



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

(Company Registration No. 201024137N)

**UNAUDITED FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 Third Quarter and Nine Months ended 30 September 2014

	Third Quarter			Nine Months		
	Group 1 Jul 14 to 30 Sep 14	Group 1 Jul 13 to 30 Sep 13	Change	Group 1 Jan 14 to 30 Sep 14	Group 1 Jan 13 to 30 Sep 13	Change
	(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%
Revenue	145,725	103,228	41	294,999	359,619	(18)
Cost of sales	(117,974)	(60,230)	96	(187,041)	(239,080)	(22)
Gross profit	27,751	42,998	(35)	107,958	120,539	(10)
Other operating income	13,140	533	N/M	19,831	1,419	N/M
Marketing and distribution expenses	(5,950)	(7,951)	(25)	(22,415)	(20,935)	7
Administrative expenses	(27,511)	(24,844)	11	(82,100)	(76,289)	8
Finance cost	(3,545)	(3,008)	18	(10,261)	(8,989)	14
Other operating expenses	-	(6,945)	N/M	(2)	(16,746)	N/M
Share of results of associates	(466)	(337)	38	(425)	(1,264)	(66)
Profit/(Loss) before income tax	3,419	446	667	12,586	(2,265)	N/M
Income tax expense	(1,641)	(3,044)	(46)	(9,280)	(10,437)	(11)
Profit/(Loss) for the period	1,778	(2,598)	N/M	3,306	(12,702)	N/M
<u>Profit attributable to:</u>						
Owner of the company	2,967	(4,294)	N/M	1,140	(15,750)	N/M
Non-controlling interests	(1,189)	1,696	N/M	2,166	3,048	(29)
Profit/(Loss) for the period	1,778	(2,598)	N/M	3,306	(12,702)	N/M

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 14 to 30 Sep 14	1 Jul 13 to 30 Sep 13		1 Jan 14 to 30 Sep 14	1 Jan 13 to 30 Sep 13	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
<u>Other comprehensive income/(loss)</u>						
Exchange differences arising on translation	(14,236)	1,616	N/M	(19,910)	16,082	N/M
Available for sale financial asset –fair value	-	11	N/M	-	44	N/M
Total comprehensive profit/(loss) for the period	(12,458)	(971)	N/M	(16,604)	3,424	N/M
<u>Total comprehensive profit/(loss) attributable to:</u>						
Owner of the company	(6,882)	(3,222)	114	(14,880)	644	N/M
Non-controlling interests	(5,576)	2,251	N/M	(1,724)	2,780	N/M
	(12,458)	(971)	N/M	(16,604)	3,424	N/M

**1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income for the Third Quarter and Nine Months ended 30 September 2014**

	Third Quarter			Nine Months		
	Group	Group	Change	Group	Group	Change
	1 Jul 14 to 30 Sep 14	1 Jul 13 to 30 Sep 13		1 Jan 14 to 30 Sep 14	1 Jan 13 to 30 Sep 13	
(RMB'000)	(RMB'000)	%	(RMB'000)	(RMB'000)	%	
Interest income	242	533	(55)	1,178	1,419	(17)
Net foreign exchange gain/(loss)	12,821	(7,357)	N/M	18,363	(16,656)	N/M
Interest expenses on borrowings	(2,781)	(2,896)	(4)	(8,666)	(8,549)	1
Operating lease expenses	(4,309)	(3,863)	12	(12,913)	(11,295)	14
Depreciation of plant and equipment	(834)	(909)	(8)	(2,690)	(2,740)	(2)
Fixed assets written off	(24)	(19)	26	(59)	(139)	(58)
Amortisation of intangible assets	(2,547)	(253)	907	(3,908)	(770)	408

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 30 September 2014**

	Group		Company	
	30 Sep 2014 (RMB'000)	31 Dec 2013 (RMB'000)	30 Sep 2014 (RMB'000)	31 Dec 2013 (RMB'000)
<b>Assets</b>				
<u>Current assets</u>				
Cash and cash equivalents	284,354	403,234	2,223	6,683
Pledged cash placed with a bank	82,601	49,540	-	-
Trade receivables	186,297	109,087	-	-
Other receivables	66,110	12,399	117	165
Amount due from subsidiaries	-	-	2,124	7,507
Income tax recoverable	986	-	-	-
	<b>620,348</b>	<b>574,260</b>	<b>4,464</b>	<b>14,355</b>
<u>Non-current assets</u>				
Plant and equipment	8,443	7,594	21	52
Investment in subsidiaries	-	-	408,734	407,854
Investment in associates	591	1,060	-	-
Available for sale investments	51	55	-	-
Goodwill	114,129	120,891	-	-
Intangible assets	104,550	96,164	-	-
Deferred tax assets	628	557	-	-
	<b>228,392</b>	<b>226,321</b>	<b>408,755</b>	<b>407,906</b>
<b>Total assets</b>	<b>848,740</b>	<b>800,581</b>	<b>413,219</b>	<b>422,261</b>
<u>Current liabilities</u>				
Short-term loan	72,119	66,990	62,461	66,990
Trade payables	39,446	30,243	-	-
Advance received	109,694	39,103	-	-
Other payables and accruals	65,643	77,351	17,648	18,221
Finance lease liabilities	992	1,018	-	-
Income tax payable	-	6,836	-	-
	<b>287,894</b>	<b>221,541</b>	<b>80,109</b>	<b>85,211</b>
<u>Non-current liabilities</u>				
Long-term loan	301,814	309,552	282,709	291,032
Finance lease liabilities	1,081	838	-	-
Deferred tax liabilities	27,298	26,127	-	-
Other non-current liabilities	3,904	-	-	-
	<b>334,097</b>	<b>336,517</b>	<b>282,709</b>	<b>291,032</b>
<b>Total liabilities</b>	<b>621,991</b>	<b>558,058</b>	<b>362,818</b>	<b>376,243</b>

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2014</b> (RMB'000)	<b>31 Dec 2013</b> (RMB'000)	<b>30 Sep 2014</b> (RMB'000)	<b>31 Dec 2013</b> (RMB'000)
<b>Capital and reserves</b>				
Share capital	101,237	101,237	101,237	101,237
Capital reserve	12,658	12,470	10,603	10,603
Statutory reserve	10,209	10,209	-	-
Translation reserve	5,732	21,231	(2,736)	(2,782)
Accumulated profits/(losses)	44,007	42,868	(58,703)	(63,040)
	<b>173,843</b>	<b>188,015</b>	<b>50,401</b>	<b>46,018</b>
<b>Non-controlling interests</b>	<b>52,906</b>	<b>54,508</b>	-	-
<b>Total equity</b>	<b>226,749</b>	<b>242,523</b>	<b>50,401</b>	<b>46,018</b>
<b>Total Equity and Liabilities</b>	<b>848,740</b>	<b>800,581</b>	<b>413,219</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

<b>As at 30 Sep 2014</b>	
Secured (RMB'000)	Unsecured (RMB'000)
992	72,119

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

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

<b>As at 30 Sep 2014</b>	
Secured (RMB'000)	Unsecured (RMB'000)
1,081	301,814

<b>As at 31 Dec 2013</b>	
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 (maturing 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.
- 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 USD3,250,000 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 September 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,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 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 30 September 2014, the Group had an outstanding unsecured SGD loan of SGD2,000,000 (31 December 2013:Nil). The principal loan amount is to be repaid within 12 months from the date of drawdown.
6. As at 30 September 2014, certain plant and equipment with carrying amount of EUR265,515 or RMB 2,073,088 equivalent (31 December 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 Third Quarter ended 30 September 2014

	Third Quarter		Nine Months	
	Group	Group	Group	Group
	1 Jul 14 to 30 Sep 14 (RMB'000)	1 Jul 13 to 30 Sep 13 (RMB'000)	1 Jan 14 to 30 Sep 14 (RMB'000)	1 Jan 13 to 30 Sep 13 (RMB'000)
<b>Operating activities</b>				
Profit/(Loss) before income tax	3,419	446	12,586	(2,265)
Adjustments for:				
Share of results of associates	466	337	425	1,264
Interest income	(242)	(533)	(1,178)	(1,419)
Interest expenses	2,781	2,896	8,666	8,549
Depreciation of plant and equipment	834	909	2,690	2,740
Amortisation of intangible assets	2,547	253	3,908	770
Plant and equipment written off	24	19	59	139
Fair value change of derivative financial instruments	-	(64)	-	102
Net foreign exchange unrealised(gain)/loss	(12,821)	6,959	(18,363)	13,000
Operating cash flows before movements in working capital	(2,992)	11,222	8,793	22,880
Trade receivables	8,730	(4,624)	(80,584)	(39,056)
Other receivables	(13,475)	7,524	(53,712)	2,098
Trade payables	7,749	(46,629)	14,932	(42,014)
Advance received	15,602	8,565	66,009	24,191
Other payables and accruals	(88,054)	(2,709)	(7,906)	5,793
Cash generated from operations	(75,813)	(26,651)	(52,468)	(26,108)
Income taxes paid	(8,821)	(1,256)	(19,299)	(3,880)
Interest received	242	533	1,178	1,419
Net cash generated from operating activities	(84,392)	(27,374)	(70,589)	(28,569)

	Third Quarter		Nine Months	
	Group	Group	Group	Group
	1 Jul 14 to 30 Sep 14 (RMB'000)	1 Jul 13 to 30 Sep 13 (RMB'000)	1 Jan 14 to 30 Sep 14 (RMB'000)	1 Jan 13 to 30 Sep 13 (RMB'000)
<b>Investing activities</b>				
Purchase of plant and equipment (Note A)	(69)	(724)	(2,643)	(1,723)
Net cash inflow on acquisition of a subsidiary	-	-	-	44,346
Purchase of intangible assets	(768)	(713)	(18,637)	(1,140)
Net cash (used in) from investing activities	(837)	(1,437)	(21,280)	41,483
<b>Financing activities</b>	-	-	-	-
( Increase)/Decrease in pledged bank deposit	(26,811)	-	(33,060)	8,036
New bank loan raised	-	-	9,794	20,893
Interest paid	(1,047)	(1,706)	(4,046)	(4,844)
Repayment of finance lease	-	-	(719)	-
Net cash (used in) from financing activities	(27,858)	(1,706)	(28,031)	24,085
Net increase/decrease in cash and cash equivalent	(113,087)	(30,517)	(119,900)	36,999
Effect of exchange rate changes on the balance of cash held in foreign currencies	308	1,143	1,020	(1,703)
Cash and cash equivalents at beginning of the financial period	397,133	419,932	403,234	355,262
<b>Cash and cash equivalents at end of the financial period</b>	<b>284,354</b>	<b>390,558</b>	<b>284,354</b>	<b>390,558</b>

Note A: Purchase of plant and equipment

During 3Q2014, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB413,000(3Q2013: RMB 759,000) of which RMB344,000(3Q2013:RMB35,000) were acquired by means of finance leases, and cash payment made amounted to RMB69,000(3Q2013: RMB724,000)

During 9M2014, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB4,070,000(9M2013:RMB2,055,000) of which RMB 1,427,000 (9M2013: RMB331,000) were acquired by means of finance leases. Cash payment of RMB2,976,000(9M2013:RMB1,723,000) 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 (RMB'000)	Capital reserve (RMB'000)	Statutory reserve (RMB'000)	Translation reserve (RMB'000)	Accumulated profits/ (losses) (RMB'000)	Equity attributable to owners of the Company (RMB'000)	Non- controlling interests (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								
Profit/(loss) for the period	-	-	-	-	(1,828)	<b>(1,828)</b>	3,356	<b>1,528</b>
Other comprehensive income/( loss)	-	-	-	(5,669)	-	<b>(5,669)</b>	616	<b>(5,053)</b>
<b>Balance at 30 Jun 2014</b>	101,237	12,470	10,209	15,562	41,040	<b>180,518</b>	58,480	<b>238,998</b>
Total comprehensive income /(loss) for the period								
Profit/(loss) for the period	-	-	-	-	2,967	<b>2,967</b>	(1,189)	<b>1,778</b>
Other comprehensive income/( loss)	-	188	-	(9,830)	-	<b>(9,642)</b>	(4,385)	<b>(14,077)</b>
<b>Balance at 30 Sep 2014</b>	<u>101,237</u>	<u>12,658</u>	<u>10,209</u>	<u>5,732</u>	<u>44,007</u>	<b><u>173,843</u></b>	<u>52,906</u>	<b><u>226,749</u></b>

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 owners of the Company (RMB'000)	Non-controlling interests (RMB'000)	Total equity (RMB'000)
<b>The Group</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									
Profit/(loss) for the period	-	-	-	26	15,296	(11,456)	<b>3,866</b>	530	<b>4,396</b>
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	-	-	-	-	<b>1,867</b>	-	<b>1,867</b>
Non-controlling interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	14,746	14,746
<b>Balance at 30 Jun 2013</b>	101,237	12,124	8,094	26	13,965	31,407	<b>166,853</b>	15,276	<b>182,129</b>
Total comprehensive income/(loss) for the period									
Profit/(loss) for the period	-	-	-	-	-	(4,294)	<b>(4,294)</b>	1,696	<b>(2,598)</b>
Other comprehensive income/( loss)	-	-	-	9	1,063	-	1,072	555	1,627
<b>Balance at 30 Sep 2013</b>	<b>101,237</b>	<b>12,124</b>	<b>8,094</b>	<b>35</b>	<b>15,028</b>	<b>27,113</b>	<b>163,631</b>	<b>17,527</b>	<b>181,158</b>



Statement of Changes in Equity

	<b>Share capital</b>	<b>Capital reserve</b>	<b>Translation reserve</b>	<b>Accumulated profits/ (losses)</b>	<b>Equity attributable to owner of the Company</b>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>The Company</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					
Profit/(loss) for the period	-	-	-	(3,150)	<b>(3,150)</b>
Other comprehensive income	-	-	991	-	<b>991</b>
<b>Balance at 30 Jun 2014</b>	101,237	10,603	(1,791)	(66,190)	<b>43,859</b>
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	-	7,487	7,487
Other comprehensive income	-	-	(945)	-	(945)
<b>Balance at 30 Sep 2014</b>	<u>101,237</u>	<u>10,603</u>	<u>(2,736)</u>	<u>(58,703)</u>	<u><b>50,401</b></u>

Statement of Changes in Equity

	<b>Share capital</b>	<b>Capital reserve</b>	<b>Translation reserve</b>	<b>Accumulated profits/ (losses)</b>	<b>Equity attributable to owner of the Company</b>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>The Company</b>					
<b>Balance at 1 Jan 2013</b>	101,237	10,257	(944)	(29,810)	<b>80,740</b>
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	19,097	(14,511)	<b>4,586</b>
<b>Balance at 30 Jun 2013</b>	101,237	10,257	18,153	(44,321)	<b>85,326</b>
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	(1,040)	(11,139)	<b>(12,179)</b>
<b>Balance at 30 Sep 2013</b>	<u>101,237</u>	<u>10,257</u>	<u>17,113</u>	<u>(55,460)</u>	<u><b>73,147</b></u>

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

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

There were no changes to the issued share capital of the Company since 31 December 2013. As at 30 September 2014, the issued share capital of the Company was RMB101,237,000 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 September 2014 (30 September 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 30 September 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 30 September 2014 (30 September 2013: Nil). There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 September 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 FRS is assessed to have no material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

See answer to item 4.

**6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>1 Jul 2014 to 30 Sep 2014</b>	<b>1 Jul2013 to 30 Sep 2013</b>	<b>1 Jan 2014 to 30 Sep 2014</b>	<b>1 Jan 2013 to 30 Sep 2013</b>
(Losses)/Earnings per ordinary share attributable to owners of the Company				
(a) Based on the weighted average number of ordinary shares in issue (RMB cents)	1.04	(1.50)	0.40	(5.52)
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)	1.04	(1.50)	0.40	(5.52)
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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2014</b>	<b>31 Dec 2013</b>
Net asset value per share based on issued share capital (RMB cents)	60.87	65.84	17.65	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>	<u>Third Quarter</u>				<u>Nine Months</u>			
	<u>1 Jul 14 to 30 Sep 14</u>		<u>1 Jul 13 to 30 Sep 13</u>		<u>1 Jan 14 to 30 Sep 14</u>		<u>1 Jan 13 to 30 Sep 13</u>	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue by type of services:								
Service fee income	3,382	2.3	4,487	4.3	15,254	5.2	15,766	4.4
Management service fee	5,450	3.7	2,885	2.9	14,994	5.1	2,885	0.8
Shipbuilding revenue	41,594	28.5	33,068	32.0	26,913	9.1	127,239	35.4
Ship-design fee income	48,958	33.7	62,788	60.8	187,709	63.6	213,729	59.4
Other income	46,341	31.8	-	-	50,129	17.0	-	-
Total revenue	145,725	100.0	103,228	100.0	294,999	100.0	359,619	100.0

### Consolidated Statement of Comprehensive Income

#### Revenue

The Group revenue of RMB145.73 million for 3Q2014 came mainly from its shipbuilding, ship-design and other income-steel trading businesses. Revenue from the provision of marketing, administration and management services segment increased 89% or RMB2.56 million from RMB2.89 million to RMB5.45 million this quarter, mainly as a result of growth of company's management services business, compared to corresponding period last year. Revenue from shipbuilding segment increased 26% or RMB2.53 million from RMB33.07 million to RMB41.59 million mainly due to marine EPC projects secured during the quarter. Revenue from the ship-related steel trading business amounted to RMB46.34 million in 3Q2014 while no such income was generated in the corresponding period of last year. Ship-design fee income and revenues from shipbuilding project management and consultancy services ("M&C") and ship-design business segments were lower in this quarter compare to the previous corresponding quarter. Revenue from the M&C business segment decreased 25% from RMB4.49 million to RMB3.38 million this quarter, mainly as a result of variation in milestones achieved in respect of projects. Revenue from the ship-design business segment decreased 20% or RMB13.83 million from RMB62.79 million to RMB48.96 million, the main reason being variation in project progress achieved.

In both 3Q2014 and 3Q2013, the M&C service income, management service fee and shipbuilding revenues were derived from Asia. 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 9M2014 compared to 9M2013 was mainly attributed to recomputation and adjustment of the shipbuilding revenue from the Iraq project in 2Q2014 and recognition of lower revenue from the ship-design business in this quarter.

#### Cost of sales

Cost of sales increased 96% or RMB57.74 million from RMB60.23 million to RMB117.97 million, mainly due to the inclusion of the low margin steel trading business. Gross profit declined 35% mainly due to (1) less higher margin ship-design business reported for the quarter, and (2) while the steel trading business contributed to revenue in the quarter, it earned a relatively low margin.

The decrease in cost of sales in 9M2014, as compared to 9M2013, was due mainly due to the recomputation and adjustment of the shipbuilding revenue in 2Q2013, despite the inclusion of the cost of sales from steel trading.

#### Other operating income

The increase in other operating income in 3Q2014 was 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 RMB18.41 million from RMB1.42 million in 9M2013 to RMB19.83 million in 9M2014.

#### 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 decreased 25% or RMB2 million, from RMB7.95 million in 3Q2013 to RMB5.95 million in 3Q2014, mainly due to lesser business activities in this quarter. Marketing and distribution expenses remained materially unchanged in 9M2014 compared with 9M2013.

Operating lease expenses were RMB0.96 million in 3Q2014, an increase of RMB0.44 million or 85%, compared to RMB0.52 million in 3Q2013, due mainly to increase in leasing expenses. The expenses increased by approximately RMB0.84 million or 56% from RMB1.53 million in 9M2013 to RMB2.37 million in 9M2014.

#### Administrative expenses

Administrative expenses comprised office rental and office expenses, depreciation expenses, amortisation expenses, professional fees incurred to maintain the Group's listing status, employee benefits and travelling expenses.

Administrative expenses increased RMB2.67 million or 11% from RMB24.84 million in 3Q2013 to RMB27.51 million in 3Q2014 due largely to increase in employee benefits, depreciation and amortisation expenses, operating lease expenses and general office expenses. The same reason applied to the increase in administrative expenses for 9M2014 compared to 9M2013.

Operating lease expenses increased approximately RMB0.19 million or 6% from RMB3.16 million in 3Q2013 to RMB3.35 million in 3Q2014 due mainly to the increase in leasing expenses from the Finland subsidiary. Operating lease expenses amounted to RMB10.54 million in 9M2014 compared to RMB9.77 million in corresponding period last year.

There was no material change in the Group's depreciation charge for plant and equipment in 3Q2014 and 9M2014 as compared to the respective corresponding periods in 2013. Amortisation of intangible assets increased RMB2.29 million to RMB2.55 million in 3Q2014 as compared to 3Q2013 due mainly to the amortisation of technical knowhow from Deltamarin. The same reason applied to the increase in amortisation expenses for 9M2014 compared to 9M2013.

#### Finance costs

Higher finance costs in 3Q2014 and 9M2014 were due mainly to interest expenses incurred on additional loan raised in the financial period.

#### Other operating expenses

In 3Q2014, the Group reported foreign exchange gain arising from a long term loan denominated in Euro and from bank balances of China subsidiaries denominated in USD (which gain was reflected under Other operating income in this Announcement), while in the previous corresponding period, a foreign exchange loss was reported, which mainly contributed to the Other operating expenses of RMB6.94 million for 3Q2013. The same reason explained the change in the decrease in Other operating expenses in 9M2014 against 9M2013.

#### Share of results of associates

The share of loss from associates in 3Q2014 arose from the share of losses incurred by associates under the Deltamarin Group. In 9M2014, the Group recorded a share of loss from associates of RMB0.42 million compared to a loss of RMB1.26 million in 9M2013.

#### 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 RMB1.64 million in 3Q2014 versus RMB3.04 million in 3Q2013. The income expenses decreased RMB1.16 million from RMB10.44 million in 9M2013 to RMB9.28 million in 9M2014 mainly due to the income tax rate falling by 4.5% in Finland.

### Profit for the period

After taking income tax expenses and non-controlling interests into account, net profit attributable to shareholders for 3Q2014 was RMB2.97 million, compared to an attributable loss of RMB4.29 million in 3Q2013.

For 9M2014, profit attributable to shareholders amounted to RMB1.14 million compared to loss of RMB15.75 million in 9M2013.

### **Statement of Financial Position**

#### Current assets

As at 30 September 2014, the Group's cash and bank balances amounted to RMB284.35 million, a decrease of RMB118.88 million from the RMB403.23 million as at 31 December 2013.

The trade receivables of RMB168.30 million comprised mainly (1) RMB100.35 million due from clients, (2) advance payment on construction contract amounting to RMB40.51 million, and (3) receivables from construction contract working in progress of RMB45.44 million arising from shipbuilding and ship-design business. The significant increase in the Group's trade receivables between 30 September 2014 and 31 December 2013 was due to growth in the Group's business.

The Group's other receivables as at 30 September 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 shipyards.

The income tax recoverable was arising from income tax adjustment between FRS and Finnish GAAP.

#### 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 RMB0.85 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 September 2014 increased RMB8.39 million compared to 31 December 2013 mainly due to the addition of a technology patent in Deltamarin Group.

The Group's goodwill amounting to RMB114.13 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 September 2014, the details of which are set out in 1(b)(ii)(C)4 & 5.

The Group's trade payables comprised mainly by(1) the amount due to suppliers (RMB24.79 million),and (2) amounts due to customer on construction contract (RMB12.56 million).Trade payables as at 30 September 2014 were RMB9.2 million 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 RMB70.59 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 decrease in other payable balance was mainly due to the decrease in advances from the immediate holding company and payment made for accrued operating and office expenses during the financial period

### 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 September 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 30 June 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 outflow generated from operating activities in 3Q2014 was RMB84.39 million compared to net cash outflow RMB27.37 million in the corresponding quarter last year. The higher cash outflow from operating activities was due mainly to the reduction in payables and the increase in receivables. For 9M2014 cash outflow generated from operating activities amounted to RMB70.26 million compared to cash outflow of RMB28.57 million in 9M2013.

Net cash used in investing activities was RMB1.17 million in this quarter which was mainly due to the decrease in purchase of PPE. In 3Q2014, RMB27.86 million of net cash was used in financing activities, mainly as a result of increase in the amount of pledged bank deposit. In 9M2014, the increase in the amount of pledged bank deposit amounted to RMB33.06 million.

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

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

**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.**

As the global shipping industry embarks on its gradual recovery, we are seeing improving demand in the market for cape-size, handy-size and for ultra-size vessels. The cape-size market is mainly fuelled by positive expectation of US grain season, while the demand for commodities from Brazil, China, and India remains robust. Also, there is a clear global trend that more vessel owners are moving towards bigger and more fuel-efficient vessels. In line with the slow and gradual recovery of the shipbuilding industry, some Chinese shipyards have started to get new build orders for bigger vessels.

We believe that some policy initiatives undertaken by the Chinese Government will have positive influence on our Group's business. Among the policy initiatives are the shipbuilding industry structure reform plan released last year by China's State Council as well as China's Ministry of Industry and Information's publication in September 2014 of the first "white list" of 51 shipyards, under which qualified Chinese shipbuilders will benefit from favorable policy supports that include bank credit, subsidies, and export tax rebate. The list includes 22 Chinese state-owned shipyards. A shipyard under the AVIC Group and one which the Group works with has been included in the "white list".

The Group's wholly-owned subsidiary, AVIC International Ship Development (China) Ltd, has secured orders for 9 vessels, comprising 2 units of 4900DWT Asphalt Tankers, 5 units of 25000DWT Chemical Tankers, and 2 units of 15000DWT Chemical Tankers during the quarter. The Group will provide Management and Consultancy ("M&C") services to facilitate construction, procurement, and marine finance arrangement for these vessels. The vessels are expected to be delivered by 2018.

In addition, the Group's design arm, Deltamarin, has secured more than 30 ship design contracts during the quarter. Recently, Deltamarin has expanded its services to encompass marine EPC projects to capitalize on the opportunities available. As a result, Deltamarin Floating Construction Ltd has been formed with the objective of focusing on delivering engineering, procurement, construction and installation solutions for the marine and offshore industry on turnkey basis. We believe that with Deltamarin's strong design and engineering capabilities, particularly for complex vessels and

offshore structures, combined with the Group's project management and project financing experience, we are well positioned to offer unique selling proposition to our existing and new clients.

The Group has also recently through its indirectly wholly-owned subsidiary, AVIC international Offshore Pte. Ltd. ('AIO'), formed a joint venture company in Singapore under the name of "AVIC Tidestar Fast Offshore Pte Ltd" with Tides Fast Offshore Pte. Ltd., ("Tides Fast"), an unrelated third party. The joint venture company was incorporated with a view to expanding the Group's ship-trading and ship-building related business operations in the region. AIO owns 65% of the issued shares of the said joint venture.

The Group will also continue to improve its R&D capabilities to further enhance its reputation as an innovative leader in China's shipbuilding industry. Delta-AVIC was incorporated in February 2014 to effectively combine Deltamarin's design capability and the company's project management and financing experience. Recently, Delta-AVIC, has secured the Group's first scrubber EPC order. This marked our entry into the international market as a provider of exhaust gas cleaning system for ships. The system has already received certification from Germanischer Lloyd. Moving forward, the Group will continue to work closely with Deltamarin to undertake more challenging projects that requires advance ship-design capability.

## 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

	<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>
	(RMB'000)	(RMB'000)
	Note (B)	
<u>1 Jul 2014 to 30 Sep 2014</u>		
Interest expenses to AVIC International Kairong Limited (Note D)	-	312
Management fee income from AVIC DingHeng (Note E)	-	750
Service fee income from Taizhou CATIC Shipbuilding Heavy Industry Limited (Note H)		2,450
Service fee income from AVIC DingHeng (Note J)	-	812
Service fee income from AVIC DingHeng (Note K)	-	548
Service fee income from Weihai shipyard (Note M)	-	653



Sub-contract cost to Weihai shipyard (Note N)	-	1,693
Steel selling income from AVIC DingHeng (Note O)	-	44,418
Management fee income from Weihai Shipyard (Note P)		4,118

1 Jan 2014 to 30 Sep 2014

Service fee income from AVIC International Beijing Co., Ltd ("AVIC Beijing")	930	
Interest expenses to AVIC International Kairong Limited (Note D)	-	920
Management fee income from AVIC DingHeng (Note E)	-	6,330
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)	-	3,101
Management fee income from AVIC Zhengjiang Shipyard Marine Pte Ltd (Note I)	-	361
Service fee income from AVIC DingHeng (Note J)	-	2,659
Service fee income from AVIC DingHeng (Note K)	-	1,637
Service fee income from Weihai Shipyard (Note L)	-	1,731
Service fee income from Weihai shipyard (Note M)	-	653
Sub-contract cost to Weihai shipyard (Note N)	-	1,693
Steel selling income from AVIC DingHeng (Note O)	-	44,418
Management fee income from Weihai Shipyard (Note P)	-	4,118

1 Jul 2013 to 30 Sep 2013

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

1 Jan 2013 to 30 Sep 2013

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 USD0.41 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 USD2.4 million for the four(4) carriers plus RMB12.2 million for the other four(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 Zhenjiang Shipyard Marine Pte Ltd ("AVIC Zhenjiang") 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 Zhenjiang.

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 three(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(5) plus five(5) optional 25,000DWT Chemical Tankers, pursuant to which the service fee of five vessels at an aggregate amount of USD3.01 million and five(5) optional vessels amount of USD3.06 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"), a wholly-owned of the Company, has entered into a co-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 two(2) plus two(2) optional 15000DWT 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 a 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(2) 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 USD1.22 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.

- (M) AVIC Kaixin (Beijing) Ship Industry Co., Ltd., ("Kaixin Beijing") a wholly-owned subsidiary of the Company, has entered into an agency service agreement with AVIC Weihai Shipyard Co., Ltd. ("Weihai Shipyard" a related party) for the construction of two 81,000DWT bulk carrier, pursuant to which the service fee of an aggregate amount of USD0.55 million (the "service fee", before sales taxes and surcharges) is payable to Kaixin Beijing by Weihai shipyard.

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.

- (N) AVIC International Beijing Co.,Ltd. ("AVIC International Beijing"), as Buyer, has entered into agreement with (i) Kaixin Industrial Pte Ltd ("Kaixin Industrial") a wholly owned subsidiary of the Company, as Seller, and (ii) AVIC Weihai Shipyard Co., Ltd ("Weihai Shipyard" a related party) as Builder for the construction of two(2) 63,600 DWT Panamax Bulk Carrier with the total contract price for two vessels of USD70 million. Kaixin Industrial and AVIC Kaixin (Beijing) Ship Industry Co., Ltd ('Kaixin Beijing") a wholly-owned subsidiary of the Company shall then, as co-Buyer, has entered into the ship construction agreement with Weihai Shipyard for the construction of these two vessels. Pursuant to which the sub-contract cost of an aggregate amount of USD64.32 million (the "sub-contract cost", before sales taxes and surcharges) is payable to Weihai Shipyard by Kaixin Beijing.

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.

- (O) AVIC International Ship Development (China) Ltd. ("AISD Shanghai"), a wholly-owned subsidiary of the Company, has entered into a steel trading agreement with AVIC Dingheng Shipbuilding Co., Ltd. ("AVIC DingHeng"), pursuant to which the steel trading income of an aggregate amount of RMB83.27 million (the "service fee", before sales taxes and surcharges) is payable to AISD Shanghai by AVIC DingHeng.

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.

(P) AVIC Kaixin (Beijing) Ship Industry Co., Ltd (Kaixin Beijing'), a wholly-owned subsidiary of the Company, has entered into the management agreements with AVIC Weihai Shipyard Co., Ltd ("Weihai Shipyard", a related party), and pursuant to which the management fee on an aggregate amount of RMB5.34 million ("Management fee") is payable to Kaixin Beijing from Weihai Shipyard.

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 SGD0.285 and the 53,576,000 Placement Shares subscribed for, the net proceeds raised from the Placement are approximately SGD10.6 million (after deducting listing expenses approximately SGD4.7 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 SGD8.0 million to partly finance acquisition; and
- (ii) The balance of approximately SGD2.6 million for our working capital purposes and any future acquisitions, joint ventures and strategic alliances.

As at 30 September 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 nine months ended 30 September 2014 to be false or misleading in any material aspect.

#### **On Behalf of the Board of Directors**

Dr Diao Weicheng  
Executive Chairman  
13 November 2014