



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statements

For the First Half-Year Ended 30 September 2022

ANNOUNCEMENT IN RELATION TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022
("1HFY2023")

A Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group		Change %
		1HFY2023 US\$'000	1HFY2022 US\$'000	
Revenue	4.2	54,893	23,125	137.4
Cost of sales		(49,055)	(22,537)	117.7
Gross Profit		5,838	588	nm
Other income		1,448	2,275	(36.4)
Administrative expenses		(3,810)	(3,555)	7.2
Other operating expenses		(1,703)	(305)	nm
Finance costs		(3,396)	(4,676)	(27.4)
Share of results of associates		-	(3,992)	nm
Operating loss		(1,623)	(9,665)	(83.2)
Exceptional item				
Loss on disposal of property, plant and equipment		(3,195)	-	nm
Loss before tax	6	(4,818)	(9,665)	(50.2)
Income tax credit/(expense)	7	35	(44)	nm
Loss for the period		(4,783)	(9,709)	(50.7)
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		186	13	nm
Other comprehensive income for the period, net of tax		186	13	nm
Total comprehensive loss for the period		(4,597)	(9,696)	(52.6)
Loss for the period attributable to:				
Owners of the Company		(3,848)	(8,925)	(56.9)
Non-controlling interests		(935)	(784)	19.3
Total		(4,783)	(9,709)	(50.7)
Total comprehensive loss attributable to:				
Owners of the Company		(3,662)	(8,912)	(58.9)
Non-controlling interests		(935)	(784)	19.3
Total		(4,597)	(9,696)	(52.6)
Loss per share (US cents)				
Basic		(0.32)	(1.60)	
Diluted		(0.32)	(1.60)	

Note: nm – Not Meaningful

B Condensed interim statements of financial position

	Note	Group		Company	
		30 Sep 2022 US\$'000	31 Mar 2022 US\$'000	30 Sep 2022 US\$'000	31 Mar 2022 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents		10,314	6,835	198	139
Trade receivables		25,294	9,509	-	-
Other receivables		29,527	35,429	471,476	470,738
Inventories		8,705	744	-	-
Contract assets		8,157	760	-	-
Financial assets at fair value through other comprehensive income	10 (a)	31,729	31,729	-	-
Total current assets		113,726	85,006	471,674	470,877
Non-current assets					
Monies pledged with banks		358	699	-	-
Property, plant and equipment	11	62,539	66,983	15	21
Right-of-use assets		252	368	-	-
Financial assets at fair value through other comprehensive income	10 (b)	60,853	60,853	-	-
Subsidiaries		-	-	404	404
Other receivables		14,843	14,843	-	-
Total non-current assets		138,845	143,746	419	425
Total assets		252,571	228,752	472,093	471,302
LIABILITIES AND EQUITY					
Current liabilities					
Term loans	12	32,239	32,209	-	-
Trade payables		45,338	20,726	-	1
Other payables		58,774	53,393	339,453	335,782
Finance lease payables		4	-	-	-
Lease liabilities		244	241	-	-
Income tax payable		60	100	-	-
Total current liabilities		136,659	106,669	339,453	335,783
Non-current liabilities					
Term loans	12	89,710	91,365	-	-
Retirement benefit obligation		582	582	-	-
Finance lease payables		15	-	-	-
Lease liabilities		20	160	-	-
Deferred tax liabilities		1,547	1,613	-	-
Convertible bonds		44,108	43,840	44,108	43,840
Total non-current liabilities		135,982	137,560	44,108	43,840
Capital and reserves					
Share capital	13	382,274	382,274	382,274	382,274
Perpetual capital securities		22,500	22,500	22,500	22,500
Foreign currency translation reserve		162	(24)	-	-
Other reserve		(607)	(607)	28	28
Shareholder's advances		13,675	13,675	-	-
Convertible bonds		6,683	6,679	6,683	6,679
Accumulated losses		(423,315)	(419,467)	(322,953)	(319,802)
Equity attributable to owners of the Company and capital securities holders	9	1,372	5,030	88,532	91,679
Non-controlling interests		(21,442)	(20,507)	-	-
Total equity		(20,070)	(15,477)	88,532	91,679
Total liabilities and equity		252,571	228,752	472,093	471,302

C Condensed interim statements of changes in equity

Group

	Share capital	Foreign currency translation reserve	Other reserve	Shareholder's advances	Accumulated losses	Perpetual capital securities	Equity component of Convertible bonds	Equity attributable to owners of the Company and capital securities holds	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
At 1 April 2022	382,274	(24)	(607)	13,675	(419,467)	22,500	6,679	5,030	(20,507)	(15,477)
Total comprehensive loss for the period										
Loss for the period	-	-	-	-	(3,848)	-	-	(3,848)	(935)	(4,783)
Other comprehensive income for the period	-	186	-	-	-	-	-	186	-	186
Total	-	186	-	-	(3,848)	-	-	(3,662)	(935)	(4,597)
Transactions with owners, recognised directly in equity										
Conversion of loans to convertible bonds	-	-	-	-	-	-	4	4	-	4
Total	-	-	-	-	-	-	4	4	-	4
At 30 September 2022	382,274	162	(607)	13,675	(423,315)	22,500	6,683	1,372	(21,442)	(20,070)

C Condensed interim statements of changes in equity (cont'd)

	Share capital	Foreign currency translation reserve	Other reserve	Shareholder's advances	Accumulated losses	Perpetual capital securities	Convertible bonds	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
At 1 April 2021	347,746	(46)	(607)	115,582	(417,102)	22,500	-	68,073	(19,894)	48,179
Total comprehensive loss for the period										
Loss for the period	-	-	-	-	(8,925)	-	-	(8,925)	(784)	(9,709)
Other comprehensive loss for the period	-	13	-	-	-	-	-	13	-	13
Total	-	13	-	-	(8,925)	-	-	(8,912)	(784)	(9,696)
Transactions with owners, recognised directly in equity										
Deemed investment by a shareholder	-	-	-	16,934	-	-	-	16,934	-	16,934
Deconsolidation of a former subsidiary corporation	-	-	-	-	-	-	6,679	6,679	-	6,679
Total	-	-	-	16,934	-	-	6,679	23,613	-	23,613
At 30 September 2021	347,746	(33)	(607)	132,516	(426,027)	22,500	6,679	82,774	(20,678)	62,096

C Condensed interim statements of changes in equity (cont'd)

Company

	Share capital US\$'000	Other reserve US\$'000	Shareholder's advances US\$'000	Accumulated losses US\$'000	Perpetual capital securities US\$'000	Convertible bonds US\$'000	Total equity US\$'000
At 1 April 2022	382,274	28	-	(319,802)	22,500	6,679	91,679
Total comprehensive income for the period							
Loss for the period	-	-	-	(3,151)	-	-	(3,151)
Total	-	-	-	(3,151)	-	-	(3,151)
Transactions with owners, recognised directly in equity							
Conversion of loans to convertible bonds	-	-	-	-	-	4	4
Total	-	-	-	-	-	4	4
At 30 September 2022	382,274	28	-	(322,953)	22,500	6,683	88,532
At 1 April 2021	347,746	28	80,010	(417,102)	22,500	-	33,182
Total comprehensive loss for the period							
Loss for the period	-	-	-	(999)	-	-	(999)
Total	-	-	-	(999)	-	-	(999)
Transactions with owners, recognised directly in equity							
Deemed investment by a shareholder	-	-	10,219	-	-	-	10,219
Total	-	-	10,219	-	-	-	10,219
At 30 September 2021	347,746	28	90,229	(418,101)	22,500	-	42,402

D Condensed interim consolidated statement of cash flows

Note	Group	
	1HFY2023 US\$'000	1HFY2022 US\$'000
Operating activities		
Loss before tax	(4,818)	(9,665)
Adjustments for:		
Depreciation of property, plant and equipment	2,866	2,737
Depreciation of right-of-used assets	89	48
Bad debts written off	328	-
Write-back of provision for employee benefits	-	(37)
Finance costs	3,396	4,676
Net loss on disposal of property, plant and equipment	2,495	-
Share of results of associate	-	3,992
Unrealised foreign exchange differences	185	14
Operating cash flows before working capital changes	4,541	1,765
Trade and other receivables	(10,212)	(22,026)
Trade and other payables	29,996	17,780
Inventories	(7,961)	11
Contract assets	(7,397)	(1,498)
Cash from/(used in) operations	8,967	(3,968)
Income taxes paid	(71)	(112)
Net cash from/(used in) operating activities	8,896	(4,080)
Investing activities		
Purchase of property, plant and equipment	(2,898)	(1,568)
Proceeds from disposal of property, plant and equipment	1,981	-
Net cash used in investing activities	(917)	(1,568)
Financing activities		
Decreased in cash pledged	341	-
Interest paid	(2,877)	(663)
Repayment of term loans	(1,956)	-
Proceeds from shareholder's advances	-	1,789
Proceeds from new bank loans raised	83	-
Principal payment of lease liability	(91)	(90)
Net cash (used in)/from financing activities	(4,500)	1,036
Net increase/(decrease) in cash and cash equivalents	3,479	(4,612)
Cash and cash equivalents at beginning of period	6,835	6,713
Cash and cash equivalents at end of period	10,314	2,101

E Notes to the condensed interim consolidated financial statements

1. Corporate information

Vallianz Holdings Limited (the “**Company**”) is incorporated and domiciled in Singapore and its shares are publicly traded on the Catalist Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). These condensed interim consolidated financial statements as at and for the six months ended 30 September 2022 (“**1HFY2023**”) comprise the Company and its subsidiaries (collectively, the “**Group**”). The primary activity of the Company is that of investment holding. The principal activities of the Group are those of vessel chartering, shipyard and vessel management services and investment holding.

2. Basis of preparation

The condensed interim financial statements for 1HFY2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in the Group’s financial position and performance since the last annual financial statements for the year ended 31 March 2022 (“**FY2022**”).

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s (“**Standards**”), except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in United States dollar which is the Company’s functional currency, and all values are rounded to the nearest thousand (“**US\$’000**”), unless otherwise indicated.

2.1 New and amended Standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, the management of the Company (“**Management**”) has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for FY2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements, assumptions and estimation uncertainties in applying accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are included in Note 11.1 – Impairment and valuation of property, plant and equipment.

3. Seasonal operations

The Group’s businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The executive directors of the Group review the consolidated results prepared in the following main business segments when making decisions about allocating resources and assessing performance of the Group:

- Segment 1: Vessel Chartering - Chartering of owned and third-party vessels.
- Segment 2: Shipyard and Vessel Management Services - In-house fabrication and engineering services such as ship building, fabrication works and ship repairs, as well as consultancy and vessel project management.
- Segment 3: Investment Holding - Holding investments for long-term purposes

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment on the types of revenue it generates. All assets and liabilities are allocated to reportable segments, except for deferred tax assets and deferred tax liabilities.

4.1 Reportable segments

Information regarding the operations of each reportable segment is included below.

	Vessel chartering		Shipyard and vessel management services		Investment holding		Total	
	1HFY2023	1HFY2022	1HFY2023	1HFY2022	1HFY2023	1HFY2022	1HFY2023	1HFY2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue								
External sales	13,914	14,167	40,979	8,958	-	-	54,893	23,125
Results								
Segment results	(2,716)	2,019	3,718	(870)	(2,424)	(2,146)	(1,422)	(997)
Finance costs	(1,156)	(969)	-	-	(2,240)	(3,707)	(3,396)	(4,676)
Operating profit/(loss) from ordinary activities and before share of results of associates	(3,872)	1,050	3,718	(870)	(4,664)	(5,853)	(4,818)	(5,673)
Share of results of associates	-	(3,992)	-	-	-	-	-	(3,992)
Loss before tax							(4,818)	(9,665)
Income tax credit/(expense)							35	(44)
Loss for the period							(4,783)	(9,709)

	Vessel chartering		Shipyard and vessel management services		Investment holding		Total	
	30 Sep 2022	31 Mar 2022	30 Sep 2022	31 Mar 2022	30 Sep 2022	31 Mar 2022	30 Sep 2022	31 Mar 2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets and segment liabilities								
Segment assets	73,092	190,793	96,052	44,184	83,427	80,535	252,571	315,512
Segment liabilities	96,122	116,453	72,745	57,453	102,227	68,710	271,094	242,616
Deferred tax liabilities							1,547	1,613
Total liabilities							272,641	244,229

4.1 Reportable segments (cont'd)

	Vessel chartering		Shipyard and vessel management services		Investment holding		Total	
	1HFY2023	1HFY2022	1HFY2023	1HFY2022	1HFY2023	1HFY2022	1HFY2023	1HFY2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Other information								
Bad debts written off	328	-	-	-	-	-	328	-
Write-back of allowance for trade receivables	(45)	-	-	-	-	-	(45)	-
Depreciation of property, plant and equipment	2,067	2,079	730	608	69	50	2,866	2,737
Depreciation of right-of-use assets	-	-	-	-	89	48	89	48
Net foreign exchange loss/(gain)	163	20	1,308	341	(25)	(456)	1,446	(95)
Net loss on disposal of property, plant and equipment	2,495	-	-	-	-	-	2,495	-
Associate	-	125,277	-	-	-	14,843	-	140,120
Additions to property, plant and equipment	2,772	1,380	79	188	47	-	2,898	1,568

4.2 Disaggregation of Revenue

Disaggregation of the Group's revenue for the reporting period is as follows:

	Group	
	1HFY2023	1HFY2022
	US\$'000	US\$'000
Charter hire (time and bareboat charter)	13,914	14,167
Shipyard and vessel management services income	40,979	8,958
	54,893	23,125

All of the Group's revenue is recognised over time.

Geographical information

The directors of the Company consider that in view of the nature of the Group's businesses which operate across international waters and which cater to customers throughout the world, it is therefore not meaningful to allocate revenue and non-current assets based on geographical information as defined under SFRS(I) 8 *Operating Segments*.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 September 2022 and 31 March 2022:

	Group		Company	
	30 Sep 2022 US\$'000	31 Mar 2022 US\$'000	30 Sep 2022 US\$'000	31 Mar 2022 US\$'000
Financial assets				
Financial assets at amortised cost	69,955	56,669	471,618	470,842
Financial assets at fair value through OCI	92,582	92,582	-	-
Financial liabilities				
Financial liabilities at amortised cost	270,169	241,533	339,453	379,623
Lease liabilities	264	401	-	-

6. Loss before taxation

The following items have been included in arriving at loss before tax for the financial period :

	Group	
	1HFY2023 US\$'000	1HFY2022 US\$'000
Net foreign exchange loss/(gain)	1,446	(95)
Net loss on disposal of property, plant and equipment	2,495	-
Bad debts written off	328	-
Write back of allowance for trade receivables	(45)	-
Depreciation of property, plant and equipment	2,866	2,737
Depreciation of right-of-use assets	89	48
Finance costs	3,396	4,676
Share of results of associate	-	3,992
Write-back of provision for employee benefits	-	(37)

Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related corporations during the financial period:

	Group	
	1HFY2023 US\$'000	1HFY2022 US\$'000
Ultimate holding company		
Shareholder's advances from RHCL	-	(1,789)
Payment made by RHCL on behalf of the Group	(1,170)	(15,144)
Loan interest charged by RHCL	(557)	(3,682)
Provision of other goods and services	(198)	-
Related companies		
Corporate services	-	(1)
Provision of other goods and services	(150)	-
Project management income	8,802	-
Charter hire income	6,665	-
Charter hire expense	(331)	-
Associate		
Project management income	-	8,176
Charter hire income	-	1,021
Charter hire expense	-	(3,043)

7. Income tax (credit)/expense

The Group calculates the income tax expense for the financial period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	1HFY2023 US\$'000	1HFY2022 US\$'000
Current income tax expense	32	111
Deferred income tax credit relating to origination and reversal of temporary differences	(67)	(67)
	(35)	44

8. Dividends

No dividends have been declared or recommended for 1HFY2023.

9. Net Asset Value

	Group		Company	
	30 Sep 2022	31 Mar 2022	30 Sep 2022	31 Mar 2022
Net asset value (US\$'000)	1,372	5,030	88,532	91,679
Total number of shares issued ('000)	1,211,620	1,211,620	1,211,620	1,211,620
Net asset value per share (US cents)	0.11	0.42	7.31	7.57
Net asset value, excluding perpetual capital securities (US\$'000)	(21,128)	(17,470)	66,032	69,179
Total number of shares issued ('000)	1,211,620	1,211,620	1,211,620	1,211,620
Net asset value per share, excluding perpetual capital securities (US cents)	(1.74)	(1.44)	5.45	5.71

10. (a) Financial assets at fair value through other comprehensive income (current assets)

Financial assets at fair value through other comprehensive income (current assets) comprise the following:

	Group	
	30 Sep 2022 US\$'000	31 Mar 2022 US\$'000
Investment in equity instruments designated at fair value through other comprehensive income:		
Unquoted preference shares	31,729	31,729

These investments in equity instruments are not held for trading. Accordingly, Management has elected to designate these investments in equity instruments as fair value through other comprehensive income ("FVTOCI") as Management believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

No investment in unquoted preference shares measured at FVTOCI has been disposed of during 1HFY2023.

The above investments in unquoted preference shares is in relation to the cumulative preference shares issued by Resolute Offshore Pte Ltd ("ROPL"), a wholly-owned subsidiary of Swiber Holdings Limited ("SHL").

As a background, in 2011, the Group acquired the assets and liabilities from an unrelated party, CSOTL Offshore Limited ("CSOTL"). In the transaction, the vessel owned by CSOTL was transferred to ROPL in exchange for US\$155,000,000 of convertible bonds to be held by the Group. The Group had taken a bank loan which was secured against the said vessel held by ROPL ("Term Loan"). ROPL was subsequently disposed by its original shareholders to SHL.

Pursuant to the above, the convertible bonds were converted to cumulative preference shares issued by ROPL to the Group, amounting to US\$155,000,000.

As at 31 March 2017, ROPL had redeemed a total of US\$77.8 million of the cumulative preference shares from the Group, resulting in a balance of US\$77.2 million. No further redemption was made thereafter.

The terms and conditions of the unquoted cumulative preference shares are set out below:

- (i) Non-convertible;
- (ii) Non-voting;
- (iii) Dividend rate of 5.2% per annum payable semi-annually at the discretion of issuer. No dividend will be paid on the ordinary shares of ROPL if payment is not made on the preference share dividends; and
- (iv) Right to redeem the preference shares lies with the issuer.

As at 31 March 2017, the Group triggered a technical default for the Term Loan of outstanding principal amount of US\$31,729,000, which remained outstanding as at 30 September 2022. The Group had accrued for the interest and penalty payable for this Term Loan which amounted to US\$6,531,000 as at 30 September 2022 (31 March 2022: US\$6,531,000) arising from the default. The principal and interest is secured over the vessel held by the issuer of the preference shares.

During FY2017, the Group had recognised an impairment loss of US\$45,471,000 on its unquoted preference shares subsequent to the completion of a review of fair value of its carrying amount of the asset consequent to the ultimate holding company of the issuer entering into judicial management in July 2016. The carrying amount of the preference shares is equivalent to the carrying amount of the Term Loan. No further impairment loss on the preference shares was recognized since FY2017.

The unquoted preference shares have been presented as current assets as it is the intention of Management to dispose the preference shares when appropriate. The Group is of the view that the adjusted net assets of the entity is a reasonable approximation of its fair value due to the nature of the assets and liabilities of the entity. This involves deriving the fair value of the preference shares by reference to the fair value of its issuer's assets and liabilities, comprising primarily the vessel held by ROPL.

10. (a) Financial assets at fair value through other comprehensive income (current assets) (cont'd)

Reconciliation of fair value measurement of the unquoted preference shares:

	Group	
	30 Sep 2022 US\$'000	31 Mar 2022 US\$'000
Cost of financial assets at fair value through other comprehensive income	77,200	77,200
Accumulated impairment recognised	(45,471)	(45,471)
Carrying amount	31,729	31,729

As the preference shares can be redeemed by the issuer based on the unpaid principal, the fair value of the unquoted preference shares is capped at the unpaid principal as at the end of each reporting period less any impairment losses.

10. (b) Financial assets at fair value through other comprehensive income (non-current assets)

This was related to the carrying amount of the Group's 19.77% interest in RVOS which amounted to US\$60.9 million as at 30 September 2022.

Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset and liability that are not based on observable market data (unobservable inputs)

Assets measured at fair value are presented in the following table:

Group	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
30 September 2022				
Financial assets				
Financial assets at fair value through OCI (unquoted equity shares)	-	-	92,582	92,582
31 March 2022				
Financial assets				
Financial assets at fair value through OCI (unquoted equity shares)	-	-	92,582	92,582

11. Property, plant and equipment

During 1HFY2023, the Group acquired PPE amounting to US\$2,898,000 (1HFY2022: US\$1,568,000) and disposed of PPE with cost and carrying value amounting to US\$26,576,000 and US\$3,695,000 (1HFY2022: Nil).

11.1 Impairment and valuation of property, plant and equipment

The Group had considered the existence of impairment indicators and thereon assessed the recoverable amounts of vessels as at the end of each financial year end. The recoverable amounts were determined based on the valuations performed by independent vessel brokers which involve estimating the fair values less costs of disposal of the vessels. The valuation process involves significant judgement and estimations in the underlying assumptions to be applied. Amongst other matters, inputs and assumptions used in the valuations include, but not limited to, recent transaction prices for similar vessels, adjusted for the age and conditions of the respective vessels. There is no additional impairment provided during the financial period.

12. Borrowings

	Group	
	30 Sep 2022	31 Mar 2022
	US\$'000	US\$'000
<u>Amount repayable within one year or on demand</u>		
Secured	32,239	32,209
Unsecured	-	-
<u>Amount repayable after one year</u>		
Secured	89,710	91,365
Unsecured	-	-

Details of any collateral

The Group's borrowings are secured by:

- (i) mortgage over all the Group's property, vessels and 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) monies pledged;
- (iv) assignment of earnings/charter proceeds in respect of certain vessels;
- (v) corporate guarantees from the Company;
- (vi) the unquoted preference shares held by the Group;
- (vii) shares in subsidiary corporations incorporated in Singapore.

13. Share capital

	Group and Company			
	30 Sep 2022		31 Mar 2022	
	Number of shares	Amount	Number of shares	Amount
	'000	US\$'000	'000	US\$'000
Share Capital	1,211,620	382,274	1,211,620	382,274

The Company did not hold any treasury shares as at 30 September 2022 (31 March 2022: Nil).

The Company's subsidiaries did not hold any shares in the Company as at 30 September 2022 and 31 March 2022 respectively.

OTHER INFORMATION REQUIRED BY LISTING RULE

1 Review

The condensed interim consolidated statement of financial position of the Group as at 30 September 2022 and the related condensed interim profit or loss and comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the six months period then ended and certain explanatory notes have not been audited or reviewed.

2 Review of performance of the Group

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Revenue

The Group recorded revenue of approximately US\$54.9 million in 1HFY2023, representing an increase of 137% from US\$23.1 million in 1HFY2022. The increase was mainly attributed by the Group's Shipyard and Vessel Management Services business.

The Group's Vessel Chartering business recorded revenue of US\$13.9 million in 1HFY2023 as compared to US\$14.2 million in 1HFY2022 from its Singapore fleet. The Group's Shipyard and Vessel Management Services business recorded revenue of US\$41.0 million in 1HFY2023 which was US\$32.1 million higher than that of US\$8.9 million in 1HFY2022, due mainly to higher progressive revenue recognised for ongoing projects and vessel management services rendered.

(b) Gross profit

The Group recorded a gross profit of US\$5.8 million in 1HFY2023, which was US\$5.2 million higher than that of US\$0.6 million in 1HFY2022. The increase was mainly attributed by the one-off vessel management services rendered including the provision of consultancy and project management services during 1HFY2023.

(c) Other income

Other income decreased to US\$1.4 million in 1HFY2023 from US\$2.3 million in 1HFY2022 due mainly to one-off write-back of legal and professional fees of US\$1.5 million in 1HFY2022 which was provided for previously and was no longer required.

(d) Administrative expenses

Administrative expenses increased slightly to US\$3.8 million in 1HFY2023 from US\$3.6 million in 1HFY2022.

(e) Other operating expenses

Other operating expenses increased to US\$1.7 million in 1HFY2023 from US\$0.3 million in 1HFY2022 due mainly to the net foreign exchange loss of US\$1.5 million.

(f) Finance costs

Finance costs in 1HFY2023 decreased to US\$3.4 million compared to US\$4.7 million in 1HFY2022 due mainly to lower interest on lower outstanding shareholders' advances due to RHC and lower interest on vessels loans.

(g) Net profit attributable to owners of the Company

As a result of the above, the Company registered a loss attributable to owners of the Company of US\$3.8 million in 1HFY2023 as compared to a loss of US\$8.9 million in 1HFY2022.

Statements of Financial Position

(h) Trade and other receivables

Trade receivables increased to US\$25.3 million as at 30 September 2022 from US\$9.5 million as at 31 March 2022. This was attributed mainly to higher project revenue from Shipyard and Vessel Management Services business.

Other receivables decreased to US\$29.5 million as at 30 September 2022 from US\$35.4 million as at 31 March 2022. This was attributed mainly to the decrease in down-payments made to third-party suppliers for the construction of new vessels.

(i) Property, plant and equipment

Property, plant and equipment decreased to US\$62.5 million as at 30 September 2022 from US\$66.9 million as at 31 March 2022, due mainly to depreciation expenses of US\$2.9 million and the disposal of PPE of US\$4.4 million offset by new purchases of US\$2.9 million.

(j) Total current and non-current borrowings (including convertible bonds)

Total current and non-current borrowings decreased to US\$121.9 million as at 30 September 2022 from US\$123.6 million as at 31 March 2022 due mainly to the repayment of term loans.

(k) Trade and other payables

The Group's trade payables increased to US\$45.3 million as at 30 September 2022 from US\$20.7 million as at 31 March 2022 arising from the increased level of business activities for construction projects. Other payables increased to US\$58.8 million as at 30 September 2022 from US\$53.4 million as at 31 March 2022 due mainly to deposits received in advance for construction projects of US\$11.6 million.

Consolidated Statement of Cash Flows

Cash and cash equivalents increased to US\$10.3 million as at 30 September 2022 from US\$6.8 million as at 31 March 2022.

The Group generated net cash of US\$8.9 million from operating activities during 1HFY2023. Net cash used in investing activities of US\$0.9 million for 1HFY2023 was attributed to purchase of PPE offset by the sales proceeds obtained from the disposal of PPE. Net cash used in financing activities in 1HFY2023 amounted to US\$4.5 million, which was mainly attributed to the repayment of term loans of US\$2.0 million and the payment of interest of US\$2.9 million.

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

Not applicable.

4 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

Global economic growth continues to be hindered by prevailing geopolitical tensions, the pandemic situation, stresses in supply chains, rising inflationary pressures and higher interest rate environment.

In October 2022, the International Monetary Fund (IMF) maintained its global economic growth forecast for 2022 at 3.6%, while trimming its forecast for 2023 to 2.7%. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic, and reflects the expected significant slowdowns for the largest economies.

For the world oil market, OPEC said in its October 2022 Monthly Oil Market Report that spot prices in September 2022 were under pressure from softer demand with major benchmarks dropping to their lowest monthly average prices since January 2022. Indeed, the OPEC Reference Basket (ORB) declined month-on-month by 6.5% in September to average \$95.32 per barrel.

As such, OPEC has revised world oil demand growth in 2022 downwards by 0.5 mb/d (million barrels per day) to reflect the developments in various regions including extension of China's zero-COVID-19 restrictions, economic challenges in OECD Europe and inflationary pressures which could taper overall demand. World oil demand is expected to grow by 2.6mb/d to 99.7mb/d in 2022. For 2023, world oil demand is expected to grow by 2.3mb/d to reach 102.0 mb/d.

The offshore support vessels (OSV) market has been buoyed by the rise in oil prices over the past year which fuelled a recovery in offshore oil and gas activities. According to research firm Westwood Global Energy Group, the 2022 offshore EPC award value is forecast to total \$67 billion as contracting activities remain robust despite project delays while offshore rig market fundamentals point to signs of continued recovery.

Nevertheless, the Group remains cautious of its prospects in FY2023 in view of the risks weighing on the global economy as well as rising material and operating costs. To build long term sustainability, Vallianz remains steadfast in its course to realign and enhance its core businesses to engineer a stronger foundation for the future.

The Group is revitalising its core businesses in vessel ownership and chartering as well as fabrication and shipyard services to expand market share and tap into the transformation of energy industry. Vallianz now offers integrated solutions across five core pillars – offshore support vessel chartering, specialised heavy transport, shipyard and engineering, marine technology, and renewable energy.

The Group will continue to strengthen its operational capabilities for its fleet of OSV and specialised heavy transport vessels that provide critical support to customers in the conventional and renewable energy sectors. Vallianz is also extending its extensive experience in the conventional offshore energy sector into the renewable power industry through alliances to build vessels for offshore wind farms. In addition, the Group had formed strategic partnerships to enter the market for electric, energy-efficient, and zero / low carbon emissions vessels.

To position itself to ride on opportunities and withstand difficult business periods, the Group is continually working to strengthen its assets, capabilities and operational efficiencies.

5 Dividend information

(a) Current Financial Period Reported On

No.

(b) Corresponding Period of the Immediate Preceding Financial Year

No.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

6 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the current financial period reported as the Company is loss-making. In addition, with reference to the perpetual capital securities of US\$22.5 million issued by the Company in 2014, in the event that the Company wishes to declare dividends to ordinary shareholders, the Company will be required to first declare and pay all accumulated distributions (currently at a rate of 7.0% per annum) to the holder of the perpetual capital securities before the Company can declare dividends to ordinary shareholders.

7 Interested person transactions

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 financial period ended 30 September 2022 which exceeds the stipulated threshold except as disclosed below:

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (including transactions less than S\$100,000 and excluding 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)
Interests on shareholder's advances provided to the Group			
RHC Group ("RHC")	Major shareholder of the Company	US\$556,961 ⁽¹⁾	Not applicable
Other goods and services provided to the Group			
RHC Group	Major shareholder of the Company	Not applicable	US\$348,398
Chartering services provided to the Group			
RHC Group	Major shareholder of the Company	Not applicable	US\$331,312
Project management services provided by the Group			
RHC Group	Major shareholder of the Company	Not applicable	US\$3,027,960
Corporate services provided by the Group			
Holmen Heavylift Offshore Pte. Ltd. ("HOL") and its subsidiaries ("HOL Group")	Associate of RHC ⁽²⁾	Not applicable	US\$66,000
Shipyard, Engineering, Fabrication Services and Facilities services provided by the Group			
HOL Group	Associate of RHC ⁽²⁾	Not applicable	US\$180,802
Ship management services provided by the Group			
HOL Group	Associate of RHC ⁽²⁾	Not applicable	US\$198,000
Interests payment paid for by the Group			
HOL Group	Associate of RHC ⁽²⁾	US\$370,306 ⁽¹⁾	Not applicable

Notes:

(1) These transactions with interested persons have been approved by the Company's shareholders at the EGM held on 27 April 2021, the details of which are set out in the circular to shareholders dated 12 April 2021.

(2) HOL Group is presently 75% owned by the Group and 25% owned by Equatoriale Holdings Pte Ltd ("EHPL") (which is in turn majority owned by RHC Group) pursuant to the completion of an internal restructuring by SHL as part of the investment by RHC in EHPL as set out in the Company's announcement dated 8 June 2022.

8 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(10) of the Catalyst Rules, the Company confirms that there were no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

9 Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for 1HFY2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Darren Yeo Chee Neng
Director
Executive Vice-Chairman

Ling Yong Wah
Director
Chief Executive Officer

14 November 2022

This document has been reviewed by the Company's Sponsor, Provenance Capital Pte. Ltd. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Ms. Faye Chong, Director (Corporate Finance), who can be contacted at 96 Robinson Road, #13-01, SIF Building, Singapore 068899, telephone: (65) 6227 3467, email: faye-chong@provenancecapital.com.