

**AVIC International Maritime Holdings Limited**  
(Formerly known as AVIC International Investments Limited)



(Incorporated in Singapore on 11 November 2010)  
(Registration Number: 201024137N)

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**RESPONSE TO SGX-ST'S QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS  
AND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013**

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*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meaning ascribed to them in the announcement released by the Company on 28 February 2014 in relation to the financial results for the full year ended 31 December 2013 (the "Results Announcement").*

AVIC International Maritime Holdings Limited (the "**Company**") would like to respond to the questions raised by the SGX on 6 March 2014 in relation to the Results Announcement as follows:

**SGX's Question (a):**

**We note that Marketing and Distribution expenses increased by 127.9% to RMB 27.06 million for FY2013. Please provide a breakdown of the expenses and provide reasons for the material changes.**

**Company's response:**

The breakdown of the Group's Marketing and Distribution expenses for the FY2013 and the explanation for the material changes from FY2012 are as follows:

	Group FY 2013 RMB'000	Group FY2012 RMB'000	Difference RMB'000	Note
Depreciation expense	1	1	-	
Insurance expense	60	-	60	
Office rental (Operating Lease)	2,098	1,967	131	
Office expense	186	43	143	
Transportation expense	495	38	457	(1)
Advertisement expense	849	163	686	(2)
Legal and professional fee	115	1,335	(1,220)	(3)
Course and training expense	113	146	(33)	
Employee Benefits expense	17,848	6,293	11,555	(4)
Consultation fee	1,038	-	1,038	(5)
Travelling & Entertainment expense	4,219	1,270	2,949	(6)
Commission fee	-	616	(616)	(7)
Others	39	-	39	
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Total	<u>27,061</u>	<u>11,872</u>		

Note:

- (1) The increase in transportation fee in FY2013 as compared to FY2012 was due mainly to the expanded operations during the financial year.

- (2) The increase in advertisement expense in FY2013 as compared to FY2012 was due mainly to the increase in expenses associated with promoting Deltamarin's ship design products and services.
- (3) Legal and professional fees in FY2012 mainly comprised the professional fee amounting to RMB1.10 million paid for the supervision of construction of five vessels. There was no such expense incurred in FY2013.
- (4) Employee benefits expenses increased by RMB11.56 million or 184% from RMB6.29 million in FY2012 to RMB17.85 million in FY2013 due mainly to the additional head count arising from the acquisition of Deltamarin Group.
- (5) Consultation fee mainly comprised expenses paid to marketing consultants for services rendered in connection with the planning and launching of marketing activities in Deltamarin Group during the financial year.
- (6) The increase in travelling and entertainment expenses in FY2013 was mainly due to expanded operations and the acquisition of the Deltamarin Group.
- (7) Commission fee in FY2012 comprised expenses paid to an agent for services rendered in securing the construction of five vessels contract. There was no such expense incurred in FY2013.

**SGX's Question (b):**

**We note that Administrative expenses increased by 414.7% to RMB 112.82 million for FY2013. Please provide a breakdown of the expenses and provide reasons for the material changes.**

**Company's response:**

The breakdown of the Group's Administrative expenses for the FY2013 and the explanation for the material changes from FY2012 are as follows:

	<b>Group FY 2013 RMB'000</b>	<b>Group FY2012 RMB'000</b>	<b>Difference RMB'000</b>	<b>Note</b>
Depreciation expense	3,911	1,343	2,568	(1)
Insurance expense	1,455	-	1,455	(2)
Office rental (Operating Lease)	13,068	3,480	9,588	(3)
Office expense	14,396	723	13,673	(4)
Transportation expense	467	212	255	(5)
Stamp duty expense	126	40	86	
Advertisement expense	269	18	251	(6)
Legal and professional fee	10,266	7,046	3,220	(7)
Course and training expense	506	7	499	(8)
Employee Benefits expense	53,178	7,559	45,619	(9)
Consultation fee	2,617	48	2,569	(10)
Travelling & Entertainment expense	3,200	1,061	2,139	(11)
Amortisation of intangible assets	3,712	-	3,712	(12)
Corporate event expense	366	350	16	
Other tax expense	4,246	-	4,246	(13)
Fixed asset written off	218	32	186	
Others	818	-	818	(14)
<b>Total</b>	<b>112,819</b>	<b>21,919</b>		

Note:

- (1) The Group's depreciation charge for plant and equipment increased by RMB2.57 million or 191% in FY2013 as compared to FY2012 mainly due to the addition of plant and equipment and depreciation charges from Deltamarin Group.
- (2) Insurance expenses comprised fire insurance, plant and equipment insurance and business income insurance. The increase in insurance expenses was due mainly to the insurance expenses from the newly acquired Deltamarin Group.

- (3) Operating lease expenses increased by approximately RMB9.59 million or 275% from RMB3.48 million in FY2012 to RMB13.07 million in FY2013 due mainly to the leasing expenses from the newly acquired Deltamarin Group which included office rental amounting to RMB9.10 million.
- (4) Office expenses increased by approximately RMB13.67 million or 1892% from RMB0.72 million in FY2012 to RMB14.40 million in FY2013 due mainly to the increase in office utilities expenses, IT maintenance and service charges, telephone and fax expenses, courier expenses and other day to day expenses as a result of expanded business activities as well as expenses from the newly acquired Deltamarin Group.
- (5) Transportation expenses increased by RMB0.26million or 120% from RMB0.21million in FY2012 to RMB0.47million in FY2013 due mainly to the expenses from the newly acquired Deltamarin Group.
- (6) The increase in advertisement expenses in FY2013 was due mainly to the cost incurred in the placement of the Notice for the change of name of the Company during the financial year.
- (7) Legal and professional fees increased by RMB3.22 million or 46% from RMB7.05 million in FY2012 to RMB10.27 million in FY2013 due mainly to the increase in accounting and book keeping expenses and professional fees incurred for maintaining the Group's listing status.
- (8) The increase in course and training expenses in FY2013 was due mainly to more internal training conducted in FY2013 as compared to FY2012.
- (9) Employee benefits expenses increased by RMB45.62 million or 604% from RMB7.56 million in FY2012 to RMB53.19 million in FY2013 was due mainly to the increase in Singapore and China's subsidiaries head count as well as additional head count arising from the acquisition of Deltamarin Group.
- (10) Consultation fees increased by RMB2.57 million or 5352% from RMB0.05 million in FY2012 to RMB2.62 million in FY2013 due mainly to consultation services provided to Deltamarin group during the financial year.
- (11) The increase in travelling and entertainment expenses in FY2013 was due mainly to expanded operations and the acquisition of the Deltamarin Group.
- (12) The increase in amortisation expenses was due mainly to the amortisation of our Technical Knowhow over a period of 15 years arising from the acquisition of the Deltamarin Group.
- (13) The increase in other tax expenses was due to the transfer tax incurred in relation to the acquisition of Deltamarin Group.
- (14) Other expenses mainly comprised expatriates' accommodation expense amounting to RMB0.47 million and miscellaneous expenses amounting to RMB0.34 million arising from newly acquired Deltamarin Group.

**SGX's Question (c):**

**Please provide details on the items which resulted in the significant increase in Foreign Exchange loss of RMB24.6 million for FY2013.**

**Company's response:**

The significant increase in foreign exchange loss of RMB24.6 million for FY2013 was due mainly to: (1) RMB2.00 million unrealised exchange loss arising from the USD24 million loan; (2) RMB16.14 million unrealised exchange loss arising from the EUR26 million loan; (3) RMB3.52 million unrealised exchange loss arising from the USD bank deposits of the Group's subsidiaries in China; and (4) RMB2.97 million realised exchange loss from the settlement of foreign currencies denominated balances.

**SGX's Question (d):**

**Please provide reasons for the significant increase in Trade Receivables balance from RMB 1.04 million as at 31 December 2012 to RMB109.1 million as at 31 December 2013, including the amounts arising from interested party transactions; the debtors turnover days and whether the Company foresees issues with the collection of these debts.**

**Company's response:**

Trade receivables increased from RMB1.04 million as at 31 December 2012 to RMB109.1 million as at 31 December 2013 mainly due to trade receivables from the newly acquired Deltamarin Group

(ship-designing service contract), as well as increase in trade receivables from the customers of the Group's subsidiaries in China.

Trade receivables arising from interested party transactions amounted to RMB12.13 million, while trade receivables arising from third party customers amounted to RMB96.97 million.

Overall, the Group had a relatively short trade receivables turnover of 33 days in FY2013. The Group does not foresee any issues with the collection of these receivables as overall average trade receivables turnover is still within the average credit period of 90 days.

**SGX's Question (e):**

**Please provide a breakdown of the Other Payables and Accruals balance of RMB77.4 million as at 31 December 2013 and provide reasons for the material changes in these items**

**Company's response:**

The detail breakdown of the Other Payables and Accruals balances as follows:

	<b>FY2013</b>	<b>FY2012</b>	<b>Changes</b>	<b>Notes</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	
Accrued expenses	45,374	4,231	41,143	(1)
Other payable	6,015	536	5,479	(2)
Other payable amount due to immediate holding company- AVIC Kairong	18,670	5,509	13,161	(3)
Other payable amount due to intermediate holding company – AVIC Beijing	5,710	1,866	3,844	(4)
Other payable amount due to a related company	-	26	26	
Interest payable	60	196	(136)	
Other tax payable	1,522	2,149	(627)	
<b>Total Other Payables and Accruals</b>	<b>77,351</b>	<b>14,513</b>		

Note:

- (1) Accrued expenses increased by RMB41.14 million from RMB4.23 million in FY2012 to RMB34.37 million in FY2013 due mainly to the Deltamarin's accrued expenses which included accrued employee benefits and accrued other operating expenses.
- (2) The increase in other payable was due mainly to unpaid invoices for the operating expenses from Deltamarin Group and withholding of staffs' income tax payable as at 31 December 2013.
- (3) The increase in amount due to immediate holding company was due mainly to additional advances received from AVIC Kairong and payment of a transfer tax arising from the acquisition of Deltamarin made by AVIC Kairong on behalf of the Group.
- (4) The increase in amount due to intermediate holding company was due mainly to the amount received on behalf of AVIC Beijing from a third party and the amount payable to AVIC Beijing remained outstanding as at 31 December 2013.

**SGX's Question:**

**Please let us know whether the Company has complied with Listing Rule 905 and Listing Rule 906 with regards to the IPTs (excluding those conducted under shareholders' mandate and less than S\$100,000) disclosed on Pages 16 and 17 of the results announcement.**

**Company's response:**

The Company notes that all the IPTs as disclosed on page 16 and 17 of the Results Announcement dated 28 February 2014 have complied with Listing Rule 905 and Listing Rule 906.

By Order of the Board

Dr Diao Weicheng  
Executive Chairman  
7 March 2014