



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statement And Dividend Announcement

For the Second Quarter and Half Year Ended 30 June 2014

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2014 (“2Q2014”) AND HALF YEAR ENDED 30 JUNE 2014 (“HY2014”)
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Group			Group		
	2Q2014	2Q2013	Change	HY2014	HY2013	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	38,556	4,741	713	66,263	7,467	787
Cost of sales	(24,670)	(894)	nm	(42,048)	(1,264)	nm
Gross profit	13,886	3,847	261	24,215	6,203	290
Other income	1,225	695	76	1,892	701	170
Administrative expenses	(3,891)	(756)	415	(6,558)	(970)	576
Finance costs	(5,260)	(792)	564	(7,492)	(1,610)	365
Profit before tax	5,960	2,994	99	12,057	4,324	179
Income tax expense	(169)	(196)	(14)	(818)	(196)	317
Profit for the period	5,791	2,798	107	11,239	4,128	172
Profit for the period attributable to:						
Owners of the Company	5,323	1,892	181	10,053	2,481	305
Redeemable convertible capital securities holders	-	-	-	66	-	nm
Non-controlling interests	468	906	(48)	1,120	1,647	(32)
Total	5,791	2,798		11,239	4,128	
Other comprehensive income for the period, net of tax						
Exchange differences on translating foreign operations	-	(649)	nm	-	(568)	nm
Cash flow hedges	(1,214)	-	nm	(1,214)	-	nm
Total comprehensive income for the period	4,577	2,149	113	10,025	3,560	182
Total comprehensive income attributable to:						
Owners of the Company	4,109	1,562	163	8,839	2,192	303
Redeemable convertible capital securities holders	-	-	-	66	-	nm
Non-controlling interests	468	587	(20)	1,120	1,368	(18)
Total	4,577	2,149		10,025	3,560	

Note:

nm – not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

Net profit for the period is determined after charging/(crediting) the following:

	Group		Group	
	2Q2014	2Q2013	HY2014	HY2013
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of plant and equipment	3,603	376	6,424	753
Dividend income	(1,320)	(1,421)	(2,653)	(2,896)
Finance costs	5,260	792	7,492	1,610
Foreign exchange gain	(739)	(521)	(719)	(695)
Gain on bargain purchase	(412)	-	(1,059)	-
Loss on disposal plant and equipment	-	1	-	1
Other income	(96)	-	(115)	-
Provision for employee benefit	69	-	102	-
Share-based payment expense	1,133	27	1,205	27

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

	Group		Company	
	30 Jun 2014 US\$'000	31 Dec 2013 US\$'000	30 Jun 2014 US\$'000	31 Dec 2013 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	44,113	1,812	35,446	65
Trade receivables	32,418	5,662	-	-
Other receivables	27,781	5,335	189,763	13,368
Inventories	1,095	-	-	-
Available-for-sale investments	86	86	86	86
	105,493	12,895	225,295	13,519
Non-current assets				
Plant and equipment	561,288	25,166	221	198
Subsidiaries	-	-	22,992	24,798
Joint venture	-	3,071	-	-
Associate	4	-	4	-
Available-for-sale investments	100,500	104,900	-	-
Derivative financial instruments	44	-	44	-
	661,836	133,137	23,261	24,996
Total assets	767,329	146,032	248,556	38,515
LIABILITIES AND EQUITY				
Current liabilities				
Term loans	75,289	15,258	-	-
Trade payables	31,832	2,559	-	-
Other payables	8,515	1,549	2,601	2,714
Finance lease	23	23	23	23
Income tax payable	1,144	728	-	-
	116,803	20,117	2,624	2,737
Non-current liabilities				
Term loans	307,796	53,797	-	-
Finance lease	8	19	8	19
Notes payable	124,926	-	124,926	-
Other payables	48,879	-	-	-
Retirement benefit obligation	338	-	-	-
	481,947	53,816	124,934	19
Capital and reserves				
Share capital	137,888	54,647	137,888	54,647
Redeemable convertible capital securities	7,304	-	7,304	-
Share options reserve	458	181	458	181
Hedging reserve	(1,214)	-	(1,214)	-
Accumulated losses	(2,891)	(12,098)	(23,438)	(19,069)
Equity attributable to owners of the Company and redeemable convertible capital securities holders	141,545	42,730	120,998	35,759
Non-controlling interests	27,034	29,369	-	-
Total equity	168,579	72,099	120,998	35,759
Total liabilities and equity	767,329	146,032	248,556	38,515

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

Group		Group	
As at 30 Jun 2014		As at 31 Dec 2013	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
61,979	13,333	15,281	-

Amount repayable after one year

Group		Group	
As at 30 Jun 2014		As at 31 Dec 2013	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
307,804	124,926	53,816	-

Details of any collateral

The Group's borrowings are secured by:

- (i) First legal mortgage over all the Group's vessels and motor vehicles
- (ii) Unquoted cumulative preference shares held by the Group

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated Statement of Cash Flows

	Group		Group	
	2Q2014 US\$'000	2Q2013 US\$'000	HY2014 US\$'000	HY2013 US\$'000
Cash flows from operating activities				
Profit before tax	5,960	2,994	12,057	4,324
Adjustments for:				
Depreciation of plant and equipment	3,603	376	6,424	753
Dividend income from available-for-sale investments	(1,320)	(1,421)	(2,653)	(2,896)
Finance costs	5,260	792	7,492	1,610
Gain on bargain purchase	(412)	-	(1,059)	-
Loss on disposal of plant and equipment	-	1	-	1
Provision for employee benefit	69	-	102	-
Share-based payment expense	1,133	27	1,205	27
Unrealised exchange gain	-	(649)	-	(568)
Operating cash flows before working capital changes	14,293	2,120	23,568	3,251
Trade and other receivables	(20,611)	(2,142)	(22,749)	(2,679)
Trade and other payables	(39,173)	629	(52,420)	(593)
Inventories	(314)	-	(457)	-
Cash (used in) / generated from operations	(45,805)	607	(52,058)	(21)
Income taxes paid	(402)	-	(402)	-
Net cash (used in) / generated from operating activities	(46,207)	607	(52,460)	(21)
Cash flows from investing activities				
Dividends received	1,333	1,474	2,723	3,023
Proceeds from disposal of plant and equipment	-	55	-	55
Proceeds from redemption of preference shares	2,400	1,500	4,400	6,750
Acquisition of a subsidiary	(2,275)	-	(1,442)	-
Investment in associate	-	-	(4)	-
Purchases of plant and equipment	(72,556)	(75)	(226,043)	(75)
Net cash (used in) / generated from investing activities	(71,098)	2,954	(220,366)	9,753
Cash flows from financing activities				
Dividend paid	(912)	(476)	(912)	(476)
Interest paid	(3,098)	(816)	(5,330)	(1,610)
Proceeds from new bank loans raised	475	-	134,075	-
Proceeds from new shares issue	41,613	-	54,417	-
Proceeds from issuance of redeemable convertible capital securities	-	-	35,200	-
Proceeds from issuance of notes	123,668	-	123,668	-
Repayment of term loans	(13,773)	(3,539)	(22,060)	(7,073)
Repayment of obligation under finance lease	(5)	(7)	(11)	(7)
Redemption of preference shares issued by a subsidiary	(3,920)	-	(3,920)	-
Net cash generated from / (used in) financing activities	144,048	(4,838)	315,127	(9,166)
Net increase / (decrease) in cash and cash equivalents	26,743	(1,277)	42,301	566
Cash and cash equivalents at beginning of period	17,370	5,195	1,812	3,352
Cash and cash equivalents at end of period	44,113	3,918	44,113	3,918

1(d)(i) A statement (for the issuer and group) showing either
 (i) all changes in equity, or
 (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity

Group	Share capital	Share options reserve	Hedging reserve	Accumulated losses	Equity attributable to owners of the Company	Redeemable convertible capital securities	Equity attributable to owners of the Company & redeemable convertible capital securities holders	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2014	54,647	181	-	(12,098)	42,730	-	42,730	29,369	72,099
Total comprehensive income for the period									
Profit for the period	-	-	-	10,053	10,053	66	10,119	1,120	11,239
Other comprehensive income for the period	-	-	(1,214)	-	(1,214)	-	(1,214)	-	(1,214)
Total	-	-	(1,214)	10,053	8,839	66	8,905	1,120	10,025
Transactions with owners, recognised directly in equity									
Acquisition of a subsidiary	-	-	-	-	-	-	-	(2,970)	(2,970)
Issue of redeemable convertible capital securities	-	-	-	-	-	35,200	35,200	-	35,200
Conversion of redeemable convertible capital securities to ordinary shares	27,896	-	-	-	27,896	(27,896)	-	-	-
Distribution paid	-	-	-	-	-	(66)	(66)	-	(66)
Dividends	-	-	-	(846)	(846)	-	(846)	-	(846)
Issue of share capital, net of transaction costs	54,416	-	-	-	54,416	-	54,416	-	54,416
Non-controlling interest arising from increase in control of investment	-	-	-	-	-	-	-	3,435	3,435
Performance shares awarded	929	(69)	-	-	860	-	860	-	860
Recognition of shares-based payments	-	346	-	-	346	-	346	-	346
Redemption of preference shares issued by a subsidiary	-	-	-	-	-	-	-	(3,920)	(3,920)
Total	83,241	277	-	(846)	82,672	7,238	89,910	(3,455)	86,455
At 30 June 2014	137,888	458	(1,214)	(2,891)	134,241	7,304	141,545	27,034	168,579

1(d)(i) Statements of Changes in Equity (Cont'd)

Group	Share capital	Foreign currency translation reserve	Share options reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2013	54,647	98	-	(19,115)	35,630	27,402	63,032
Total comprehensive income for the period							
Profit for the period	-	-	-	2,481	2,481	1,647	4,128
Other comprehensive income for the period	-	(289)	-	-	(289)	(279)	(568)
Total	-	(289)	-	2,481	2,192	1,368	3,560
Transactions with owners, recognised directly in equity							
Recognition of shares-based payments	-	-	27	-	27	-	27
Dividends	-	-	-	(476)	(476)	-	(476)
Total	-	-	27	(476)	(449)	-	(449)
At 30 June 2013	54,647	(191)	27	(17,110)	37,373	28,770	66,143

Company	Share capital	Share options reserve	Hedging reserve	Accumulated losses	Redeemable convertible capital securities	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2014	54,647	181	-	(19,069)	-	35,759
Total comprehensive income for the period						
Loss for the period	-	-	-	(3,523)	66	(3,457)
Other comprehensive income for the period	-	-	(1,214)	-	-	(1,214)
Total	-	-	(1,214)	(3,523)	66	(4,671)
Transactions with owners, recognised directly in equity						
Issue of redeemable convertible capital securities	-	-	-	-	35,200	35,200
Conversion of redeemable convertible capital securities to ordinary shares	27,896	-	-	-	(27,896)	-
Dividends	-	-	-	(846)	-	(846)
Distribution paid	-	-	-	-	(66)	(66)
Issue of share capital, net of transaction costs	54,416	-	-	-	-	54,416
Performance shares awarded	929	(69)	-	-	-	860
Recognition of shares-based payments	-	346	-	-	-	346
Total	83,241	277	-	(846)	7,238	89,910
At 30 June 2014	137,888	458	(1,214)	(23,438)	7,304	120,998

Company	Share capital	Share options reserve	Hedging reserve	Accumulated losses	Redeemable convertible capital securities	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2013	54,647	-	-	(20,064)	-	34,583
Total comprehensive income for the period						
Loss for the period	-	-	-	(591)	-	(591)
Total	-	-	-	(591)	-	(591)
Transactions with owners, recognised directly in equity						
Recognition of shares-based payments	-	27	-	-	-	27
Dividends	-	-	-	(476)	-	(476)
Total	-	27	-	(476)	-	(449)
At 30 June 2013	54,647	27	-	(21,131)	-	33,543

1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

(a) Performance Share Plan

On 14 May 2013, Vallianz Holdings Limited (the "**Company**") granted 6,000,000 share awards ("**Awards**") pursuant to the Vallianz Performance Share Plan ("**PSP**"). One third of the Awards will be vested in each year on the anniversary of the Awards over a three (3) years period.

On 07 May 2014, the Company granted 7,500,000 Awards pursuant to PSP. The Awards were vested on 14 May 2014.

Date of grant	As at 01 January 2014	Granted	Vested	Cancelled	As at 30 June 2014
14 May 2013	6,000,000	-	1,666,667	1,000,000	3,333,333
07 May 2014	-	7,500,000	7,500,000	-	-

(b) Employee Share Option

On 14 May 2013, the Company granted 9,000,000 share options pursuant to the Vallianz Employee Share Option Scheme ("**ESOS**"). The share option is valid for a period of five (5) years commencing from the date of grant and exercisable after the first anniversary of the date of grant.

On 07 May 2014, the Company granted 20,000,000 Share Option pursuant to ESOS. The share option is valid for a period of ten (10) years commencing from the date of grant and exercisable after the first anniversary of the date of grant.

Date of grant	As at 01 January 2014	Granted	As at 30 June 2014
14 May 2013	9,000,000	-	9,000,000
07 May 2014	-	20,000,000	20,000,000

(c) Option Shares

On 02 October 2013, the Company entered into an option agreement with Swiber Holdings Limited ("**Swiber**") to issue to Swiber an aggregate of 500,000,000 non-transferable share options (the "**Options**", and each, an "**Option**"), with each Option carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (the "**Option Shares**") at the exercise price of S\$0.055 per Option.

Details of issued and allotment of Option Shares as below:

Date of issue & allotment	No. of Option Shares
10 March 2014	236,000,000
14 March 2014	55,000,000

As at 30 June 2014:

No. of issued and allotted Option Shares	291,000,000
No. of Option Shares that may be issued on exercise on Option	209,000,000

1(d)(ii) Details of any changes in the company's share capital (Cont'd)

(d) Redeemable Convertible Capital Securities

On 02 October 2013, the Company entered into a subscription agreement with Rawabi Holding Company Ltd (“Rawabi”) to issue to Rawabi redeemable convertible capital securities (“RCCS”) of a principal amount of US\$35,200,000. The RCCS is convertible into ordinary shares in the capital of the Company (the “Conversion Shares”).

On 14 February 2014, the Company completed the issuance of the RCCS of a principal amount US\$35,200,000.

Details of issued and allotment of Conversion Shares as below:

Date of issue & allotment	No. of Conversion Shares
24 February 2014	509,000,000
12 March 2014	101,000,000
18 March 2014	24,000,000

As at 30 June 2014:

No. of issued and allotted Conversion Shares	634,000,000
No. of Conversion Shares that may be issued on conversion	182,600,000

(e) Private Placement

On 25 June 2014, the Company issued 400,000,000 ordinary shares at S\$0.13545 and raised a net proceed of US\$41.61 million.

(f) Total number of shares that may be issued as at 30 June 2014

	No. of Shares
Performance Share Plan	3,333,333
Employee Share Option	29,000,000
Option Shares	209,000,000
Redeemable Convertible Capital Securities	182,600,000
	423,933,333

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Group and Company	
	30 Jun 2014 No. of shares (‘000)	31 Dec 2013 No. of shares (‘000)
The number of issued shares	2,523,579	1,189,412

There were no treasury shares as at 30 June 2014 and 31 December 2013.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Group does not have any treasury shares at the end of the financial period.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as those applied in the audited financial statements for the year ended 31 December 2013.

5. If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new or revised Financial Reporting Standard ("FRS") and the interpretation of FRS ("IFRS") that become effective for the entities with financial period commencing 1 January 2014. The adoption of the new and revised FRS and IFRS has no material impact on the unaudited financial statements for the second quarter ended 30 June 2014.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	2Q2014	2Q2013	HY2014	HY2013
<u>Earnings (US\$'000)</u>				
Net profit after tax attributable to owners of the Company	5,323	1,892	10,053	2,481
<u>Number of shares ('000)</u>				
Weighted average number of shares for basic earnings per share	2,145,621	1,189,412	1,818,567	1,189,412
Effects of dilution	208,725	-	208,725	-
Weighted average number of shares for diluted earnings per share	<u>2,354,346</u>	<u>1,189,412</u>	<u>2,027,292</u>	<u>1,189,412</u>
<u>Earnings per share (US cents)</u>				
Basic	0.25	0.16	0.55	0.21
Diluted	0.23	na	0.50	na

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Net asset value (US\$'000)	141,545	42,730	120,998	35,759
Total number of shares issued ('000)	2,523,579	1,189,412	2,523,579	1,189,412
Net asset value per share (US cents)	5.61	3.59	4.79	3.01

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.

Review of Group Performance

The Group is a provider of offshore support vessels and integrated marine solutions to the offshore oil and gas industry. Headquartered in Singapore, the Group has been expanding its presence in the major and emerging offshore exploration and production ("E&P") markets of Asia Pacific, the Middle East, Latin America and West Africa. Its customers include international oil majors and national oil companies worldwide.

RSOS Consolidation

Arising from agreements entered with the Saudi partner of our subsidiary Rawabi Swiber Offshore Services Co Ltd ("**RSOS**") subsequent to 31 December 2013, the Group started consolidating the results of RSOS since the beginning of the six months ended 30 June 2014 ("**HY2014**") in line with FRS110. Prior to this, the Group had equity-accounted for the results of RSOS since its acquisition in October 2013. As a result, the Group reported significantly higher figures during HY2014 when compared to the corresponding period ended 30 June 2013 ("**HY2013**") for mainly the following items, namely:

- Revenue;
- Cost of sales and gross profit;
- Administrative expenses;
- Finance costs;
- Trade and other receivables;
- Plant and equipment;
- Current and non-current borrowings; and
- Trade and other payables.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Revenue

Revenue (US\$ m)	1Q	2Q	1H	3Q	4Q	Full Year
FY2014	27.71	38.55	66.26	-	-	-
FY2013	2.73	4.74	7.47	6.49	6.03	19.99
y-o-y change	916%	713%	787%	-	-	-

The Group registered approximately US\$38.55 million of revenue for the three months ended 30 June 2014 ("**2Q2014**") representing an increase of 713% or US\$33.81 million when compared to the corresponding period ended 30 June 2013 ("**2Q2013**"). On a sequential basis, Group revenue in 2Q2014 increased 39% from US\$27.71 million in 1Q2014 mainly due to higher charter revenue from a larger fleet of owned vessels.

For HY2014, the Group's revenue increased by US\$58.79 million to US\$66.26 million from US\$7.47 million in HY2013. Charter revenue accounted for approximately 90% of the Group's revenue in HY2014, compared to 38% in HY2013, following the acquisition of RSOS. The remaining revenue contribution was derived primarily from ship management services and investments.

(b) Cost of sales and gross profit

Cost of sales increased by US\$23.78 million to US\$24.67 million in 2Q2014, from US\$894,000 in 2Q2013, which is in line with the Group's higher revenue and expanded scale of operations. For HY2014, the Group's cost of sales increased by US\$40.79 million to US\$42.05 million from US\$1.26 million in HY2013. Cost of sales comprises largely of vessel operating expenses.

The Group's gross profit increased by 261% or US\$10.04 million to US\$13.89 million in 2Q2014 and by 290% or US\$18.01 million to US\$24.22 million in HY2014.

(c) Other income

Other income of US\$1.89 million in HY2014 was mainly due to gain on bargain purchase as a result of consolidation of RSOS and acquisition of a subsidiary.

(d) Administrative expenses

Administrative expenses increased by US\$3.14 million to US\$3.89 million for 2Q2014 and by US\$5.59 million to US\$6.56 million for HY2014 when compared to 2Q2013 and HY2013 respectively. Administrative expenses comprise largely of staff and travel related expenses.

(e) Finance costs

Finance costs for the Group increased by US\$4.47 million to US\$5.26 million in 2Q2014, from US\$792,000 in 2Q2013. For HY2014, the Group's finance costs increased by US\$5.88 million to US\$7.49 million, from US\$1.61 million in HY2013. The increase is due mainly to the additional bank loans for vessels acquired and the issuance of notes under the Multicurrency Debt Issuance Programme.

(f) Group Profit

Net Profit (US\$ m)	1Q	2Q	1H	3Q	4Q	Full Year
FY2014	5.45	5.79	11.24	-	-	-
FY2013	1.33	2.80	4.13	3.23	2.95	10.31
y-o-y change	310	107	172	-	-	-

The Group's profit before tax increased by 99% to US\$5.96 million in 2Q2014 from US\$2.99 million in 2Q2013. Profit before tax for HY2014 increased by 179% or US\$7.73 million to US\$12.06 million when compared to HY2013.

Correspondingly, Group net profit increased 107% to US\$5.79 million and 172% to US\$11.24 million for 2Q2014 and HY2014 respectively. As a result, the Group had net profit margins of 15% in 2Q2014 and 17% in HY2014. Based on weighted average number of 1,818,567,000 shares, the Group recorded earnings per share of 0.55 US cents in HY2014, translating into an increase of 162% from 0.21 US cents in the previous corresponding period.

The significant improvement in the Group's financial performance for 2Q2014 and HY2014 was mainly attributable to the strong positive contribution from RSOS.

Statements of Financial Position

(g) Trade and other receivables

Trade and other receivables increased from US\$11.00 million as at 31 December 2013 to US\$60.20 million as at 30 June 2014, in tandem with the higher level of business activities.

(h) Available-for-sale investments

As at 31 December 2013 the Group had preferential shares in Resolute Offshore Pte Ltd valued at US\$104.90 million. Resolute Offshore Pte Ltd redeemed 44,000 preference shares for a total value of US\$4.40 million in HY2014.

(i) Plant and equipment

Plant and equipment increased from US\$25.17 million as at 31 December 2013 to US\$561.29 million as at 30 June 2014. As explained earlier, this is due to the consolidation of vessel fleet owned by RSOS. Consequently, depreciation for HY2014 increased by US\$5.67 million to US\$6.42 million, from US\$753,000 in HY2013.

(j) Total current and non-current borrowings

Total current and non-current borrowings for the Group include bank loans, notes payable and finance lease.

	30 June 2014			31 December 2013		
	Current US\$'000	Non-current US\$'000	Total US\$'000	Current US\$'000	Non-current US\$'000	Total US\$'000
Vessel loans	53,481	307,796	361,277	15,258	53,797	69,055
Working Lines	21,808	-	21,808	-	-	-
Notes payable	-	124,926	124,926	-	-	-
Finance Lease	23	8	31	23	19	42
	75,312	432,730	508,042	15,281	53,816	69,097

Total current and non-current term borrowings increased from US\$69.10 million as at 31 December 2013 to US\$508.04 million as at 30 June 2014 which comprises largely of bank borrowings for vessels owned by RSOS and notes payable.

The average repayment period for the Group's vessel borrowings is approximately 6 years, which is significantly shorter than the useful lives of the vessels which is typically about 25 years. The short-term portion (i.e. repayable within the next 12 months) of the vessel borrowings are recorded as current liabilities, whereas the vessels' values of approximately US\$558.50 million are entirely recorded as non-current assets. This mismatch is one of the main reasons for the net current liabilities of US\$11.31 million as at 30 June 2014.

Despite the net current liabilities position, the Group has not encountered any liquidity issues that resulted in any disruption of its operations. Nevertheless, the Group has been and will continue to proactively and prudently manage its working capital and capital expenditure needs as it navigates through this initial phase of its expansion and growth.

On 20 March 2014, the Group established a Multicurrency Debt Issuance Programme to issue up to S\$500,000,000 fixed or floating rate notes. As at 30 June 2014, the Group has the following notes outstanding:

	Tenure (years)	Interest Rate	Due Date	S\$'000	US\$'000
Series 1	2	7.20%	Apr 2016	100,000	77,986
Series 2	2.5	7.25%	Nov 2016	60,000	46,940

A cross currency interest rate swap contract was established in relation to the issued notes creating an effective cash flow hedge against the foreign currency and interest rate movement on the notes issued.

(k) Trade and other payables

The Group's trade and other payables increased by approximately US\$85.12 million from US\$4.11 million as at 31 December 2013 to US\$89.23 million as at 30 June 2014. The increase is consistent with the growth of the Group business.

Consolidated Statement of Cash Flows

Cash and cash equivalents increased from US\$1.81 million as at 31 December 2013 to US\$44.11 million as at 30 June 2014.

(l) Cash flow used in operating activities

Despite registering positive operating cash inflows of US\$23.57 million, the Group recorded net cash used in operating activities of US\$52.46 million in HY2014 after adjusting for the negative changes in net working capital of US\$75.63 million.

(m) Cash flow used in investing activities

Net cash used in investing activities amounted to US\$220.37 million for HY2014 mainly due to capital expenditure of US\$226.04 million incurred mainly for the acquisition of vessels.

(n) Cash flow generated from financing activities

Net cash generated from financing activities amounted to US\$315.13 million in HY2014 due mainly to proceeds from new bank loans, shares issued, issuance of redeemable convertible capital securities and notes under the Multicurrency Debt Issuance Programme.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group believes the industry backdrop remains favourable for its offshore support vessel chartering business. Based on current expectations of oil prices, offshore E&P activities are anticipated to remain healthy and contribute to a growing proportion of global oil production. It is therefore envisaged that the increasing number of working oil rigs and rig orders shall continue to drive demand for offshore support vessels.

To capitalise on the positive industry landscape, the Group has been actively executing initiatives since the beginning of 2014 to expand its asset base and geographical reach to strengthen its foundation for long-term growth.

The Group has embarked on a fleet expansion program to bring its own fleet to 50 offshore support vessels by 2016. Presently, the Group owns a young and modern fleet of 29 vessels and expects to expand this base to 38 vessels by 31 December 2014.

As part of its longer-term plans, Vallianz is collaborating with a first class shipyard in China to build "Vallianz-designed" vessels based on the Group's stringent specifications. With its first-right-of-refusal for up to 200 vessels, this strategy will enable the Group to expand its range of vessel offerings and address market demand in a timely manner.

In addition to strengthening its coverage of the Middle East market, the Group is also targeting market opportunities in Latin America, Asia Pacific and West Africa. Besides establishing a 49%-owned associated company in Mexico to capitalise on prospects in the Latin America region, the Group also signed a 3-year collaboration agreement with Offshore Oil Engineering Co., Ltd. ("**COOEC**") to provide certain offshore support vessels for COOEC's offshore projects in China and Asia Pacific. COOEC is a subsidiary of China National Offshore Oil Corporation, or CNOOC. The Group will continue seeking strategic alliances to expand its geographical presence in target markets.

With a focus on medium to long-term chartering contracts, the Group benefits from clear earnings visibility. In May this year, the Group marked its foray into Latin America by securing a US\$82.00 million chartering contract which will start contributing to revenue from 3Q2014. As at 30 June 2014, the Group had an order book of US\$494.00 million that stretches up to 2018. Based on the current situation and barring any unforeseen circumstances, approximately 50% of its order book is expected to be recognised as revenue during the second half of FY2014 and FY2015.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

No.

(c) Date Payable

Not applicable.

(d) Book Closure Date.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the current financial period reported on.

13. Interested person transaction

In compliance with Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalyst), there were no transactions with interested persons for the six months ended 30 June 2014 which exceeds the stipulated threshold except as disclosed below:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Chartering		
Swiber and its subsidiaries	US\$2,702,692 ⁽¹⁾	US\$1,956,149
Swiber and its subsidiaries	US\$1,278,900	Nil
Corporate services		
Swiber and its subsidiaries	Nil	US\$144,000
Rawabi Holdings Co Ltd	US\$158,215 ⁽²⁾	Nil
Marine brokerage services		
Swiber and its subsidiaries	Nil	US\$221,598
Ship management services		
Swiber and its subsidiaries	Nil	US\$2,841,700
Other		
Swiber and its subsidiaries	US\$2,270,000	Nil
Rawabi Holdings Co Ltd	US\$934,150 ⁽³⁾	Nil

Notes :

⁽¹⁾The transaction relates to chartering income for the six months ended 30 June 2014. No shareholder approval was obtained because all terms of the charter party agreement entered into between Vallianz Samson Pte Ltd ("**VSPL**"), Vallianz Marine Pte Ltd ("**VMPL**") and Newcruz Offshore Marine Pte Ltd were finalized and signed prior to the Company acquiring the 51% interest in VMPL and VSPL, and before Swiber Holdings Limited became an interested party as in Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalyst).

⁽²⁾The transaction relates to holding support fee charged by Rawabi Holdings Co Ltd ("**Rawabi**") for the six months ended 30 June 2014. No shareholder approval was obtained because all terms of the agreement entered into between Rawabi Swiber Offshore Services Co Ltd ("**RSOS**") and Rawabi were finalized and signed prior to Rawabi became an interested party as in Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalyst).

⁽³⁾The transaction relates to construction cost of a camp facility in Kingdom of Saudi Arabia by Rawabi for the six months ended 30 June 2014. No shareholder approval was obtained because all terms of the agreement entered into between RSOS and Rawabi were finalized and signed prior to Rawabi became an interested party as in Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalyst).

14. Statement by Directors pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter financial results for the period ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Raymond Kim Goh
Director
Non-Executive Chairman

Yeo Chee Neng
Director
Chief Executive Officer

BY ORDER OF THE BOARD

Lee Bee Fong
Company Secretary
07 August 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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