

**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 QUERY ON THE ANNUAL REPORT OF THE COMPANY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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The Board of Directors ("**Board**") of AVIC International Maritime Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") would like to respond to the question raised by the SGX-ST on 23 April 2015 in relation to the Company's annual report for the financial year ended 31 December 2014 ("**Annual Report**").

**SGX-ST's Question:**

Guideline 11.3 of the Code states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) regarding the effectiveness of the company's risk management and internal control systems.

As required under Listing Rule 710, please make disclosure as recommended in the Code; in particular, the effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, or otherwise explain the reason(s) for the deviation.

**Company's response:**

The Company refers the shareholders of the Company ("**Shareholders**") to the disclosure in Section 11 of the Annual Report on "Risk Management and Internal Control" as set out on Pages 40 – 41 of the Annual Report, which addresses Principle 11 of the Code of Corporate Governance. Among other information, the Board has confirmed that:

*"The Board has received assurance from the CEO and CFO that:*

- (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and*
- (ii) the Company risk management and internal control systems in place are effective.*

*The Board is satisfied that the system of internal procedures, controls and reviews that the Group has in place provides reasonable assurance against material financial misstatements or loss, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks. The Board, with the concurrence of the AC, is therefore of the opinion that the Group's system of internal controls is adequate to address financial, operational, and compliance and information technology risks that the Group faces in its current business environment.*

*The Board notes that, despite their best efforts to implement risk management systems, no cost-effective system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision-taking, human error, fraud or other irregularities. The system is designed to manage rather than eliminate all risks. As such, risk assessment and evaluation is an essential part of business planning and monitoring.”*

In addition to the above, the Board would further like to confirm that it is satisfied as to the adequacy **and effectiveness** of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems of the Group. Shareholders are reminded that the above must be read in the context of the Report on Corporate Governance as set out in Pages 30 – 49 of the Annual Report, and in particular, the disclosure relating to Section 11 on “Risk Management and Internal Control”.

By Order of the Board

Dr Diao Weicheng  
Executive Chairman  
27 April 2015