CIRCULAR DATED 18 JULY 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to the contents of this Circular or as to the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant, tax adviser or other independent professional adviser immediately.

If you have sold or transferred all your shares in the capital of AVIC International Maritime Holdings Limited (the "**Company**"), you should immediately forward this Circular, the Notice of EGM and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the SGX-ST's Listing Manual Section B: Rules of Catalist. This Circular has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents in this Circular, including the accuracy, completeness, correctness of any of the information, statements made, reports contained or opinions expressed in this Circular. The contact person for the Sponsor is Mr Ng Joo Khin and his contact particulars are jookhin.ng@morganlewis.com and telephone: +65 6389 3000.

AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201024137N)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED DISPOSAL OF THE 60% SHAREHOLDING IN AVIC ZHENJIANG SHIPYARD MARINE PTE. LTD. TO AN INTERESTED PERSON

Independent Financial Adviser to the Recommending Directors
in relation to the Proposed Disposal

RHB Securities Singapore Pte. Ltd.

RHB Securities Singapore Pte. Ltd.
(Company Registration No. 198701140E)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	31 July 2019 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	2 August 2019 at 10.30 a.m.
Place of Extraordinary General Meeting	:	Phoenix 1 Grand Ballroom, Level 6 Novotel Singapore Clarke Quay 177A River Valley Road Singapore 179031

TABLE OF CONTENTS

SECTION		PAGE NO
DEFINITIONS		2
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS		7
LETTER TO SHAREHOLDERS		8
1.	INTRODUCTION	8
2.	INFORMATION RELATING TO AZM AND THE PURCHASER	9
3.	PRINCIPAL TERMS OF THE PROPOSED DISPOSAL	11
4.	RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS	13
5.	VALUATION	14
6.	FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL	14
7.	RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES	15
8.	THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION	16
9.	INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS OR THEIR ASSOCIATES IN THE PROPOSED DISPOSAL	17
10.	DIRECTORS' SERVICE AGREEMENTS	18
11.	OPINION OF THE INDEPENDENT FINANCIAL ADVISER	18
12.	STATEMENT FROM THE AUDIT COMMITTEE	18
13.	DIRECTORS' RECOMMENDATIONS	18
14.	EXTRAORDINARY GENERAL MEETING AND CIRCULAR	19
15.	ACTION TO BE TAKEN BY SHAREHOLDERS	19
16.	CONSENTS	19
17.	DIRECTORS' RESPONSIBILITY STATEMENT	20
18.	DOCUMENTS AVAILABLE FOR INSPECTION	20
APPENDIX A – LETTER FROM THE IFA		21
APPENDIX B – ABSTRACT OF THE VALUATION REPORT		38
NOTICE OF EXTRAORDINARY GENERAL MEETING		40
PROXY FORM		

In this Circular, the following definitions apply throughout unless otherwise stated:

Companies within the AVIC Group

"**AVIC**"	:	Aviation Industry Corporation of China, Ltd. (中国航空工业集团有限公司)
"**AVIC Group**"	:	AVIC, its subsidiaries and its associates
"**AVIC International**"	:	AVIC International Holding Corporation (中国航空技术国际控股有限公司)
"**AVIC IHL**"	:	AVIC International Holdings Limited (中航国际控股股份有限公司) (Stock Code: 161:HKEx), formerly known as CATIC Shenzhen Holdings Limited (深圳中航集团股份有限公司)
"**AVIC International Shenzhen**"	:	AVIC International Shenzhen Company Limited (中国航空技术深圳有限公司)
"**AZM**"	:	AVIC Zhenjiang Shipyard Marine Pte. Ltd.
"**Blue Ocean**"	:	Blue Ocean Ship Management & Engineering Limited
"**Company**"	:	AVIC International Maritime Holdings Limited, formerly known as "AVIC International Investments Limited"
"**Group**"	:	The Company and its subsidiaries

General

"**1Q2019**"	:	First quarter ended 31 March 2019
"**associates**"	:	(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more

"**associated companies**"	:	Companies in which at least 20% but not more than 50% of its shares are held by the Company or the Group
"**Audit Committee**"	:	The audit committee of the Board of the Company, as at the Latest Practicable Date
"**Board**"	:	The board of Directors of the Company as at the Latest Practicable Date
"**Business Day**"	:	A day (other than Saturday, Sunday or a public holiday in Singapore) on which the SGX-ST is open for trading
"**Catalist Rules**"	:	The Listing Manual of the SGX-ST Section B: Rules of Catalist, as amended, modified or supplemented from time to time
"**CDP**"	:	The Central Depository (Pte) Limited
"**Circular**"	:	This circular to Shareholders dated 18 July 2019 in relation to the Proposed Disposal
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore (as may be amended, supplemented or modified from time to time)
"**Consideration**"	:	The consideration payable by the Purchaser to the Company, being the amount of US$2,204,000 (or approximately RMB15,127,000 based on an agreed exchange rate of US$1.00 : RMB6.8632), subject to the terms and conditions of the Sale and Purchase Agreement
"**Controlling Shareholder**"	:	A person who (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company (unless the SGX-ST determines that such a person is not a controlling shareholder of the company); or (b) in fact exercises control over the Company
"**Completion**"	:	The completion of the Proposed Disposal in accordance with the Sale and Purchase Agreement
"**Constitution**"	:	The constitution of the Company, comprising the memorandum and articles of association of the Company or other regulations of the Company for the time being in force
"**Directors**"	:	The directors of the Company as at the Latest Practicable Date
"**Disposal Group**"	:	Collectively, AZM and Blue Ocean
"**EGM**"	:	The extraordinary general meeting of the Company to be held on 2 August 2019 at Phoenix 1 Grand Ballroom, Level 6, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 at 10.30 a.m., for the purpose of seeking the Shareholders' approval for the Proposed Disposal, notice of which is set out in the Notice of EGM

"**Entity at Risk**"	:	Shall have the meaning ascribed to it in the Catalist Rules as amended from time to time
"**Executive Director(s)**"	:	A Director of the Company who holds an executive position
"**EPS**"	:	Earnings per share
"**FY2017**"	:	Financial year ended 31 December 2017
"**FY2018**"	:	Financial year ended 31 December 2018
"**Independent Shareholders**"	:	Shareholders who are deemed to be independent for the purposes of the Proposed Disposal as an interested person transaction, being Shareholders who are independent of the Purchaser and its associates
"**IFA**"	:	RHB Securities Singapore Pte. Ltd., the independent financial adviser in relation to the Proposed Disposal as an interested person transaction
"**IFA Letter**"	:	A copy of the letter dated 18 July 2019 from the IFA to the Recommending Directors in relation to the Proposed Disposal as an interested person transaction, as set out in Appendix A to this Circular
"**Independent Valuer**"	:	China Faith Appraisers Co., Ltd (北京国友大正资产评估有限公司)
"**JV Partner**"	:	Jiangsu Zhengjiang Shipyard (Group) Co., Ltd.
"**Latest Practicable Date**"	:	The latest practicable date prior to the printing of this Circular, being 11 July 2019
"**Long-Stop Date**"	:	31 December 2020, or any other date as specified and amended from time to time in accordance with the Sale and Purchase Agreement
"**M&C Services**"	:	The project management and consultancy services relating to ship design and construction (both of which may be outsourced to third parties or carried on within other AVIC Group entities), which include but are not limited to, consultancy, procurement, newbuilding management and marine finance arrangement
"**Non-recommending Directors**"	:	The Directors who (by virtue of their designation(s) in the other AVIC Group entities) are deemed to be non-independent for the purpose of making a recommendation to the Shareholders in respect of the Proposed Disposal, namely Dr Diao Weicheng, Messrs Sun Yan and Li Meijin
"**Notice of EGM**"	:	The notice of the EGM as set out on pages 40 to 41 of this Circular
"**NTA**"	:	Net tangible assets

"**PRC**"	:	The People's Republic of China
"**Proposed Disposal**"	:	The proposed disposal of the Sale Shares by the Company to the Purchaser, in accordance with the terms and conditions of the Sale and Purchase Agreement
"**Proxy Form**"	:	The proxy form in respect of the EGM as set out in this Circular
"**Purchaser**"	:	High Beyond Corporation Limited (航远有限公司)
"**Recommending Directors**"	:	The Directors who are deemed to be non-interested for the purpose of making a recommendation to the Shareholders in respect of the Proposed Disposal, namely Ms Alice Lai Kuen Kan, Mr Teng Cheong Kwee and Professor Wang Puqu
"**Sale Shares**"	:	3,000,000 issued and paid-up ordinary shares representing 60% of the share capital in AZM
"**Securities and Futures Act**"	:	The Securities and Futures Act, Chapter 289 of Singapore (as may be amended, supplemented or modified from time to time)
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share(s)**"	:	The issued and paid-up ordinary shares in the capital of the Company
"**Shareholders**"	:	Registered holders for the time being of Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register
"**Sale and Purchase Agreement**"	:	The conditional sale and purchase agreement dated 15 May 2019 entered into between the Company and the Purchaser in respect of the Proposed Disposal
"**Ship Investment Business**"	:	The business of taking equity stakes in vessels and making capital gains or losses from the investments in vessels and/or receiving income from ship chartering. Please refer to Section 2.1 and Section 4.1 for further details
"**Sponsor**"	:	Stamford Corporate Services Pte. Ltd.
"**Substantial Shareholder**"	:	A person (including a corporation) who has an interest in not less than 5% of the issued voting shares of the Company
"**Valuation Report**"	:	The valuation report dated 30 April 2019 prepared by the Independent Valuer in respect of all of the Shareholders' equity of AZM, an abstract of which is set out in Appendix B to this Circular

Currencies, Units and Others

"**US$**" and "**cents**"	:	United States dollars and cents respectively, being the lawful currency of the United States of America
"**RMB**" and "**Fen**"	:	Renminbi and Fen respectively, being the lawful currency of the PRC
"**SGD**" and "**cents**"	:	Singapore dollars and cents respectively, being the lawful currency of the Republic of Singapore
"**%**" or "**per cent**"	:	Per centum or percentage

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa, and words importing persons shall include corporations.

Certain names with Chinese characters have been translated into English names for the convenience of Shareholders. Such translations may not be recognised with the relevant PRC authorities and should not be construed as representing the Chinese characters.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the said Companies Act or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be the arithmetic aggregation of the figures that precede them.

For the purpose of this Circular and for shareholders' reference, unless otherwise specified, the indicative exchange rates of US$1.00 : RMB6.8632, SGD1.00 : RMB5.0062, and SGD1.00 : US$0.7294 will be applied throughout this Circular for illustrative purposes only.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "believe", "estimate", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" and "might". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update or revise any forward-looking statements for any reason, even if information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 201024137N)

Directors:

Dr Diao Weicheng (Executive Chairman)
Mr Sun Yan (Executive Director and Chief Executive Officer)
Mr Li Meijin (Executive Director)
Mr Teng Cheong Kwee (Lead Independent Director)
Ms Alice Lai Kuen Kan (Independent Director)
Professor Wang Puqu (Independent Director)

Registered Office:

8 Robinson Road,
#13-00 ASO Building,
Singapore 048544

18 July 2019

To: The Shareholders of AVIC International Maritime Holdings Limited

Dear Sir/Madam,

THE PROPOSED DISPOSAL OF THE 60% SHAREHOLDING IN AVIC ZHENJIANG SHIPYARD MARINE PTE. LTD. TO AN INTERESTED PERSON

1. INTRODUCTION

1.1. Overview

On 15 May 2019, the Company announced that it had, on 15 May 2019, entered into a conditional sale and purchase agreement ("**Sale and Purchase Agreement**") with High Beyond Corporation Limited (航远有限公司) (the "**Purchaser**") pursuant to which the Company agreed to sell to the Purchaser, and the Purchaser agreed to acquire, 3,000,000 issued and paid-up ordinary shares ("**Sale Shares**") in the capital of AVIC Zhenjiang Shipyard Marine Pte. Ltd. ("**AZM**") representing 60% of the shareholding interest in AZM for an aggregate consideration of US$2,204,000 (or approximately RMB15,127,000 based on an agreed exchange rate of US$1.00 : RMB6.8632) ("**Consideration**") on the terms of and subject to the conditions of the Sale and Purchase Agreement (the "**Proposed Disposal**").

The Proposed Disposal constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Please refer to Section 7 of this Circular for further details.

The Proposed Disposal also constitutes an "interested person transaction" under Chapter 9 of the Catalist Rules. As the value of the Proposed Disposal exceeds 5% of the Group's latest audited net tangible assets ("**NTA**"), the Proposed Disposal is conditional upon the approval of the Independent Shareholders being obtained at the extraordinary general meeting ("**EGM**") to be convened. Please refer to Section 8 of this Circular for further details.

1.2. Extraordinary General Meeting

The Board is proposing to convene an EGM to be held on 2 August 2019 at 10.30 a.m. to seek the approval of the Independent Shareholders for the Proposed Disposal, notice of which is set out on pages 40 to 41 of this Circular ("**Notice of EGM**").

1.3. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information pertaining to, and to explain the rationale for, the Proposed Disposal and to seek approval of Shareholders who are considered to be independent (i.e., the "**Independent Shareholders**") of the Proposed Disposal for the ordinary resolution to be tabled at the forthcoming EGM.

This Circular has been prepared solely for the purpose outlined above and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.

The SGX-ST takes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

2. INFORMATION RELATING TO AZM AND THE PURCHASER

2.1. Information on AZM

AZM is a joint venture company incorporated in Singapore, with its registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544. The total issued and paid up share capital of AZM is US$5,000,000 (equivalent to approximately SGD6,855,000), comprising 5,000,000 ordinary shares. Its core business is essentially investing in vessels by taking up equity stakes in vessels for investment purposes and making capital gains or losses from the investments in vessels and/or receiving income from ship chartering ("**Ship Investment Business**").

The Company owns 60% of the total issued and paid-up share capital of AZM, comprising 3,000,000 ordinary shares. The remaining 40% of the total issued and paid-up share capital of AZM comprising 2,000,000 ordinary shares is owned by Jiangsu Zhengjiang Shipyard (Group) Co., Ltd. ("**JV Partner**"), an independent third party.

AZM holds the entire issued and paid-up share capital of Blue Ocean Ship Management & Engineering Limited ("**Blue Ocean**"), a company which is incorporated in Hong Kong and is the sole subsidiary of AZM. AZM and Blue Ocean shall collectively be known as the "**Disposal Group**".

Based on the audited financial information of the Disposal Group for FY2018, the Disposal Group's revenue amounted to RMB5,480,000 (equivalent to approximately SGD1,095,000), and net profits amounted to RMB2,084,000 (equivalent to approximately SGD417,000). As at 31 December 2018, the Disposal Group's (i) audited NTA amounted to RMB25,013,000 (equivalent to approximately SGD4,997,000), (ii) total assets amounted to RMB237,831,000 (equivalent to approximately SGD47,508,000) and (iii) total liabilities amounted to RMB212,818,000 (equivalent to approximately SGD42,511,000). The Disposal Group did not have any contingent liabilities as at 31 December 2018.

However, for FY2017, the Disposal Group's revenue amounted to RMB126,359,000 (equivalent to approximately SGD25,241,000), and net loss amounted to RMB13,054,000 (equivalent to approximately SGD2,608,000).

Based on the latest audited consolidated financial statements of the Company for FY2018, the net profits attributable to the Disposal Group is RMB2,084,000 (or equivalent to approximately SGD416,000), and the book value of the Disposal Group is approximately RMB25,014,000 (or equivalent to approximately SGD4,997,000). As such, the net profits attributable to the Sale Shares (representing the Company's 60% shareholding interest in the Disposal Group) is RMB1,251,000 (or equivalent to approximately SGD250,000), and the book value of the Sale Shares is approximately RMB15,008,000 (or equivalent to approximately SGD2,998,000).

The amount of excess of the Consideration over the book value of the Sale Shares is approximately RMB119,000 (or equivalent to approximately SGD24,000).

2.2. Information on the Purchaser

The Purchaser is a company incorporated in Hong Kong on 11 May 2016. Its principal business is investment holding. It is a wholly-owned subsidiary of AVIC International Holdings Limited (中航国际控股股份有限公司) ("**AVIC IHL**"), a Chinese government-controlled conglomerate listed on the Hong Kong Stock Exchange (stock code: 161). As at the end of 2018, the Purchaser's total assets were recorded at approximately RMB33 million (equivalent to approximately SGD6.6 million).

The information in this Section 2.2 in relation to the Purchaser was provided by AVIC IHL and/or extracted from publicly available information.

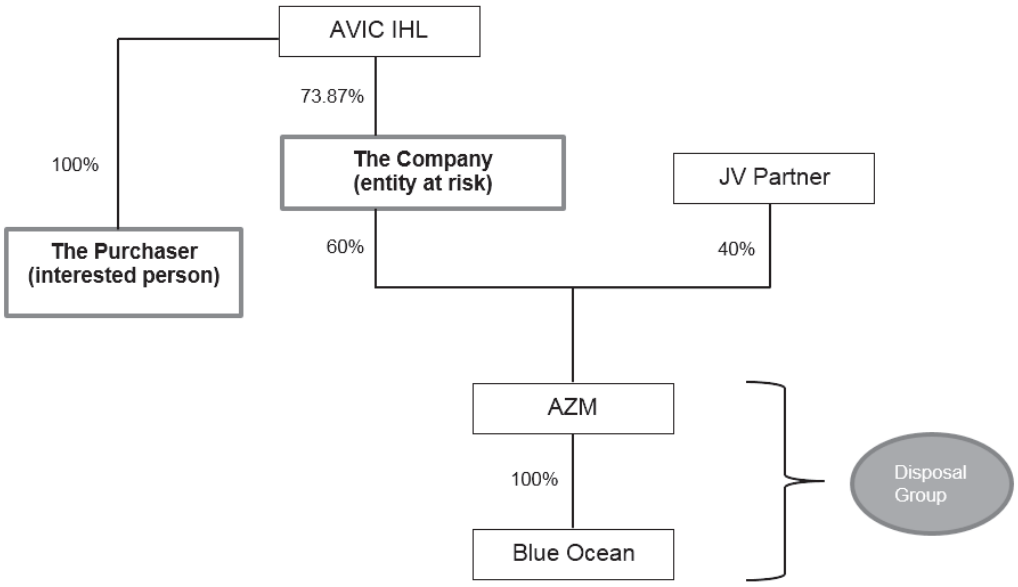
For more information on AVIC IHL, please refer to:

http://www.avic161.com/web/

2.3. Relationship between the Company and the Purchaser

AVIC IHL, being the sole shareholder of the Purchaser, is also the Controlling Shareholder of the Company holding approximately 73.87% of the total issued and paid up share capital of the Company. Accordingly, it is the majority shareholder of both the Company (the vendor) and the Purchaser. Under Chapter 9 of the Catalist Rules, the Company, being the issuer, is an "entity at risk" and the Purchaser is, by virtue of it being a subsidiary of AVIC IHL, an "interested person". The Proposed Disposal is accordingly classified as an interested person transaction under the Catalist Rules, further details of which are set out in Section 8 of this Circular.

For illustrative purposes, please see the diagrammatic chart outlining the relationship between the Company, the Purchaser, AVIC IHL and the Disposal Group as set out below.



Note: For purposes of clarity, other subsidiaries, associated companies and related companies of the Company have not been included in the above diagram, which is for illustrative purposes only and does not comprise the entire Group structure.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1. Overview of the Proposed Disposal

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company shall sell the Sale Shares to the Purchaser for an aggregate consideration of US$2,204,000 (equivalent to approximately RMB15,127,000 based on an agreed exchange rate of US$1.00 : RMB6.8632) on an as-is-where-is basis.

The JV Partner has agreed to waive any and all pre-emption rights, tag-along rights and/or other rights or restrictions arising from or in respect of the sale of the Sale Shares under the articles of association and/or other constitutional document(s) of AZM and under any shareholders' agreement between the shareholders of AZM.

Upon the completion of the Proposed Disposal, AZM will cease to be a subsidiary of the Company.

3.2. Consideration

The Consideration payable for the Sale Shares (i) shall be US$2,204,000 (or equivalent to approximately RMB15,127,000 based on an agreed exchange rate of US$1.00 : RMB6.8632), (ii) shall be satisfied fully in cash, and (iii) shall be payable by the Purchaser to the Company upon completion of the Proposed Disposal and the transactions contemplated under the Sale and Purchase Agreement.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, among other things, the following factors:

(a) the valuation report on the Sale Shares dated 30 April 2019 which was issued by China Faith Appraisers Co., Ltd[1] (北京国友大正资产评估有限公司) ("**Independent Valuer**") and which has valued the entire net asset value of the Disposal Group at RMB25,211,000 (equivalent to approximately US$3,673,000 or approximately SGD5,036,000);

(b) the historical operating track record and financial performance of the Disposal Group;

(c) the audited financial information of the Disposal Group for FY2018; and

(d) the rationale and benefits to the Company for the Proposed Disposal as set out in Section 4 of this Circular.

Based on the value of the Consideration and the Group's audited NTA as at 31 December 2018, the gain upon completion of the Proposed Disposal is expected to be US$17,000 (or equivalent to approximately RMB119,000 or approximately SGD24,000).

3.3. Conditions Precedent

Completion of the Proposed Disposal is conditional upon, among other things, the fulfilment and satisfaction of the following conditions precedent:

(a) the Company having received the requisite approval from the Board and its Shareholders for the Proposed Disposal and the transactions contemplated under the Sale and Purchase Agreement;

(b) all material approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licenses, orders, permissions, recognitions and waivers as may be required or appropriate for or in connection with the Proposed Disposal and all other transactions in connection therewith and incidental thereto on the terms set out in the Sale and Purchase Agreement from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange (including, without limitation, the SGX-ST and/or the continuing sponsor of the Company) or tribunal in any jurisdiction having been obtained and not withdrawn or revoked;

(c) no relevant authority taking, instituting, implementing or threatening to take, institute or implement any action or proceeding, that will make the sale and purchase of the Sale Shares and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same; and

---

[1] Referred to as "Beijing Guoyou Dazheng Asset Evaluation Co., Ltd" in the Company's announcement dated 15 May 2019 in respect of the Proposed Disposal. "China Faith Appraisers Co., Ltd." and "Beijing Guoyou Dazheng Asset Evaluation Co., Ltd." are two unoffical English names adopted by the same valuer who only has one official name in Chinese characters, being "北京国友大正资产评估有限公司".

(d) all other consents and approvals required under any and all applicable laws for the Proposed Disposal and to give effect to the transactions contemplated under the Sale and Purchase Agreement (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or its or their respective assets are bound) being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser.

3.4. Completion

The completion of the Proposed Disposal ("**Completion**") shall take place within ten (10) Business Days commencing from the date on which the last condition precedent of the Sale and Purchase Agreement is fulfilled or waived, or such other date as the Company and the Purchaser may agree in writing, but in any event no later than 31 December 2020 ("**Long-Stop Date**").

Upon Completion, AZM will cease to be a subsidiary of the Company.

4. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

4.1. Rationale for the Proposed Disposal

The Proposed Disposal is undertaken pursuant to a strategic review of the financial position, operational needs, long-term strategy and direction of the Group, as well as taking into account the business prospects of the Disposal Group.

As mentioned in Section 2.1 above, the core business of the Disposal Group is in the Ship Investment Business. Market conditions have not been favourable for the Disposal Group's Ship Investment Business, and the Disposal Group has been facing and continues to face challenging market conditions due to, among other things, reduced demand for offshore support vessels following the oversupply of such vessels in the global market. The Company does not anticipate that market conditions will improve in the foreseeable future.

Having regard to the terms and the timing of the Proposed Disposal, the Board is of the view that the Proposed Disposal represents an opportunity for the Group to dispose of its Ship Investment Business for a satisfactory consideration as well as to realise its investment in AZM, which would unlock value for Shareholders, recover debts and further strengthen the Group's financial position.

The Proposed Disposal would also improve the Group's liquidity, fund the Group's working capital requirements for the Group's other core businesses (which is in the provision of shipbuilding project management and consultancy services ("**M&C Services**"), design and engineering, shipbuilding (outsourced), ship trading related businesses, and engineering, procurement and construction services) and allow the Group to undertake new investment opportunities as and when they arise, which may result in higher value to Shareholders.

4.2. Use of Proceeds

The net proceeds from the Proposed Disposal will be used by the Group for its general working capital requirements.

Pending the deployment of the net proceeds for the purpose mentioned above, such proceeds may be deposited with financial institutions, invested in short term money markets and/or marketable securities, or used for any other purposes on a short term basis, as the Directors may deem appropriate in the interests of the Group.

5. VALUATION

The information in this Section 5 in relation to the Independent Valuer was provided by the Independent Valuer and/or extracted from publicly available information, such as its website http://www.cfa-value.com/en/about.

The Independent Valuer was commissioned by the Company to prepare a valuation report to value the entire issued share capital of AZM to provide Shareholders with an independent opinion of the market value of AZM. The Independent Valuer is a leading valuation and advisory service provider with more than 20 years' experience in China asset valuation, providing professional services to hundreds of large central and state-owned enterprises and nearly 400 listed companies. For more information on the Independent Valuer, please see its website at http://www.cfa-value.com/en/.

Based on the Valuation Report, the value of the **entire** issued share capital of AZM was valued at RMB25,211,000 (equivalent to approximately US$3,673,000 or approximately SGD5,036,000) as at 31 December 2018, based on the assets-based approach. For more details, please see the summary of the Valuation Report at **Appendix B** to this Circular.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1. Assumptions

The pro forma financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

The pro forma financial effects in this section are based on the consolidated audited financial statements of the Group for FY2018. The pro forma financial effects of the Proposed Disposal have been prepared based on the following assumptions:

(a) The number of shares is based on the 285,576,000 issued and paid-up ordinary shares in the capital of the Company ("**Shares**") as at 31 December 2018;

(b) The Proposed Disposal had been completed on 31 December 2018 for the purposes of computing the pro forma financial effects on the NTA of the Group; and

(c) The Proposed Disposal had been completed on 1 January 2018 for the purposes of computing the pro forma financial effects on the earnings per Share ("**EPS**") of the Group.

6.2. Effects on the NTA per Share

		Before the completion of the Proposed Disposal	After the completion of the Proposed Disposal
NTA (RMB'000)	:	74,470	74,589
Number of Shares	:	285,576,000	285,576,000
NTA per Share (Fen)	:	26.08	26.12

6.3. Effects on EPS

		Before the completion of the Proposed Disposal	After the completion of the Proposed Disposal
Profit/(Loss) attributable to Shareholders (RMB'000)	:	27,280	26,209
Number of Shares	:	285,576,000	285,576,000
EPS (Fen)	:	9.55	9.11

7. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Disposal as computed on the bases set out in Rule 1006 of the Catalist Rules and the consolidated financial information of the Group for 1Q2019 are as follows:

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	9.8%[(1)]
(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits/losses.	6.9%[(1)]
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	10.8%[(2)]
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable[(3)]
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable[(4)]

Notes:

(1) Based on the consolidated financial statements of the Disposal Group and the Group for 1Q2019.

(2) Under Rule 1002(5), "market capitalisation" is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on the market day preceding the date of the Sale and Purchase Agreement. Accordingly, the market capitalisation of the Company is based on 285,576,000 Shares in issue and the weighted average price of SGD0.098 of the Shares transacted on 14 May 2019, being the

last market date preceding the date of the Sale and Purchase Agreement that the Shares were traded, and as such the market capitalisation for the purposes of the Proposed Disposal is approximately SGD27,986,000 or equivalent to approximately RMB140,106,000 based on an exchange rate of S$1.00 : RMB5.0062.

(3) Rule 1006(d) of the Catalist Rules is not applicable to a disposal of assets.

(4) Rule 1006(e) of the Catalist Rules is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed on each of the applicable bases set out in Rule 1006 of the Catalist Rules exceed 5% but do not exceed 50%, the Proposed Disposal is classified as a "discloseable transaction" under Chapter 10 of the Catalist Rules.

8. THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

8.1. Proposed Disposal as an Interested Person Transaction

As stated in Section 2.2 of this Circular, the Purchaser is a wholly-owned subsidiary of AVIC IHL. As stated in Section 2.3 of this Circular, AVIC IHL is also a Controlling Shareholder of the Company which owns approximately 73.87% of the total issued and paid up share capital of the Company. As such, the Purchaser is an associate of AVIC IHL and is thus an "interested person" under Rule 904(4) of the Catalist Rules. Accordingly, the Proposed Disposal, which is a transaction between the Purchaser (the "**interested person**") and the Company (the "**entity at risk**"), constitutes an interested person transaction under Chapter 9 of the Catalist Rules.

8.2. Materiality Thresholds under Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, Shareholders' approval is required for an interested person transaction of a value equal to, or exceeding 5% of the Group's latest audited NTA.

The value of the Proposed Disposal, which is the Consideration of US$2,204,000 (or equivalent to approximately RMB15,127,000 based on an agreed exchange rate of US$1.00 : RMB6.8632), represents approximately 20.3% of the Group's latest audited NTA as at 31 December 2018, which is RMB74,470,000 (or equivalent to approximately SGD14,856,000). As the value of the Proposed Disposal (being the amount at risk to the Company) exceeds 5% of the Group's latest audited NTA, the Proposed Disposal is, pursuant to Rule 906 of the Catalist Rules, subject to the approval of the Independent Shareholders being obtained at the EGM to be convened.

8.3. Current and On-going Interested Person Transactions

Save for the Proposed Disposal as disclosed above, the Group has not entered into any transactions with the Purchaser during the current financial year ending 31 December 2019 up to the Latest Practicable Date.

As at the Latest Practicable Date, the aggregate value of all interested person transactions entered into by the Group with interested persons (as defined in the Catalist Rules) for the current financial year ending 31 December 2019 is approximately RMB3,610.9 million (equivalent to approximately SGD721.3 million).

For the avoidance of doubt, as at the Latest Practicable Date, the Company has complied with the requirements under Rules 905 and 906 of the Catalist Rules, in respect of interested person transactions entered into by the Company during the current financial year ending 31 December 2019.

8.4. Interested Person's Abstention from Voting on the Proposed Disposal

Rule 919 of the Catalist Rules requires that interested persons and their associates (as defined in the Catalist Rules) must not vote on any Shareholders' resolution approving any interested person transaction.

In accordance with Rule 919 of the Catalist Rules, AVIC IHL being an interested person, will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the Proposed Disposal.

Further, AVIC IHL shall not, and shall ensure that its associates decline to, accept appointment as proxies to attend and vote at the forthcoming EGM in respect of the resolution relating to the approval of the Proposed Disposal for other Shareholders unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the EGM.

9. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS OR THEIR ASSOCIATES IN THE PROPOSED DISPOSAL

9.1. The Company has an existing issued and paid-up share capital of 285,576,000 Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the capital of the Company as recorded in the Register of Directors' Shareholdings pursuant to Section 164 of the Companies Act and the Register of Substantial Shareholders pursuant to Section 88 of the Companies Act, respectively, are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	**% of Issued Shares[1]**	**No. of Shares**	**% of Issued Shares[1]**
Directors				
Diao Weicheng	–	–	–	–
Sun Yan	–	–	–	–
Li Meijin	–	–	–	–
Teng Cheong Kwee	–	–	–	–
Alice Lai Kuen Kan	–	–	–	–
Wang Puqu	–	–	–	–

	Direct Interest		Deemed Interest	
	No. of Shares	**% of Issued Shares[1]**	**No. of Shares**	**% of Issued Shares[1]**
Substantial Shareholders				
AVIC[2]	–	–	210,947,369	73.87
AVIC International[2]	–	–	210,947,369	73.87
AVIC International Shenzhen[2]	–	–	210,947,369	73.87
AVIC IHL	210,947,369	73.87	–	–

Note(s):

(1) The percentage of issued ordinary shares is calculated based on the number of issued shares as at the Latest Practicable Date, excluding treasury shares.

(2) AVIC holds 62.52% of the registered capital of AVIC International, which in turn holds the entire registered capital of AVIC International Shenzhen. 35.6% and 39.4% of the share capital of AVIC IHL are directly held by AVIC International Shenzhen and AVIC International respectively. AVIC, AVIC International and AVIC International Shenzhen are therefore deemed interested in the Shares held by AVIC IHL by virtue of Section 7 of the Companies Act.

9.2. Save as disclosed in Section 2.3 and Section 9.1 of this Circular, none of the Directors (other than in his capacity as a Director), Substantial Shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Disposal.

10. DIRECTORS' SERVICE AGREEMENTS

No person is proposed to be appointed as Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

RHB Securities Singapore Pte. Ltd. has been appointed as the independent financial adviser ("**IFA**") to advise the Recommending Directors in relation to the Proposed Disposal as an interested person transaction. Based on its considerations and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders. The IFA Letter, containing the IFA's advice in full, is set out in **Appendix A** to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

12. STATEMENT FROM THE AUDIT COMMITTEE

The members of the Audit Committee do not have any interests in the Proposed Disposal and are accordingly deemed to be independent for the purposes of the Proposed Disposal.

Having considered, *inter alia*, the terms, rationale for and benefits of the Proposed Disposal, as well as the opinion and advice of the IFA on the Proposed Disposal, the Audit Committee concurs with the opinion of the IFA and is of the view that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

13. DIRECTORS' RECOMMENDATIONS

The Directors who are deemed to be non-interested for the purposes of making a recommendation to the Shareholders in respect of the Proposed Disposal are Mr Teng Cheong Kwee, Ms Alice Lai Kuen Kan and Professor Wang Puqu (collectively, the "**Recommending Directors**").

Having fully considered, *inter alia*, the terms, the rationale and the benefits of the Proposed Disposal, the financial effects thereof, as well as the advice and recommendations of the IFA, the Recommending Directors are of the opinion that the Proposed Disposal is in the

best interests of the Company and accordingly the Recommending Directors recommend that the Independent Shareholders vote in favour of the Proposed Disposal at the EGM to be convened.

As each of Dr Diao Weicheng, Sun Yan, and Li Meijin (the "**Non-recommending Directors**") has designation(s) in the other AVIC Group entities, they are not deemed to be independent for the purpose of making a recommendation to the Independent Shareholders in respect of the Proposed Disposal. Accordingly, the Non-recommending Directors have therefore abstained from making any such recommendation to the Independent Shareholders on the Proposed Disposal.

14. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

The EGM, notice of which is set out on pages 40 to 41 of this Circular, shall be held on 2 August 2019 at 10.30 a.m. at Phoenix 1 Grand Ballroom, Level 6, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 (or any adjournment thereof), for the purpose of considering, and if thought fit, passing with or without modifications, the resolutions set out in the Notice of EGM.

15. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the accompanying Proxy Form attached to the Notice of EGM set out in this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544, not less than 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by such Shareholder will not prevent him from attending and voting in person at the EGM in place of his proxy should he subsequently wish to do so.

A Depositor will not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears in the Depository Register as at 72 hours before the EGM.

16. CONSENTS

16.1. IFA Consent

The IFA has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.

16.2. Independent Valuer Consent

The Independent Valuer has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Report and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 during normal business hours from the date hereof up to and including the date of the EGM:

(a) the Sale and Purchase Agreement;

(b) the IFA Letter;

(c) the Valuation Report;

(d) the letter of consent from the IFA, referred to in Section 16.1 of this Circular;

(e) the letter of consent from the Independent Valuer, referred to in Section 16.2 of this Circular; and

(f) the Constitution.

Yours faithfully,

For and on behalf of the Board of Directors of
AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

Dr Diao Weicheng
Executive Chairman
18 July 2019

LETTER FROM RHB SECURITIES SINGAPORE PTE. LTD. TO THE RECOMMENDING DIRECTORS OF AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

18 July 2019

The Recommending Directors of
AVIC International Maritime Holdings Limited
8 Robinson Road,
#13-00 ASO Building,
Singapore 048544

Dear Sirs,

THE PROPOSED DISPOSAL OF THE 60% SHAREHOLDING IN AVIC ZHENJIANG SHIPYARD MARINE PTE. LTD. TO HIGH BEYOND CORPORATION LIMITED AS AN INTERESTED PERSON TRANSACTION

*Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the Circular to Shareholders of the Company dated 18 July 2019 (the "**Circular**"). For the purpose of this letter, unless otherwise specified, the indicative exchange rates of US$1.00 : RMB6.8632, SGD1.00 : RMB5.0062 and SGD1.00 : US$0.7294 used in the Circular will be applied in this letter for illustrative purpose only.*

1. INTRODUCTION

On 15 May 2019, AVIC International Maritime Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announced that it had entered into a conditional sale and purchase agreement dated 15 May 2019 (the "**Sale and Purchase Agreement**") with High Beyond Corporation Limited (the "**Purchaser**") for the disposal of its entire shareholding interest in AVIC Zhenjiang Shipyard Marine Pte. Ltd. ("**AZM**", together with its subsidiary, the "**Disposal Group**"), comprising 3,000,000 issued and paid-up ordinary shares ("**Sale Shares**") in the capital of AZM, which represents 60% of the shareholding interest in AZM, to the Purchaser for an aggregate consideration of US$2,204,000 (or approximately RMB15,126,480 based on an agreed exchange rate of US$1.00 : RMB6.8632) ("**Consideration**"), subject to the terms and conditions of the Sale and Purchase Agreement. (the "**Proposed Disposal**").

The Purchaser is a wholly-owned subsidiary of AVIC International Holdings Limited ("**AIHL**"), which is the controlling shareholder of the Company holding approximately 73.87% of the total issued and paid-up share capital of the Company. Accordingly, the Purchaser is an associate of AIHL and is thus an "interested person" and the Proposed Disposal constitutes an Interested Person Transaction as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

In accordance with Rule 906(1)(a), Rule 906(1)(b) and Rule 918 of the Catalist Rules, where the value of an interested person transaction, or when aggregate with other transactions entered into with the same interested person during the same financial year, is equal to or exceeds 5% of the Group's latest audited net tangible assets ("**NTA**"), the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction, as the case may be.

As the total Consideration represents approximately 20.3% of the Group's latest audited NTA as at 31 December 2018, Shareholders' approval for the Proposed Disposal is therefore required. Accordingly, pursuant to Rule 906 of the Catalist Rules, the Proposed Disposal is subject to the approval of the Company's shareholders who are not interested persons as defined in Chapter 9 of the Catalist Rules for the purposes of the Proposed Disposal ("**Independent Shareholders**").

In connection with the above and pursuant to the requirements of Chapter 9 of the Catalist Rules, RHB Securities Singapore Pte. Ltd. ("**RHBSec**") was appointed by the Company as the independent financial adviser ("**IFA**") to advise the Directors who are deemed to be independent in respect of the Proposed Disposal ("**Recommending Directors**"), namely, Mr Teng Cheong Kwee, Ms Alice Lai Kuen Kan and Mr Wang Puqu, whether the terms of the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

This letter ("**Letter**") sets out, *inter alia*, our evaluation of the Proposed Disposal as an interested person transaction, and our advice to the Recommending Directors in relation to their recommendations to the Independent Shareholders on the Proposed Disposal and forms part of the Circular providing, *inter alia*, details of the Proposed Disposal and the recommendations of the Recommending Directors in respect thereof.

2. TERMS OF REFERENCE

RHBSec has been appointed to advise the Recommending Directors only in respect of whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

RHBSec is neither a party to the negotiations or discussions in relation to the Proposed Disposal nor were we involved in the deliberations leading up to the decision on the part of the Company to enter into the Proposed Disposal. We do not, by this Letter, in any way advise on the merits of the Proposed Disposal other than to form an opinion on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

Our terms of reference do not require us to evaluate or comment on the strategic, commercial, financial merits or risks (if any) of the Proposed Disposal or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we do not express any opinion on any of the aforesaid.

We are not required to and have not made any independent appraisal or valuation of the assets and liabilities of the Company, the Group, AZM and/or the Disposal Group. Any such evaluation, comment, comparison, consideration, appraisal or valuation remains and is solely the responsibility of the Directors and the management of the Company ("**Management**"), but we may draw upon their views or make comments in respect thereof (to the extent we deem necessary or appropriate and at our sole discretion) in arriving at our opinion as set out in this Letter. We have also relied on information on the Disposal Group, the Company and/or the Group, including the disclosures and representations made by the Company on the values of the assets and liabilities of the Disposal Group, the Company and/or the Group stated herein (if any).

For the purpose of our advice and opinion, we have relied on publicly available information collated by us, information set out in the Circular, and information (including representations, opinions, facts and statements) provided to us by the Directors, Management and the advisers of the Company. We have relied on the assurances of the Directors and Management that they jointly and severally accept full responsibility for the accuracy, truth, completeness and adequacy of such information. They have confirmed to us that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Proposed Disposal, the Disposal Group, the Company and the Group have been disclosed to us, that such information is true, complete, accurate and fair in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to or relied upon by us or the facts of or in relation to the Proposed Disposal, the Disposal Group, the Company and the Group to be inaccurate, untrue, incomplete, unfair or misleading in any material respect.

We have not independently verified any of the aforesaid information whether written or verbal, and have assumed its accuracy, truth, completeness and adequacy, including without limitation any information on the assets and liabilities of the Disposal Group, the Company and/or the Group. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and the Management to us or in the Circular have been reasonably made after due and careful inquiry. We have exercised care in reviewing the information which we have relied on, and made such reasonable enquiries and exercised our judgment on the reasonableness of such information as we deemed necessary and have found no reason to doubt the accuracy or reliability of the information.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial conditions of the Disposal Group, the Company and/or the Group, or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Disposal Group, the Company and/or the Group. Such review or comment, if any, remains the responsibility of the Directors and the Management and/or the Group, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Catalist Rules and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Disposal Group, the Company and/or the Group any projection of the future performance including financial performance of the Disposal Group, the Company and/or the Group and further, we did not conduct discussions with the Directors and management of the Disposal Group, the Company and/or the Group on, and did not have access to, any business plan and financial projections of the Disposal Group, the Company and/or the Group. We also do not express any opinion herein as to the prices at which the shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed Disposal.

We have not made any independent evaluation and appraisal on the assets and liabilities of the Disposal Group, the Company and/or the Group and we have not been furnished with any such evaluation or appraisal of such assets save as disclosed herein. The Company has appointed China Faith Appraisers Co., Ltd. ("**CFA**") as the independent valuer ("**Independent Valuer**") to conduct a valuation to estimate the market value of all the shareholders' equity of the Disposal Group as at 31 December 2018 ("**Valuation Report**"), which is reproduced in Appendix B to the Circular. With respect to the Valuation Report, we are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Valuation Report for such asset appraisal.

Our advice and opinion herein is based upon market, economic, industry, monetary and other conditions prevailing on, and the information provided to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this Letter does not take into account, any subsequent development after the Latest Practicable Date that may affect our opinion herein.

The Company has been separately advised by its advisers in the preparation of the Circular (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

We have not regarded the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment portfolios and objectives, we would advise the Recommending Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

This Letter is prepared pursuant to Rule 921(4)(a) of the Catalist Rules as well as for the use and benefit of the Recommending Directors and the recommendations made by them to the Independent Shareholders are the responsibility of the Recommending Directors. Shareholders should also take note of any announcements relevant to the Proposed Disposal which may be released by the Company after the Latest Practicable Date.

3. THE PROPOSED DISPOSAL

3.1 INFORMATION ON AZM

Information on AZM has been extracted from Section 2.1 of the Circular and set out below in italics. Shareholders are advised to read Section 2.1 of the Circular carefully.

*"**2.1**. **Information on AZM***

*AZM is a joint venture company incorporated in Singapore, with its registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544. The total issued and paid up share capital of AZM is US$5,000,000 (equivalent to approximately SGD6,855,000), comprising 5,000,000 ordinary shares. Its core business is essentially investing in vessels by taking up equity stakes in vessels for investment purposes and making capital gains or losses from the investments in vessels and/or receiving income from ship chartering ("**Ship Investment Business**").*

*The Company owns 60% of the total issued and paid-up share capital of AZM, comprising 3,000,000 ordinary shares. The remaining 40% of the total issued and paid-up share capital of AZM comprising 2,000,000 ordinary shares is owned by Jiangsu Zhengjiang Shipyard (Group) Co., Ltd. ("**JV Partner**"), an independent third party.*

*AZM holds the entire issued and paid-up share capital of Blue Ocean Ship Management & Engineering Limited ("**Blue Ocean**"), a company which is incorporated in Hong Kong and is the sole subsidiary of AZM. AZM and Blue Ocean shall collectively be known as the "**Disposal Group**".*

Based on the audited financial information of the Disposal Group for FY2018, the Disposal Group's revenue amounted to RMB5,480,000 (equivalent to approximately SGD1,095,000), and net profits amounted to RMB2,084,000 (equivalent to approximately SGD417,000). As at 31 December 2018, the Disposal Group's (i) audited NTA amounted to RMB25,013,000 (equivalent to approximately SGD4,997,000), (ii) total assets amounted to RMB237,831,000 (equivalent to approximately SGD47,508,000) and (iii) total liabilities amounted to RMB212,818,000 (equivalent to approximately SGD42,511,000). The Disposal Group did not have any contingent liabilities as at 31 December 2018.

However, for the FY2017, the Disposal Group's revenue amounted to RMB126,359,000 (equivalent to approximately SGD25,241,000), and net loss amounted to RMB13,054,000 (equivalent to approximately SGD2,608,000).

Based on the latest audited consolidated financial statements of the Company for FY2018, the net profits attributable to the Disposal Group is RMB2,084,000 (or equivalent to approximately SGD416,000), and the book value of the Disposal Group is approximately RMB25,014,000 (or equivalent to approximately SGD4,997,000). As such, the net profits attributable to the Sale Shares (representing the Company's 60% shareholding interest in the Disposal Group) is RMB1,251,000 (or equivalent to approximately SGD250,000) and the book value of the Sale Shares is approximately RMB15,008,000 (or equivalent to approximately SGD2,998,000).

The amount of excess of the Consideration over the book value of the Sale Shares is approximately RMB119,000 (or equivalent to approximately SGD24,000)."

3.2 THE PURCHASER

Information on the Purchaser has been extracted from section 2.2 of the Circular and set out in italics below.

*"**2.2. Information on the Purchaser***

*The Purchaser is a company incorporated in Hong Kong on 11 May 2016. Its principal business is investment holding. It is a wholly-owned subsidiary of AVIC International Holdings Limited (中航国际控股股份有限公司) ("**AVIC IHL**"), a Chinese government-controlled conglomerate listed on the Hong Kong Stock Exchange (stock code: 161). As at the end of 2018, the Purchaser's total assets were recorded at approximately RMB33 million (equivalent to approximately SGD6.6 million)."*

3.3 CONSIDERATION

Information on the Consideration has been extracted from section 3.2 of the Circular and set out in italics below. Shareholders are advised to read section 3.2 of the Circular carefully.

*"**3.2. Consideration***

The Consideration payable for the Sale Shares (i) shall be US$2,204,000 (or equivalent to approximately RMB15,127,000 based on an agreed exchange rate of US$1.00 : RMB6.8632), (ii) shall be satisfied fully in cash, and (iii) shall be payable by the Purchaser to the Company upon completion of the Proposed Disposal and the transactions contemplated under the Sale and Purchase Agreement.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, among other things, the following factors:

*(a) the valuation report on the Sale Shares dated 30 April 2019 which was issued by China Faith Appraisers Co., Ltd (北京国友大正资产评估有限公司) ("**Independent Valuer**") and which has valued the entire net asset value of the Disposal Group at RMB25,211,000 (equivalent to approximately US$3,673,000 or approximately SGD5,036,000);*

(b) the historical operating track record and financial performance of the Disposal Group;

(c) the audited financial information of the Disposal Group for FY2018; and

(d) the rationale and benefits to the Company for the Proposed Disposal as set out in Section 4 of this Circular.

Based on the value of the Consideration and the Group's audited NTA as at 31 December 2018, the gain upon completion of the Proposed Disposal is expected to be US$18,000 (or equivalent to approximately RMB119,000 or approximately SGD24,000)."

3.4 CONDITIONS PRECEDENT

Information relating to the conditions precedent of the Proposed Disposal has been extracted from section 3.3 of the Circular and set out in italics below.

*"**3.3. Conditions Precedent***

Completion of the Proposed Disposal is conditional upon, among other things, the fulfilment and satisfaction of the following conditions precedent:

(a) the Company having received the requisite approval from the Board and its Shareholders for the Proposed Disposal and the transactions contemplated under the Sale and Purchase Agreement;

(b) all material approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licenses, orders, permissions, recognitions and waivers as may be required or appropriate for or in connection with the Proposed Disposal and all other transactions in connection therewith and incidental thereto on the terms set out in the Sale and Purchase Agreement from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange (including, without limitation, the SGX-ST and/or the continuing sponsor of the Company) or tribunal in any jurisdiction having been obtained and not withdrawn or revoked;

(c) no relevant authority taking, instituting, implementing or threatening to take, institute or implement any action or proceeding, that will make the sale and purchase of the Sale Shares and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same; and

(d) all other consents and approvals required under any and all applicable laws for the Proposed Disposal and to give effect to the transactions contemplated under the Sale and Purchase Agreement (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or its or their respective assets are bound) being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser."

3.5 THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

Information relating to the Proposed Disposal as an interested person transaction have been extracted from sections 8.1 to 8.3 of the Circular and set out in italics below.

*"**8.1. Proposed Disposal as an Interested Person Transaction***

*As stated in Section 2.2 of this Circular, the Purchaser is a wholly-owned subsidiary of AVIC IHL. As stated in Section 2.3 of this Circular, AVIC IHL is also a Controlling Shareholder of the Company which owns approximately 73.87% of the total issued and paid up share capital of the Company. As such, the Purchaser is an associate of AVIC IHL and is thus an "interested person" under Rule 904(4) of the Catalist Rules. Accordingly, the Proposed Disposal, which is a transaction between the Purchaser (the "**interested person**") and the Company (the "**entity at risk**"), constitutes an interested person transaction under Chapter 9 of the Catalist Rules.*

8.2. Materiality Thresholds under Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, Shareholders' approval is required for an interested person transaction of a value equal to, or exceeding 5% of the Group's latest audited NTA.

The value of the Proposed Disposal, which is the Consideration of US$2,204,000 (or equivalent to approximately RMB15,127,000 based on an agreed exchange rate of US$1.00 : RMB6.8632), represents approximately 20.3% of the Group's latest audited

NTA as at 31 December 2018, which is RMB74,470,000 (or equivalent to approximately SGD14,856,000). As the value of the Proposed Disposal (being the amount at risk to the Company) exceeds 5% of the Group's latest audited NTA, the Proposed Disposal is, pursuant to Rule 906 of the Catalist Rules, subject to the approval of the Independent Shareholders being obtained at the EGM to be convened.

8.3. Current and On-going Interested Person Transactions

Save for the Proposed Disposal as disclosed above, the Group has not entered into any transactions with the Purchaser during the current financial year ending 31 December 2019 up to the Latest Practicable Date.

As at the Latest Practicable Date, the aggregate value of all interested person transactions entered into by the Group with interested persons (as defined in the Catalist Rules) for the current financial year ending 31 December 2019 is approximately RMB3,610.9 million (equivalent to approximately SGD721.3 million).

For the avoidance of doubt, as at the Latest Practicable Date, the Company has complied with the requirements under Rules 905 and 906 of the Catalist Rules, in respect of interested person transactions entered into by the Company during the current financial year ending 31 December 2019."

4. ASSESSMENT OF THE FINANCIAL TERMS OF THE PROPOSED DISPOSAL

In evaluating and assessing the financial terms of the Proposed Disposal, we have given due consideration to the following:–

(a) valuation of AZM, taking into consideration the Valuation Report;

(b) NTA-based valuation of AZM;

(c) financial assessment of the Consideration for the Proposed Disposal;

(d) rationale for the Proposed Disposal;

(e) financial effects of the Proposed Disposal;

(f) financial performance of AZM; and

(g) other considerations in relation to the Proposed Disposal which may have a significant bearing on our assessment.

4.1 VALUATION OF AZM, TAKING INTO CONSIDERATION THE VALUATION REPORT

In connection with the Proposed Disposal, the Company has appointed CFA as the Independent Valuer to conduct a valuation to estimate the market value of the entire shareholders' equity of AZM as at 31 December 2018. In general, market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowingly, prudently and without compulsion.

We note from the Valuation Report that the Independent Valuer has considered the following approaches in the valuation of AZM:

(a) asset-based approach;

(b) income approach; and

(c) market approach.

The asset-based approach refers to a valuation approach that rationally analyzes the value of various assets and liabilities of the company based on the balance sheet on the valuation date to determine the value of the valuation object. The income approach refers to the approach to determine the value of the valuation object by capitalizing or discounting the expected income. Specific approaches commonly used in income approach include the dividend discount approach and the discounted cash flow approach. Market approach refers to the valuation approach to determine the value of the valuation object by comparing the valuation object with comparable listed companies or comparable trading cases. Two specific approaches commonly used in market approach are comparable company approach and comparable trading approach.

Of the three approaches, the Independent Valuer has adopted the asset-based approach and the income approach. The Independent Valuer has appraised the value of all the shareholders' equity of AZM as at 31 December 2018 to be approximately RMB25.21 million based on the asset-based approach and RMB19.36 million based on the income approach.

We note that after considering the data quality for different valuation methods and the purpose of this valuation, the Independent Valuer has concluded the market value of all shareholders' equity of AZM as at 31 December 2018 is approximately RMB25,210,000 (equivalent to approximately US$3,673,000 or approximately SGD5,036,000), based on the asset-based approach. We also note that the Consideration represents approximately 60% of the appraised value given by the Independent Valuer based on the asset-based approach, i.e. approximately US$2.20 million or RMB15.13 million. Please refer to Appendix B to the Circular for further details on the Valuation Report.

The following table summarizes the key variances arising from the asset-based valuation conducted by the Independent Valuer:

	Book value as at 31 December 2018 RMB'000	**Market Value as at 31 December 2018 RMB'000**	**Surplus/(Deficit) RMB'000**
Current assets	218,042.7	218,239.4	196.7[(1)]
Non-current assets	19,788.2	19,788.9	0.7
Total assets	237,830.9	238,028.3	197.4
Current liabilities	212,817.5	212,817.5	–
Non-current liabilities	–	–	–
Net assets	**25,013.4**	**25,210.8**	**197.4**

Note:

(1) Due to an increase in the value of inventory.

4.2 NTA-BASED VALUATION OF THE DISPOSAL GROUP

The NTA-based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets over a reasonable period of time. NTA is computed by deducting the intangible assets from the net asset value.

NTA shows the extent to which the value of the Disposal Group's shares is backed by tangible assets. However, it does not take into account the value of any intangible assets such as goodwill, intellectual properties, trademarks and brand names. NTA based valuation is meaningful only in so far as to show the extent to which the value of each Share is backed by tangible assets.

Based on audited consolidated financial statements of the Disposal Group, the Disposal Group's net asset value ("**NAV**") as at 31 December 2018 was approximately RMB25.01 million (or RMB15.01 million based on 60% equity interest) and based on the Valuation Report, as at 31 December 2018, the market value of its net assets (re-valued net assets or "**RNAV**") was approximately RMB25.21 million (or approximately RMB15.13 million based on 60% equity interest). We understand from Management that as there are no intangible assets as at 31 December 2018, the NTA of the Disposal Group is equivalent to its NAV.

The Consideration of approximately RMB15.13 million is equivalent to 60% of the Disposal Group's RNAV and represents a premium of 0.8% over the 60% equity interest of the Disposal Group's NAV.

4.3 FINANCIAL ASSESSMENT OF THE CONSIDERATION FOR THE PROPOSED DISPOSAL

In assessing the Consideration from a financial viewpoint, we have compared the various valuation measures of the Disposal Group as implied by the Consideration against the valuation ratios of listed companies on the SGX-ST which are primarily engaged in the business of ship owning, leasing, chartering, brokering and/or management ("**Selected Comparable Companies**").

The Selected Comparable Companies have been identified through a search on publicly available information. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. We have had discussions with the Management about the suitability of the Selected Comparable Companies serving as a basis for comparison with the Disposal Group.

We recognise, however, that our list of Selected Comparable Companies is not exhaustive and there may not be any company listed on the SGX-ST or other stock exchanges that is directly comparable to the Disposal Group in terms of, *inter alia*, location, sales growth, type of products/services, scale of operations, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Selected Comparable Companies is therefore intended to serve as an illustration guide only.

For the purpose of our evaluation and for illustration, we have made comparisons between the Disposal Group and the valuation of the Selected Comparable Companies on a historical basis using the following:

Valuation Ratio	General Description
Price-to-Earnings ("**P/E**")	P/E ratio illustrates the ratio of the market price of a company's shares to its consolidated basic earnings per share attributable to the owners of the company as stated in its financial statements. The P/E ratio is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the aggregate of the most recent announced four quarters earnings per share where publicly available.
Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortisation ("**EV/EBITDA**")	"EV" or "Enterprise Value" is the sum of a company's market capitalisation, preferred equity, non-controlling interest, consolidated short and long-term debts, inclusive of finance lease liabilities, less its consolidated cash and cash equivalents. "EBITDA" stands for historical consolidated earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associates' and joint ventures' income. The EV/EBITDA ratio illustrates the ratio of the enterprise value of a company's business to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure. In our analysis, we used the Enterprise Value based on the market capitalisation as of the Latest Practicable Date divided by the aggregate of the most recent announced four quarters EBITDA where publicly available.
Price-to-Net Tangible Asset ("**P/NTA**")	"NTA" or "net tangible asset" is defined to exclude, where applicable, intangible assets of a company. P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds of which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NTA per share where publicly available.

The statistics for the Selected Comparable Companies are based on their closing prices as at the Latest Practicable Date and the publicly available financial results based on their respective financial periods/year ends.

Comparisons between the Disposal Group and the Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences.

In view of the above, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Disposal Group as at the Latest Practicable Date.

We set out in the table below the list of Selected Comparable Companies, together with brief information on these companies.

Selected Comparable Companies	**Description**	**Market capitalisation[(1)] (S$ million)**
Penguin International Limited ("**Penguin International**")	Penguin International builds, owns, operates, and charters passenger ferries and launches. The company also provides related repairs and maintenance services, ferry services, air charter services, and tour and travel package services.	101.3
Marco Polo Marine Limited ("**Marco Polo Marine**")	Marco Polo Marine is an integrated shipping company. The company provides services that include ship chartering, ship building and repair, and brokering services.	63.4
ES Group Holdings Ltd. ("**ES Group**")	ES Group is a marine and offshore group involved in newbuilding, conversion and repair of oceangoing vessels. The company builds, converts, and repairs a wide range of vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers, and cargo ships.	5.4
Singapore Shipping Corporation Limited ("**Singapore Shipping Corporation**")	Singapore Shipping Corporation owns, charters, and manages ships and vessels. The company also provides warehousing and logistics, freight forwarding, tugging, and ancillary marine services and operates shipping agencies and terminals.	125.1
Seroja Investments Ltd. ("**Seroja Investments**")	Seroja Investments provides charter services of tugboats and barges. The ships are primarily used to transport thermal coal, sand and other quarry materials.	12.1
Vallianz Holdings Limited ("**Vallianz Holdings**")	Vallianz Holdings Limited is a vessel and equipment owning, and leasing company. The company provides marine support services, primarily marine asset ownership, leasing, and fleet management.	63.8

Source: Bloomberg L.P.

Note:

(1) Based on the closing price of the respective Selected Comparable Companies as at the Latest Practicable Date.

We set out in the table below the financial ratios of the Selected Comparable Companies as at the Latest Practicable Date.

Selected Comparable Companies	Historical P/E (times)	Historical EV/EBITDA (times)	Historical P/NTA (times)
Penguin International	14.8	4.8	0.7
Marco Polo Marine	N.M.(1)	11.6	0.6
ES Group	5.5	3.4	0.2
Singapore Shipping Corporation	8.7	6.3	1.0
Seroja Investments	9.1	2.8	0.3
Vallianz Holdings	9.2	10.0	0.3
High	14.8	11.6	1.0
Mean	9.5	6.5	0.5
Median	9.1	5.5	0.4
Low	5.5	2.8	0.2
Disposal Group (as implied by the Consideration)	12.1	93.4	1.0

Source: Bloomberg L.P. and published financial statements of the respective Selected Comparable Companies

Note:

(1) Denotes not meaningful as Marco Polo Marine recorded a loss after tax based on the aggregate of its earnings for the latest four quarters prior to the Latest Practicable Date, after adjusting for non-recurring items.

Based on the above ratio analysis, we note that:

(a) the P/E ratio of the Disposal Group of 12.1 times as implied by the Consideration is within the range and above the mean and median of the P/E ratios of the Selected Comparable Companies;

(b) the EV/EBITDA ratio of the Disposal Group of 93.4 times as implied by the Consideration is above the range of the EV/EBITDA ratios of the Selected Comparable Companies; and

(c) the P/NTA ratio of the Disposal Group of 1.0 times as implied by the Consideration is within the range and above the mean and median of the P/NTA ratios of the Selected Comparable Companies.

4.4 RATIONALE FOR THE PROPOSED DISPOSAL

We note the rationale for the Proposed Disposal as stated in section 4.1 of the Circular is as follows:

*"**4.1 Rationale for the Proposed Disposal***

The Proposed Disposal is undertaken pursuant to a strategic review of the financial position, operational needs, long-term strategy and direction of the Group, as well as taking into account the business prospects of the Disposal Group.

As mentioned in Section 2.1 above, the core business of the Disposal Group is in the Ship Investment Business. Market conditions have not been favourable for the Disposal Group's Ship Investment Business, and the Disposal Group has been facing and continues to face challenging market conditions due to, among other things, reduced demand for offshore support vessels following the oversupply of such vessels in the global market. The Company does not anticipate that market conditions will improve in the foreseeable future.

Having regard to the terms and the timing of the Proposed Disposal, the Board is of the view that the Proposed Disposal represents an opportunity for the Group to dispose of its Ship Investment Business for a satisfactory consideration as well as to realise its investment in AZM, which would unlock value for Shareholders, recover debts and further strengthen the Group's financial position.

*The Proposed Disposal would also improve the Group's liquidity, fund the Group's working capital requirements for the Group's other core businesses (which is in the provision of shipbuilding project management and consultancy services ("**M&C Services**"), design and engineering, shipbuilding (outsourced), ship trading related businesses, and engineering, procurement and construction services) and allow the Group to undertake new investment opportunities as and when they arise, which may result in higher value to Shareholders."*

4.5 FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

Information relating to the financial effects of the Proposed Disposal has been extracted from section 6 of the Circular and set out in italics below.

*"**6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL***

6.1. Assumptions

The pro forma financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

The pro forma financial effects in this section are based on the consolidated audited financial statements of the Group for FY2018. The pro forma financial effects of the Proposed Disposal have been prepared based on the following assumptions:

*(a) The number of shares is based on the 285,576,000 issued and paid-up ordinary shares in the capital of the Company ("**Shares**") as at 31 December 2018;*

(b) The Proposed Disposal had been completed on 31 December 2018 for the purposes of computing the pro forma financial effects on the NTA of the Group; and

*(c) The Proposed Disposal had been completed on 1 January 2018 for the purposes of computing the pro forma financial effects on the earnings per Share ("**EPS**") of the Group.*

6.2. Effects on the NTA per Share

		Before the completion of the Proposed Disposal	***After the completion of the Proposed Disposal***
NTA (RMB'000)	***:***	*74,470*	*74,589*
Number of Shares	***:***	*285,576,000*	*285,576,000*
NTA per Share (Fen)	***:***	*26.08*	*26.12*

6.3. Effects on EPS

		Before the completion of the Proposed Disposal	***After the completion of the Proposed Disposal***
Profit/(Loss) attributable to Shareholders (RMB'000)	***:***	*27,280*	*26,209*
Number of Shares	***:***	*285,576,000*	*285,576,000*
EPS (Fen)	***:***	*9.55*	*9.11"*

Based on the above, we note that the Proposed Disposal would result in the following proforma financial effects for the Group:

(a) the NTA per Share would increase from 26.08 Fen to 26.12 Fen, assuming the Proposed Disposal had been completed on 31 December 2018. This is mainly due to the amount of excess of the Consideration over the book value of the Sale Shares amounting to approximately RMB119,000; and

(b) the EPS of the Group would decrease from 9.55 Fen to 9.11 Fen, assuming the Proposed Disposal had been completed at the beginning of FY2018. This is mainly due to the exclusion of profit contributions from the Disposal Group.

4.6 FINANCIAL PERFORMANCE OF AZM

Set out below is the summary of the financial information of the Disposal Group for the financial year ended 31 December 2018 ("**FY2018**") and 31 December 2017 ("**FY2017**") extracted from the audited consolidated financial statements for the relevant years.

RMB'000	FY2018	FY2017
Revenue	5,480	126,358
Operating profit/(loss)	2,084	(13,429)
Profit/(loss) before income tax	2,084	(13,057)
Profit/(loss) after tax attributable to shareholders	2,084	(13,054)

The summary of the financial position of the Disposal Group as at 31 December 2018 is set out below:

RMB'000	As at 31 December 2018
Non-current assets	19,788
Current assets	218,043
Total assets	**237,831**
Non-current liabilities	–
Current liabilities	212,818
Total liabilities	**212,818**
Net assets	**25,013**

4.7 OTHER CONSIDERATIONS

4.7.1 Order book of AZM

Based on the information given by the Management, AZM was set up in March 2013 and has been principally engaged in the sale of tugboats through direct sale or finance lease since then. According to the initial investment plan at the time of incorporation, AZM intended to purchase and sell ten (10) tugboats. The Management has confirmed that as of the Latest Practicable Date, AZM has completed the sale of one tugboat through direct sale, and four tugboats through finance leases. Of the four finance leases, two have reached the end of their lease terms, while the lease terms for the remaining two finance leases are expected to end in July 2020. There is no definitive timetable for the sale of the remaining five tugboats.

4.7.2 Outlook of the Group

In the Company's results announcement for the three months ended 31 March 2019, the following commentary was made on 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 from the date of the results announcement:

"*Global new shipbuilding orders declined substantially in the first quarter of 2019 compared to a year ago, as uncertainties in economic growth, trade tensions and the implication of the IMO rules on sulphur emission continued to weigh on market sentiment.*"

Shareholders are advised to read the entire text of the abovementioned relevant announcements.

5. RECOMMENDATION

In arriving at our opinion in respect of the Proposed Disposal, we have taken into account the factors which we consider would have a significant bearing on our assessment as set out in the earlier sections.

Having regard to the considerations set out in this Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders. **We therefore advise you to recommend that Independent Shareholders vote in favour of the Proposed Disposal to be proposed at the extraordinary general meeting to be convened ("EGM").**

The Recommending Directors should note that our recommendation is based upon market, economic, industry, monetary and other conditions prevailing and information made available to us as at the Latest Practicable Date.

This Letter is prepared pursuant to Rule 921(4)(a) of the Catalist Rules and is addressed to the Recommending Directors for their use and benefit, in connection with and for the purposes of their consideration of the Proposed Disposal. Their recommendations to the Independent Shareholders in respect of the Proposed Disposal shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM and for the purpose of the Proposed Disposal, at any time in any manner without our prior written consent in each specific case.

Yours faithfully
For and on behalf of
RHB Securities Singapore Pte. Ltd.

Lien I Ping
Deputy Director
Corporate Finance

Wong Kee Seong
Deputy Director
Corporate Finance

An abstract of the Valuation Report in respect of all the shareholders' equity of AZM is set out below. The full Valuation Report is available for inspection at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544, during normal business hours from the date of this Circular up to and including the date of the EGM.

The Valuation Report Abstract of AVIC International Maritime Holdings Limited Proposed Equity Transfer of All Shareholders' Equity Value under AVIC Zhenjiang Shipyard Marine Pte.Ltd.

CFA Consultation Report Zi (2019) No. 011A

Important Notice

This abstract is taken from the body of the valuation report. For the details of this valuation project and a reasonable understanding of the valuation conclusions, the text of the valuation report should be carefully read.

In accordance with relevant laws and regulations, CFA adheres to the principles of independence, objectivity and impartiality to analyze the market value of all the shareholders' equity of AVIC Zhenjiang Shipyard Marine Pte.Ltd. with reference to the necessary valuation procedures. Here is the abstract of the valuation report:

Valuation purpose: To analyze market value of all the shareholders' equity of AVIC Zhenjiang Shipyard Marine Pte.Ltd., providing its market value on the valuation base date and providing an internal reference for the proposed equity transfer of AVIC International Maritime Holdings Limited.

Valuation object and scope: The object of this valuation is all the shareholders' equity of AVIC Zhenjiang Shipyard Marine Pte.Ltd.. The valuation range is the total assets and liabilities of AVIC Zhenjiang Shipyard Marine Pte.Ltd..

Valuation base date: December 31, 2018

The type of value of the valuation: market value.

The analysis approaches of the valuation: assets based approach, income approach

Valuation conclusion: Within the conditions set by this value analysis, all the shareholders' equity of AVIC Zhenjiang Shipyard Marine Pte.Ltd. is RMB 25,210,800.

The results of this valuation report is valid for a period of 12 months from the valuation base date, that's from December 31, 2018 to December 30, 2019.

This valuation report only provides a reference base for the economic behavior described in the valuation report. The users of the valuation report should fully aware of the provided assumptions, limitations and special explanations, and their impact on the conclusions.

The Valuation Report Body of AVIC International Maritime Holdings Limited Proposed Equity Transfer of All Shareholders' Equity Value under AVIC Zhenjiang Shipyard Marine Pte.Ltd.

CFA Consultation Report Zi (2019) No. 011A

AVIC International Maritime Holdings Limited:

China Faith Appraisers Co. Ltd. accepts the commission of your company. According to relevant laws and provisions, in line with the principle of independence, objectivity and impartiality, CFA analyzed the market value of all the shareholders' equity of AVIC Zhenjiang Shipyard Marine Pte.Ltd. dated December 31, 2018 in accordance with assets based approach and income approach and in view of necessary valuation procedures. Here is the valuation status:

AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201024137N)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED** (the "**Company**") will be held on 2 August 2019, at 10.30 a.m. at Phoenix 1 Grand Ballroom, Level 6, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 for the purpose of considering and, if thought fit, passing, the following resolution:

*Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed thereto in the Company's circular to Shareholders dated 18 July 2019 ("**Circular**") in respect of the resolution herein.*

ORDINARY RESOLUTION

THE PROPOSED DISPOSAL OF THE 60% SHAREHOLDING IN AVIC ZHENJIANG SHIPYARD MARINE PTE. LTD. TO AN INTERESTED PERSON

That:

(a) approval be and is hereby given for the sale of 60% of the entire issued and paid-up share capital of the Company's subsidiary, AVIC Zhenjiang Shipyard Marine Pte. Ltd., to High Beyond Corporation Limited (航远有限公司) ("**High Beyond**") in accordance with the terms and conditions of the Sale and Purchase Agreement entered into between the Company and High Beyond (the "**Proposed Disposal**") which constitutes an interested person transaction under the Catalist Rules; and

(b) the Directors of the Company and each of them be and are hereby authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Proposed Disposal, with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this resolution or the transactions contemplated pursuant to or in connection with the Proposed Disposal.

BY ORDER OF THE BOARD

Dr Diao Weicheng
Executive Chairman
18 July 2019
Singapore

Notes:

1. (i) A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint not more than two proxies to attend, speak and vote on his behalf and where a member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

   (ii) A member (who is a relevant intermediary) of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint more than two proxies to attend, speak and vote on his behalf, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

   "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

2. A proxy need not be a member of the Company.

3. If a member is unable to attend the Extraordinary General Meeting and wishes to appoint a proxy to attend and vote at the Extraordinary General Meeting on his behalf, then he should complete and sign the relevant Proxy Form and deposit the duly completed Proxy Form at the Company's registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 at least forty-eight (48) hours before the time of the holding of the Extraordinary General Meeting.

4. A Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) as at a time not earlier than seventy-two (72) hours prior to the time of the Extraordinary General Meeting who/which is (i) an individual but is unable to attend the Extraordinary General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the Company's registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544, at least forty-eight (48) hours before the time of the Extraordinary General Meeting.

5. If a member who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company is unable to attend the Extraordinary General Meeting and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Proxy Form for, respectively, the Shares entered against his name in the Depository Register and the Shares registered in his name in the Register of Members of the Company.

6. A Depositor who is an individual and whose name is shown in the Depository Register as at a time not earlier than seventy-two (72) hours prior to the time of the Extraordinary General Meeting and who wishes to attend the Extraordinary General Meeting in person need not take any further action and can attend and vote at the Extraordinary General Meeting as CDP's proxy without the lodgment of any proxy.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201024137N)

Important:

1. For investors who have used their CPF monies to buy AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED shares, this Circular to Shareholders dated 18 July 2019 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM – EXTRAORDINARY GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We* _____ (name) of

of _____ (address)

being a member/members of AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			%	No. of Shares

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			%	No. of Shares

or failing him/her, the Chairman of the Extraordinary General Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at 2 August 2019 and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of EGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM.)

ORDINARY RESOLUTION	For	Against
The Proposed Disposal of the 60% shareholding in AVIC Zhenjiang Shipyard Marine Pte. Ltd. to an interested person.		

Dated this _____ day of _____ 2019

Total Number of Shares held in:	
CDP Register	
Register of Members	

_____

Signature(s) of members(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

PROXY FORM

NOTES:

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. (i) A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint not more than two proxies to attend, speak and vote on his behalf and where a member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

   (ii) A member (who is a relevant intermediary) of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint more than two proxies to attend, speak and vote on his behalf, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

   "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

3. A proxy need not be a member of the Company.

4. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he thinks fit.

5. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.

6. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.

7. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.

8. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.

9. The instrument appointing a proxy must be deposited at the Company's registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544, at least forty-eight (48) hours before the time appointed for holding of the Extraordinary General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.