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

(Incorporated in Singapore on 11 November 2010)
(Company Registration No. 201024137N)
(the "**Company**" and together with its subsidiaries, the "**Group**")

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

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1. INTRODUCTION

The Board of Directors (the "**Board**") of the Company hereby announces that, AVIC International Offshore Pte. Ltd. ("**AIO**" or the "**Purchaser**"), a wholly owned subsidiary of the Company, has entered into a conditional sale and purchase agreement dated 2 April 2015 (the "**Sale and Purchase Agreement**") with Catico Investments Pte. Ltd. ("**Catico**" or the "**Vendor**") (collectively, the "**Parties**"), pursuant to which the Purchaser has agreed to acquire 3,000,000 issued and paid-up shares, representing 60% of the issued and paid-up share capital of AVIC Zhenjiang Shipyard Marine Pte. Ltd. ("**Target Company**" or "**AZM**", and each issued and paid-up share of AZM, a "**Target Share**"), for an aggregate consideration ("**Aggregate Consideration**") of US$3,630,921.00 (equivalent to approximately S$4,938,052.56[1] (the "**Proposed Acquisition**").

2. INFORMATION RELATING TO THE TARGET COMPANY AND THE VENDOR

2.1 The Target Company

The Target Company is a joint venture company incorporated in Singapore, with its registered office at 7 Temasek Boulevard, #08-07 Suntec Tower 1, Singapore 038987, pursuant to a joint venture agreement dated 18 March 2013 (the "**JV Agreement**") entered into between the Vendor and Jiangsu Zhenjiang Shipyard (Group) Co., Ltd. (the "**JV Partner**"), an independent third party, who owns the remaining 40% of the issued and paid-up share capital of the Target Company. For the avoidance of doubt, the Target Company does not have any subsidiaries or associated companies.

The Target Company is in the business and trade of acquiring, owning, selling, brokering and chartering of various types of vessels, including but not limited to tugboats and offshore vessels. The core business of the Target Company is essentially to invest in

[1] The approximate equivalent amount in S$ has been provided throughout this Announcement. The conversion rate from US$ is based on an indicative exchange rate of US$1.00 : S$1.36 for illustrative purpose only.

vessels by taking up equity stakes in the vessels for investment purposes ("**Ship Investment**").

The issued and paid-up share capital of the Target Company is US$5,000,000 (equivalent to approximately S$6,800,000), comprising 5,000,000 ordinary shares.

Please refer to Appendix A of this Announcement for a summary of the audited proforma financial information relating to the Target Company for the financial year ended 31 December 2014 ("**FY2014**").

2.2 The Vendor

The Vendor, being an investment holding company, is incorporated in Singapore with its registered office at 7 Temasek Boulevard, #08-07 Suntec Tower 1, Singapore 038987.

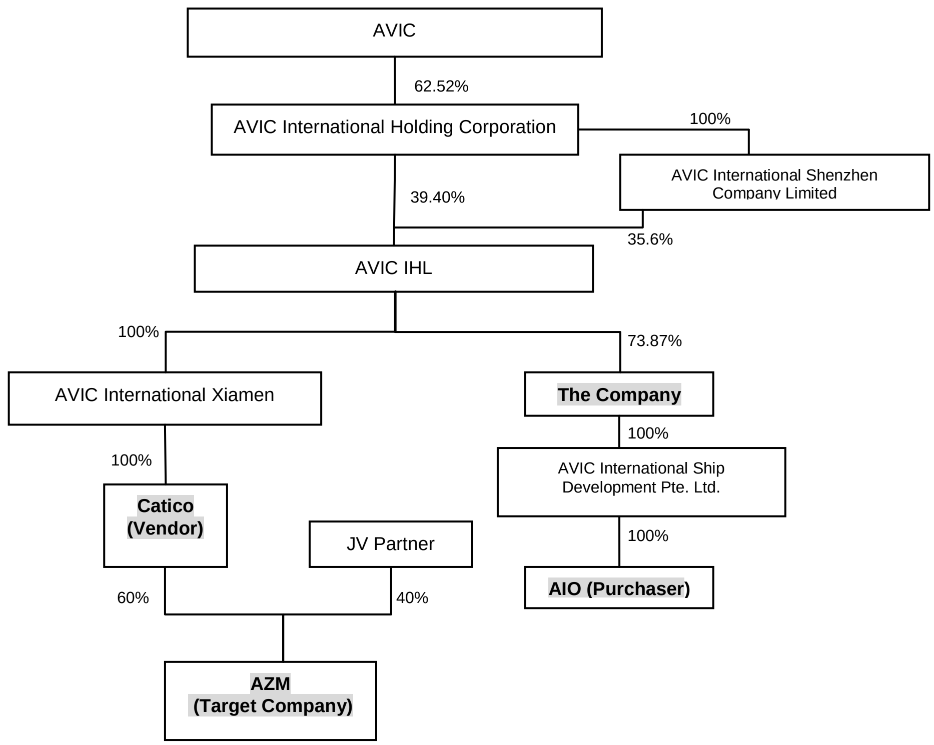
Please refer to Section 2.3 of this Announcement for more information on the Vendor and its relationship with the Group.

2.3 The Relationship between the Purchaser and the Vendor

The ultimate holding company of both the Purchaser and the Vendor is AVIC Industrial Corporation of China ("**AVIC**"), a large state-owned company directly controlled by the Chinese Government. Under Chapter 9 of the Listing Manual, the Purchaser, being a non-listed subsidiary of the Company, is considered an "entity at risk" and the Vendor is an "interested person", by virtue of it being a subsidiary of AVIC. Therefore, the Proposed Acquisition is classified as an interested person transaction under the Listing Manual, details of which are set out in Section 9 of this Announcement.

For illustrative purposes, please see the following diagrammatic chart outlining the relationship between the Company, the Purchaser and the Vendor.

*Please note that for purposes of clarity, some subsidiaries, associated companies and related companies of AVIC, AVIC International Holdings Ltd ("**AVIC IHL**") or the Company (as the case may be) have not been included.*



3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

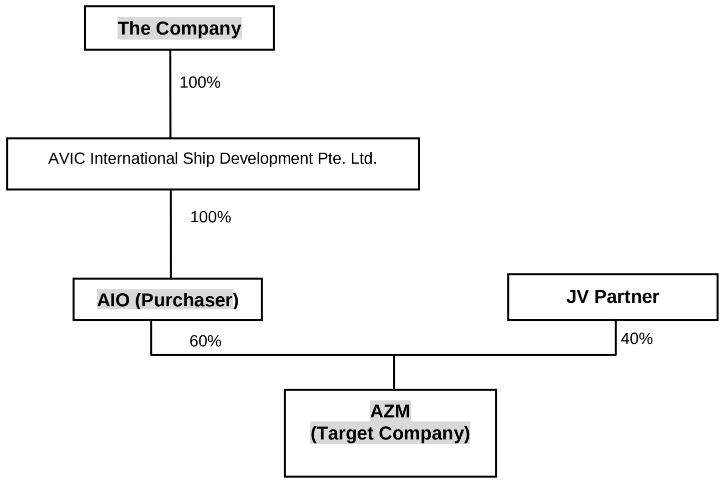
3.1. Overview of the Proposed Acquisition

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor shall sell to the Purchaser 3,000,000 Target Shares, representing 60% of the issued and paid-up share capital of the Target Company, for an Aggregate Consideration of US$3,630,921.00 (equivalent to approximately S$4,938,052.56).

The Vendor agrees to (i) waive any right of pre-emption or other restriction or transfer in respect of the Target Shares under the memorandum or articles of association of the Target Company, under any shareholders' agreement (including but not limited to the JV Agreement) or otherwise; and (ii) duly execute the deed of novation of the JV Agreement ("**Deed of Novation**") in favour of the Purchaser, effectively transferring all the rights, obligations and liabilities under the JV Agreement from the Vendor to the Purchaser, as if the Purchaser were the original joint venture partner of the JV Agreement.

3.2. Final structure of the Group upon completion of the Proposed Acquisition

***<u>Note</u>**: Please note that for the purpose of clarity, some subsidiaries or related companies of the Company have not been included in the following chart. The chart is for illustrative purposes only and does not comprise of the entire Group structure.*



3.3. Consideration and Payment Terms for the Proposed Acquisition

The Aggregate Consideration payable for the Proposed Acquisition shall be the amount of US$3,630,921.00 (equivalent to approximately S$4,938,052.56).

The Aggregate Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and agreed on a willing-buyer and willing-seller basis, taking into consideration the following factors:

(a) the future business potential of the Target Company;
(b) the audited financial results of the Target Company for FY2014;
(c) the operational synergy and cost savings brought along by the Proposed Acquisition;
(d) the Valuation Report (as defined in Section 10 of this Announcement) which has valued the entire net asset value of AZM at US$6,051,535.17 (equivalent to approximately S$8,230,087.83); and
(e) the exclusion of the financial impact of the Post-Completion Settlement (as defined in Section 3.7 of this Announcement).

The Aggregate Consideration shall be payable in cash by the Purchaser to the Vendor upon completion of the transactions contemplated under the Sale and Purchase Agreement ("**Completion**").

3.4. Conditions Precedent to the Proposed Acquisition

Completion is conditional upon, *inter alia*, the satisfaction of the following conditions ("**Conditions**"), unless otherwise expressly waived by mutual agreement between the Parties:

(a) obtaining the resolutions of the boards of directors of both the Purchaser and Vendor for the entry into, implementation and completion of the Proposed Acquisition and all such transactions in connection therewith and incidental thereto;

(b) obtaining the approval of the independent shareholders of the Purchaser at the extraordinary general meeting of the Purchaser (or any adjournment thereof) to be convened in respect of the Proposed Acquisition;

(c) clearance by the SGX-ST of the Proposed Acquisition and the fulfillment of any requirements imposed by the SGX-ST in connection therewith;

(d) obtaining any and all necessary material approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licences, orders, permissions, recognitions and waivers as may be required or appropriate for or in connection with the Proposed Acquisition, from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange, tribunal or entity in any jurisdiction having been obtained and not withdrawn or revoked;

(e) all representations, undertakings and warranties of both the Purchaser and Vendor under the Sale and Purchase Agreement being complied with, true, complete, accurate and correct in all material respects to the best knowledge and belief of each of the Parties as at Completion; and

(f) all approvals and consents as may be necessary from any third party (including any shareholder of the Target Company) in respect of the Proposed Acquisition, being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Purchaser and the Vendor.

If any Condition has not been satisfied or waived by mutual agreement on or before 31 December 2015, being the long-stop date of the Sale and Purchase Agreement, save for clauses surviving termination of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall be deemed to be automatically terminated with immediate effect without any further action from either party ("**Termination**"), save that this shall not relieve any party from liability for any breach of its obligations prior to Termination.

3.5. Vendor Undertaking as to Additional Liabilities of the Target Company

The Parties further agree that in the event the Target Company incurs any additional liabilities (whether actual, deferred or contingent liabilities, but excluding any liabilities disclosed in the audited financial statements of the Target Company for FY2014) during the period from 1 January 2015 to the date of the Completion ("**Additional Liabilities**"), the Vendor shall provide cash compensation ("**Adjusted Compensation**") to the Purchaser within three business days from the date of Completion, such amount to be calculated as follows:

Adjusted Compensation = 60% x Aggregate Additional Liabilities of the Target Company

3.6. Completion

Subject to the fulfillment or waiver (as the case may be) of the Conditions, Completion shall take place on a date falling no later than seven business days after the later of the satisfaction of the Conditions (or such other date as the Parties may agree in writing) at the offices of Stamford Law Corporation at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315 or at such other venue and/or on such date as the Parties may mutually agree in writing.

3.7. Post–Completion Settlement

*For the purposes of this Announcement, Ship No. 3 (as identified in the Sale and Purchase Agreement) and Ship No. 4 (as identified in the Sale and Purchase Agreement) are hereby defined as the assets of which are the subject of the Post-Completion Settlement as defined in this section ("**Post-Completion Settlement Assets**").*

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Parties have agreed that in the event any net profit or net loss (as the case may be) is realised in respect of the sale of any of the Post-Completion Settlement Assets after Completion, at any time upon such realisation of net profit or net loss in respect of any of the Post-Completion Settlement Assets, the Vendor shall:

(a) If a net profit is realised, be entitled to receive 60% of such net profit payable by the Purchaser in cash; or

(b) If a net loss is realised, be liable to pay 60% of such net loss to the Purchaser in cash,

(the "**Post Completion Settlement**").

3.8. Board of Directors of the Target Company

Upon Completion of the Proposed Acquisition, the board of the Target Company will be reorganised such that the Company will appoint two new directors to the board of the Target Company, to replace the two directors previously appointed by the Vendor. For the avoidance of doubt, according to the articles of association of the Target Company, unless otherwise agreed by the shareholders of the Target Company, the board of the Target Company shall at all times comprise three directors only.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will be in line with the Group's growth strategy to be a major player in the global shipping industry.

The Group is principally involved in the provision of project management, ship-design and consultancy services in relation to ship-trading and shipbuilding. The Group works with established shipyards as co-vendor, whereby the shipyards are responsible for the construction of the vessels and the Group is in charge of the non-construction aspects of the shipbuilding project, such as marketing, deals origination, client management, ship-design and project management, including arranging for marine financing, handling export procedural matters and overseeing the utilisation of the progress payments by the shipowner.

The Target Company is in the business and trade of acquiring, owning, selling, brokering and chartering of various types of vessels, including but not limited to tugboats and offshore vessels. The core business of the Target Company is essentially to invest in vessels by taking up equity stakes in the vessels for investment purposes ("**Ship Investment**"). Although venturing into the Ship Investment business will cause a change of risk profile of the Group, details of which are elaborated in Section 5 of this Announcement, considering the financial performance and the business potential of the Target Company, the Proposed Acquisition is complementary to the business of the Group. As such, it is expected that the Company will be able to leverage and benefit from the potential operational synergies and cost savings arising from the addition of the Target Company into the Group. Therefore, the Company is of the view that the Proposed Acquisition represents a strategic and long-term investment which is in the interest of the Group and will help the Group move one step closer to its ultimate goal of becoming a major player in the global shipping industry.

5. CHANGE OF RISK PROFILE

*Unless otherwise defined, the capitalised terms in this section shall bear the same meaning ascribed to them under the Company announcement dated 9 June 2014 entitled "Update Announcement on Consolidation of Ship-Trading Related Businesses" ("**9 June 2014 Announcement**")*.

As mentioned in the 9 June 2014 Announcement, it was explained by the Company that Ship Investment is distinctly different from the Group's M&C Services in that companies engaged in Ship Investment business take equity stakes in the vessels and make capital gains or losses from their investment in vessels and/or receive income from ship chartering, while M&C Services providers do not take any equity stake in the vessels; instead, they receive income from services provided, such as marketing, deals origination, client management and project management, including arranging for marine financing, handling export procedural matters and overseeing the utilisation of the progress payments by the shipowner. In general, the M&C Services providers derive income from services provided, regardless of the profits or losses made by the ship-owners from owning or chartering the vessels. Hence, the nature of the Ship Investment business and the risks involved are significantly and distinctly different from those of the M&C Services.

In view of the above, as the Proposed Acquisition involves the acquisition of a majority stake in Target Company whose core business is Ship Investment, it will change the risk profile of the Group upon the completion of the Proposed Acquisition. As such, the shareholders of the Company ("**Shareholders**") shall be given an opportunity to have their say on the Proposed Acquisition. Accordingly, a separate resolution will be included in the Circular (as defined below in Section 15 of this Announcement) to seek the

Shareholders' approval on the change of risk profile of the Group arising from the Proposed Acquisition.

6. SOURCE OF FUNDS

The Purchaser intends to use internal source of funds to finance the Proposed Acquisition.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1. Assumptions

The proforma financial effects of the Proposed Acquisition as set out below are for illustration purposes only and do not reflect the future financial results nor are indicative of the position of the enlarged group after the completion of the Proposed Acquisition.

The proforma financial effects in this section are based on the consolidated audited financial statements of the Group for FY2014. The proforma financial effects of the Proposed Acquisition 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 (collectively, "**Shares**", and each a "**Share**") as at 31 December 2014;

(b) The Proposed Acquisition had been completed on 31 December 2014 for the purposes of computing the proforma financial effect on the net tangible assets ("**NTA**") of the Group; and

(c) The Proposed Acquisition had been completed on 1 January 2014 for the purposes of computing the proforma financial effects on the earning per Share ("**EPS**") of the Group.

7.2. Effect on Net Tangible Asset ("NTA") per Share

For illustrative purposes only, the effects of the Proposed Acquisition on the NTA of the Group as at 31 December 2014 are as follows:

	Before completion of the Proposed Acquisition	After the completion of the Proposed Acquisition
NTA (RMB'000)	56,282	52,837
Number of Shares ('000)	285,576	285,576
NTA per Share (Fen)	19.71	18.5

7.3. Effect on Earnings per Share ("EPS")

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the EPS of the Group for FY2014, being the end of the most recently completed financial year, are as follows:

	Before completion of the Proposed Acquisition	After the completion of the Proposed Acquisition
Profit/(Loss) attributable to shareholders (RMB'000)	14,441	20,995
Number of Shares ('000)	285,576	285,576
Earnings per Share (Fen)	5.06	7.35

7.4. Effect on Share Capital

The Proposed Acquisition will not have any impact on the issued share capital and shareholding structure of the Company as the Proposed Acquisition does not involve the allotment and issuance of any new shares in the Company, and the Aggregate Consideration is wholly satisfied in cash.

8. LISTING MANUAL COMPUTATIONS

The relative figures for the Proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

	Bases	
(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	Net profits[(1)] attributable to the assets acquired, compared with the Group's net profits/losses	52.0% [(1)]
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation[(2)] based on the total number of issued shares excluding treasury shares	15.7%
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition compared with the number of equity securities previously in issue	Not applicable

Notes:

(1) Under Rule 1002(3), net profit is defined as profit or loss before income tax, minority interests and extraordinary items. The net profits of the Group for FY2014 being the latest announced consolidated accounts was RMB24.2 million (equivalent to approximately S$5.32 million). The net profits of the

Target Company for FY2014 being the latest available audited financial statements of the Target Company was RMB10.9 million (equivalent to approximately S$2.40 million).

(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 S$0.11 of the shares transacted on 26 March 2015, being the last market date preceding the date of the Sale and Purchase Agreement that the shares were traded. The market capitalisation of the Company for the purposes of the Proposed Acquisition is approximately S$31,413,360.

In accordance with Rule 1014(1) and Rule 1014(2), as the Proposed Acquisition involves an acquisition of profitable assets and the only limit breached in terms of the relative figures computed under Rule 1006 is Rule 1006(b), i.e., net profits attributable to the assets acquired compared with the Group's net profits exceeds 20%, Rule 1014(2) is therefore not applicable. Accordingly, the Proposed Acquisition is not conditional upon approval by the Shareholders.

9. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

9.1. Proposed Acquisition is an Interested Person Transaction

AIO, being the Purchaser, is an indirectly wholly-owned subsidiary of the Company. As such, AIO is an "entity at risk" pursuant to the definition under Rule 904(2) of the Listing Manual.

Catico, being the Vendor, is indirectly wholly-owned by AVIC, which is a controlling shareholder of the Company with approximately 73.87% equity interest in the share capital of the Company, by holding through layers of the intermediate holding companies[2]. As such, Catico is an associate of AVIC and thus an "interested person" under Rule 904(4) of the Listing Manual.

Accordingly, the Proposed Acquisition would constitute an interested person transaction.

9.2. Materiality Thresholds under Chapter 9 of the Listing Manual

Under Chapter 9 of the Listing Manual, 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 Consideration for the Proposed Acquisition (being the amount at risk to the Company) is US$3,630,921.00 (equivalent to approximately S$4,938,052.56). The Group's latest audited NTA [3] is RMB25,468,000 (equivalent to approximately S$5,602,960[4]). As the value of the Proposed Acquisition against the Group's latest audited NTA is 88.13%, which exceeds 5% of the Group's latest audited NTA, Shareholders' approval must be obtained for the Proposed Acquisition.

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[2] Please refer to section 2.3 of this Announcement for more information on the relationship between the Company and the Vendor.

[3] As at the date of this Announcement, the Group's latest available audited NTA is based on the Group's audited accounts as at 31 December 2013.

[4] The approximate equivalent amount in S$ has been provided throughout this Announcement. The conversion rate from RMB is based on an indicative exchange rate of RMB1.00 : S$0.22 for illustrative purpose only.

9.3. Current and On-going Interested Person Transactions

Save for the Proposed Acquisition as disclosed above, the Group has not entered into any transactions with the Vendor and/or its associates during the current financial year ending 31 December 2015 up to the date of this Announcement.

As at the date of this Announcement, the aggregate value of all interested person transactions entered into by the Company for the current financial year ending 31 December 2015 up to the date of this Announcement is approximately RMB68.95 million (equivalent to approximately S$15.17 million).

9.4. Independent Financial Adviser ("IFA")

KGI Fraser Securities Pte. Ltd. has been appointed to advise the independent directors of the Company on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

9.5. Audit Committee's Statement

The Audit Committee of the Company will obtain an opinion from the IFA on the Proposed Acquisition before forming its view, which will be disclosed in the Circular, as to whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

10. VALUATION OF THE TARGET COMPANY

Orient Appraisal Co., Ltd. has been commissioned by the Purchaser to prepare a valuation report to value the entire issued share capital of the Target Company to provide Shareholders with an independent opinion of the market value of the Target Company. Based on the valuation report dated 13 March 2015 (the "**Valuation Report**"), the entire issued share capital of the Target Company was valued at US$6,051,535.17 (equivalent to approximately S$8,230,087.83) on an asset-based valuation approach.

11. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND THEIR ASSOCIATES

None of the Directors (other than in his capacity as a Director) or substantial shareholders or their associates of the Company has any interest, direct or indirect, in the Proposed Acquisition.

12. DIRECTORS' SERVICE CONTRACTS

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

13. RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in the Announcement 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 announcement in its proper form and context.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 10 Collyer Quay, #27-00, Ocean Financial Centre, Singapore 049315 for a period of three months from the date of this Announcement:

(1) Sale and Purchase Agreement; and

(2) Valuation Report.

15. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

A circular ("**Circular**") to the Shareholders containing further details of the Proposed Acquisition and enclosing a notice of extraordinary general meeting ("**EGM**") to be convened in connection with the Proposed Acquisition and the opinion of the IFA, will be despatched by the Company to the Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company ("**Shares**") which may be prejudicial to their interests until they or their advisers have considered the information and recommendations to be set out in the Circular.

16. CAUTIONARY STATEMENT

The Directors of the Company would like to advise the Shareholders that, although the Sale and Purchase Agreement has been entered into, the Completion is subject to Conditions being fulfilled and there is no assurance that the Completion will take place. Accordingly, Shareholders are advised to exercise caution before making any decision in respect of their dealings in the Company's Shares. Shareholders who are in doubt about this Announcement should consult their legal, financial, tax or other professional adviser.

By Order of the Board

Dr Diao Weicheng
Executive Chairman
3 April 2015

APPENDIX A
FINANCIAL HIGHLIGHTS OF THE TARGET COMPANY

1. **Net Profits.** Based on the audited financial statements of the Target Company for FY2014, the Target Company's profit before income tax, minority interests and extraordinary items was approximately RMB12.6 million (approximately S$2.6 million).

2. **Contingent Liabilities.** To the best of the Company's knowledge, the Target Company does not have any commitments or contingent liabilities.

3. **Financial Summary.** The summary of the financial information of the Target Company set out below is extracted from the audited consolidated financial statements of the Target Company for the financial year ended 31 December 2014 ("**FY2014**").[5]

(a) Summary of Income Statement

(RMB' Million)	Audited **FY2014**
Revenue	88.67
Gross profit	15.82
EBITDA	12.63
Profit/(Loss) before tax	12.63
Profit/(Loss) after tax attributable to shareholders	10.92

(b) Summary of Balance Sheet

(RMB' Million)	Audited As at 31 December 2014
Non-current assets	0.02
Current assets	160.01
Non-current liabilities	47.12
Current liabilities	81.43
Net assets	31.48

[5] The Target Company was incorporated on 18 March 2013.