



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statement And Dividend Announcement

For the First Quarter and Three Months Ended 31 March 2016

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (“1Q2016”)

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

	1Q2016	Group 1Q2015	Change
	US\$'000	US\$'000	%
Revenue	49,303	60,727	(18.8)
Cost of sales	(34,872)	(44,704)	(22.0)
Gross Profit	14,431	16,023	(9.9)
Other income	317	757	(58.1)
Administrative expenses	(4,022)	(5,583)	(28.0)
Other operating expenses	-	(2)	nm
Finance costs	(5,036)	(6,629)	(24.0)
Share of results of associate and joint ventures	(170)	1,044	(116.3)
Profit before tax	5,520	5,610	(1.6)
Income tax expense	(54)	(92)	(41.3)
Profit for the period	5,466	5,518	(0.9)

Note: nm – Not Meaningful

- 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 (cont'd)

	1Q2016 US\$'000	Group 1Q2015 US\$'000	Change %
Profit for the period attributable to :			
Owners of the Company	4,887	4,968	(1.6)
Capital securities holders	224	222	0.9
Non-controlling interests	355	328	8.2
Total	<u>5,466</u>	<u>5,518</u>	(0.9)
Other comprehensive income for the period, net of tax			
Exchange differences on translation of foreign operations	989	(1,342)	173.7
Cash flow hedges	774	(1,471)	152.6
Total compressive income for the period	<u>7,229</u>	<u>2,705</u>	167.3
Total comprehensive income attributable to :			
Owners of the Company	6,650	2,155	208.6
Capital securities holders	224	222	0.9
Non-controlling interests	355	328	8.2
Total	<u>7,229</u>	<u>2,705</u>	167.3

- 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:

	1Q2016 US\$'000	Group 1Q2015 US\$'000
Depreciation of property, plant and equipment	3,281	7,605
Amortisation of intangible assets	269	-
Dividend income	(1,168)	(1,243)
Finance costs	5,036	6,629
Foreign exchange gain, net	(194)	(466)
Other income	(121)	(291)
Gain on disposal of assets previously held for sale	(1)	-
Provision for employee benefits	70	84
Share-based payment expense	446	364

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	
	31 Mar 2016 US\$'000	31 Dec 2015 US\$'000	31 Mar 2016 US\$'000	31 Dec 2015 US\$'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	116,881	41,901	91,771	936
Trade receivables	143,817	130,355	1,123	899
Other receivables	107,172	175,801	304,549	272,093
Inventories	1,149	1,069	-	-
Construction work-in-progress	572	464	-	-
Available-for-sale investments	88	88	86	86
Derivative financial instruments	295	295	-	-
	369,974	349,973	397,529	274,014
Assets classified as held for sale	3,269	115,314	-	-
Total current assets	373,243	465,287	397,529	274,014
Non-current assets				
Monies pledged with banks	900	900	-	-
Available-for-sale investments	80,950	90,200	-	-
Intangible assets	1,886	2,155	-	-
Property, plant and equipment	355,276	161,007	44	57
Subsidiary corporations	-	-	32,009	32,009
Joint ventures	43,555	44,018	39,695	39,695
Associate	16,017	16,293	-	-
Goodwill	9,171	9,171	-	-
Deferred tax assets	-	242	-	-
Total non-current assets	507,755	323,986	71,748	71,761
Total assets	880,998	789,273	469,277	345,775

1(b)(i) Statements of Financial Position (cont'd)

	Group		Company	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	US\$'000	US\$'000	US\$'000	US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Term loans	63,337	127,798	-	-
Notes payable	118,093	112,337	118,093	112,337
Trade payables	44,457	33,995	-	-
Other payables	162,677	79,786	76,864	26,129
Finance lease	868	774	-	-
Derivative financial instruments	9,881	15,967	9,881	15,967
Income tax payable	2,274	2,034	-	-
Total current liabilities	401,587	372,691	204,838	154,433
Non-current liabilities				
Shareholders' advances	72,913	-	72,913	-
Term loans	129,048	137,893	-	-
Retirement benefit obligation	930	860	-	-
Finance lease payables	557	876	-	-
Deferred tax liabilities	8,335	8,956	-	-
Total non-current liabilities	211,783	148,585	72,913	-
Capital and reserves				
Share capital	187,518	185,338	187,518	185,338
Perpetual capital securities	22,500	22,500	22,500	22,500
Foreign currency translation reserve	(451)	(1,440)	-	-
Hedging reserve	(1,171)	(1,945)	(1,171)	(1,945)
Share options reserve	2,933	2,487	2,933	2,487
Other reserve	(553)	(27)	28	28
Accumulated profits (losses)	26,946	22,059	(20,282)	(17,066)
Equity attributable to owners of the Company and capital securities holders	237,722	228,972	191,526	191,342
Preference shares	-	9,474	-	-
Non-controlling interests	29,906	29,551	-	-
Total equity	267,628	267,997	191,526	191,342
Total liabilities and equity	880,998	789,273	469,277	345,775

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

Amount repayable in one year or less, or on demand

Group As at 31 Mar 2016		Group As at 31 Dec 2015	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
62,005	120,293	126,315	114,594

Amount repayable after one year

Group As at 31 Mar 2016		Group As at 31 Dec 2015	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
129,605	-	138,769	-

Details of any collateral

The Group's borrowings are secured by:

- (i) a first legal mortgage over all the Group's property, vessels, motor vehicles and equipment and a vessel held by a related company of its major shareholder;
- (ii) assignment of marine insurances in respect of some of the vessels mentioned above;
- (iii) unquoted cumulative preference shares held by the Group;
- (iv) deposits pledged; and
- (v) assignment of earnings/charter proceeds in respect of some of the vessels mentioned above.

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	
	1Q2016 US\$'000	1Q2015 US\$'000
Operating activities		
Profit before tax	5,520	5,610
Adjustments for :		
Depreciation of property, plant and equipment	3,281	7,605
Amortisation of intangible assets	269	-
Dividend income for available-for-sale investments	(1,168)	(1,243)
Gain on disposal of assets previously held for sale	1	-
Finance costs	5,036	6,629
Share-based payment expense	446	364
Provision for employee benefits	70	84
Share of results of associate and joint ventures	170	(1,044)
Unrealised exchange loss (gain)	951	(1,342)
Operating cash flows before working capital changes	14,576	16,663
Trade and other receivables	(9,045)	(6,533)
Trade and other payables	7,097	15,264
Inventories	(80)	(153)
Construction work-in-progress	(109)	280
Net cash from operations	12,439	25,521
Income tax paid	-	(1,375)
Net cash from operating activities	12,439	24,146
Investing activities		
Dividends received	1,182	1,316
Proceeds from redemption of preference shares	9,250	4,500
Acquisition of associate	-	(84)
Proceeds from assets disposed in prior period	65,714	-
Purchase of property, plant and equipment	(154)	(11,070)
Net cash from (used in) investing activities	75,992	(5,338)
Financing activities		
Distribution to perpetual capital securities holder	(454)	-
Interest paid	(2,408)	(6,186)
Advances from shareholders	72,913	-
Proceeds from new bank loans raised	23,225	31,035
Redemption of preference shares issued by a subsidiary	(10,000)	-
Repayment of term loans	(96,531)	(30,426)
Repayment of obligation under finance lease	(225)	(12,025)
Net cash used in financing activities	(13,480)	(17,602)
Net increase in cash and cash equivalents	74,951	1,206
Effects of exchange rate changes on the cash balance	29	-
Cash and cash equivalents at beginning of period	41,901	20,754
Cash and cash equivalents at end of period	116,881	21,960

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

	Share capital	Foreign currency translation reserve	Hedging reserve	Share options reserve	Other reserve	Accumulated profits	Perpetual capital securities	Equity attributable to owners of the Company and capital securities holders	Preference shares issued to a non-controlling interest	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group											
At 1 January 2016	185,338	(1,440)	(1,945)	2,487	(27)	22,059	22,500	228,972	9,474	29,551	267,997
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	5,111	-	5,111	-	355	5,466
Other comprehensive income for the period	-	989	774	-	-	-	-	1,763	-	-	1,763
Total	-	989	774	-	-	5,111	-	6,874	-	355	7,229
Transactions with owners, recognized directly in equity											
Issuance of consideration shares, net of expenses	2,180	-	-	-	-	-	-	2,180	-	-	2,180
Recognition of share-based payments	-	-	-	446	-	-	-	446	-	-	446
Redemption of preference shares	-	-	-	-	-	-	-	-	(10,000)	-	(10,000)
Effects of redemption of preference shares	-	-	-	-	(526)	-	-	(526)	526	-	-
Distributions to perpetual capital securities holders	-	-	-	-	-	(224)	-	(224)	-	-	(224)
Total	2,180	-	-	446	(526)	(224)	-	1,876	(9,474)	-	(7,598)
At 31 March 2016	187,518	(451)	(1,171)	2,933	(553)	26,946	22,500	237,722	-	29,906	267,628

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

	Share capital	Foreign currency translation reserve	Hedging reserve	Share options reserve	Other reserve	Accumulated profits	Perpetual capital securities	Equity attributable to owners of the Company and 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	US\$'000
Group										
At 1 January 2015	185,276	(268)	(2,141)	1,156	24	6,262	22,500	212,809	27,939	240,748
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	4,968	222	5,190	328	5,518
Other comprehensive income for the period	-	(1,342)	(1,471)	-	-	-	-	(2,813)	-	(2,813)
Total	-	(1,342)	(1,471)	-	-	4,968	222	2,377	328	2,705
Transactions with owners, recognized directly in equity										
Dividends	-	-	-	-	-	(1,672)	-	(1,672)	-	(1,672)
Recognition of share- based payments	-	-	-	364	-	-	-	364	-	364
Total	-	-	-	364	-	(1,672)	-	(1,308)	-	(1,308)
At 31 March 2015	185,276	(1,610)	(3,612)	1,520	24	9,558	22,722	213,878	28,267	242,145

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

	Share capital	Hedging reserve	Share options reserve	Other reserve	Accumulated losses	Perpetual capital securities	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company							
At 1 January 2016	185,338	(1,945)	2,487	28	(17,066)	22,500	191,342
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(2,992)	-	(2,992)
Other comprehensive income for the period	-	774	-	-	-	-	774
Total	-	774	-	-	(2,992)	-	(2,218)
Transactions with owners, recognized directly in equity							
Distribution paid to perpetual capital securities holder	-	-	-	-	(224)	-	(224)
Issuance of consideration shares, net of expenses	2,180	-	-	-	-	-	2,180
Recognition of share-based payments	-	-	446	-	-	-	446
Total	2,180	-	446	-	(224)	-	2,402
At 31 March 2016	187,518	(1,171)	2,933	28	(20,282)	22,500	191,526
At 1 January 2015	185,276	(2,141)	1,156	24	(17,868)	22,500	188,947
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(3,912)	222	(3,690)
Other comprehensive income for the period	-	(1,471)	-	-	-	-	(1,471)
Total	-	(1,471)	-	-	(3,912)	222	(5,161)
Transactions with owners, recognized directly in equity							
Dividends	-	-	-	-	(1,672)	-	(1,672)
Recognition of share-based payments	-	-	364	-	-	-	364
Total	-	-	364	-	(1,672)	-	(1,308)
At 31 March 2015	185,276	(3,612)	1,520	24	(23,452)	22,722	182,478

- 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) year period.

On 6 July 2015, the Company granted 51,500,000 Awards pursuant to the PSP. The Awards will be vested on 6 July 2016.

Date of grant	As at 1 January 2016	Granted	Vested	Cancelled	As at 31 March 2016
14 May 2013	1,166,666	-	-	-	1,166,666
6 July 2015	50,500,000	-	-	-	50,500,000

(b) Employee Share Options

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 7 May 2014, the Company granted 20,000,000 share options pursuant to the ESOS. Each 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 1 January 2016	Granted	As at 31 March 2016
14 May 2013	9,000,000	-	9,000,000
7 May 2014	20,000,000	-	20,000,000

(c) Consideration Shares for OER acquisition

On 31 October 2014, the Company allotted and issued 125,000,000 ordinary shares to ST Holmen Ltd, amounting to 50% of the 250,000,000 shares payable as consideration for the acquisition of OER Holdings Pte. Ltd and its subsidiaries ("OER Group") ("Consideration Shares"). The remaining 50% of the Consideration Shares were issued on 6 April 2016 subsequently to the Group achieving the earnings target as set out in the Company's announcement on 30 September 2014.

(d) Consideration Shares for the acquisition of vessels

On 22 January 2016, the Company completed the listing and quotation of 70,532,596 ordinary shares which were issued as consideration for the acquisition of certain vessels by the Group for the period ended 31 March 2016.

(e) Total number of shares that may be issued as at 31 March 2016

Corporate Action	No. of Shares
Grant of share awards under PSP	51,666,666
Grant of share options under ESOS	29,000,000
Consideration shares for OER acquisition	125,000,000
	<u>205,666,666</u>

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	
	31 Mar 2016	31 Dec 2015
	No. of shares	No. of shares
	('000)	('000)
The number of issued shares	3,415,545	3,345,012

There were no treasury shares as at 31 March 2016 and 31 December 2015.

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 2015.

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 their financial periods commencing 1 January 2016. The adoption of the new and revised FRS and IFRS has no material impact on the unaudited financial statements for the first quarter ended 31 March 2016.

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	
	1Q2016	1Q2015
<u>Earnings (US\$'000)</u>		
Profit after tax attributable to owners of the Company	4,887	4,968
<u>Number of shares ('000)</u>		
Weighted average number of shares for basic earnings per share	3,399,268	3,343,512
Effects of dilution	166,754	134,619
Weighted average number of shares for diluted earnings per share	3,566,022	3,478,131
<u>Earnings per share (US cents)</u>		
Basic	0.14	0.15
Diluted	0.14	0.14

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	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
Net asset value (US\$'000)	237,722	228,972	191,526	191,342
Total number of shares issued ('000)	3,415,545	3,345,012	3,415,545	3,345,012
Net asset value per share (US cents)	6.96	6.85	5.61	5.72

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Revenue, costs of sales and gross profit

The Group registered revenue of approximately US\$49.30 million for the three (3) months ended 31 March 2016 ("1Q2016"), representing a decline of 18.8% or US\$11.42 million when compared to the three (3) months ended 31 March 2015 ("1Q2015"). This was due mainly to the absence of contributions from ship management projects in Latin America which were completed in late 2015, the renewal of certain existing contracts with a customer in the Middle East in July 2015 at lower average charter rates, and a change in the revenue mix of the chartering and brokerage services business.

8 Review of Group Performance (Cont'd)

(a) Revenue, costs of sales and gross profit (Cont'd)

As a percentage of total revenue, the charter and brokerage services accounted for 69% of the Group's revenue in 1Q2016, an increase from 63% in 1Q2015.

Cost of sales decreased by approximately 22.0% to US\$34.87 million in 1Q2016 as compared to US\$44.70 million 1Q2015, as the Group reaped benefits from its efforts to maximize cost savings from its vessel operations and labour expenses.

As cost of sales declined at a faster pace compared to revenue, the Group's gross profit margin in 1Q2016 increased to 29.3% from 26.4% in 1Q2015. This improvement in gross profit margin was attributed mainly to a change in the Group's revenue mix and the benefit of its cost reduction efforts.

(b) Other income

Other income of US\$317,000 in 1Q2016 was mainly derived from foreign exchange gain of US\$194,000.

(c) Administrative expenses

Administrative expenses comprise largely of staff and travel related expenses. Administrative expenses decreased by 28.0% or US\$1.56 million to US\$4.02 million in 1Q2016 when compared to 1Q2015. This decline was largely attributed to the Group's concerted efforts to optimise its cost structure in late 2015.

(d) Finance costs

Finance costs for the Group decreased by US\$1.59 million to US\$5.04 million in 1Q2016 from US\$6.63 million in the 1Q2015. The reduction was partially attributed to the completion of a refinancing exercise for its operations in the Middle East in February 2016.

(e) Share of results of associate and joint ventures

The Group recorded a loss of US\$0.17 million from share of results of associate and joint ventures in 1Q2016 compared to a profit of US\$1.04 million in 1Q2015. The Group's investment in two joint ventures registered a total profit of US\$0.10 million which was offset by its share of loss of US\$0.27 million in an associate company.

(f) Net profit

Notwithstanding lower revenue, the Group sustained its net profit in 1Q2016 at US\$5.52 million, which was a marginal decline from US\$5.61 million in 1Q2015. The Group's cost rationalization efforts have helped to mitigate the impact of lower revenue and the reduction in share of results of associate and joint ventures which fell by approximately US\$1.21 million in 1Q2016.

Based on the weighted average number of shares, the Group recorded earnings per share of 0.14 US cents for 1Q2016 as compared to 0.15 US cents for 1Q2015.

Statements of Financial Position

(g) Trade and other receivables

Trade and other receivables decreased from US\$306.16 million as at 31 December 2015 to US\$250.99 million as at 31 March 2016. This was due to the receipt of proceeds from sale of fixed assets in late 2015.

(h) Available-for-sale investments

As at 31 March 2016, the Group had preferential shares in Resolute Offshore Pte Ltd valued at US\$80.95 million. Resolute Offshore Pte Ltd redeemed 92,500 preference shares for a total value of US\$9.25 million in 1Q2016.

8 Review of Group Performance (Cont'd)

(i) Property, plant and equipment

Property, plant and equipment increased from US\$161.01 million as at 31 December 2015 to US\$355.28 million as at 31 March 2016. The increase was due mainly to the addition of an offshore floating storage and supply vessel which was completed in early 2016, and a change in the vessel mix in order to comply with the requirements of the Sukuk. The Sukuk issuance is part of the Group's refinancing exercise for its operations in the Middle East. Depreciation decreased by US\$4.33 million from US\$7.61 million to US\$3.28 million in 1Q2016.

(j) Total current and non-current borrowings

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

	31 Mar 2016			31 Dec 2015		
	Current US\$'000	Non-current US\$'000	Total US\$'000	Current US\$'000	Non-current US\$'000	Total US\$'000
Term Loans	31,709	129,048	160,757	95,321	137,893	233,214
Working Lines	31,628	-	31,628	32,477	-	32,477
Notes payable	118,093	-	118,093	112,337	-	112,337
Finance Lease	868	557	1,425	774	876	1,650
	182,298	129,605	311,903	240,909	138,769	379,678

Total current and non-current term borrowings reduced from US\$379.68 million as at 31 December 2015 to US\$311.90 million as at 31 March 2016 which comprises largely of bank borrowings for vessels and notes payable.

The average repayment period for the Group's vessel borrowings is approximately six (6) years, which is significantly shorter than the useful lives of the vessels which are typically between 18 to 25 years. The short-term portion of vessel borrowings is recorded as current liabilities whereas the vessels' values are entirely recorded as non-current assets. This mismatch accounted in part for the net current liabilities of US\$28.34 million as at 31 March 2016. Nevertheless, the Group has not encountered any liquidity issues that resulted in any disruption of its operations

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 31 March 2016, 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	74,010
Series 2	2.5	7.25%	Nov 2016	60,000	44,083

The Group has on 1 April 2016 redeemed in full its Series No. 001 S\$100 million (approximately US\$74.01 million) 7.2% Fixed Rate Notes 2016.

The Group hedges the foreign currency exposure from the notes with a cross-currency interest rate swap contract entered into in previous year.

(k) Trade and other payables

The Group's trade and other payables increased by approximately US\$93.35 million from US\$113.78 million as at 31 December 2015 to US\$207.13 million as at 31 March 2016. This largely arose from increases in the amounts due to third parties vendors on the new vessels that commenced their charters in 1Q2016.

(l) Shareholders' advances

The Group received interest free advances from certain shareholders in late March 2016 with no fixed term for repayment. These advances will be used to meet future financial obligations of the Group.

Consolidated Statement of Cash Flows

Cash and cash equivalents increased from US\$41.90 million as at 31 December 2015 to US\$116.88 million as at 31 March 2016.

(m) Cash flow from operating activities

The Group generated net cash from operating activities of US\$12.44 million in 1Q2016.

8 Review of Group Performance (Cont'd)

(n) Cash flow from investing activities

Net cash generated from investing activities of US\$75.99 million in 1Q2016 arose mainly from proceeds received from redemption of preference shares by a major shareholder in the current period as well as receipt of proceeds from the sale of property, plant and equipment in late 2015.

(o) Cash flow used in financing activities

Net cash used in financing activities in 1Q2016 amounted to US\$13.48 million. This was mainly for the repayment of term loans and finance leases, which was partially offset by advances from certain shareholders of the Company of approximately US\$72.91 million.

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.

Business conditions in the offshore marine industry are expected to remain challenging in the near term. Due to the protracted downturn in the global oil market, offshore support vessel (“OSV”) operators have witnessed a sharp slowdown in demand and an increasingly competitive environment. As a result, the OSV sector has to contend with downward pressure on charter rates and declining vessel utilisation.

Despite these strong headwinds, Vallianz is one of few OSV providers that has secured long-term charter contracts and built a sturdy order book. This can be attributed to the Group’s operational excellence and organizational capabilities, as well as its strong market reputation in the Middle East where there is still high levels of offshore oil production activity. The Group currently has a chartering services order book worth approximately US\$950.0 million, comprising mainly long term time charters stretching up to 2024.

The Group wishes to update that it has recently deployed four Anchor Handling Tug Supply vessels to the offshore projects of a major customer in the Middle East. During 1Q2016, the Group also commenced the charter for its specialized vessel – offshore floating storage and supply vessel – to support the customer’s offshore oil and gas production activities. These time charter contracts are for a period of up to five years and expected to contribute to the Group’s financial performance in the current year.

Given the current business climate, the Group’s focus will remain on delivering operational and service excellence to customers while working to optimise its operations and cost structure. It will also continue working to maintain its superior market position with its major customer in the Gulf region while seeking to increase its penetration in other target markets in the Middle East and Latin America.

The Group is presently bidding for charter contracts with a combined value of US\$1.7 billion mainly for projects located in the Middle East.

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 first quarter ended 31 March 2015 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 S\$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 S\$100,000)
Chartering services provided by the Group		
Swiber and its subsidiaries	Nil	US\$2,235,066
Ship management services provided by the Group		
Swiber and its subsidiaries	Nil	US\$6,934,322
Shipyards, Engineering, Fabrication Services and Facilities services provided by the Group		
Swiber and its subsidiaries	Nil	US\$673,537
Chartering services provided to the Group		
Swiber and its subsidiaries	Nil	US\$90,000
Corporate services provided to the Group		
Swiber and its subsidiaries	Nil	US\$96,000
Rawabi Holdings Co Ltd	Nil	US\$134,879

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 first quarter financial results for the period ended 31 March 2016 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7H.

On behalf of the Board of Directors

Raymond Kim Goh
Director
Non-Executive Chairman

Ling Yong Wah
Director
Chief Executive Officer

BY ORDER OF THE BOARD

Lee Bee Fong
Company Secretary
9 May 2016

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Wong Bee Eng, Chief Executive Officer, at 96 Robinson Road, #13-01, SIF Building, Singapore 068899.

Telephone (65) 6227 1580 Email: wongbe@provenancecapital.com