AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

*(Formerly known as "**AVIC International Investments Limited**")*

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

CHANGE OF USE OF COMPLIANCE PLACEMENT PROCEEDS

The Board of Directors of the Company ("**Board**") refers to following offer document/announcements and the information included therein:

(i) the Offer Information Statement of the Company dated 13 September 2011 ("**Offer Information Statement**") regarding its compliance placement exercise ("**Compliance Placement Exercise**") for the proposed placement of up to 65,000,000 new ordinary shares ("**Placement Shares**") in the capital of the Company at an estimated price range of up to S$0.50;

(ii) the Company's announcement dated 3 October 2011 setting out the placement price at S$0.285 per Placement Share and the total number of Placement Shares to be offered as 53,576,000; and

(iii) the Company's announcement dated 6 October 2011 confirming, *inter alia*, that (a) 53,576,000 Placement Shares offered by the Company under the Compliance Placement Exercise were successfully placed out at S$0.285 each; and (b) trading of the Company's shares on the Main Board of the SGX-ST would commence, at 9.00 am on 7 October 2011.

Status Update on Use of Compliance Placement Proceeds

As updated by the Company in its announcement dated 22 February 2012 of the unaudited financial statements and dividend announcement for the period from the date of incorporation to 31 December 2011, based on the placement price of S$0.285 and the 53,576,000 Placement Shares subscribed for, the net proceeds raised from the Compliance Placement Exercise was approximately S$10.6 million (after deducting listing expenses approximately S$4.7 million) ("**Compliance Placement Proceeds**"). As set out in the Offer Information Statement (as updated by the subsequent announcements), the Compliance Placement Proceeds were to be used for the following purposes in the following proportions ("**Proposed Use of Proceeds**"):

(i) approximately **S$8.0 million** to partly finance the acquisition of a shipyard; and

(ii) the balance of approximately **S$2.6 million** for our working capital purposes and any future acquisitions, joint ventures and strategic alliances.

As the date of this announcement, the Group has not started to utilise the Compliance Placement Proceeds.

Revised Use of Compliance Placement Proceeds

The Board would like to inform the Shareholders that the Company desires to change the Proposed Use of the Compliance Placement Proceeds as follows:

Revised use of Compliance Placement Proceeds	Amount allocated (S$)	Amount used (S$)	Percentage Allocation
General working capital purposes and any future acquisitions, joint ventures and strategic alliances	10,600,000	-	100%

Rationale for the Change of Proposed Use of Proceeds

Ever since the Company's listing in 2011, the Compliance Placement Proceeds have not been utilised given that they were set aside by the Company to, amongst others, partly finance the acquisition of a shipyard in connection with the Shipbuilding Consolidation Exercise. Pending the utilisation of the Compliance Placement Proceeds, the funds have been deposited at a bank account of its subsidiary.

The breakdown for the Proposed Use of Proceeds was initially determined pursuant to the Group's anticipated financial needs at the point of listing given its intention to consolidate the activities and businesses of (i) AVIC International Holding Corporation relating to shipbuilding; and (ii) the Remaining Subsidiaries (as defined in the Offer Information Statement) relating to the Ship-trading Related Businesses (as defined in the Offer Information Statement) and shipbuilding.

However, as announced by the Company in the Update Announcement on Consolidation of Shipbuilding Business ("**Shipbuilding Consolidation Update Announcement**") and the Update Announcement on the Consolidation of Ship-trading Related Business ("**Ship-trading Consolidation Update Announcement**"), both dated 9 June 2014, in view of the financial performances of the target shipyards, coupled with the lukewarm prospects of the shipbuilding industry over the past two years, the Company felt that it was not an appropriate time to undertake the Shipbuilding Consolidation Exercise (as defined in the Shipbuilding Consolidation Update Announcement).

To address any potential conflict of interests which may be caused by the delay in the completion of the Shipbuilding Consolidation Exercise, the Company has also put in place the relevant procedures for the implementation of the Shipbuilding Consolidation Exercise as set out in Section 3.1 (*Procedures for Shipbuilding Consolidation Exercise*) of the Shipbuilding Consolidation Update Announcement and obtained undertakings by AVIC International and AVIC International Beijing in favour of the Company in respect of the shipbuilding business as set out in Section 3.2 (*Undertakings by AVIC International and AVIC International Beijing*) of the Shipbuilding Consolidation Update Announcement.

Opinion of the Board

Given the changes in the timeline for the consolidation of the Ship-trading Related Businesses and the completion of the Shipbuilding Consolidation Exercise, it would not be an efficient use of the Group's financial resources to continue to restrict the use of the Compliance Placement Proceeds in accordance with the aforesaid original purposes**.** Additionally, since the Company's listing, the Group's operations have expanded significantly, and its working capital requirements have increased in tandem.

As such, the Board agrees with the management's recommendation that the Proposed Use of Proceeds shall be varied to allow the Compliance Placement Proceeds to be redeployed to meet the Group's working capital requirements which have increased with the expansion of the Group's operations and for the undertaking of more large-scale projects by the Group.

The Board is of the view that the proposed change in use of the Compliance Placement Proceeds will result in a more efficient use of the Group's financial resources. Therefore, the redeployment is in the interest of the Company. The Board further takes the view that the redeployment of the Compliance Placement Proceeds will not compromise the Group's ability to implement the Shipbuilding Consolidation Exercise when the conditions and circumstances become favourable for the implementation of the Shipbuilding Consolidation Exercise.

Opinion of the Audit Committee

The Audit Committee of the Company takes the view that:

(a) the change in the Proposed Use of Proceeds will result in a more efficient use of the Group's financial resources, and is in the interest of the Company;

(b) the redeployment of the Compliance Placement Proceeds will not compromise the Group's ability to implement the Shipbuilding Consolidation Exercise when the conditions and circumstances become favourable for the implementation of the Shipbuilding Consolidation Exercise; and

(c) the procedures in place are adequate to address any potential conflict of interests arising from the delay of the Shipbuilding Consolidation Exercise.

For more information on the Shipbuilding Consolidation Exercise and the consolidation of the Ship-trading Related Businesses, including the procedures in place to address any possible conflict of interests, please refer to the Shipbuilding Consolidation Update Announcement and the Ship-trading Consolidation Update Announcement, both dated 9 June 2014, which are available on the SGXNET at www.sgx.com.

The Company will update the shareholders as and when the Compliance Placement Proceeds are materially disbursed.

By Order of the Board

Dr Diao Weicheng
Executive Chairman
21 November 2014