



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statements

For the First Quarter and Three Months Ended 30 June 2018

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 30 JUNE 2018 (“1Q2018/19”)

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		Change %
	Quarter ended 30 June		
	2018	2017	
	US\$'000	US\$'000	
Revenue	42,504	41,222	3.1
Cost of sales	(33,579)	(30,548)	9.9
Gross Profit	8,925	10,674	(16.4)
Other income	139	773	(82.0)
Administrative expenses	(2,295)	(3,215)	(28.6)
Other operating expenses	(302)	(295)	2.4
Finance costs	(3,414)	(3,001)	13.8
Share of results of associate and joint ventures	(10)	4	nm
Profit before tax	3,043	4,940	(38.4)
Income tax expense	(73)	(232)	(68.5)
Profit for the period	2,970	4,708	(36.9)

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)

	Group		Change %
	Quarter ended 30 June		
	2018	2017	
	US\$'000	US\$'000	
Profit for the period attributable to :			
Owners of the Company	4,225	4,262	(0.9)
Non-controlling interests	(1,255)	446	nm
Total	<u>2,970</u>	<u>4,708</u>	(36.9)
Other comprehensive income (loss) for the period, net of tax			
Exchange differences on translation of foreign operations	(103)	210	nm
Total comprehensive income for the period	<u>2,867</u>	<u>4,918</u>	(41.7)
Total comprehensive income (loss) attributable to :			
Owners of the Company	4,122	4,472	(7.8)
Non-controlling interests	(1,255)	446	nm
Total	<u>2,867</u>	<u>4,918</u>	(41.7)

- 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	
	Quarter ended 30 June	
	2018	2017
	US\$'000	US\$'000
Depreciation of property, plant and equipment	2,851	3,908
Finance costs	3,414	3,001
Foreign exchange (gain)/loss, net	302	(9)
Other income	-	(534)
Gain on disposal of plant, property and equipment	-	(247)
Provision for employee benefits	2	124
Share-based payment expense	142	247

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

Statements of Financial Position

	Group		Company	
	30 Jun 2018 US\$'000	31 Mar 2018 US\$'000	30 Jun 2018 US\$'000	31 Mar 2018 US\$'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	7,188	7,569	52	162
Trade receivables	43,652	33,959	2	2
Other receivables	199,599	174,862	144,092	142,832
Inventories	3,216	2,936	-	-
Construction-work-in-progress	498	252	-	-
Available-for-sale-investments	31,729	31,729	-	-
Total current assets	285,882	251,307	144,146	142,996
Non-current assets				
Monies pledged with banks	699	699	-	-
Property, plant and equipment	273,700	272,218	80	84
Subsidiary corporations	-	-	154	154
Joint ventures	65,320	65,330	68,530	68,530
Associate	-	-	-	-
Derivative financial instrument	1,340	1,340	-	-
Total non-current assets	341,059	339,587	68,764	68,768
Total assets	626,941	590,894	212,910	211,764

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

	Group		Company	
	30 Jun 2018 US\$'000	31 Mar 2018 US\$'000	30 Jun 2018 US\$'000	31 Mar 2018 US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Term loans	88,636	91,056	-	-
Trade payables	34,488	33,037	19	25
Other payables	67,195	65,156	145,027	143,408
Finance lease	5	5	-	-
Income tax payable	4,346	4,435	-	-
Total current liabilities	194,670	193,689	145,046	143,433
Non-current liabilities				
Term loans	187,044	155,142	-	-
Retirement benefit obligation	1,719	1,717	-	-
Finance lease payables	6	6	-	-
Deferred tax liabilities	4,820	4,652	-	-
Total non-current liabilities	193,589	161,517	-	-
Capital and reserves				
Share capital	344,866	344,866	344,866	344,866
Perpetual capital securities	22,500	22,500	22,500	22,500
Foreign currency translation reserve	(129)	(26)	-	-
Share options reserve	532	405	532	405
Other reserve	(112)	(112)	28	28
Shareholder's advance	6,788	6,788	-	-
Accumulated losses	(126,748)	(130,973)	(300,062)	(299,468)
Equity attributable to owners of the Company and capital securities holders	247,697	243,448	67,864	68,331
Non-controlling interests	(9,015)	(7,760)	-	-
Total equity	238,682	235,688	67,864	68,331
Total liabilities and equity	626,941	590,894	212,910	211,764

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 30 Jun 2018		Group As at 31 Mar 2018	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
88,641	-	91,061	-

Amount repayable after one year

Group As at 30 Jun 2018		Group As at 31 Mar 2018	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
187,050	-	155,148	-

Details of any collateral

The Group's borrowings are secured by:

- (i) mortgage over all the Group's property, vessels, equipment and a vessel held by a related company of a corporate 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) shares of pledged subsidiaries; and
- (vii) corporate guarantees from the Company and a corporate shareholder of the Group.

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

Consolidated Statement of Cash Flows

	Group	
	Quarter ended 30 June	
	2018	2017
	US\$'000	US\$'000
Operating activities		
Profit before tax	3,043	4,940
Adjustments for :		
Depreciation of property, plant and equipment	2,851	3,908
Gain on disposal of property, plant and equipment	-	(231)
Finance costs	3,414	3,001
Share-based payment expense	142	247
Provision for employee benefits	2	124
Share of results of associate and joint ventures	10	(4)
Unrealised exchange loss (gain)	(103)	210
Cancellation of performance share	(15)	-
Operating cash flows before working capital changes	<u>9,344</u>	<u>12,195</u>
Trade and other receivables	(17,269)	(12,874)
Trade and other payables	1,840	(2,943)
Inventories	(280)	123
Construction work-in-progress	(246)	52
Net cash used in operations	<u>(6,611)</u>	<u>(3,447)</u>
Income tax paid	6	-
Net cash used in operating activities	<u>(6,605)</u>	<u>(3,447)</u>
Investing activities		
Proceeds from disposal of property, plant and equipment	-	247
Purchase of property, plant and equipment	(4,447)	-
Net cash from (used in) investing activities	<u>(4,447)</u>	<u>247</u>
Financing activities		
Interest paid	(1,650)	(3,001)
Repayment of term loans	(10,518)	(2,577)
Proceed from new bank loans raised	40,000	-
Advance to joint venture	(17,161)	(28,421)
Repayment of obligation under finance lease	-	(54)
Net cash from (used in) financing activities	<u>10,671</u>	<u>(34,053)</u>
Net decrease in cash and cash equivalents	<u>(381)</u>	<u>(37,253)</u>
Cash and cash equivalents at beginning of period	<u>7,569</u>	<u>45,568</u>
Cash and cash equivalents at end of period	<u>7,188</u>	<u>8,315</u>

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 2018	344,866	(26)	405	(112)	6,788	(130,973)	22,500	243,448	(7,760)	235,688
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	4,225	-	4,225	(1,255)	2,970
Other comprehensive income for the period	-	(103)	-	-	-	-	-	(103)	-	(103)
Total	-	(103)	-	-	-	4,225	-	4,122	(1,255)	2,867
Transactions with owners, recognized directly in equity										
Forfeiture of performance shares award	-	-	(15)	-	-	-	-	(15)	-	(15)
Recognition of share-based payments	-	-	142	-	-	-	-	142	-	142
Total	-	-	127	-	-	-	-	127	-	127
At 30 June 2018	344,866	(129)	532	(112)	6,788	(126,748)	22,500	247,697	(9,015)	238,682

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

	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	-	-	-	-	-	4,261	-	4,261	446	4,707
Other comprehensive income for the period	-	210	-	-	-	-	-	210	-	210
Total	-	210	-	-	-	4,261	-	4,471	446	4,917
Transactions with owners, recognized directly in equity										
Issue of shares, net of expenses	2,258	-	-	-	-	-	-	2,258	-	2,258
Forfeiture of performance shares award	-	-	(7)	-	-	-	-	(7)	-	(7)
Recognition of share-based payments	-	-	254	-	-	-	-	254	-	254
Distribution to perpetual capital securities holders	-	-	-	-	-	(224)	-	(224)	-	(224)
Total	2,258	-	247	-	-	(224)	-	2,281	-	2,281
At 30 June 2017	206,176	(835)	694	(27)	102,087	(143,601)	22,500	186,994	(2,190)	184,804

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

	Share capital	Hedging reserve	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	US\$'000
Company								
At 1 April 2018	344,866	-	405	28	-	(299,468)	22,500	68,331
Total comprehensive income for the period								
Loss for the period	-	-	-	-	-	(594)	-	(594)
Total	-	-	-	-	-	(594)	-	(594)
Transactions with owners, recognized directly in equity								
Recognition of share-based payments	-	-	142	-	-	-	-	142
Forfeiture of performance shares awarded	-	-	(15)	-	-	-	-	(15)
Total	-	-	127	-	-	-	-	127
At 30 June 2018	344,866	-	532	28	-	(300,062)	22,500	67,864
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	-	-	-	-	-	(1,955)	-	(1,955)
Total	-	-	-	-	-	(1,955)	-	(1,955)
Transactions with owners, recognized directly in equity								
Issuance of consideration shares, net of expenses	2,258	-	-	-	-	-	-	2,258
Recognition of share-based payments	-	-	247	-	-	-	-	247
Distribution of perpetual capital securities holders	-	-	-	-	-	(224)	-	(224)
Total	2,258	-	247	-	-	(224)	-	2,281
At 30 June 2017	206,176	-	694	28	102,087	(296,596)	22,500	34,889

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

Date of grant	As at 1 April 2018	Granted	Vested	Cancelled	As at 30 June 2018
25 August 2017	67,999,992	-	-	(2,333,333)	65,666,659

Subsequent to the end of this reporting period, 32,833,334 Awards were vested on 2 July 2018 instead of the initial vesting date of 30 June 2018, which is a non-working day.

(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 2018	Granted	Cancelled	As at 30 June 2018
14 May 2013	4,000,000	-	(4,000,000)	-

(c) **Total number of shares that may be issued as at 30 June 2018**

Corporate Action	No. of Shares
Warrants pursuant to Rights cum Warrants Issue	1,501,801,298
Grant of share awards under PSP	65,666,659
	1,567,467,957

(d) **Subscriptions of new ordinary shares**

Subsequent to the end of this reporting period, the Company has, on 10 July 2018, completed the issuance and allotment of 196,651,000 new ordinary shares to certain trade creditors for the settlement of the Group's trade payables of approximately S\$3.1 million.

(e) **Proposed Share Consolidation**

Subsequent to the end of this reporting period, on 4 July 2018, the Company announced the proposed share consolidation exercise pursuant to which the Company will consolidate every thirty existing ordinary shares registered in the name of each shareholder into one ordinary share ("**Proposed Share Consolidation**"). Accordingly, the outstanding number of Warrants, new shares to be issued pursuant to the exercise of Warrants and Awards granted under the PSP will also be adjusted. Please refer to the circular to Shareholders dated 11 July 2018 for further details on the Proposed Share Consolidation.

The Proposed Share Consolidation was approved by Shareholders at the annual general meeting of the Company held on 26 July 2018. The Company will make further announcements to notify Shareholders of the books closure date and effective trading date in due course.

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 June 2018</u>	<u>31 March 2018</u>
	No. of shares ('000)	No. of shares ('000)
The number of issued shares	<u>16,519,111</u>	<u>16,519,111</u>

There were no treasury shares as at 30 June 2018 and 31 March 2018.

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 year ended 31 March 2018.

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.

On 1 April 2018, the Group has adopted the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**"), that is identical to the International Financial Reporting Standards. It has prepared its first set of financial information under SFRS(I)s for the quarter ended 30 June 2018. The adoption of SFRS(I)s for the first time for the financial year ending 31 March 2019 does not result in any changes to the Group's and the Company's current accounting policies and no material adjustments are required on transition to this new framework.

Specifically, the Group has adopted SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers that are effective for annual periods beginning on or after 1 January 2018 and are relevant to the Group's operations. The adoption of these new SFRS(I)s does not result in any changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current financial period or prior financial years

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 June	
	2018	2017
Earnings (US\$'000)		
Net profit after tax attributable to owners of the Company	4,225	4,262
Number of shares ('000)		
Weighted average number of shares for basic earnings per share	16,519,111	4,329,669
Effects of dilution ⁽¹⁾	1,556,395	7,180,239
Weighted average number of shares for diluted earnings per share	18,075,506	11,509,908
Earnings per share (US cents)		
Basic	0.03	0.10
Diluted	0.02	0.04

⁽¹⁾: This represents the effects of dilution resulted 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 PSP 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	
	30 Jun 2018	31 Mar 2018	30 Jun 2018	31 Mar 2018
Net asset value (US\$'000)	247,697	243,448	67,864	68,331
Total number of shares issued ('000)	16,519,111	16,519,111	16,519,111	16,519,111
Net asset value per share (US cents)	1.50	1.47	0.41	0.41

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 and gross profit

The Group registered revenue of approximately US\$42.50 million for the three months ended 30 June 2018 ("1QFY2019"), up 3.1% from US\$41.22 million in the previous corresponding period ("1QFY2018").

Revenue from the Group's core chartering and brokerage business in 1QFY2019 was US\$38.97 million, which was stable compared to US\$38.44 million in 1QFY2018. During 1QFY2019, the Group's key customer in the Middle East extended the charter contracts for 16 vessels for another year, albeit at lower charter rates. This impact was mitigated by a full quarter of revenue contribution in 1QFY2019 from new charter contracts with this key customer that commenced in the latter half of fourth quarter of FY2018.

Chartering and brokerage services accounted for approximately 93% of Group revenue in 1QFY2019, similar to 1QFY2018. The remaining 7% of Group revenue was derived from the provision of vessel management services.

Gross profit in 1QFY2019 decreased 16.4% to US\$8.92 million from US\$10.67 million in 1QFY2018. Gross profit margin softened to 21.0% in 1QFY2019 from 25.9% previously. The decline was attributed partly to lower charter rates for the contracts that were extended, and leasing expenses for a specialized vessel which was transferred to the Group's 50%-owned joint venture company Rawabi Vallianz International Company Limited ("RVIC") during third quarter of FY2018. The gross profit margin in 1QFY2019 was also affected by higher personnel costs which rose in tandem with the growth in the Group's vessel operations in the Middle East.

(b) Other income

The Group recorded other income of US\$0.14 million in 1QFY2019 compared to US\$0.77 million in 1QFY2018. The decline was attributed mainly to the absence of gain on disposal of plant, property and equipment, and lower other miscellaneous income.

(c) Administrative expenses

Administrative expenses, which comprise largely personnel and travel related expenses, decreased 28.6% to US\$2.30 million in 1QFY2019 when compared to 1QFY2018. The reduction was attributed mainly to reduced rental expense, lower professional fees and the on-going cost control measures implemented by the Group.

(d) Other operating expenses

Other operating expenses in 1QFY2019 were largely unchanged at US\$0.30 million when compared to 1QFY2018.

8. Review of Group Performance (Cont'd)

(e) Finance costs

Finance costs increased 13.8% to US\$3.41 million in 1QFY2019 from US\$3.00 million in 1QFY2018. This was attributed to higher cost of borrowing in tandem with the rise in LIBOR rate.

(f) Share of results of associate and joint venture

The Group recorded a loss of US\$10,000 from its share of results of associate and joint ventures in 1QFY2019 which was attributed to RVIC.

(g) Net profit attributable to owners of the Company

The Group registered net profit attributable to owners of the Company of US\$4.23 million in 1QFY2019 which was stable compared to US\$4.26 million in 1QFY2018. Based on the weighted average number of shares, the Group recorded basic earnings per share of 0.03 US cents for 1QFY2019.

Statements of Financial Position

(h) Trade and other receivables

Trade receivables increased to US\$43.65 million as at 30 June 2018 from US\$34.0 million as at 31 March 2018, in line with higher revenue. Other receivables also increased to US\$199.60 million from US\$174.86 million as at 31 March 2018 due mainly to an increase in amount due from joint venture.

(i) Property, plant and equipment

Property, plant and equipment increased slightly to US\$273.70 million as at 30 June 2018 from US\$272.2 million as at 31 March 2018, due to the increase in construction in progress, which was offset partially by depreciation expenses.

(j) Joint ventures

Investment in joint ventures decreased slightly to US\$65.32 million as at 30 June 2018 from US\$65.33 million as at 31 March 2018. The decline was due mainly to the share of results from RVIC.

(k) Total current and non-current borrowings

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

	30 June 2018			31 March 2018		
	Current US\$'000	Non-current US\$'000	Total US\$'000	Current US\$'000	Non-current US\$'000	Total US\$'000
Term Loans	88,636	187,044	275,680	91,056	155,142	246,198
Finance Lease	5	6	11	5	6	11
	<u>88,641</u>	<u>187,050</u>	<u>275,691</u>	<u>91,061</u>	<u>155,148</u>	<u>246,209</u>

Total current and non-current term borrowings, which comprised largely of bank borrowings for vessels, increased to US\$275.69 million as at 30 June 2018 from US\$246.21 million as at 31 March 2018. This was due mainly to a new drawdown of a term loan facility, offset partially by repayment of revolving facilities.

(l) Trade and other payables

The Group's trade payables increased slightly to US\$34.49 million as at 30 June 2018 from US\$33.04 million as at 31 March 2018. Other payables also rose to US\$67.20 million from US\$65.16 million as at 31 March 2018. The increases were attributed mainly to higher payables to third-parties and trade accruals in relation to the Group's business activities.

6. Review of Group Performance (Cont'd)

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased by US\$0.38 million to US\$7.19 million as at 30 June 2018 from US\$7.57 million as at 31 March 2018.

(m) Cash flow from operating activities

The Group used net cash of US\$6.61 million for operating activities in 1QFY2019.

(n) Cash flow used in investing activities

Net cash used in investing activities of US\$4.45 million for 1QFY2019 was attributed mainly to increase in construction in progress.

(o) Cash flow from financing activities

Net cash generated from financing activities in 1QFY2019 amounted to US\$10.67 million. This was attributed mainly to drawdown of a new term loan facility, offset partially by repayment of revolving facilities, advance to joint venture and payment of interest.

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 risen steadily since the beginning of 2018 which is leading to a more favourable outlook for the global oil and gas (O&G) industry. If oil prices remain stable around current levels, it is expected that O&G companies will gradually increase capital expenditures, raise their activities in the exploration sector and commence development of new oil and gas fields.

Despite the improving outlook for the O&G industry, the operating environment for the offshore support vessel (“OSV”) sector remains challenging as the persistent oversupply of OSVs amid soft demand conditions has continued to exert downward pressure on vessel utilisation rates and charter rates.

The Group has established itself as one of the largest OSV providers in the Middle East which remains as the world's largest oil producer and the second largest gas producer. According to oil major BP, the region is expected to account for over 34% of global liquids production and 20% of gas production by 2040. BP also forecasts conventional oil production to reach 29 million barrels per day (Mb/d) by 2040 from 26 Mb/d in 2016, and for natural gas production to increase by 60% from 62 billion cubic feet per day (Bcf/d) in 2016 to 98 Bcf/d in 2040, led mainly by Iran, Qatar and Saudi Arabia (Source: BP Energy Outlook, Country and Regional Insights – Middle East).

The Group's core vessel chartering business is driven mainly by long-term charter contracts secured with a key National Oil Company (“NOC”) customer in the Middle East which is a major player in the region's offshore oil and gas production. This business model has enabled the Group to continue reporting operating profits despite the challenging market conditions in the OSV sector over the last few years. To capitalise on the vast opportunities in the Middle East market, the Group is working closely with its NOC customer to develop innovative solutions for the customer's offshore support requirements beyond the traditional OSV business.

During 1QFY2019, the Group's key NOC customer extended the charter contract for 16 vessels that are currently deployed in the Middle East for another year, albeit at lower charter rates. The lower charter rates have been reflected in the Group's chartering services order book which, as at 30 June 2018, had total value of approximately US\$700 million. This comprises mainly long term charter contracts that stretch up to 2025 inclusive of extension options of up to 2 years.

To broaden its revenue base, the Group is pursuing opportunities to widen the scope of its operations in the region to new target markets in Egypt and Kuwait. The Group is also working continuously to strengthen its operating capabilities and service quality, improve cost and operational efficiencies, and expand and differentiate its fleet to meet customers' requirements.

Leveraging on the local knowledge and expertise of its strategic partner and controlling shareholder Rawabi Holding Company Limited, the Group is seeking opportunities to strengthen its market position 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 30 June 2018 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 to the Group		
Rawabi Vallianz International Company	Nil	12,880,451
Ship management services provided by the Group		
Swiber and its subsidiaries	Nil	510,235
Shipyards, Engineering, Fabrication Services and Facilities services provided by the Group		
Swiber and its subsidiaries	Nil	Nil
Corporate services provided to the Group		
Rawabi Holding Company Limited and its subsidiaries	Nil	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 30 June 2018 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
4 August 2018

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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