,202	(10,395)	N/M	5,542	(9,299)	N/M
Interest expenses on borrowings	(2,977)	(2,892)	3	(5,885)	(5,653)	4
Operating lease expenses	(4,163)	(2,869)	45	(8,604)	(7,612)	13
Depreciation of plant and equipment	(847)	(907)	(7)	(1,855)	(1,831)	1
Fixed assets written off	0	(120)	N/M	(35)	(120)	(71)
Amortisation of intangible assets	(354)	(245)	44	(1,362)	(518)	163

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 30June 2014

	Group		Company	
	30 Jun 2014 (RMB'000)	**31 Dec 2013** (RMB'000)	**30 Jun 2014** (RMB'000)	**30 Dec 2013** (RMB'000)
Assets				
Current assets				
Cash and cash equivalents	397,133	403,234	2,266	6,683
Pledged cash placed with a bank	55,789	49,540	-	-
Trade receivables	195,027	109,087	-	-
Other receivables	52,634	12,399	76	165
Amount due from subsidiaries	-	-	3,519	7,507
	700,583	**574,260**	**5,861**	**14,355**
Non-current assets				
Plant and equipment	9,376	7,594	32	52
Investment in subsidiaries	-	-	416,936	407,854
Investment in associates	1,105	1,060	-	-
Available for sale investments	55	55	-	-
Goodwill	122,821	120,891	-	-
Intangible assets	114,116	96,164	-	-
Deferred tax assets	614	557	-	-
	248,087	**226,321**	**416,968**	**407,906**
Total assets	**948,670**	**800,581**	**422,829**	**422,261**
Current liabilities				
Short-term loan	76,726	66,990	66,874	66,990
Trade payables	32,017	30,243	-	-
Advance received	95,389	39,103	-	-
Other payables and accruals	154,456	77,351	16,567	18,221
Finance lease liabilities	959	1,018	-	-
Income tax payable	2,223	6,836	-	-
	361,770	**221,541**	**83,441**	**85,211**
Non-current liabilities				
Long-term loan	314,486	309,552	295,529	291,032
Finance lease liabilities	1,258	838	-	-
Deferred tax liabilities	27,958	26,127	-	-
Other non-current liabilities	4,200	-	-	-
	347,902	**336,517**	**295,529**	**291,032**
Total liabilities	**709,672**	**558,058**	**378,970**	**376,243**

	Group		Company	
	30 Jun 2014 (RMB'000)	**31 Dec 2013** (RMB'000)	**30 Jun 2014** (RMB'000)	**31 Dec 2013** (RMB'000)
Capital and reserves				
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	15,562	21,231	(1,791)	(2,782)
Accumulated profits/(losses)	41,040	42,868	(66,190)	(63,040)
	180,518	**188,015**	**43,859**	**46,018**
Non-controlling interests	**58,480**	**54,508**	**-**	**-**
Total equity	**238,998**	**242,523**	**43,859**	**46,018**
Total Equity and Liabilities	**948,670**	**800,581**	**422,829**	**422,261**

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

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

As at 30 Jun 2014		As at 31 Dec2013	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
959	76,726	1,018	66,990

(B) Amount repayable after one year

As at 30 Jun 2014		As at 31 Dec 2013	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
1,258	314,486	838	309,552

(C) Details of any collaterals

1. 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 (mature on 27 August 2015) . 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.

2. 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 30 June 2014, the Group had an outstanding Euro loan with remaining amount balances of EUR23,400,000 (31 December 2013: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 2012and 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 Ltd, 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 30 June 2014, the Group had an outstanding unsecured SGD loan amounting SGD2,000,000 (31 Dec 2013:Nil). The principal loan amount is to be repaid within12 months from the date of drawdown.

6. As at 30 June 2014, certain plant and equipment with carrying amount of EUR265,785 or RMB 2,216,427 equivalent (31 Dec 2013: EUR216,894 or RMB1,825,076) 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 2014

	Second Quarter		**Half Year**	
	Group	**Group**	**Group**	**Group**
	1 Apr 14 to 30 Jun 14 (RMB'000)	**1 Apr 13 to 30 Jun 13** (RMB'000)	**1 Jan 14 to 30 Jun 14** (RMB'000)	**1 Jan 13 to 30 Jun 13** (RMB'000)
Operating activities				
Profit/(Loss) before income tax	11,834	(5,422)	9,167	(2,711)
Adjustments for:				
Share of results of associates	239	1,446	(41)	927
Interest income	(820)	(588)	(936)	(886)
Interest expenses	2,977	2,892	5,885	5,653
Depreciation of plant and equipment	847	907	1,855	1,831
Amortisation of intangible assets	354	245	1,362	518
Plant and equipment written off	-	120	35	120
Fair value change of derivative financial instruments	-	166	-	166
Net foreign exchange unrealised(gain)/loss	(3,848)	8,242	(6,014)	6,040
Operating cash flows before movements in working capital	11,583	8,008	11,313	11,658
Trade receivables	(96,147)	(34,111)	(96,772)	(34,432)
Other receivables	(9,484)	8,621	(29,405)	(5,426)
Trade payables	(11,125)	(1,087)	7,654	4,615
Advance received	50,739	24,288	50,407	15,626
Other payables and accruals	89,076	716	80,147	8,502
Cash generated from operations	34,642	6,435	23,344	543
Income taxes paid	(3,881)	(2,624)	(10,478)	(2,624)
Interest received	820	588	936	886
Net cash generated from operating activities	31,581	4,399	13,802	(1,195)

	Second Quarter		Half Year	
	Group	Group	Group	Group
	1 Apr 14 to 30 Jun 14 (RMB'000)	**1 Apr 13 to 30 Jun 13** (RMB'000)	**1 Jan 14 to 30 Jun 14** (RMB'000)	**1 Jan 13 to 30 Jun 13** (RMB'000)
Investing activities				
Purchase of plant and equipment (Note A)	(924)	(401)	(2,574)	(999)
Net cash inflow on acquisition of a subsidiary	-	-		44,346
Purchase of intangible assets	(16,342)	(306)	(17,869)	(427)
Net cash (used in) from investing activities	(17,266)	(707)	(20,443)	42,920
Financing activities	-	-	-	-
(Increase)/Decrease in pledged bank deposit	(6,170)	11,721	(6,249)	8,036
New bank loan raised	-	-	9,794	20,893
Interest paid	(1,485)	(1,570)	(2,999)	(3,138)
Repayment of Finance Lease	(371)	-	(719)	-
Net cash (used in) from financing activities	(8,026)	10,151	(173)	25,791
Net increase/decrease in cash and cash equivalent	6,290	13,843	(6,813)	67,516
Effect of exchange rate changes on the balance of cash held in foreign currencies	(120)	(2,125)	712	(2,846)
Cash and cash equivalents at beginning of the financial period	390,963	408,214	403,234	355,262
Cash and cash equivalents at end of the financial period	**397,133**	**419,932**	**397,133**	**419,932**

Note A: Purchase of plant and equipment

During the 2Q2014, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB13,736,000 (2Q2013: RMB 189,000) of which RMB818,000 (2Q2013: RMB297,000) were acquired by means of finance leases, and cash payment made amounted to RMB924,000 (2Q2013: RMB401,000)

During the 1H2014, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB3,657,000 (1H2013:RMB1,296,000) of which RMB 1,086,000 (1H2013: RMB297,000) were acquired by means of finance leases. Cash payment of RMB2,574,000 (1H2013: RMB999,000) were made to purchase property, plant and equipment.

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	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits/ (losses)	Equity attributable to owner of the Company	Non-controlling interest	Total equity
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
The Group								
Balance at 1 Jan 2014	101,237	12,470	10,209	21,231	42,868	**188,015**	54,508	**242,523**
Total comprehensive income /(loss) for the period								
Profit/(loss) for the period	-	-	-	-	(5,559)	**(5,559)**	870	**(4,689)**
Other comprehensive income/(loss)	-	-	-	(1,540)	-	**(1,540)**	1,120	**(420)**
Balance at 31Mar 2014	101,237	12,470	10,209	19,691	37,309	**180,916**	56,498	**237,414**
Total comprehensive income /(loss) for the period								
Profit for the period					3,731	**3,731**	2,486	**6,217**
Other comprehensive income/(loss)				(4,129)		**(4,129)**	(504)	**(4,633)**
Balance at 30Jun 2014	101,237	12,470	10,209	15,562	41,040	**180,518**	58,480	**238,998**

Statement of Changes in Equity

	Share capital (RMB'000)	Capital reserve (RMB'000)	Statutory reserve (RMB'000)	Other 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									
Profit/(loss) for the period	-	-	-	-	2,810	(1,219)	**1,591**	(321)	**1,270**
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-
Transactions with owner's recognised directly in equity									
Deemed contribution by the shareholder on the shareholder's loan(Note 1(b) (ii) (C) 1)	-	1,867	-	-	-	-	**1,867**	-	**1,867**
Non-controlling interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	14,746	14,746
Balance at 31Mar 2013	101,237	12,124	8,094	-	1,479	41,644	**164,578**	14,425	**179,003**
Total comprehensive income /(loss) for the period									
Profit/(loss) for the period	-	-	-	26	12,486	(10,237)	**2,275**	851	**3,126**
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-
Balance at 30 Jun 2013	101,237	12,124	8,094	26	13,965	31,407	**166,853**	15,276	**182,129**

Statement of Changes in Equity

	Share capital (RMB'000)	Capital reserve (RMB'000)	Translation reserve (RMB'000)	Accumulated profits/ (losses) (RMB'000)	Equity attributable to owner of the Company (RMB'000)
The Company					
Balance at 1 Jan 2014	101,237	10,603	(2,782)	(63,040)	**46,018**
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	-	(1,998)	**(1,998)**
Other comprehensive income	-	-	719	-	**719**
Balance at 31Mar 2014	101,237	10,603	(2,063)	(65,038)	**44,739**
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	-	(1,152)	**(1,152)**
Other comprehensive income	-	-	272	-	**272**
Balance at 30Jun 2014	101,237	10,603	(1,791)	(66,190)	**43,859**

Statement of Changes in Equity

	Share capital (RMB'000)	Capital reserve (RMB'000)	Translation reserve (RMB'000)	Accumulated profits/ (losses) (RMB'000)	Equity attributable to owner of the Company (RMB'000)
Balance at 1 Jan 2013	101,237	10,257	(944)	(29,810)	**80,740**
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	6,136	(2,705)	**3,431**
Balance at 31Mar 2013	101,237	10,257	5,192	(32,515)	**84,171**
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	12,961	(11,806)	**1,155**
Balance at 30Jun 2013	101,237	10,257	18,153	(44,321)	**85,326**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes to the issued share capital of the Company since 31 December 2013. As at 30June 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 30 June 2014 (30June2013: 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 30June2014, 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 30June 2014 (30 June 2013: Nil).There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30June 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 31December 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.

	Second Quarter		Half Year	
	1 Apr 2014 to 30 Jun 2014	**1 Apr 2013 to 30 Jun 2013**	**1 Jan 2014 to 30 Jun 2014**	**1 Jan 2013 to 30 Jun 2013**
(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)	1.31	(3.58)	(0.64)	(4.01)
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)	1.31	(3.58)	(0.64)	(4.01)
Weighted average number of ordinary shares	285,576,000	285,576,000	285,576,000	285,576,000

Earnings per ordinary share is calculated by dividing the consolidated profit after tax attributable to owners of the Company over the weighted average number of ordinary shares in issue during the period.

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

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

	Group		Company	
	30 Jun 2014	**31 Dec 2013**	**30 Jun 2014**	**31 Dec 2013**
Net asset value per share based on issued share capital (RMB cents)	63.21	65.84	15.36	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.**

	Second Quarter				Half Year			
The Group	**1 Apr 14 to 30 Jun 14**		**1 Apr13 to 30 Jun 13**		**1 Jan 14 to 30 Jun 14**		**1 Jan 13 to 30 Jun 13**	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Service fee income	8,486	19.4	6,056	4.3	11,874	8.0	11,280	4.4
Management service fee	5,600	12.8	-	-	9,544	6.4	-	-
Shipbuilding revenue	(45,271)	(103.3)	59,050	41.4	(14,681)	(9.8)	94,171	36.7
Ship-design fee income	75,015	171.1	77,345	54.3	138,751	92.9	150,940	58.9
Other income	-	-	-	-	3,787	2.5	-	-
Total revenue	43,830	100.0	142,451	100.0	149,275	100.0	256,391	100.0

<u>Consolidated Statement of Comprehensive Income</u>

<u>Revenue</u>
The Group revenue of RMB43.83 million for 2Q2014 was due mainly to its M&C, management, and ship-design income. Revenue from the M&C business segment increased 40% from RMB6.06 million to RMB8.49 million this quarter, mainly as a result of steady growth of company's shipbuilding project management and consultancy services ("M&C). Revenue from the provision of marketing, administration and management services amounted to RMB5.6 million revenues while no such income was generated in corresponding period of last year. Revenue from the ship-design business segment remained steady, amounting to RMB75.02 million in 2Q2014. Apart from higher revenue contribution of these 3 stable growth business segments, the revenue was partially softened by the one-off offset of shipbuilding revenue in this quarter. As a result of delay in delivery of vessels built under the shipbuilding contract for the Iraq Project, it was mutually agreed to exclude certain contract sum and to reduce the Group's contract price upon delivery of the vessels. Consequently, the relevant amount was recomputed and adjustment made to the shipbuilding revenue and the corresponding cost of sales in the current financial periods ended 30 June 2014.

In both 2Q2014 and 2Q2013 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.

The lower revenue in 1H2014 compared to 1H2013 was mainly attributed to the changes of the shipbuilding revenue from the construction of Iraq project.

<u>Cost of sales</u>
As mentioned in the commentary on revenue, an adjustment was made to the cost of sales as a result of adjustment to the shipbuilding revenue. Cost of sales also included a provision made for liquidated damage amounting to RMB20.75 million arising from delivery delay of vessels built under the shipbuilding contract. The cost of sales from other business segments showed no material variation with the revenue recognised.

The decrease in cost of sales in 1H2014, as compared to 1H2013 was for the same reason.

<u>Other operating income</u>
The increase in other operating income of2Q2014was mainly attributed to foreign exchange gain arising from a long term loan denominated in Euro, as compared to a loss recorded in the

corresponding period last year. Similarly, other operating income increased by RMB5.81 million or 655% from RMB0.89 million in 1H2013 to RMB6.69 million in 1H2014.

Marketing and distribution expenses

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

Marketing and distribution expenses remained materially unchanged in 2Q2014 compared with 2Q2013. Marketing and distribution expenses in 1H2014 increased RMB3.48 million or 27% when compared to 1H2013, due mainly to increased business activities.

Operating lease expenses were RMB0.55 million in 2Q2014, no material change compared to RMB0.51 million in 2Q2013. The expenses increased by approximately RMB0.41million or 41% from RMB1 million in 1H2013 to RMB1.41 million in 1H2014 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 fees incurred for maintaining the Group's listing status, employee benefits and travelling expenses.

Administrative expenses increased RMB5.1 million or 20.9% from RMB24.42 million in 2Q2013 to RMB29.52 million in 2Q2014due largely to increase in employee benefits, depreciation and amortisation expenses, operating lease expenses and general office expenses in tandem with increased business activities. The same reason applied to the increase in administrative expenses for 1H2014 compared to 1H2013.

Operating lease expenses increased approximately RMB0.26 million or 7.8% from RMB3.35 million in 2Q2013 to RMB3.61 million in 2Q2014due mainly to the increase in leasing expenses from Finland subsidiary. Operating lease expenses amounted to RMB7.19 million in 1H2014 compared to RMB6.61 million in corresponding period last year.

There was no material change in the Group's depreciation charge for plant and equipment in2Q2014 and 1H2014 as compared to the respective corresponding periods in 2013. Amortisation of intangible assets increased RMB0.11 million to RMB0.35 million in 2Q2014 as compared to 2Q2013 due mainly to the amortisation of technical knowhow from Deltamarin. The same reason applied to the increase in amortisation expenses for 1H2014 compared to 1H2013.

Finance costs

Higher finance costs in 2Q2014 and 1H2014weredue mainly to interest expenses incurred on additional loan raised in the financial period.

Other operating expenses

Other operating expenses declined by RMB10.16 million mainly due to foreign exchange gain arising from a long term loan denominated in Euro and the bank balances of China subsidiaries denominated in USD, as compared to the corresponding period last year. Similarly, other operating income decrease in 1H2014 against 1H2013.

Share of results of associates

The share of loss from associates in 2Q2014 arose from the share of losses incurred by associates under the Deltamarin Group. In 1H2014, the Group recorded a share of profit of RMB0.04 million compared to a loss of RMB0.93 million in 1H2013.

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 expenses of approximately RMB5.61 million in 2Q2014versus RMB3.92 million in 2Q2013.Profits generated by a China subsidiary and the Deltamarin Group cannot be offset against losses incurred by other subsidiaries of the Group. The increase in income tax expense in 2Q2014 and 1H2014 as compared to the previous corresponding periods in 2013 was in line with the higher profits generated by the China subsidiary and the Deltamarin Group in respective periods.

Profit for the period

After taking income tax expenses and non-controlling interests into account, net profit attributable to shareholders for 2Q2014 was RMB3.73 million, compared to attributable loss of RMB10.24 million in 2Q2013.

For 1H2014, loss attributable to shareholders amounted to RMB1.83 million compared to loss of RMB11.46 million in 1H2013.

Statement of Financial Position

Current assets

As at 30June 2014, the Group's cash and bank balances amounted to RMB397.13 million, representing 64.65% of total current assets, and the amount is not materially different from the balances as at 31 December 2013..

The trade receivables of RMB195.02 million comprised mainly (1) RMB112.14 million due from customers, (2) receivables amounting to RMB76.57 million arising from ship-designing service contracts and (3) receivables of RMB6.31 million arising from steel trading. The significant increase in the Group's trade receivables between 30 June 2014 and 31 December 2013 was due to growth in the Group's business.

The Group's other receivables as at 30 June 2014 comprised mainly prepayments, other tax recoverable, staff advances and deposits. The increase in other receivables was mainly due to the prepayments for vessels under construction at shipyard.

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 RMB1.78 million was mainly attributed to the purchase of office equipment and financial lease arising from Deltamarin Group's office relocation.

The investment in associates represented the total amount of investment in non-controlling entities held by the Deltamarin Group.

Intangible assets comprised software licenses, Brand name and Technical knowhow. The amount as at 30 June 2014 increased RMB17.95 million compared to 31 December 2013mainly due to the addition of a technology patent in Deltamarin Group.

The Group's goodwill amounting to RMB122.82 million was recognised from the acquisition of Deltamarin Group based on the purchase price allocation exercise.

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

Current liabilities

Short-term loan represented that portion of the loans raised which were repayable within 12 months as at 30 June 2014, the details of which are set out in 1(b)(ii)(C)4 & 5.

The Group's trade payables comprised(1) the amount due to suppliers (RMB20.74 million),and (2) amounts due to customer on construction contract(RMB11.28 million).Trade payables as at 30 June 2014 was RMB1.77 million or 5.9%higher compared to 31 December 2013.

The Group's advances received represented amounts received on behalf of shipyards for the purpose of acquiring tools and equipment. The increase of RMB56.89 million in advances received was mainly due to business growth as well as lesser amount having been paid to suppliers during the financial period.

The Group's other payables consisted of 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 payment made for accrued operating and office expenses during the financial period

The provision for income tax payable represented the provision for tax on profits generated by our subsidiaries in China and Finland.

Non-current liabilities
Long-term portion of loan and shareholder's loan represented that portion of the loans raised that were repayable after 12 months as at 30 June 2014, the details of which are set out in 1(b)(ii)(C)1,(C)2 and (C)3.

Deferred tax liabilities represented 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. Other non-current liability represented the outstanding amount of Technology patent which are repayable in two years.

Capital reserve
The amount of capital reserve as at 30June 2014, comprised a deemed contribution from the immediate holding company as a result of initial recognition of shareholder's loan at fair value.

Consolidated cash flow statements

Net cash flow generated from operating activities in 2Q2014was RMB31.58 million compared to RMB4.40 million in the corresponding quarter last year. This was due mainly to the higher profit before tax, with contribution from increased advances received and other payables and accruals, partially offset by higher trade receivables. For 1H2014cash generated from operating activities amounted to RMB13.80 million compared to cash outflow ofRMB1.19 million in 1H2013.

Net cash used in investing activities was RMB17.26 million in this quarter which was mainly due to the addition of intangible assets. In 2Q2014, RMB8.02 million of net cash was used in financing activities, mainly as a result of increase in the amount of pledged bank deposit. In 1H2014, the increase in the amount of pledged bank deposit partially offset by the cash raised from new loan.

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

No forecast was given in our results announcements since the date of Company's admission into Main board of SGX-ST ("Result Announcements").

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 Group believes that the commercial shipbuilding industry is improving from a long-term perspective, given that vessel prices have rebounded since the beginning of 2014. Although only a few new orders have been placed at the higher prices in the industry, the Group observed a healthy build-up in the industry's shipbuilding backlogs as the excess capacity in the industry seems to be easing.

In addition, the Group is witnessing a recovery in China's shipbuilding industry as the government comes up with supportive policies to stimulate the industry. The Chinese government provides supports to domestic shipbuilders and financing to overseas ship buyers, whose orders are to be built in Chinese shipyards. Earlier in June this year, Chinese Premier Li Keqiang visited Greece and established a ship financing fund provided by Chinese banks to Greek ship owners.

During the visit, the Group's wholly-owned subsidiary, AVIC International Ship Development (China) Ltd, partnered with a third party shipbuilder, TaizouKouan Shipbuilding ("TaizouKouan"), to clinch a shipbuilding deal from Veritas Ship Management for eight ultramax bulkers with a total contract value worth more than US$200 million. The Group will provide Management and Consultancy ("M&C") services to facilitate ship design, construction, procurement, newbuilding management and marine finance arrangement, while TaizouKouan will take charge of the shipbuilding project.

Subsequently, in July this year, the Group won an order from Chemical Transportation Group, Inc. to build 5 units of 25,000 DWT stainless steel chemical tankers with another 5 options outstanding. The total contract value of the 5 vessels is approximately US$200 million. The shipbuilding will be undertaken by AVIC Dingheng shipbuilding Co., Ltd., a shipyard related to the Group. The Group's wholly owned subsidiary, AVIC International Ship Development (China) Co., Ltd., will provide Management and Consultancy ("M&C") services for this project.

Besides leveraging on the government's support for growth, the Group is also planning to foray into the market for eco-friendly vessels. With the rising global awareness in creating a "greener" environment, we see a rise in the demand for environmental friendly vessels and its related services. Deltamarin, our ship design arm is well experienced in innovating sustainable ship designs. With our strengthened ship design capability, we are well positioned to effectively capture the market demand when the opportunity rises.

11 Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)
None.

(b) Corresponding Period of the Immediately Preceding Financial Year
None.

(c) The date the Dividend is payable
Not applicable.

(d) Books closure date
Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No interim dividend has been declared or recommended for the financial year ended 31 December 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)	
1 Apr 2014 to 30 Jun 2014		
Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	930	-
Interest expenses to AVIC International Kairong Limited (Note D)	-	307
Management fee income from AVIC DingHeng (Note E)	-	3,430
Management fee income from AVIC Zhengjiang Shipyard Marine Pte Ltd (Note I)	-	259
Service fee income from AVIC DingHeng (Note J)	-	1,847
Service fee income from AVIC DingHeng (Note K)	-	1,089
Service fee income from Weihai Shipyard (Note L)	-	1,731
1 Jan 2014 to 30 Jun 2014		
Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	930	
Interest expenses to AVIC International Kairong Limited (Note D)	-	608
Management fee income from AVIC DingHeng (Note E)	-	5,580
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)	-	361
Service fee income from AVIC DingHeng (Note J)	-	1,847
Service fee income from AVIC DingHeng (Note K)	-	1,089
Service fee income from Weihai Shipyard (Note L)	-	1,731
<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 Jan 2013 to 30 Jun 2013</u>		
Service fee income from AVIC International Beijing Co., Ltd (“AVIC Beijing”)	3,523	-
Service fee income from AVIC Beijing (Note C)	4,481	-

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 USD0.50 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.

(J) AVIC International Ship Development (China) Ltd. ("AISD Shanghai"), an indirect wholly-owned subsidiary of the Company, has entered into an agency service agreement with AVIC Dingheng Shipbuilding Co., Ltd. ("AVIC DingHeng") for the construction of five 25,000T Chemical Tankers (AD0039/AD0040/AD0041/AD0042/AD0043), pursuant to which the service fee of an aggregate amount of USD3.01 million (the "service fee", before sales taxes and surcharges) is payable to AISD Shanghai by AVIC DingHeng.

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.

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.

(K) AVIC International Ship Development (China) Ltd. ("AISD Shanghai"), an indirect wholly-owned of the Company, has entered into a Joint seller agreement with AVIC Dingheng Shipbuilding Co., Ltd. ("AVIC DingHeng")and AVIC International Shanghai Co., Ltd. ("AVIC International Shanghai") for the construction and sell of 2 + 2 15000 DWT Chemical & Oil Tanker , pursuant to which the service fee of an aggregate amount of USD1.03 million (the "service fee", before sales taxes and surcharges) is payable to AISD Shanghai by AVIC DingHeng.

Pursuant to the agreement AISD Shanghai is engaged to provide services in support of vessel construction, obtaining the issuance of refund guarantee, collecting the construction financing services and other import & export related business.

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.

(L) AVIC International Ship Development (China) Co., Ltd. ("AISD Shanghai")being an indirect wholly-owned subsidiary of the Company, together with (i) AVIC International Shanghai Co., Ltd. ("AVIC International Shanghai", a related party) and (ii) AVIC Weihai Shipyard Co., Ltd. ("Weihai Shipyard", a related party), entered into a shipbuilding contract for the construction of two 38,000 DWT Bulk Carriers with a Turkish company, Diler Holding (an independent third party), pursuant to which AISD Shanghai, AVIC Shanghai and Weihai Shipyard will be the co-sellers and Diler Holding will be the buyer. The service fee of an aggregate amount of USD 1.22 million (the "service fee", before sales taxes and surcharges) is payable to AISD Shanghai by Weihai 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.

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 30June 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 six months ended 30June 2014to be false or misleading in any material aspect.

On Behalf of the Board of Directors
Dr Diao Weicheng
Executive Chairman
11 August 2014