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

(Company Registration No. 201024137N)

Propelling into Sustainable Future

FY2017 Sustainability Report

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1 About this Report

AVIC International Maritime Holdings Limited ("AVIC Maritime" or together with its subsidiaries, "the Group") is pleased to present its inaugural sustainability report covering its sustainability efforts in the financial year ended 31 December 2017 ("FY2017"). This sustainability report provides an account of AVIC Maritime's material sustainability matters that are of importance to the Group's business and its stakeholders.

Being an integrated marine and offshore solution provider with strong networks established with major ship-owners world-wide, we are committed to setting the industry standards and leading the industry in adopting sustainable practices.

Reporting Scope and Period

As our first sustainability report, this report provides an overview of the Group's sustainability performance as well as its strategies and practices, while highlighting the economic, environmental and social impacts of the Group's business and developments. This report covers FY2017 from 1 January 2017 to 31 December 2017.

To reaffirm our commitment towards sustainability, we will be publishing our subsequent sustainability report in May on an annual basis from the financial year ended 31 December 2018 ("FY2018") onwards.

Reporting Process

In each reporting cycle, the Group's Sustainability Reporting Committee ("SR Committee") reviews the contents of the report to ensure that significant current and emerging material issues are addressed in the Group's sustainability development, and that we actively engage our stakeholders in delivering value.

The SR committee is headed by the Chief Executive Officer ("CEO") of the Group, Mr Sun Yan, and coordinated by the Chief Financial Officer ("CFO") of the Group, Mr Liao Hongbing. Top management of all the Group's subsidiaries forms the members of the SR Committee.

GRI Guidelines

This report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards. The GRI Standards are the most widely adopted standards for sustainability reporting globally and provide businesses and organisations worldwide a framework to measure, understand and communicate their critical sustainability matters on economic, environmental, social performance to stakeholders.

Feedback

We value feedback from our stakeholders as it allows us to continually improve our sustainability policies, processes and performance. Please kindly address all feedback to the SR Committee at **sr@avicship.com**. Your feedback and suggestions are important to us and will be considered as part of our on-going initiatives to improve on our future reporting.

2 Chairman's Message

Dear Stakeholders,

The board is pleased to present the Group's inaugural sustainability report, featuring our sustainable approach and practices to achieving sustainable value for our shareholders. With the moderate growth of the global economy and international trade in 2017, we witnessed some improvement in the shipbuilding market conditions. Backed by the strong support of our parent company, the AVIC Group, we penetrated the niche market of small and medium-sized liquefied cargo tankers and high-end Ro-pax vessels, enhanced our R&D capabilities, grew the high value-added clean energy vessel business, and improved production efficiency through the optimization of management, operation and cost structures. In FY2017, the Group achieved earnings of RMB 26.5 million, a reversal from a loss in FY2016. The achievement only became possible through the persistent efforts by all at our Group.

Forward Strategy

Looking ahead, as the global economy and international trade continue to recover, the outlook for the shipping and shipbuilding market remains promising. The ongoing consolidation of China's shipbuilding industry will help companies with strong competitive advantages strengthen their market position. In 2018, we will focus on restructuring, achieving breakthroughs and growing the value of our business. We aim to penetrate new markets and expand our existing markets in the Belt-and-Road countries and other developing countries, as well as in China. Product wise, we will further develop our capabilities in high-end Ro-Pax vessels and small-medium sized chemical tankers. Through global-based marketing, R&D, design and procurement, we will actively build up our order book. We will ensure on-time delivery and provide customers with high-quality products at reasonable prices.

Gearing towards Sustainable Value Creation

At the same time, we will strive to enhance our business value and create additional income through supply chain services and the sharing of our technological and management expertise. Through providing comprehensive support to Deltamarin, and creating synergies and good coordination, we aim to grow Deltamarin's business and financial performance to the next level. In terms of internal management, we will speed up the transformation and upgrading in our product offering, ensure safe production, strengthen financial management and use innovative financing methods, so as to improve capital efficiency and reduce financing costs.

Engaging our Stakeholders

Lastly, AVIC Maritime believes that stakeholder participation plays a key role in our Group's journey towards creating sustainable value. We would like to extend our deepest appreciation to all our stakeholders, including our shareholders, investors, customers, employees, suppliers, bankers and business partners, for the strong support and guidance through these difficult times.

As we gear towards a sustainable future together, we look forward to partnering with you to achieve greater sustainable growth. With your support, we are confident that we will be solidly positioned for future growth.

With utmost gratitude,

Dr DIAO WEICHENG

Executive Chairman

3 Overview of the Group

Corporate Profile

Established in 1994, listed on SGX Mainboard since September 2011 and transferred to the SGX Catalist board in May 2016, AVIC International Maritime Holdings Limited ("AVIC Maritime" or together with its subsidiaries, "the Group") is an integrated marine and offshore solution provider. The Group is a member of the Aviation Industry Corporation of China, Ltd. ("AVIC") group of companies. The Group offers a wide spectrum of services, including shipbuilding project management and consultancy ("M&C Services"), design and engineering, shipbuilding (outsourced), ship trading related businesses as well as Engineering, Procurement and Construction services. Over the decades, AVIC Maritime has maintained a strong track record and built many strong relationships with many reputable ship-owners worldwide.

Forging ahead with our strategy to expand along the ship design, shipbuilding and ship trading related business value chain, the Group acquired a Finnish design and engineering firm, Deltamarin Ltd. ("Deltamarin"), in January 2013. Deltamarin is an innovative leader in naval architecture and engineering and an experienced developer of profitable, sustainable and cost-efficient vessels. Further strengthening our business value chain, the company established a joint-venture company ("Deltamarin Floating Construction Pte. Ltd.") with Deltamarin in 2014, to provide engineering, procurement and construction services.

Ranked 162nd among Fortune Global Top 500 corporations in 2017[1], the Aviation Industry Corporation of China, Ltd. is one of the largest industrial groups authorized and managed by the People's Republic of China ("PRC") Central Government, whose key business units include defense, transport aircraft, aviation engine, helicopters, avionics, general aviation aircraft, aviation research and development, flight test, trade and logistics, and asset management. AVIC Maritime's association with the AVIC Group gives us the competitive edge of getting strong support from major financial institutions in the PRC.

Led by an experienced and driven management team with in-depth industry knowledge, coupled with our ability to leverage on AVIC Group's excellent business relationships, strong fundamentals and global business network, AVIC Maritime is well-positioned to be a leading provider of integrated maritime services.

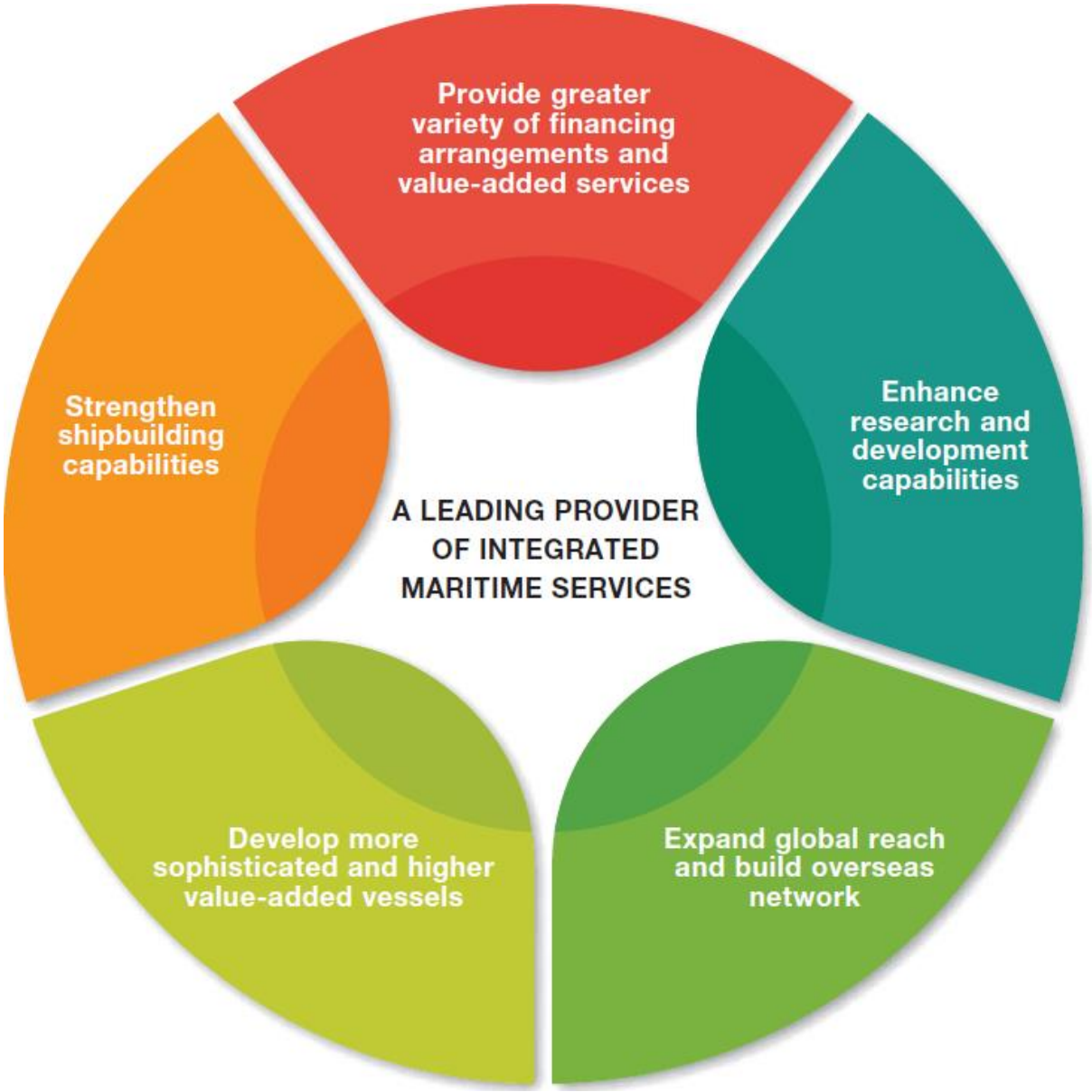
[1] Resource: http://fortune.com/global500/aviation-industry-corp-of-china/

Vision
To be a leading provider of Integrated Maritime Services in China and in the world.

Mission
Going beyond commerce for a better world.

Our Long-term Strategy
Our long-term strategy is to enhance our professional capabilities along with the "Global Marketing, Research & Development ("R&D"), Supplies Purchasing" value chain, with a view to becoming a leading provider of integrated maritime services to further upgrade our commercial value and ultimately enhance our shareholders' value.

Our Strategy



Employee Information
As of 31 December 2017, the Group has an aggregate of 512 employees. For more details, refer to pages 15 to 16 of the report.

4 Business Philosophy and Values

As a state-owned enterprise of the PRC, the Group is committed to assuming social responsibility and taking ownership in giving back to the society. In line with our sustainable strategy, we are also committed to ensuring that our strategic growth is aligned with the creation of social, economic and environmental value.

Contributing Back to Our Community

Just as we value the growth of the Group, we place equal importance in our capacity to contribute back to the society. We encourage and support our employees in contributing back to the community through various ways. Over the years, the Group has championed and contributed back in areas of poverty reduction, disaster relief, education funds and collaboration with local organisations at ground level to develop communities. Some of our initiatives are as follows:

- The Group participated in the "Race against Cancer" charity run organised by the Singapore Cancer Society, to raise awareness and to support fund-raising efforts for cancer patients.
- As part of the community engagement and education, we organised an anti-fraud training for the elderly of Shimen ErLu Community Centre in Shanghai.





Sustainable Social Value Creation

Believing in sustainable value creation, we commit to projects that create sustainable impact for the masses. Over the last few years, the Group organized donation events from time to time to fund the AVIC International Holding Corporation Charity Foundation. The foundation was set up to support needy students in remote areas in the PRC, through the establishment of schools, provision of learning facilities and financial aid.

In 2017, the Group continued to provide financial support to Xianghua Village in Shanghai. The funding effectively alleviated the financial constraints of the village and assisted the village in improving its infrastructure



Designing a Sustainable Future

Leveraging on our track record in the areas of shipbuilding, design, engineering and ship trading related businesses, and on our wide clientele base, we are committed to spreading the awareness of environmental conservation amongst our business partners, as well as providing environmentally-friendly solutions to meet our customers' requirements.

We are constantly enhancing our ship designs and focusing on concept development to improve our ships' specifications while improving energy and cost efficiency. In each project that we undertake, we are committed to understanding the goals and visions of our clients, and aligning the project and the goals and vison of our clients with our sustainable development goals. Our ships are the product of rigorous technological development and a common shared vision for a sustainable future. Some of our renowned vessel carriers include:

Initiatives in Ship Design

- Viking Line's LNG-fuelled ro-pax vessel with a 2,800-passenger capacity, is 10% more energy efficient than Viking Grace, the most energy-efficient and sophisticated ferry on the market. Due for delivery in 2020.





- "Atlantic Mercy", the world's largest civilian hospital ship. Owned by an international charity, Mercy Ship. Due for delivery in 2018.

Environmental Awareness

The Group strives to apply its technological innovation to promote environmental protection in its efforts to create a sustainable society.



Goals and Achievements

The Group aims to continuously seek business opportunities that are in line with our strategic growth and that would deliver value to our customers and stakeholders. Within the industry, we have also upheld a reputation for quality and high standards in our operations, as well as excellence in our operations management. The following subsidiaries under the Group:

- AVIC International Ship Development (China) Ltd.
- AVIC International Ship Development (Beijing) Co., Ltd.
- AVIC International Offshore Xiamen Co., Ltd.

have attained ISO 9001:2008 [2] certification since 28 December 2015 and maintained ISO 9001:2008 certification subsequently.

In 2017, the 3 subsidiaries were further awarded ISO 9901:2015 certification. They will undergo DNV GL inspection in the later part of FY2018 to maintain the ISO 9001:2015 certification.

Furthermore, AVIC International Ship Development (China) Ltd. is preparing and targeting to get the Industrial and Information Integration Management System certification ("工业与信息化融合管理体系认证") to be awarded by the Ministry of Industry and Information Technology ("国家工信部") by the spring of 2019. This certification promotes the integration of information technology and industrialization for sustainable development. With this certification, the subsidiary can expect to receive the following benefits:

- Allows for the subsidiaries to obtain financial support from governments;
- Award of this certificate is a prerequisite for Internet+ and policy innovation projects;
- Through the integration of information technology and industrialisation, able to identify areas for improvements to further facilitate sustainable development;
- Able to reduce costs, increase profits, and improve competitiveness in sustainable methods.

Membership of Associations

Aspiring to widen our exposure to Industry standards and collaborate within and beyond the industry to improve on current sustainable practices, Deltamarin has joined The Finnish Association of Consulting Firms SKOL[3].

[2] ISO 9001 is the international standard that specifies requirements for a quality management system (QMS). Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

[3] The Association has a membership of 200 design, consulting engineering and architect firms employing about 15 500 people in Finland. About one third of employees in Finland work in international companies headquartered outside Finland. Foreign subsidiaries of Finnish-owned companies employ some 7000 people abroad. SKOL promotes professional, independent, sustainable and ethical design and consulting engineering, which provides best value to the Client organisations. SKOL looks after the interests of member firms in Finland and within EU, improves the operating environment of consulting work in Finland and internationally, as well as builds up the brand and communicates the value of professional, high quality consulting services. The Association emphasizes quality as the main criterion in the selection of consultants.

5 Sustainability Approach

Our Approach

The Group's strategic approach has transformed over the years, from an economic-based strategy to a sustainability-oriented approach. This approach encompasses balancing holistic goals of economic, environmental and social perspectives with our commitment to actively engage stakeholders throughout the value delivery process; our sustainability approach extends beyond meeting stakeholder requirements to enhancing stakeholder participation in our chain of sustainable value creation.

Recognising key challenges and risks involved in sustainable development under the backdrop of our competitive marine and offshore industry, we have established a Sustainable Reporting Committee ("SR Committee") to balance our sustainability goals with our dedication to delivering quality performance to our stakeholders.

Committee Structure

The SR Committee is headed by the Group's Chief Executive Officer ("CEO"), Mr Sun Yan, and coordinated by the Group's Chief Financial Officer ("CFO"), Mr Liao Hongbing. Top management of all the Group's subsidiaries forms the members of the SR Committee. The SR Committee is responsible for overviewing the formulation and implementation and review of the Group's sustainability practices, policies and programs to ensure that the Group is progressing with its sustainability developments. Periodic reviews are made to ensure the effective implementation and engagement of the Group as a whole are in-line with the Group's abovementioned strategic development.

6 Identifying Material Aspects

Materiality Assessment

In 2017, the Group engaged an external team of sustainability consultants to assist the Group's SR Committee in identifying and prioritizing issues that are most material and relevant to the Group and its stakeholders.

These issues are then linked to the overall strategy and risk management approach of the Group. With the entire process facilitated by the external team of consultants, all members of the SR Committee are further interviewed to gain a holistic perspective of these issues. Subsequently, all of the SR Committee members participated in the Environment, Social and Governance ("ESG") Materiality Assessment, where each ESG factor in the GRI ESG universe was thereafter ranked by the SR Committee members according to the influence on stakeholder decisions and significance of environmental and social impacts.

A reporting plan on the identified GRI factors was further established based on the aggregated assessment results.

Material ESG Factors

The SR Committee has identified the following material ESG factors for FY2017:

- GRI 201 - Economic Performance
- GRI 307 - Environmental Compliance
- GRI 401 - Employment

The abovementioned factors are discussed and selected by SR Committee which took Group's long-term strategy in sustainable development of Environment, Social and Governance and SR disclosure plan approved into consideration.

Material ESG Factor Summary

Focus	Risk / Impact to Stakeholders	FY2017 Performance	Commitments & Targets
Economic Performance	Financial performance is one of the key factors which affects our investors' and shareholders' confidence level.	• Achieved 51% increase in revenue compared to FY2016 • Achieved an earning of RMB 26.5 million compared to a loss in FY2016 • Continued and focused on research and development ("R&D")	• Keep strengthening our financial performances • Penetrate and expand our markets in the Belt-and-Road countries and other developing countries as well as China • Build up our orderbook through global-based marketing, R&D, design and procurement • Grow Deltamarin's business and financial • performance through providing comprehensive support and creating synergies and good coordination
Environmental Compliance	• The environment has impact on every single human being and environmental protection is amongst one of the top-priority topics globally. • Environmental initiatives such as using greener energy, improving energy efficiency, and optimizing emission control not only help preserve the environment but also benefit in cost management in the long run. • Non-compliance with environmental requirements in customers' country/region jurisdiction will threaten our business with them.	• Our ship designs are in full compliance with the environmental requirements in our customers' country/region jurisdiction • Offered various viable fuel options to customers to keep up with the gradually tightened Energy Efficiency Design Index ("EEDI") limits • Waste heat recovery method development • New concept design process development	• Monitor and maintain full compliance with the environmental requirements in our customers' country/region jurisdiction • Continuously invest in research and development on environment friendly designs
Employment	Fair and merit-based employment practices are important to our employees, investors, regulators, and community as they affect our ability to attract, retain and develop talents.	• Sustainable and manageable attrition rate • Internal and external training courses and programs relevant to individual's job scope are sponsored by our Group	• Maintain and seek opportunities to improve on attrition rate • Internal and external training courses relevant to the job scopes of individual staff • Promote work life balance

7 Stakeholder Engagement

Effective stakeholder engagement is an important aspect of our sustainable development approach as it allows us to address the key interests of our stakeholders, and thereby refine our sustainability goals.

We assessed and identified our key groups of stakeholders based on their significant level of interest in sustainability issues as well as the influence of these stakeholders on the Group's business development and operations.

The key groups of stakeholders identified are as follows:

1) **Our Employees**
   Our people are our key assets and are integral to the company's growth and development. We continually invest in our people to engage and develop them to their fullest potential.

2) **Our Customers**
   We pride ourselves in achieving excellence in customer satisfaction, which is reflected in our performance in figures and value. We aim to maintain a reputation of integrity in our industry and are continuously striving to build deeper and mutually beneficial relationships with our customers to meet their present and future needs.

3) **Our Shareholders and Investors**
   We aim to maximise our shareholder return and continually deliver continued earnings growth. As part of our value creation and growth strategy, we aim to achieve high standards of corporate governance and transparency through effective and timely shareholder engagement.

4) **Our Business Partners**
   We build strong and lasting relationships with our business partners and ensure that our sustainability practices are up to industry standards

5) **Community**
   We strive to be a responsible corporate citizen to society, environment and the people around us.

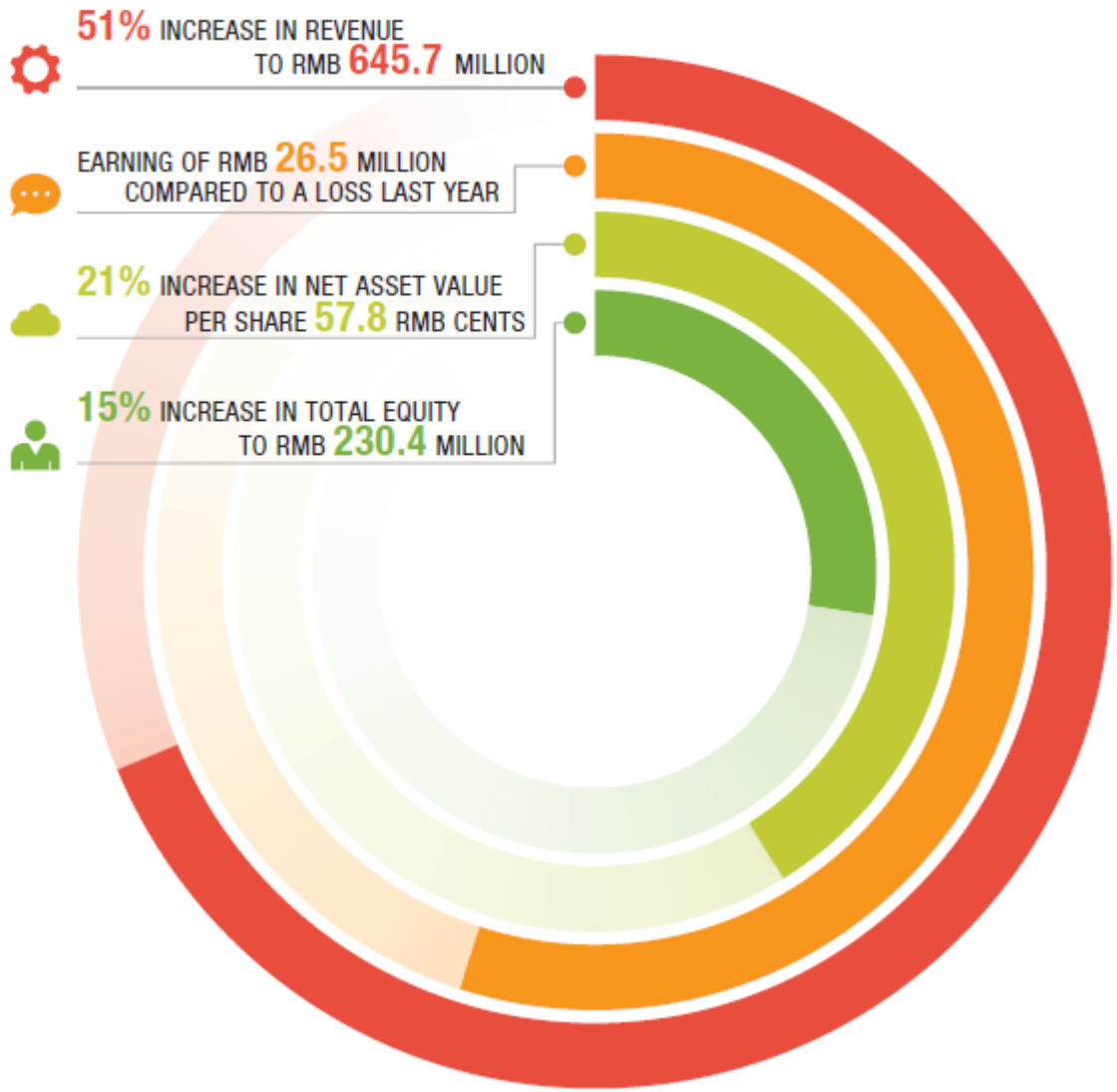
8 Economic Performance

The Group has incorporated a comprehensive KPI ('Key Performance Indicators") System to set out the five-year, annual and quarterly plans and targets for the management and to measure and review the Economic Performance of the company periodically.

Financial Highlights

The Group has achieved 51% increment on revenue in FY2017 compared to FY2016. Our revenue for FY2017 was 645.7 million RMB and profit after tax was RMB26.5 million.

Presented below are the key financial highlights extracted from page 13 of AVIC Maritime's Annual Report for FY2017. For the Group's Consolidated Income Statement and Statement of Comprehensive Income, please refer to page 75 to 76 of the Group's FY2017 Annual Report.



Direct Economic Value Generated and Distributed

We endeavour to create wealth for our stakeholders, to the best of our abilities. Hence, we strive to constantly drive operational and financial effectiveness and improvements.

The following table provides an overview of our economic value generated and distributed in FY2017 based on GRI's disclosure categories:

FY2017	RMB'000
Revenue	645,688
Total economic value generated	645,688
Operating costs	450,502
Employees compensation and benefits	105,616
Payment to providers of capital	48,485
Payment to government	15,685
Total Economic Value Distributed	620,288
Total Economic Value Retained	25,400

Financial Assistance Received from Government

In FY2017, the Group's subsidiaries in China has obtained government grants amounting to an aggregate of RMB 11.4 million for research and development and tax credits of RMB 14.4 million.

9 Environmental Compliance & Initiatives

Shipping today is facing many challenges in the form of new technologies and regulations, especially in relation to environmental issues and safety. Energy efficiency, choice of fuel, emission control regulations, Ballast Water Management, Safe Return to Port – all these create extra demands on ship design and operation. Over the years, Deltamarin has also been studying these topics to help our clients navigate their way through these regulatory changes and better understand the impact of technology. In the following, we provide more details in how we have addressed some of this issue.

Fuel Options and Emission Control

Ship owners will be facing new requirements, as the year 2020 will see the introduction of the global 0.5% fuel sulphur regulation, which will affect at least 70,000 ships worldwide. In addition to limiting sulphur and its oxides ("SOx"), the United States is already enforcing nitrogen oxide ("NOx") levels with Tier III regulation in its coastal waters. Furthermore, the Energy Efficiency Design Index ("EEDI") limits are tightening every five years. Currently, we are at Phase 1, which lasts until the end of 2019 and requires average reductions of about 10% to the original baseline set by International Maritime Organization ("IMO"). At Phase 2 in 2020 and Phase 3 in 2025, further reductions of 20% and 30% are due respectively. In other words, it is even more challenging to design an EEDI-compliant ship as it progresses from phase to phase. The choice of fuel or other new technologies becomes crucial in ensuring that the ship's index is below the baseline and that the vessel can actually be built.

We offer viable solutions to the ship owner to help them traverse difficult decisions when deciding on the compliance alternatives for both new and existing ships as we advance towards 2020 and the new decade. The main options are:

- Low-sulphur distillates (mainly low-sulphur version of marine gas oil, "MGO")
- Other new low-sulphur variants, such as low-sulphur heavy fuel oil ("HFO") or hybrid blends
- Continuing the use of conventional, high-sulphur (3.5%-S) HFO with exhaust gas cleaning technology (scrubbers)
- Switching to liquefied natural gas ("LNG")
- Using another type of alternative fuel, such as methanol or hydrogen (fuel cells)
- Renewable power generation as a supplementary method (solar, wind)

Deltamarin has carried out extensive research and created many concepts allowing for LNG to be used as fuel for ships. Our latest novel designs enable the use of LNG for long ocean voyages.

Together with our Energy Efficiency team, we plan to introduce state-of-the-art waste heat recovery equipment to the ship design, and simulate the whole engine plant and all the auxiliaries in real time.

Waste Heat Recovery Method Development

Considerable amount of development was committed to develop an energy flow simulation tool for studying the energy savings in ships with various methods. For instance, we have studied several waste heat recovery methods using the abovementioned tool in our concept development projects.

New Concept Design Process Development

Another major development area was a development of digital platform for the design of new concepts (applicable in ro-pax ships so far) that enables highly efficient design work from the start of the design process. DeltaWay[4] design process is not only about tool development, but it is also an interactive design platform and process.



[4] Deltamarin has developed a new unique process called DeltaWay to enable execution of very accurate vessel concepts in a very short timeframe. The DeltaWay process provides the client with a large amount of information about the properties of the vessel concept and with a comprehensive ship technical and ship economy data package as early as in the first phase. In addition, this fully digital ship concept includes the latest CFD-based optimisation features and the virtual reality experience allows the client to, for the first time, participate closely in the development process. It also provides a foundation for further development and variations.

Fuel Savings with Wind Power

Deltamarin has participated in projects for integrating flettner rotors[5] into passenger ships. These rotors are claimed[6] to enable up to 5% fuel savings with pure wind power.



Most recently we have supported the Finnish shipowner Viking Line in their efforts to operate in a more environmental-friendly way. At the end of 2014, we started working with them to develop their next-generation ro-pax vessel now under construction in Xiamen, China. The vessel will have two 24 m-high rotor sails installed.

In 2017 Deltamarin was commissioned to design the first ever rotor sail to be installed on board an existing ro-pax vessel, the Viking Grace. The work included all engineering work that was necessary for installing the technology onboard, such as stability and structural analysis. The energy savings were modelled with Deltamarin's simulation platform.

LNG as Fuel in Several Projects

For quite some time now, Liquefied Natural Gas (LNG) has been an established fuel alternative due to its reduced emissions. Deltamarin's projects also include various vessels with LNG capabilities.

As early as 2013, Deltamarin started working with Finnish shipowner, ESL Shipping, to design the world's first LNG handysize bulk carriers based on Deltamarin's B.Delta26LNG concept. These vessels, named Viikki and Haaga, were delivered this year and are now sailing in the Baltic Sea. The vessels generate less than 50% of the carbon dioxide emissions of the previous generation of vessels.



LNG is also used as fuel in the Viking Line's ro-pax newbuilding which, additionally, has rotor sails installed. During the development of this concept, special focus was put on energy efficiency, including waste heat recovery. Deltamarin succeeded in making this new concept 10% more energy efficient than Viking Grace, the current crown jewel of the Viking Line fleet. The vessel is expected to be launched for operation between Finland and Sweden in early 2021.

[5] A Flettner rotor is a smooth cylinder with disc end plates which is spun along its long axis and, as air passes at right angles across it, the Magnus effect causes an aerodynamic force to be generated in the third dimension.

[6] http://ec.europa.eu/research/infocentre/article_en.cfm?artid=48136



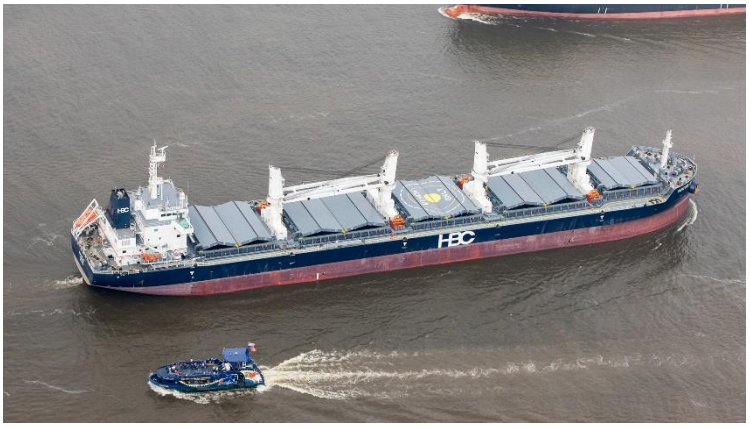
The Swedish shipowner Stena first placed an order for the E-Flexer series of ro-pax vessels at the AVIC Weihai Shipyard in 2016. Subsequently, Stena has ordered eight vessels. One of them is LNG-fuelled and the others are gas-ready that prepared to be fuelled by either methanol or LNG. Deltamarin has been developing the concept of the vessels in close collaboration with the owners. The first vessel is expected to be delivered at the end of 2019.

In 2014-2015, Deltamarin also participated in the design of the first LNG-powered icebreaker, Polaris, built at Arctech Helsinki Shipyard Inc. The vessel was delivered to the Finnish Transport Agency in 2016. It aims to reduce emissions and fuel costs by using both diesel and LNG as fuel.



Energy and Environmental Efficiency in All Designs

Energy and environmental efficiency are always an issue that would feature all of Deltamarin's projects. An energy efficiency study is usually undertaken in newbuilding projects to evaluate the current efficiency and to determine the most promising areas of development. The specific focus in 2017 has been in hybrid ship concepts and waste heat recovery.



An excellent example of Deltamarin's energy-efficient designs is the B.Delta bulk carrier. Since its release, over 120 vessels based on this design have been ordered and delivered. The design has been awarded accolades e.g. Hamburg Bulk Carriers' Venture Joy vessel, which is based on Deltamarin's B.Delta43 design, won the 'Energy Efficiency Award' at the Nor-Shipping 2017 event. In conferring the award, the jury noted that the vessel had been designed from the outset with energy efficiency and environmental performance levels in mind while still managing to satisfy the needs of an 'industry workhorse'. The same vessel also received the International Bulk Journal Award "Bulk Ship of the Year" 2017.

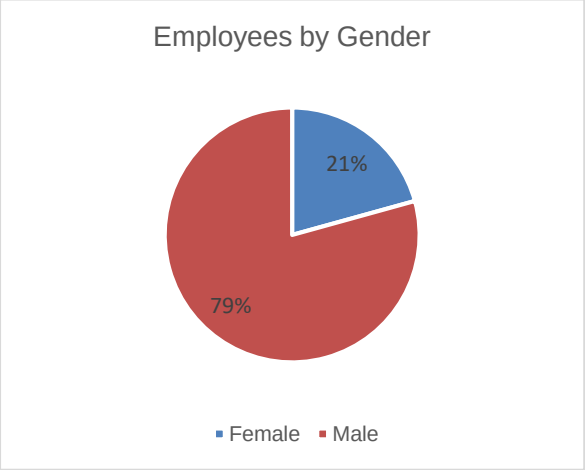
10 Employment

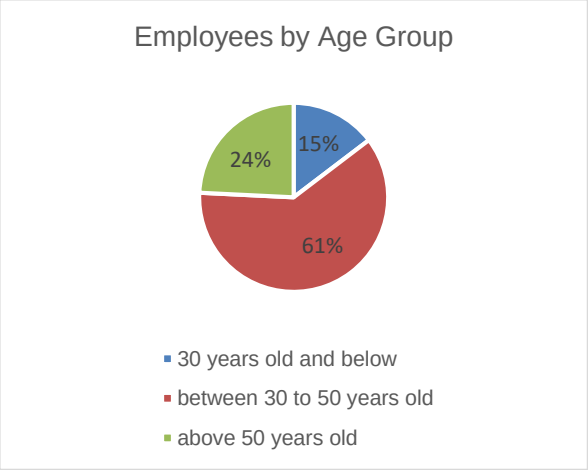
The Company recognises that our strength lies in our people. We firmly believe in the importance of talent development to the sustainable growth of the company. Every year, we continue to dedicate time and resources to train and develop our people, to ensure that our talents will continue to be engaged, encouraged and empowered to soar together towards our common goal.

As part of our commitment to developing talent, we strive to create an inclusive workplace where each individual is valued and recognised for his contribution. We recognise the importance of diversity in strengthening our core values of teamwork, communication and creativity, and in forming a competent and united workforce. We provide equal opportunities to all employees without discrimination.



As of 31 December 2017, we had a total of 512 fulltime employees. In general, the Group was able to maintain a strong and balanced[7] workforce with a very healthy turnover rate.

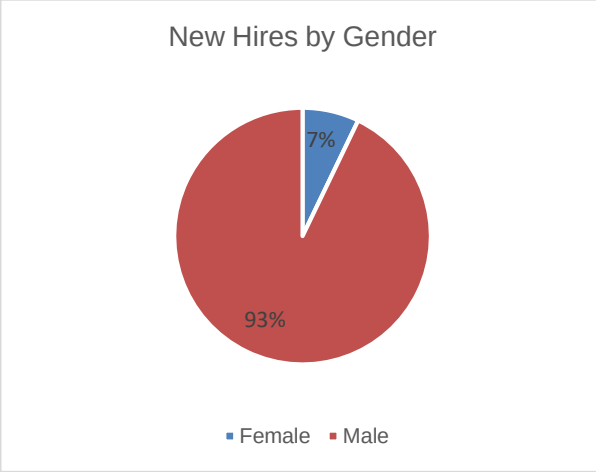


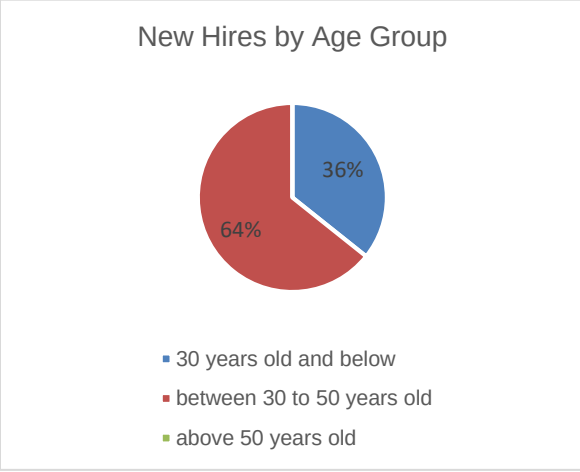


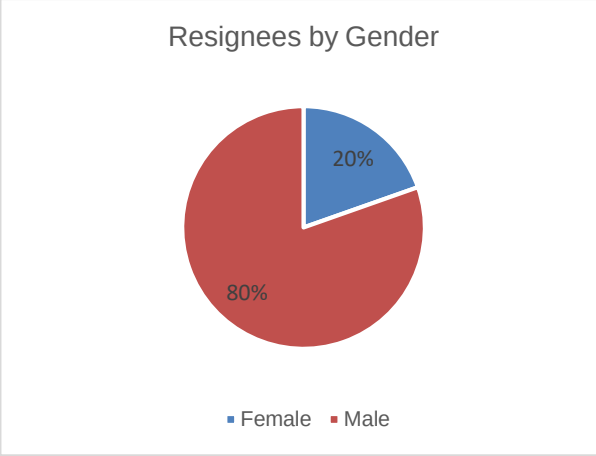
[7] Given the work nature of marine and offshore industry, it is natural for companies to have more male employees than female.

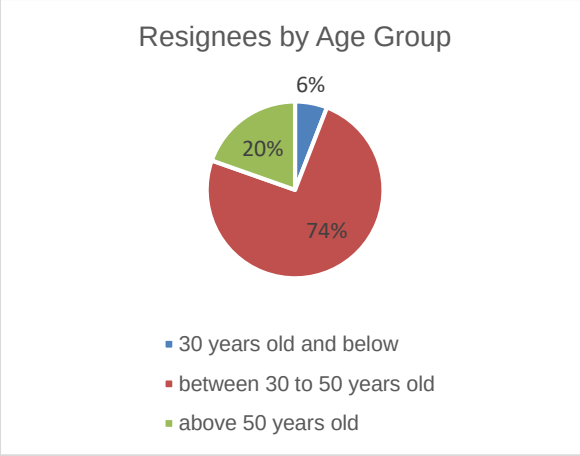
New Hires and Resignations

We value the importance of diversity and hire from a mix of genders and age groups. Of our 42 new hires in 2017, the gender ratio was 93% males to 7% females. A similar ratio is observed in our number of persons resigning as well. We also strive to hire people from various age groups unbiasedly. Of our new hires, a majority of 64% are aged between 30 and 50 years old, while the remaining 36% are below 30 years old. In FY2017, our turnover rate was around 9%. Moving forward, the Group aims to maintain the turnover rate below 10% and commits to providing our employees with more development opportunities to ensure a more sustainable operations model. We also aim to continuously refine our hiring strategy and improve on the workplace culture, with the aim of engaging, retaining and grooming our talents.









Benefits and Welfare

With our people being our key assets, we believe in valuing and recognising our people's achievements through rewards and competitive remunerations. Each of our employees is entitled to a set of benefits including but not limited to:

Item	Benefits	Descriptions
1	Five social insurance and one housing fund ("五险一金")	Employees in the employment of subsidiaries in PRC are entitled to five social insurances and one housing fund contributed by the Group according to the labour law in PRC as follows: (a) Endowment insurance; (b) Occupational insurance; (c) Medical insurance; (d) Unemployment insurance; (e) Maternity insurance; and (f) Housing Provident Funds.
2	Medical benefits and health screenings	Employees are reimbursed for medical consultations up to the claim amount. We also arrange annual health screenings for our employees to ensure that our employees are in good health.
3	Disability and Life Insurance	All our employees are covered under insurance for work-related injuries. This accords them with some financial protection in the event of incidents arising under working circumstances. Our life insurance also provides financial support and risk coverage to intermediate families in the event the employee suffers from critical illness or permanent disability.
4	Year-end performance bonus	Employees are entitled to year-end performance bonuses depending on the performance of the group and individual upon appraisal.
5	Events organised by work union	While the majority union funding comes from the Group, our employees sign a collective agreement in which they contribute a very small percentage of their salary (about 10 RMB per month) to the work union. The work union will use these funds for giving a token of appreciation or condolences to those staff in need (hospitalisation, giving birth, funeral) as well as providing financial aid / grants for those who are facing financial difficulties. The work union also periodically organises team building events to foster bonding among our employees.
6	Sponsored training programs	Regular internal training and sharing sessions are organised with the aim of improving knowledge sharing within the Group. Employees are entitled to external training programs relevant to their job scopes subject to endorsement from management.

The Group periodically reviews and enhances our human resource policies and practices to provide a fair and conducive workplace for our employees. In line with our Group's core value of teamwork, we strive to promote a safe and conducive workplace for our people to perform efficiently and effectively.

Mandatory Contribution to the Social Insurance

As part of the revision of the Social Insurance Law in 2011, it is mandatory for all employers in the PRC to enrol each employee in the five social insurance programs: endowment insurance, occupational insurance, medical insurance, unemployment insurance, and maternity insurance. Contribution to the housing fund is also made mandatory.

Under the Social Insurance Law, on top of the monthly contribution made by the employee, the Group also makes monthly contributions to the employee's social insurance programs and housing fund. Contribution rates for employees and employers vary depending on the city jurisdiction, and is subject to updates on a yearly basis.

Parental Leave

With the goal of revitalising population growth and with the formal phasing out of the four-decade old one-child policy in recent years, the Chinese government's family planning policy has also shifted to one that is more pro-family. In support of the government's pro-family legislations, the Group adopts welfare practices and strives to build a family-friendly workplace culture.

Expectant mothers in Finland，where a large part of our workforce is located，can start their maternity leave seven weeks before their estimated due date，after which the government covers 16 additional weeks of paid leave through a maternity grant. The country also offers eight weeks of paid paternity leave.

In FY2017, the Group had a return-to-work rate of 100%. Out of the 4 female employees and 11 male employees who had taken maternity and paternity leave respectively, all of them have resumed work with our Group thereafter.

The group will continually work towards building a pro-parent workplace by enhancing our company's welfare practices and culture.

Training & Development

In FY2017, AVIC Ships focused on talent development and organised and implemented different training programs:

- Staff took part in regular personal upgrade training programs, such as business ethics, through in-classroom facilitation and online self-study programs. The senior management participated in industry training which focused on the study of national policies and management skills. The management and supervisors participated in the senior and middle-level management training at AVIC International Business School. The Shanghai online learning platform and English learning platform were also utilized for online courses.
- The Group performed an in-depth study of employee interaction.
- The technical team organised more than 10 lectures to enhance professional competence.
- The business team conducted case sharing sessions to share experiences within the Group.
- The Group also focused on formal and informal training programs, including internal knowledge sharing, secondment and on-the-job training, to increase job competence and improve efficiency and productivity. In FY2017, 11 staff have participated in the secondment program to other subsidiaries within the Group. 6 selected technical staff from subsidiaries in China were sent to Deltamarin in Finland to work on joint projects. 5 fresh graduate new hires were given the opportunity to obtain exposure to the ship building processes at shipyards.

GRI Content Index

Category	Disclosure	Description	Page Reference and Remarks
GRI 102: General Disclosures	102-1 *	Name of the organization	Cover Page of Annual Report FY2017
	102-2 *	Activities, brands, products, and services	Page 4 of Annual Report FY2017
	102-3 *	Location of headquarters	Page 80 of Annual Report FY2017
	102-4 *	Location of operations	Page 109 to 110 of Annual Report FY2017
	102-5 *	Ownership and legal form	Page 142 to 144 of Annual Report FY2017
	102-6 *	Markets served	Page 109 to 110 of Annual Report FY2017
	102-7 *	Scale of the organization	Page 75 to 76 of Annual Report FY2017 Page 17 to 18 of Sustainability Report
	102-8 *	Information on employees and other workers	Page 17 to 18 of Sustainability Report
	102-9 *	Supply chain	Page 2 of Sustainability Report
	102-10 *	Significant changes to the organization and its supply chain	Not Applicable
	102-11 *	Precautionary Principle or approach	Page 8 of Sustainability Report
	102-12 *	External initiatives	Page 5 to 6 of Sustainability Report
	102-13 *	Membership of associations	Page 7 of Sustainability Report
GRI 102: Strategy	102-14 *	Statement from senior decision-maker	Page 2 of Sustainability Report
GRI 102: Ethics and Integrity	102-16 *	Values, principles, standards, and norms of behaviour	Page 4 of Sustainability Report
GRI 102: Governance	102-18 *	Governance structure	Page 8 of Sustainability Report
GRI 102: Stakeholder Engagement	102-40 *	List of stakeholder groups	Page 10 of Sustainability Report
	102-41 *	Collective bargaining agreements	None

Category	Disclosure	Description	Page Reference and Remarks
	102-42 *	Identifying and selecting stakeholders	Page 10 of Sustainability Report
	102-43 *	Approach to stakeholder engagement	Page 10 of Sustainability Report
	102-44 *	Key topics and concerns raised	Page 10 of Sustainability Report
GRI 102: Reporting Practice	102-45 *	Entities included in the consolidated financial statements	Page 12 of Annual Report FY2017
	102-46 *	Defining report content and topic Boundaries	Page 1 of Sustainability Report
	102-47 *	List of material topics	Page 8 to 9 of Sustainability Report
	102-48 *	Restatements of information	Not applicable as this is the first Sustainability Report
	102-49 *	Changes in reporting	Not applicable as this is the first Sustainability Report
	102-50 *	Reporting period	FY2017 (1 January 2017 to 31 December 2017)
	102-51 *	Date of most recent report	Not applicable as this is the first Sustainability Report
	102-52 *	Reporting cycle	Annual
	102-53 *	Contact point for questions regarding the report	Page 1 of Sustainability Report
	102-54 *	Claims of reporting in accordance with the GRI Standards	Core Options
	102-55 *	GRI content index	Page 21 to 23 of Sustainability Report

Category	Disclosure	Description	Page Reference and Remarks
	102-56 *	External Assurance	None
GRI 201: Economic Performance	DMA	Disclosure of Management Approach	Page 2 of Sustainability Report
	201-1	Direct economic value generated and distributed	Page 12 of Sustainability Report
	201-2	Financial implications and other risks and opportunities due to climate change	Page 13 to 16 of Sustainability Report
	201-3	Defined benefit plan obligations and other retirement plans	Page 19 of Sustainability Report
	201-4	Financial assistance received from government	Page 12 of Sustainability Report
GRI 307: Environmental Compliance	DMA	Disclosure of Management Approach	Page 13 to 16 of Sustainability Report
	307-1	Non-compliance with environmental laws and regulations	No non-compliance case in FY2017
GRI 401: Employment	DMA	Disclosure of Management Approach	Page 17 of Sustainability Report
	401-1	New employee hires and employee turnover	Page 18 of Sustainability Report
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 19 of Sustainability Report
	401-3	Parental leave	Page 20 of Sustainability Report