



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statements

For the Second Quarter and Half Year Ended 30 September 2017

ANNOUNCEMENT IN RELATION TO UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED (“2Q2017/18”) AND SIX MONTHS ENDED 30 SEPTEMBER 2017 (“6M2017/18”)

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 Quarter ended 30 September			Group 6 Months ended 30 September		
	2017 US\$'000	2016 US\$'000	Change %	2017 US\$'000	2016 US\$'000	Change %
Revenue	41,225	54,794	(24.8)	82,447	118,454	(30.4)
Cost of sales	(31,076)	(42,901)	(27.6)	(61,624)	(90,675)	(32.0)
Gross Profit	10,149	11,893	(14.7)	20,823	27,779	(25.0)
Other income	1,766	709	149.1	2,540	966	162.9
Administrative expenses	(3,158)	(3,719)	(15.1)	(6,374)	(8,473)	(24.8)
Other operating expenses	71	-	nm	(224)	(436)	(48.6)
Finance costs	(3,605)	(4,954)	(27.2)	(6,606)	(10,689)	(38.2)
Share of results of associate and joint ventures	123	(771)	116.0	127	49	159.2
Operating profit from ordinary activities	5,346	3,158	69.3	10,286	9,196	11.9
Impairment charge	-	-	-	-	(1,617)	nm
Profit before tax	5,346	3,158	69.3	10,286	7,579	35.7
Income tax expense	(54)	(115)	(53.0)	(286)	(541)	(47.1)
Profit for the period	5,292	3,043	73.9	10,000	7,038	42.1

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)

	Group			Group		
	Quarter ended 30		Change	6 Months ended 30		Change
	2017	2016		2017	2016	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit for the period attributable to :						
Owners of the Company	5,262	924	469.5	9,523	4,713	102.1
Non-controlling interests	30	2,119	(98.6)	477	2,325	(79.5)
Total	5,292	3,043	73.9	10,000	7,038	42.1
Other comprehensive income for the period, net of tax						
Exchange differences on translation of foreign operations	(73)	(186)	(60.8)	137	(146)	193.8
Cash flow hedges	-	107	nm	-	788	nm
Total comprehensive income for the period	5,219	2,964	76.1	10,137	7,680	32.0
Total comprehensive income attributable to:						
Owners of the Company	5,189	845	514.1	9,660	5,355	80.4
Non-controlling interests	30	2,119	(98.6)	477	2,325	(79.5)
Total	5,219	2,964	76.1	10,137	7,680	32.0

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	
	Quarter ended 30 September		6 months ended 30 September	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment	3,618	5,695	7,526	11,564
Amortisation of intangible assets	-	-	-	269
Dividend income	-	(1,011)	-	(2,038)
Fair value change of derivative financial instrument	-	-	-	295
Finance costs	3,605	4,954	6,606	10,689
Foreign exchange gain, net	(353)	(142)	(310)	175
Other income	(1,144)	(161)	(1,600)	(991)
Loss/(Gain) on disposal of property, plant and equipment	(383)	214	(630)	(41)
Gain on disposal of asset previously held for sale	-	-	-	(1)
Provision for employee benefits	10	33	134	98
Share-based payment expense	399	25	653	470
Forfeiture of performance shares award	(49)	-	(56)	-
Impairment charge	-	-	-	1,617

- 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 Sep 2017 US\$'000	31 Mar 2017 US\$'000	30 Sep 2017 US\$'000	31 Mar 2017 US\$'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	10,486	45,568	83	455
Trade receivables	91,850	91,890	-	-
Other receivables	171,346	124,915	122,134	122,225
Inventories	1,575	1,669	-	-
Construction work-in-progress	902	1,506	-	-
Available-for-sale investments	31,729	31,729	-	-
Total current assets	307,888	297,277	122,217	122,680
Non-current assets				
Monies pledged with banks	699	699	-	-
Property, plant and equipment	367,900	372,233	95	107
Subsidiary corporations	-	-	104	105
Joint ventures	54,153	54,026	55,991	55,991
Derivative financial instrument	1,295	1,295	-	-
Total non-current assets	424,047	428,253	56,190	56,203
Total assets	731,935	725,530	178,407	178,883

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

	Group		Company	
	30 Sep 2017 US\$'000	31 Mar 2017 US\$'000	30 Sep 2017 US\$'000	31 Mar 2017 US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Term loans	62,193	64,903	3,440	4,823
Trade payables	69,719	62,487	-	-
Other payables	127,623	136,922	140,620	139,497
Finance lease payables	63	186	-	-
Income tax payable	3,041	2,613	-	-
Total current liabilities	262,639	267,111	144,060	144,320
Non-current liabilities				
Term loans	273,729	275,726	-	-
Retirement benefit obligation	1,211	1,077	-	-
Finance lease payables	8	-	-	-
Deferred tax liabilities	3,750	4,010	-	-
Total non-current liabilities	278,698	280,813	-	-
Capital and reserves				
Share capital	206,176	203,918	206,176	203,918
Perpetual capital securities	22,500	22,500	22,500	22,500
Foreign currency translation reserve	(908)	(1,045)	-	-
Share options reserve	1,044	447	1,044	447
Other reserve	(27)	(27)	28	28
Shareholder's advance	102,087	102,087	102,087	102,087
Accumulated losses	(138,115)	(147,638)	(297,488)	(294,417)
Equity attributable to owners of the Company and capital securities holders	192,757	180,242	34,347	34,563
Non-controlling interests	(2,159)	(2,636)	-	-
Total equity	190,598	177,606	34,347	34,563
Total liabilities and equity	731,935	725,530	178,407	178,883

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 Sep 2017		As at 31 Mar 2017	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
62,256	-	65,089	-

Amount repayable after one year

Group		Group	
As at 30 Sep 2017		As at 31 Mar 2017	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
273,737	-	275,726	-

Details of any collateral

The Group's borrowings are secured by:

- (i) mortgage over all the Group's property, vessels, motor vehicles, equipment and a vessel held by a related company of a major shareholder;
- (ii) assignment of marine insurances in respect of some of the vessels;
- (iii) unquoted cumulative preference shares held by the Group;
- (iv) monies pledged;
- (v) assignment of earnings/charter proceeds in respect of some of the vessels;
- (vi) corporate guarantees from the Company and a major shareholder of the Group; and
- (vii) shares of pledged subsidiaries.

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

	Quarter ended 30 September		6 Months ended 30 September	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Operating activities				
Profit before tax	5,346	3,158	10,286	7,579
Adjustments for :				
Depreciation of property, plant and equipment	3,618	5,695	7,526	11,564
Amortisation of intangible assets	-	-	-	269
Dividend income for available-for-sale investments	-	(1,011)	-	(2,038)
Loss (Gain) on disposal of property, plant and equipment	(399)	214	(630)	(41)
Gain on disposal of asset previously held for sale	-	-	-	(1)
Finance costs	3,605	4,954	6,606	10,689
Share-based payment expense	399	25	653	470
Forfeiture of performance shares award	(49)	-	(56)	-
Provision for employee benefits	10	33	134	98
Impairment charge	-	-	-	1,617
Share of results of associate and joint ventures	(123)	771	(127)	(49)
Unrealised exchange (gain) loss	(73)	(192)	137	(149)
Fair value change of derivative financial instruments	-	-	-	295
Operating cash flows before working capital changes	12,334	13,647	24,529	30,303
Trade and other receivables	(2,553)	(13,416)	(15,427)	(14,400)
Trade and other payables	70	(17,907)	(2,873)	(41,652)
Inventories	(29)	(134)	94	(201)
Construction work-in-progress	552	(75)	604	(211)
Cash from (used in) operations	10,374	(17,885)	6,927	(26,161)
Income tax paid	(7)	(637)	(7)	(821)
Net cash from (used in) operating activities	10,367	(18,522)	6,920	(26,982)
Investing activities				
Proceeds from redemption of preference shares	-	-	-	3,750
Acquisition of subsidiary corporations	-	-	-	7,274
Proceeds from disposal of property, plant and equipment	863	-	1,110	-
Proceeds from disposal of asset previously held-for-sale	-	-	-	3,066
Purchase of property, plant and equipment	(3,255)	(2,329)	(3,255)	(26,975)
Net cash used in investing activities	(2,392)	(2,329)	(2,145)	(12,885)

1(c) Consolidated Statement of Cash Flows (cont'd)

	Quarter ended 30 September		6 Months ended 30 September	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Financing activities				
Pledged deposits	-	-	-	201
Dividends paid	-	-	-	(1,800)
Distribution paid	-	-	-	(316)
Advances from shareholders	-	52,088	-	24,174
Interest paid	(3,605)	(4,073)	(6,606)	(4,272)
Proceeds from new bank loans raised	-	8,890	-	48,124
Repayment of term loans	(2,130)	(6,569)	(4,707)	(30,391)
Advance to joint venture	-	-	(28,421)	-
Repayment of notes payable	-	-	-	(78,762)
Repayment of obligation under finance lease	(69)	(305)	(123)	3,396
Net cash (used in) from financing activities	(5,804)	50,031	(39,857)	(39,646)
Net increase (decrease) in cash and cash equivalents	2,171	29,180	(35,082)	(79,513)
Effects of exchange rate changes on the cash balance	-	5	-	5
Cash and cash equivalents at beginning of period	8,315	8,188	45,568	116,881
Cash and cash equivalents at end of period	10,486	37,373	10,486	37,373

- 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	Share options reserve	Other reserve	Shareholder's advance	Accumulated losses	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 April 2017	203,918	(1,045)	447	(27)	102,087	(147,638)	22,500	180,242	(2,636)	177,606
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	9,523	-	9,523	477	10,000
Other comprehensive income for the period	-	137	-	-	-	-	-	137	-	137
Total	-	137	-	-	-	9,523	-	9,660	477	10,137
Transactions with owners, recognised directly in equity										
Issue of vendor settlement shares	2,258	-	-	-	-	-	-	2,258	-	2,258
Forfeiture of performance shares award	-	-	(56)	-	-	-	-	(56)	-	(56)
Recognition of share-based payments	-	-	653	-	-	-	-	653	-	653
Total	2,258	-	597	-	-	-	-	2,855	-	2,855
At 30 September 2017	206,176	(908)	1,044	(27)	102,087	(138,115)	22,500	192,757	(2,159)	190,598

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

	Share capital	Foreign currency translation reserve	Hedging reserve	Share options reserve	Other reserve	Accumulated (losses) profits	Perpetual capital securities	Equity attributable to owners of the Company and 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	US\$'000
Group										
At 1 April 2016	187,518	(451)	(1,171)	2,933	(553)	26,946	22,500	237,722	29,906	267,628
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	4,713	-	4,713	2,325	7,038
Other comprehensive income for the period	-	(146)	788	-	-	-	-	642	-	642
Total	-	(146)	788	-	-	4,713	-	5,355	2,325	7,680
Transactions with owners, recognised directly in equity										
Issuance of consideration shares, net of expenses	4,255	-	-	-	-	-	-	4,255	-	4,255
Non-controlling interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	2,098	2,098
Performance shares awarded	1,847	-	-	(1,847)	-	-	-	-	-	-
Forfeiture of performance shares awards/options granted	-	-	-	(1,496)	1,496	-	-	-	-	-
Recognition of share-based payments	-	-	-	470	-	-	-	470	-	470
Dividends	-	-	-	-	-	(1,800)	-	(1,800)	-	(1,800)
Distribution paid	-	-	-	-	-	(543)	-	(543)	-	(543)
Total	6,102	-	-	(2,873)	1,496	(2,343)	-	2,382	2,098	4,480
At 30 September 2016	193,620	(597)	(383)	60	943	29,316	22,500	245,459	34,329	279,788

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

	Share capital	Share options reserve	Other reserve	Shareholder's Advance	Accumulated losses	Perpetual capital securities	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company							
At 1 April 2017	203,918	447	28	102,087	(294,417)	22,500	34,563
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(3,071)	-	(3,071)
Total	-	-	-	-	(3,071)	-	(3,071)
Transactions with owners, recognised directly in equity							
Issue of vendor settlement shares	2,258	-	-	-	-	-	2,258
Recognition of share-based payments	-	653	-	-	-	-	653
Forfeiture of performance shares award	-	(56)	-	-	-	-	(56)
Total	2,258	597	-	-	-	-	2,855
At 30 September 2017	206,176	1,044	28	102,087	(297,488)	22,500	34,347

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

	Share capital	Hedging reserve	Share options reserve	Other reserve	Accumulated losses	Redeemable convertible capital securities	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company							
At 1 April 2016	187,518	(1,171)	2,933	28	(20,282)	22,500	191,526
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(4,552)	-	(4,552)
Other comprehensive income for the period	-	788	-	-	-	-	788
Total	-	788	-	-	(4,552)	-	(3,764)
Transactions with owners, recognised directly in equity							
Distribution paid to perpetual capital securities holder	-	-	-	-	(543)	-	(543)
Issuance of consideration shares, net of expense	4,255	-	-	-	-	-	4,255
Performance shares awarded	1,847	-	(1,847)	-	-	-	-
Forfeiture of performance shares awarded	-	-	(1,496)	1,496	-	-	-
Recognition of share-based payments	-	-	470	-	-	-	470
Distribution paid	-	-	-	-	(1,800)	-	(1,800)
Total	6,102	-	(2,873)	1,496	(2,343)	-	2,382
At 30 September 2016	193,620	(383)	60	1,524	(27,177)	22,500	190,144

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 November 2016, the Company granted 75,000,000 Awards pursuant to the PSP. The Awards will vest on 13 November 2017.

On 25 August 2017, the Company granted 110,000,000 Awards pursuant to the PSP, of which 36,666,667 will be vested on 1 January 2018 and 30 June 2018 respectively. The remaining 36,666,666 Awards will vest on 31 December 2018.

Date of grant	As at 1 April 2017	Granted	Vested	Cancelled	As at 30 September 2017
14 November 2016	75,000,000	-	-	(6,000,000)	69,000,000
25 August 2017	110,000,000	-	-	-	110,000,000

(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.

Date of grant	As at 1 April 2017	Granted	Cancelled	As at 30 September 2017
14 May 2013	4,000,000	-	-	4,000,000

(c) Subscription of new ordinary shares

The Company has, on 5 July 2017, completed the listing and quotation of 156,261,000 new ordinary shares issued to certain trade creditors for consideration of approximately S\$3.1 million.

(d) Total number of shares that may be issued as at 30 September 2017

Corporate Action	No. of Shares
Grant of share options under ESOS	4,000,000

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.

	<u>30 September 2017</u> No. of shares ('000)	<u>31 March 2017</u> No. of shares ('000)
The number of issued shares	<u>4,479,061</u>	<u>4,322,800</u>

There were no treasury shares as at 30 September 2017 and 31 March 2017.

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 financial period ended 31 March 2017.

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 became effective for the entities with their financial periods commencing 1 April 2017. The adoption of the new and revised FRS and IFRS has no material impact on the unaudited financial statements for the second quarter and half year ended 30 September 2017.

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 Quarter ended 30 September		Group 6 Months ended 30 September	
	2017	2016	2017	2016
Earnings (US\$'000)				
Net profit after tax attributable to owners of the Company	5,262	693 ⁽¹⁾	9,523	4,264 ⁽¹⁾
Number of shares ('000)				
Weighted average number of shares for basic earnings per share	4,322,957	3,565,444	4,404,773	3,561,754
Effects of dilution ^(*)	7,213,441	2,458	7,213,441	2,458
Weighted average number of shares for diluted earnings per share	11,536,398	3,567,902	11,618,214	3,564,212

⁽¹⁾: This represents the net profit after tax attributable to owners of the Company excluding capital securities holders.

Earnings per share (US cents)

	2017	2016	2017	2016
Basic	0.12	0.02	0.22	0.12
Diluted	0.05	0.02	0.08	0.12

^(*): This represents the potential effect of dilution from the conversion of shareholder's advance in new ordinary shares and the issue of new ordinary shares from the vesting of PSPs as described in 1(d)(ii)(a) above.

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 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017
Net asset value (US\$'000)	192,757	180,242	34,347	34,563
Total number of shares issued ('000)	4,479,061	4,322,800	4,479,061	4,322,800
Net asset value per share (US cents)	4.30	4.17	0.77	0.80

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, cost of sales and gross profit

The Group registered revenue of approximately US\$41.23 million for the three (3) months ended 30 September 2017 ("2Q2017/18"), representing a decrease of 24.8% or US\$13.57 million when compared to the three (3) months ended 30 September 2016 ("2Q2016/17"). Group revenue also declined by 30.4% or approximately US\$36.01 million to US\$82.45 million for the half year ended 30 September 2017 ("HY2017/18") as compared to revenue of US\$118.45 million recorded for the half year ended 30 September 2016 ("HY2016/17"). These changes were due mainly to the completion of various one-time vessel management projects in the second half of 2016 which were partially offset by the commencement of new contracts with a key customer since 1Q2017/18.

The Group's core chartering & brokerage services accounted for 90% of Group revenue in 2Q2017/18 compared to 68% in 2Q2016/17. For HY2017/18, the chartering and brokerage services contributed 92% to the Group versus 76% in HY2016. While the Group experienced lower utilisation for certain vessels, this was mitigated by the ongoing long-term charters in the Middle East as well as the commencement of new contracts with a key customer in the Middle East since 1Q2017/18. As such, revenue derived from the chartering and brokerage services remained steady at US\$37.10 million in 2Q2017/18 compared to US\$37.26 million in 2Q2016/17, while chartering and brokerage revenue for HY2017/18 softened to US\$75.85 million from US\$90.03 million in HY2016/17.

Cost of sales for 2Q2017/18 and HY2017/18 declined 27.6% and 32.0% to US\$31.08 million and US\$61.62 million when compared to 2Q2016/17 and HY2016/17 respectively. The Group recorded an increase in gross profit margin to 24.6% in 2Q2017/18 compared to 21.7% in 2Q2016/17. For HY2017/18, gross profit margin also improved to 25.3% from 23.5% in HY2016/17. The expansion in gross profit margin was attributed mainly to lower depreciation expenses, as well as the Group's strategy to focus on its chartering and brokerage services business and reduce the revenue contribution from vessel management services which have historically commanded lower gross profit margin.

(b) Other income

Other income of US\$1.77 million in 2Q2017/18 and US\$2.54 million in HY2017/18 consisted mainly of insurance claim of approximately US\$0.65 million, sale of scrap of US\$0.63 million, foreign exchange gain of US\$0.35 million and other individually immaterial miscellaneous income.

(c) Administrative expenses

Administrative expenses, which comprise largely staff and travel related expenses, decreased 15.1% or US\$0.56 million year-on-year to US\$3.16 million in 2Q2017/18. For HY2017/18, administrative expenses also decreased 24.8% or US\$2.10 million to US\$6.37 million in HY2017/18 from US\$8.47 million in HY2016/17. These reductions were the result of the on-going measures implemented by the Group to optimise its cost structure.

(d) Finance costs

Finance costs decreased 27.2% or US\$1.35 million to US\$3.61 million in 2Q2017/18 from US\$4.95 million in 2Q2016/17. For HY2017/18, the Group incurred finance costs of US\$6.61 million, a decrease of 38.2% compared to US\$10.69 million in HY2016/17. The decline in finance costs was due mainly to the full redemption of Notes Payables – Series 1 of S\$100.0 million on 1 April 2016 and Series 2 of S\$60.0 million on 22 November 2016. This was partially offset by higher interest expenses arising from new term loans that were taken up for the acquisition of vessels during the second half of the last financial year.

(e) Operating profit from ordinary activities before share of results of associate and joint ventures

The Group recorded operating profit from ordinary activities before share of results of associate and joint ventures of US\$5.22 million in 2Q2017/18, an increase of 32.9% compared to US\$3.93 million in 2Q2016/17. The improvement was attributed mainly to higher other income as well as reductions in administrative and finance costs. For HY2017/18, operating profit amounted to US\$10.16 million, an increase of 11.1% from US\$9.15 million recorded for HY2016/17.

(f) Share of results of associate and joint ventures

The Group recorded its share of results from associate and joint ventures of US\$123,000 for 2Q2017/18 compared to a loss of US\$771,000 in 2Q2016/17. For HY2017/18, the Group's share of results from associate and joint ventures was US\$127,000 as compared to US\$49,000 in HY2016/17.

8. Review of Group Performance (Cont'd)

(g) Net profit

The Group's net profit for 2Q2017/18 and HY2017/18 increased by 73.9% and 42.1% to US\$5.29 million and US\$10.00 million, compared to US\$3.04 million and US\$7.04 million in 2Q2016/17 and HY2016/17 respectively. This was driven by higher operating profits as well as the absence of an impairment charge of US\$1.62 million that was recorded in 1Q2016/17.

Based on the weighted average number of shares, the Group recorded earnings per share of 0.12 US cents and 0.22 US cents for 2Q2017/18 and HY2017/18 respectively.

Statements of Financial Position

(h) Trade and other receivables

Trade and other receivables increased from US\$216.81 million as at 31 March 2017 to US\$263.20 million as at 30 September 2017. This was due mainly to an advance made to a joint venture amounting to US\$28.42 million, and prepayments made to certain vendors during HY2017/18.

(i) Available-for-sale investments

As at 30 September 2017, there has been no redemption by the issuer of the unquoted preference shares. Accordingly, the balance remained the same when compared to 31 March 2017. The classification under current asset since 31 March 2017 represents the management's intention to dispose these preference shares when appropriate.

(j) Property, plant and equipment

Property, plant and equipment decreased from US\$372.23 million as at 31 March 2017 to US\$367.90 million as at 30 September 2017 mainly due to depreciation expenses, which is offset by replacement capital expenditure incurred by the Group for the half year ended 30 September 2017.

(k) Joint ventures

The change of approximately US\$127,000 in the carrying value of the joint ventures as at 30 September 2017 as compared to 31 March 2017 is attributed to the recognition of the Group's share of results of the joint ventures for HY2017/18.

(l) Associate

As at 31 March 2017, the Group fully impaired the carrying amount of its investment in associate to US\$Nil.

(m) Total current and non-current borrowings

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

	30 Sep 2017			31 Mar 2017		
	Current US\$'000	Non-current US\$'000	Total US\$'000	Current US\$'000	Non-current US\$'000	Total US\$'000
Term Loans	62,193	273,729	335,922	64,903	275,726	340,629
Finance Lease	63	8	71	186	-	186
	62,256	273,737	335,993	65,089	275,726	340,815

Total current and non-current term borrowings, which comprised largely of bank borrowings for vessels, reduced from US\$340.82 million as at 31 March 2017 to US\$335.99 million as at 30 September 2017. This is mainly due to repayments of loan principals made during the current financial period.

(n) Trade and other payables

The Group's trade and other payables decreased by approximately US\$2.07 million from US\$199.41 million as at 31 March 2017 to US\$197.34 million as at 30 September 2017. The marginal decrease resulted from payments made to vendors during 2Q2017/18.

8. Review of Group Performance (Cont'd)

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased by US\$35.08 million from US\$45.57 million as at 31 March 2017 to US\$10.49 million as at 30 September 2017.

(o) Cash flow from operating activities

The Group generated net cash from operating activities of US\$10.37 million and US\$6.92 million for 2Q2017/18 and HY2017/18.

(p) Cash flow used in investing activities

Net cash used in investing activities of US\$2.39 million and US\$2.15 million in 2Q2017/18 and HY2017/18 arose mainly from purchases of property, plant and equipment in the current financial period.

(q) Cash flow from financing activities

Net cash used in financing activities in 2Q2017/18 and HY2017/18 amounted to US\$5.80 million and US\$39.86 million respectively. The significant cash outflow in HY2017/18 was attributed to an advance to a joint venture of US\$28.42 million and the repayment of loan principal and interest of approximately US\$6.61 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.**

The market environment for the global offshore support vessel (“OSV”) sector is expected to remain challenging over the near term. While the global oil market has shown encouraging signs of stability and recovery in recent months, the OSV industry is still facing a situation of excess supply against a backdrop of slower demand. The resultant intense competitive industry conditions will continue to exert pressure on vessel utilisation rates and charter rates.

In 2Q2017/18, the Group’s operating profit from ordinary activities increased 69.3% to US\$5.34 million compared to the same quarter in the last financial year. This was the Group’s fourth consecutive quarter of higher operating profit since 2Q2016/17 which can be attributed to existing long-term vessel charters and commencement of new vessel charter contracts in the Middle East, as well as initiatives undertaken to align its operating and cost structure to prevailing market conditions.

The Group’s core vessel chartering business is driven mainly by its long-term charter contracts secured in the Middle East region. The resilience of its business model has enabled the Group to endure the prolonged downturn in the oil and gas industry and continue delivering operating profits. The Group maintains a robust chartering services order book with total value of approximately US\$950 million as at 30 September 2017. This order book comprises mainly long term charter contracts that stretch up to 2025, including 2-year extension options.

Following the series of cost rationalisation, operations streamlining and restructuring activities, as well as an asset write-down exercise undertaken in the last financial year, the Group believes it is better positioned to overcome current market challenges, seize new business opportunities and execute its growth strategy.

In partnership with its strategic shareholder and partner, Rawabi Holding Company Limited, the Group will continue to build on its strengths to solidify existing customer relationships and increase penetration in target markets in the Middle East and other regions.

The Group has a superior market position in the Middle East as it ranks as one of the largest OSV players in that region. The Group will work closely with a key National Oil Company customer who continues to actively invest in offshore oil and gas production. The Group has also made headway in its strategy to penetrate new target markets with the award of new vessel charter contracts in Egypt and Turkmenistan in May 2017.

As part its ongoing strategies, the Group will continue to raise its operational capabilities and service quality, while expanding and differentiating its fleet as appropriate to meet customers’ requirements. The Group will also focus on ensuring cost and operational efficiencies.

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 3 months ended 30 September 2017 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)
Ship management services provided by the Group		
Swiber Holdings Limited and its subsidiaries	Nil	US\$1,626,764
Shipyard, Engineering, Fabrication Services and Facilities services provided by the Group		
Rawabi Vallianz International Company	Nil	US\$5,200,000
Swiber Holdings Limited and its subsidiaries	Nil	US\$215,576
Corporate services provided to the Group		
Rawabi Holding Company Limited and its subsidiaries	Nil	US\$261,913

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 and half year financial results for the period ended 30 September 2017 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

Ling Yong Wah
Director
Chief Executive Officer

Bote De Vries
Director
Non-Executive Independent Director

BY ORDER OF THE BOARD

Lee Bee Fong
Company Secretary
6 November 2017

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.

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