



VALLIANZ HOLDINGS LIMITED

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Unaudited Financial Statements

For the Third Quarter and Nine Months Ended 31 December 2017

**ANNOUNCEMENT IN RELATION TO UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER ENDED (“3Q2017/18”) AND NINE MONTHS ENDED 31 DECEMBER 2017 (“9M2017/18”)**

**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			Group		
	Quarter ended 31		Change	9 Months ended 31		Change
	December			December		
	2017	2016	%	2017	2016	%
	US\$'000	US\$'000		US\$'000	US\$'000	
<b>Revenue</b>	<b>53,640</b>	41,380	29.6	<b>136,087</b>	159,834	(14.9)
Cost of sales	<b>(35,750)</b>	(30,347)	17.8	<b>(97,374)</b>	(121,022)	(19.5)
<b>Gross Profit</b>	<b>17,890</b>	11,033	62.1	<b>38,713</b>	38,812	(0.3)
Other income/(expenses)	<b>(149)</b>	3,620	nm	<b>2,391</b>	4,586	(47.9)
Administrative expenses	<b>(3,746)</b>	(3,884)	(3.5)	<b>(10,120)</b>	(12,357)	(18.1)
Other operating expenses	<b>(2,225)</b>	(2,573)	(13.5)	<b>(2,449)</b>	(3,009)	(18.6)
Finance costs	<b>(4,038)</b>	(3,676)	9.8	<b>(10,644)</b>	(14,365)	(25.9)
Share of results of associate and joint ventures	<b>(7)</b>	(1,049)	(99.3)	<b>120</b>	(1,000)	nm
<b>Operating profit from ordinary activities</b>	<b>7,725</b>	3,471	122.6	<b>18,011</b>	12,667	42.2
Exceptional Items	<b>(5,934)</b>	-	nm	<b>(5,934)</b>	(1,617)	267.0
<b>Profit before tax</b>	<b>1,791</b>	3,471	(48.4)	<b>12,077</b>	11,050	9.3
Income tax expense	<b>(51)</b>	(419)	(87.8)	<b>(337)</b>	(960)	(64.9)
<b>Profit for the period</b>	<b>1,740</b>	3,052	(43.0)	<b>11,740</b>	10,090	16.4

**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 31		Change	9 Months ended 31		Change
	December			December		
	2017	2016		2017	2016	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Profit for the period attributable to :</b>						
Owners of the Company	5,882	4,660	26.2	15,405	9,374	64.3
Non-controlling interests	(4,142)	(1,608)	157.6	(3,665)	716	nm
<b>Total</b>	<b>1,740</b>	<b>3,052</b>	<b>(43.0)</b>	<b>11,740</b>	<b>10,090</b>	<b>16.4</b>
<b>Other comprehensive income for the period, net of tax</b>						
Exchange differences on translation of foreign operations	187	(833)	nm	324	(979)	nm
Cash flow hedges	-	388	nm	-	1,176	nm
<b>Total comprehensive income for the period</b>	<b>1,927</b>	<b>2,607</b>	<b>(26.1)</b>	<b>12,064</b>	<b>10,287</b>	<b>17.3</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	6,069	4,215	44.0	15,729	9,571	64.3
Non-controlling interests	(4,142)	(1,608)	157.6	(3,665)	716	nm
<b>Total</b>	<b>1,927</b>	<b>2,607</b>	<b>(26.1)</b>	<b>12,064</b>	<b>10,287</b>	<b>17.3</b>

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 31 December		9 months ended 31 December	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment	3,783	5,858	11,309	17,422
Amortisation of intangible assets	-	-	-	269
Bad debt written off	5,934	-	5,934	-
Dividend income	-	-	-	(2,038)
Finance costs	4,038	3,676	10,644	14,365
Foreign exchange loss/(gain), net	18	2,698	(292)	2,750
Other expenses/(income)	289	(4,352)	(1,311)	(5,347)
Loss on disposal of property, plant and equipment	2,111	620	1,481	579
Gain on disposal of asset previously held for sale	-	-	-	(12)
Provision for employee benefits	270	(37)	404	61
Share-based payment expense	496	134	1,149	604
Forfeiture of performance shares award	(11)	-	(67)	-
Impairment on goodwill	-	-	-	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	
	31 Dec 2017 US\$'000	31 Mar 2017 US\$'000	31 Dec 2017 US\$'000	31 Mar 2017 US\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	21,111	45,568	6,855	455
Trade receivables	41,053	91,890	-	-
Other receivables	172,843	124,915	144,569	122,225
Inventories	2,501	1,669	-	-
Construction work-in-progress	574	1,506	-	-
Available-for-sale investments	31,729	31,729	-	-
Total current assets	269,811	297,277	151,424	122,680
<b>Non-current assets</b>				
Monies pledged with banks	699	699	-	-
Property, plant and equipment	269,056	372,233	91	107
Subsidiary corporations	-	-	104	105
Joint ventures	66,685	54,026	55,991	55,991
Derivative financial instrument	805	1,295	-	-
Total non-current assets	337,245	428,253	56,186	56,203
<b>Total assets</b>	<b>607,056</b>	<b>725,530</b>	<b>207,610</b>	<b>178,883</b>

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

	Group		Company	
	31 Dec 2017 US\$'000	31 Mar 2017 US\$'000	31 Dec 2017 US\$'000	31 Mar 2017 US\$'000
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Term loans	80,737	64,903	2,906	4,823
Trade payables	64,635	62,487	-	-
Other payables	60,150	136,922	128,366	139,497
Finance lease payables	5	186	-	-
Income tax payable	3,100	2,613	-	-
Total current liabilities	208,627	267,111	131,272	144,320
<b>Non-current liabilities</b>				
Term loans	157,868	275,726	-	-
Retirement benefit obligation	1,481	1,077	-	-
Finance lease payables	7	-	-	-
Deferred tax liabilities	3,717	4,010	-	-
Total non-current liabilities	163,073	280,813	-	-
<b>Capital and reserves</b>				
Share capital	258,947	203,918	258,947	203,918
Perpetual capital securities	22,500	22,500	22,500	22,500
Foreign currency translation reserve	(721)	(1,045)	-	-
Share options reserve	586	447	586	447
Other reserve	(27)	(27)	28	28
Shareholder's advance	92,606	102,087	92,606	102,087
Accumulated losses	(132,234)	(147,638)	(298,329)	(294,417)
Equity attributable to owners of the Company and capital securities holders	241,657	180,242	76,338	34,563
Non-controlling interests	(6,301)	(2,636)	-	-
Total equity	235,356	177,606	76,338	34,563
<b>Total liabilities and equity</b>	<b>607,056</b>	<b>725,530</b>	<b>207,610</b>	<b>178,883</b>

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 31 Dec 2017		As at 31 Mar 2017	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
80,742	-	65,089	-

**Amount repayable after one year**

Group		Group	
As at 31 Dec 2017		As at 31 Mar 2017	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
157,875	-	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 31 December		9 Months ended 31 December	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
<b>Operating activities</b>				
Profit before tax	1,791	3,471	12,077	11,050
Adjustments for :				
Depreciation of property, plant and equipment	3,783	5,858	11,309	17,422
Amortisation of intangible assets	-	-	-	269
Bad debt written off	5,934	-	5,934	-
Dividend income for available-for-sale investments	-	-	-	(2,038)
Loss on disposal of property, plant and equipment	2,111	620	1,481	579
Gain on disposal of asset previously held for sale	-	-	-	(1)
Finance costs	4,038	3,676	10,644	14,365
Share-based payment expense	496	134	1,149	604
Forfeiture of performance shares award	(11)	-	(67)	-
Provision for employee benefits	270	(37)	404	61
Impairment charge	-	-	-	1,617
Share of results of associate and joint ventures	7	1,049	(120)	1,000
Unrealised exchange (gain) loss	187	(820)	324	(969)
Fair value change of derivative financial instruments	490	(295)	490	-
<b>Operating cash flows before working capital changes</b>	<b>19,096</b>	<b>13,656</b>	<b>43,625</b>	<b>43,959</b>
Trade and other receivables	6,948	43,689	(8,479)	29,289
Trade and other payables	11,767	(28,866)	8,894	(70,518)
Inventories	(926)	(67)	(832)	(268)
Construction work-in-progress	328	(518)	932	(729)
<b>Cash from operations</b>	<b>37,213</b>	<b>27,894</b>	<b>44,140</b>	<b>1,733</b>
Income tax paid	(25)	61	(32)	(760)
<b>Net cash from operating activities</b>	<b>37,188</b>	<b>27,955</b>	<b>44,108</b>	<b>973</b>
<b>Investing activities</b>				
Proceeds from redemption of preference shares	-	-	-	3,750
Acquisition of subsidiary corporations	-	-	-	7,274
Proceeds from disposal of property, plant and equipment	68,531	-	69,641	-
Proceeds from disposal of asset previously held-for-sale	-	-	-	3,066
Purchase of property, plant and equipment	-	-	(3,255)	(26,975)
<b>Net cash from/(used) in investing activities</b>	<b>68,531</b>	<b>-</b>	<b>66,386</b>	<b>(12,885)</b>

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

	Quarter ended 31 December		9 Months ended 31 December	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
<b>Financing activities</b>				
Pledged deposits	-	-	-	201
Dividends paid	-	-	-	(1,800)
Distribution paid	-	-	-	(316)
Advances from shareholders	-	5,000	-	29,174
Interest paid	<b>(4,038)</b>	(10,892)	<b>(10,644)</b>	(15,164)
Proceeds from new bank loans raised	-	6,113	-	54,237
Issuance of rights shares	<b>6,312</b>	-	<b>6,312</b>	-
Repayment of term loans	<b>(97,317)</b>	(7,107)	<b>(102,024)</b>	(37,498)
Advance to joint venture	-	-	<b>(28,421)</b>	-
Repayment of notes payable	-	(43,272)	-	(122,034)
Repayment of obligation under finance lease	<b>(51)</b>	(306)	<b>(174)</b>	3,090
<b>Net cash used in financing activities</b>	<b>(95,094)</b>	(50,464)	<b>(134,951)</b>	(90,110)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,625</b>	(22,509)	<b>(24,457)</b>	(102,022)
<b>Effects of exchange rate changes on the cash balance</b>	-	4	-	9
<b>Cash and cash equivalents at beginning of period</b>	<b>10,486</b>	37,373	<b>45,568</b>	116,881
<b>Cash and cash equivalents at end of period</b>	<b>21,111</b>	14,868	<b>21,111</b>	14,868



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
<b>Group</b>										
At 1 April 2017	203,918	(1,045)	447	(27)	102,087	(147,638)	22,500	180,242	(2,636)	177,606
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	15,404	-	15,404	(3,665)	11,739
Other comprehensive income for the period	-	324	-	-	-	-	-	324	-	324
Total	-	324	-	-	-	15,404	-	15,728	(3,665)	12,063
<b>Transactions with owners, recognised directly in equity</b>										
Issue of vendor settlement shares	2,258	-	-	-	-	-	-	2,258	-	2,258
Issue of share rights	51,828	-	-	-	(35,100)	-	-	16,728	-	16,728
Performance shares awarded	943	-	(943)	-	-	-	-	-	-	-
Forfeiture of performance shares award	-	-	(67)	-	-	-	-	(67)	-	(67)
Recognition of share-based payments	-	-	1,149	-	-	-	-	1,149	-	1,149
Deemed investment by a shareholder	-	-	-	-	25,619	-	-	25,619	-	25,619
Total	55,029	-	139	-	(9,481)	-	-	45,687	-	45,687
<b>At 31 December 2017</b>	<b>258,947</b>	<b>(721)</b>	<b>586</b>	<b>(27)</b>	<b>92,606</b>	<b>(132,234)</b>	<b>22,500</b>	<b>241,657</b>	<b>(6,301)</b>	<b>235,356</b>

**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
<b>Group</b>										
At 1 April 2016	187,518	(451)	(1,171)	2,933	(553)	26,946	22,500	237,722	29,906	267,628
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	9,374	-	9,374	716	10,090
Other comprehensive income for the period	-	(979)	1,171	-	(5)	-	-	187	-	187
Total	-	(979)	1,171	-	(5)	9,374	-	9,561	716	10,277
<b>Transactions with owners, recognised directly in equity</b>										
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	-	-	-	604	-	-	-	604	-	604
Dividends	-	-	-	-	-	(1,800)	-	(1,800)	-	(1,800)
Distribution paid	-	-	-	-	-	(770)	-	(770)	-	(770)
Total	6,102	-	-	(2,739)	1,496	(2,570)	-	2,289	2,098	4,387
<b>At 31 December 2016</b>	<b>193,620</b>	<b>(1,430)</b>	<b>-</b>	<b>194</b>	<b>938</b>	<b>33,750</b>	<b>22,500</b>	<b>249,572</b>	<b>32,720</b>	<b>282,292</b>

**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
<b>Company</b>							
At 1 April 2017	203,918	447	28	102,087	(294,417)	22,500	34,563
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	-	(3,912)	-	(3,912)
Total	-	-	-	-	(3,912)	-	(3,912)
<b>Transactions with owners, recognised directly in equity</b>							
Issue of vendor settlement shares	2,258	-	-	-	-	-	2,258
Issue of share rights	51,828	-	-	(35,100)	-	-	16,728
Deemed investment by shareholder	-	-	-	25,619	-	-	25,619
Recognition of share-based payments	-	1,149	-	-	-	-	1,149
Performance shares awarded	943	(943)	-	-	-	-	-
Forfeiture of performance shares award	-	(67)	-	-	-	-	(67)
Total	55,029	139	-	(9,481)	-	-	45,687
<b>At 31 December 2017</b>	<b>258,947</b>	<b>586</b>	<b>28</b>	<b>92,606</b>	<b>(298,329)</b>	<b>22,500</b>	<b>76,338</b>

**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
<b>Company</b>							
At 1 April 2016	187,518	(1,171)	2,933	28	(20,282)	22,500	191,526
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	-	(7,985)	-	(7,985)
Other comprehensive income for the period	-	1,171	-	-	-	-	1,171
Total	-	1,171	-	-	(7,985)	-	(6,814)
<b>Transactions with owners, recognised directly in equity</b>							
Distribution paid to perpetual capital securities holder	-	-	-	-	(770)	-	(770)
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	-	-	604	-	-	-	604
Distribution paid	-	-	-	-	(1,800)	-	(1,800)
Total	6,102	-	(2,739)	1,496	(2,570)	-	2,289
<b>At 31 December 2016</b>	<b>193,620</b>	<b>-</b>	<b>194</b>	<b>1,524</b>	<b>(30,837)</b>	<b>22,500</b>	<b>187,001</b>

- 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.

**Changes in share capital during the financial period**

	<u>3 months ended 31 December 2017</u>	<u>3 months ended 31 December 2016</u>
	No. of shares ( '000 )	No. of shares ( '000 )
As at beginning of the period	4,479,061	3,592,211
Issuance of new ordinary shares pursuant to:		
- Rights Issue Exercise	4,479,062	-
- Performance Share Plan	69,000	-
As at the end of the period	9,027,123	3,592,211

**(a) Rights Issue Exercise**

The Company has undertaken a renounceable non-underwritten rights cum warrants issue of up to 4,483,061,385 new ordinary shares in the capital of the company ("**Rights Shares**") at an issue price of S\$0.016 for each rights share, with free detachable warrants ("**Warrants**"), each warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the company at an exercise price of S\$0.016 for each new share, on the basis of one (1) rights share for every one (1) existing ordinary share in the share capital of the company, with two (2) free detachable warrants for every one (1) rights share. On 29 December 2017, 4,479,061,385 of Rights Shares and 8,958,122,770 of Warrants have been allotted.

**(b) Performance Share Plan ("PSP")**

On 14 November 2016, the Company granted 75,000,000 Awards pursuant to the PSP. The Awards were fully vested on 13 November 2017.

On 25 August 2017, the Company granted 110,000,000 Awards pursuant to the PSP, of which one third of the Awards shall be vested on 1 January 2018, 30 June 2018 and 31 December 2018 respectively.

Date of grant	As at 1 October 2017	Granted	Vested	Cancelled	As at 31 December 2017
14 November 2016	69,000,000	-	(69,000,000)	-	-
25 August 2017	110,000,000	-	-	(3,000,000)	107,000,000

On 2 January 2018, 35,666,675 Awards have been vested.

**(c) 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 October 2017	Granted	Cancelled	As at 31 December 2017
14 May 2013	4,000,000	-	-	4,000,000

**(d) Warrants**

As at 31 December 2017, the number of shares that may be issued on conversion of the outstanding warrants with an exercise price of S\$0.016 expiring on the second (2nd) anniversary of the date of issue of the Warrants is 8,958,122,770. No warrant was exercised during the current period.

Since 1 January 2018 to the date of this announcement, 7,456,321,472 warrants have been exercised and the remaining 1,501,801,298 warrants remains outstanding.

**(e) Total number of shares that may be issued as at 31 December 2017**

Corporate Action	No. of Shares
Warrants pursuant to Rights Issue Exercise	8,958,122,770
Grant of share award under PSP	107,000,000
Grant of share options under ESOS	4,000,000
	9,069,122,770

**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.**

	31 December 2017	31 March 2017
	No. of shares ( '000 )	No. of shares ( '000 )
The number of issued shares	<b>9,027,123</b>	<b>4,322,800</b>

There were no treasury shares as at 31 December 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 third quarter and nine (9) months ended 31 December 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 31 December		Group 9 Months ended 31 December	
	2017	2016	2017	2016
<b>Earnings (US\$'000)</b>				
Net profit after tax attributable to owners of the Company	5,882	4,660 <sup>(1)</sup>	15,405	8,924 <sup>(1)</sup>
<b>Number of shares ('000 )</b>				
Weighted average number of shares for basic earnings per share	4,643,118	3,592,211	4,484,510	3,571,377
Effects of dilution <sup>(1)</sup>	9,025,806	8,614	9,025,806	8,614
Weighted average number of shares for diluted earnings per share	13,668,924	3,600,825	13,510,316	3,579,991

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

**Earnings per share (US cents)**

Basic	0.13	0.13	0.34	0.25
Diluted	0.04	0.13	0.11	0.25

<sup>(1)</sup>: This represents the potential effect of dilution from the exercise of all outstanding warrants pursuant to the Rights cum Warrants Issue, the exercise of all outstanding share options granted under the ESOS and the issue of new ordinary shares from the vesting of PSPs as described in 1(d)(ii) 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	
	31 Dec 2017	31 Mar 2017	31 Dec 2017	31 Mar 2017
Net asset value (US\$'000)	241,657	180,242	75,115	34,563
Total number of shares issued ('000)	9,027,123	4,322,800	9,027,123	4,322,800
Net asset value per share (US cents)	2.68	4.17	0.83	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\$53.64 million for the three (3) months ended 31 December 2017 ("**3Q2017/18**"), representing an increase of 29.6% or US\$12.26 million when compared to the three (3) months ended 31 December 2016 ("**3Q2016/17**"). This was attributed mainly to contributions from commencement of new charter contracts with a key customer and completion of certain vessel management services.

For the nine (9) months ended 31 December 2017 ("**9M2017/18**"), Group revenue declined by 14.9% or approximately US\$23.75 million to US\$136.09 million from US\$159.83 million for the nine (9) months ended 31 December 2016 ("**9M2016/17**"). The decrease was due mainly to the lower utilisation for certain vessels and completion of various one-

## 8. Review of Group Performance (Cont'd)

### Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)

time vessel management projects during 9M2016/17 which were partially offset by the commencement of new charter contracts in 9M2017/18.

For 9M2017/18, the chartering and brokerage services contributed 83% to the Group's revenue versus 86% in 9M2016/17. Chartering and brokerage revenue for 9M2017/18 softened to US\$113.11 million from US\$137.05 million in 9M2016/17. 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.

Cost of sales for 3Q2017/18 increased 17.8% year-on-year to US\$35.75 million in tandem with higher revenue. Gross profit margin in 3Q2017/18 expanded to 33.4% from 26.7% in 3Q2016/17. For 9M2017/18, cost of sales for 9M2017/18 declined by 19.5% to US\$97.37 million from US\$121.02 million in 9M2016/17 in line with the decrease in revenue. As a result, gross profit margin increased to 28.4% in 9M2017/18 compared to 24.2% in 9M2016/17. The improvement 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**

The Group recorded other expenses of US\$0.15 million in 3Q2017/18 compared to other income of US\$3.62 million in 3Q2016/17 due mainly to an absence of a waiver of prior year charges from vendor. Other income of US\$2.39 million in 9M2017/18 consisted mainly of insurance claim of approximately US\$0.65 million, sale of scrap of US\$0.63 million, and foreign exchange gain of US\$0.29 million.

#### **(c) Administrative and Other operating expenses**

Administrative expenses, which comprise largely staff and travel related expenses, decreased 3.5% or US\$0.14 million to US\$3.75 million in 3Q2017/18 when compared to 3Q2016/17. For 9M2017/18, administrative expenses also decreased 18.1% or US\$2.24 million to US\$10.12 million from US\$12.36 million in 9M2016/17. These reductions were the result of the on-going measures implemented by the Group to optimise its cost structure.

Other operating expenses in 3Q2017/18 decreased by 13.5% year-on-year to US\$2.23 million. These expenses also declined 18.6% to US\$2.45 million in 9M2017/18 from US\$3.01 million in 9M2016/17. The reductions in other operating expenses were attributed mainly to foreign exchange loss in 3Q2016/17.

#### **(d) Finance costs**

Finance costs increased 9.8% or US\$0.36 million to US\$4.04 million in 3Q2017/18 from US\$3.68 million in 3Q2016/17 due mainly to increase in cost of borrowing resulted from increased LIBOR rate. For 9M2017/18, the Group incurred finance costs of US\$10.64 million, a decrease of 25.9% compared to US\$14.37 million in 9M2016/17. The decline in finance costs was due mainly to the full redemption of Notes Payables on 22 November 2016. This was partially offset by higher interest expenses arising from new term loans for the acquisition of vessels.

#### **(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\$7.73 million in 3Q2017/18, an increase of 71.1% compared to US\$4.52 million in 3Q2016/17. The improvement was attributed mainly to higher gross profit, which was offset partially by lower other income. For 9M2017/18, operating profit amounted to US\$17.89 million, an increase of 30.9% from US\$13.67 million in 9M2016/17, attributed mainly to lower operating and finance expenses.

#### **(f) Share of results of associate and joint venture**

The share of results of associate and joint venture in 3Q2017/2018 was immaterial as compared to a loss of US\$1.05 million in 3Q2016/17 which was incurred by its 49%-owned associate company in Indonesia, PT Vallianz Offshore Maritime. For 9M2017/18, the Group's share of results of associate and joint ventures was a profit of US\$0.12 million compared to a loss of US\$1.00 million in 9M2016/17.

#### **(g) Exceptional Item**

The Group recorded an exceptional expense of US\$5.93 million in 3Q2017/18 and 9M2017/18, due to a bad debt written-off under its 49%-owned subsidiary in Mexico, Vallianz Marine Mexico S.A De C.V which was long overdue. The exceptional item of US\$1.62 million recorded in 9M2016/17 was related to an impairment of goodwill.

#### **(h) Net profit**

The Group's net profit for 3Q2017/18 decreased by 43.0% to US\$1.74 million compared to US\$3.05 million in 3Q2016/17, due mainly to the exceptional item of US\$5.93 million. Notwithstanding this exceptional item, the Group's net profit for 9M2017/18 increased by 16.3% to US\$11.74 million from US\$10.09 million in 9M2016/17, driven by higher operating profit.



## 8. Review of Group Performance (Cont'd)

### Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)

Profit attributable to the owners of the Company ("PATMI") increased 26.2% to US\$5.88 million in 3Q2017/18 from US\$4.66 million in 3Q2016/17. PATMI for 9M2017/2018 also increased 64.3% to US\$15.4 million from US\$9.4 million in 9M2017/18. Such increases were due to improved operating profits despite the Group's proportionate share of the losses from the exceptional item and the sale of vessel incurred by its 49%-owned subsidiary in Mexico with the remaining 51% of the losses borne by the non-controlling interest.

Based on the weighted average number of shares, the Group recorded basic earnings per share of 0.13 US cents and 0.34 US cents for 3Q2017/18 and 9M2017/18 respectively.

### Statements of Financial Position

#### (i) *Trade receivables*

Trade receivables decreased from US\$91.89 million as at 31 March 2017 to US\$41.05 million as at 31 December 2017. The decrease was attributable to decrease in Swiber group balance as a result of the set-off and settlement agreement with Swiber group ("SHL SOSA").

#### (j) *Other receivables*

Other receivables increased from US\$124.92 million as at 31 March 2017 to US\$172.84 million as at 31 December 2017. The increase was attributable to the increase of amount due from associate as the associate's payable due to the Swiber group was assigned to the Group pursuant to the SHL SOSA, and decrease in Swiber group balance as a result of the SHL SOSA.

#### (k) *Available-for-sale investments*

As at 31 December 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.

#### (l) *Property, plant and equipment*

Property, plant and equipment decreased from US\$372.23 million as at 31 March 2017 to US\$269.06 million as at 31 December 2017. The decrease was due primarily to the disposal of 2 vessels and the transfer of a specialised vessel to Rawabi Vallianz International Company Limited ("RVIC"), which is a 50%-owned joint-venture company in the Middle East, during 3Q2017/18.

#### (m) *Joint ventures*

The increase in the joint ventures of US\$12.66 million is the result of quasi-equity contribution of approximately US\$12.54 million from the Group to RVIC in 3Q2017/18 and the share of results from this joint venture.

#### (n) *Total current and non-current borrowings*

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

	31 Dec 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	80,737	157,868	238,605	64,903	275,726	340,629
Finance Lease	5	7	12	186	-	186
	<u>80,742</u>	<u>157,875</u>	<u>238,617</u>	<u>65,089</u>	<u>275,726</u>	<u>340,815</u>

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\$238.62 million as at 31 December 2017. This is mainly due to repayments of loan principals for the vessels that were disposed and transferred during the current financial period.

#### (o) *Trade payables*

The Group's trade payables increased by approximately US\$2.15 million to US\$64.64 million as at 31 December 2017 from US\$62.49 million as at 31 March 2017. The slight increase is a net impact of an increase in normal trade working capital, offset by decrease in Swiber group balance as a result of the SHL SOSA.

## 8. Review of Group Performance (Cont'd)

### Statements of Financial Position (Cont'd)

#### *(p) Other payables*

The Group's other payables decreased by approximately US\$76.78 million from US\$136.92 million as at 31 March 2017 to US\$60.15 million as at 31 December 2017. The significant decrease was mainly the result of the decrease in trade accrual and decrease in Swiber group balance as a result of the SHL SOSA.

### Consolidated Statement of Cash Flows

Cash and cash equivalents decreased by US\$24.46 million from US\$45.57 million as at 31 March 2017 to US\$21.11 million as at 31 December 2017.

#### *(q) Cash flow from operating activities*

The Group generated net cash from operating activities of US\$37.19 million and US\$44.11 million for 3Q2017/18 and 9M2017/18.

#### *(r) Cash flow used in investing activities*

Net cash generated from investing activities of US\$68.53 million and US\$66.39 million for 3Q2017/18 and 9M2017/18 mainly contributed by proceeds from disposal of three vessels.

#### *(s) Cash flow from financing activities*

Net cash used in financing activities in 3Q2017/18 and 9M2017/18 amounted to US\$95.09 million and US\$134.95 million respectively. The significant cash outflow in 9M2017/18 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\$102.02 million and partially offset by proceed from the issuance of Rights shares.

## 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.**

Crude oil prices have recovered in recent months as the strategies by OPEC and Russia to curb crude oil production has led to a tighter demand-supply situation. Notwithstanding the improved conditions in the global oil and gas industry, the offshore support vessel ("OSV") segment continues to face a challenging operating environment. Due to an overhang in vessel capacity amid slow demand, competition in the OSV segment remains intense which continues to depress vessel utilisation rates and exert pressure on charter rates.

In 3Q2017/18, the Group's operating profit before exceptional items increased 122% to US\$7.72 million from the corresponding quarter in the previous financial year. This was the Group's fifth consecutive quarter of higher operating profit since 2Q2016/17 which can be attributed to its existing long-term vessel charters and commencement of a new vessel charter contract in the Middle East, as well as several initiatives implemented to optimise its expense structure. Despite the impact of a one-off exceptional expense, the Group's PATMI also increased 26.2% to US\$5.88 million in 3Q2017/18 from US\$4.66 million in 3Q2016/17 while PATMI for 9M2017/2018 jumped 64.3% to US\$15.4 million from US\$9.4 million in 9M2017/17.

The Group's core vessel chartering business is driven mainly by its long-term charter contracts in the Middle East region. Its resilient business model has enabled the Group to withstand the adverse market conditions in the OSV sector and continue delivering operating profits. As at 31 December 2017, the Group maintained a robust chartering services order book with total value of approximately US\$900 million, comprising mainly long term charter contracts that stretch up to 2025 inclusive of 2-year extension options.

The Group is one of the largest OSV players in the Middle East and works closely with a key National Oil Company customer which is a major player in the region's offshore oil and gas production. The Group also secured new vessel charter contracts in Egypt and Turkmenistan during 2017 and intends to continue pursuing opportunities in new target markets.

In addition to business development efforts, the Group is also working to strengthen its operating capabilities and service quality, improve cost and operational efficiencies, and expand and differentiate its fleet to meet customers' requirements.

Following the completion of a Rights Cum Warrants Issue in December 2017, Vallianz's strategic partner Rawabi Holding has emerged as the Group's largest shareholder with a stake of 57.67% as at the date of this announcement. With its partnership and strong support from Rawabi Holding, the Group will be seeking opportunities to further expand its business by leveraging its superior market position in the Middle East.

In addition, the Group has appointed ADS Securities LLC, a financial services firm head-quartered in Abu Dhabi with offices in London, Singapore and Hong Kong, to advise on raising new capital of up to US\$100 million from investors and/or financial institutions via a combination of debt and equity.

**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 31 December 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)
<b>Ship management services provided by the Group</b>		
Swiber Holdings Limited and its subsidiaries	Nil	US\$1,077,302
<b>Shipyard, Engineering, Fabrication Services and Facilities services provided by the Group</b>		
Rawabi Vallianz International Company	Nil	Nil
Swiber Holdings Limited and its subsidiaries	Nil	US\$111,908
<b>Corporate services provided to the Group</b>		
Rawabi Holding Company Limited and its subsidiaries	Nil	US\$167,331

**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 third quarter and nine (9) months financial results for the period ended 31 December 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

12 February 2018

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*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 Catalyst. 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.*

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