



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statement And Dividend Announcement

For the Second Quarter and Half Year Ended 30 June 2016

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016 (“2Q2016”)

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		
	2Q2016 US\$'000	2Q2015 US\$'000	Change %	HY2016 US\$'000	HY2015 US\$'000	Change %
Revenue	63,660	65,021	(2.1)	112,963	125,748	(10.2)
Cost of sales	(47,774)	(47,262)	1.1	(82,646)	(91,966)	(10.1)
Gross Profit	15,886	17,759	(10.5)	30,317	33,782	(10.3)
Other income	257	528	(51.3)	574	819	(29.9)
Administrative expenses	(4,754)	(5,177)	(8.2)	(8,776)	(10,760)	(18.4)
Other operating expenses	(436)	(1,121)	(61.1)	(436)	(657)	(33.5)
Finance costs	(5,736)	(7,313)	(21.6)	(10,772)	(13,942)	(22.7)
Share of results of associate and joint ventures	820	(118)	794.9	650	926	(29.8)
Operating profit from ordinary activities	6,037	4,558	32.4	11,557	10,168	13.7
Impairment charge	(1,617)	-	n.m.	(1,617)	-	n.m.
Profit before tax	4,420	4,558	(3.0)	9,940	10,168	(2.2)
Income tax	(427)	24	n.m	(481)	(68)	607.4
Profit for the period	3,993	4,582	(12.9)	9,459	10,100	(6.3)

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)

	2Q2016	Group	Change	HY2016	Group	Change
	US\$'000	2Q2015	%	US\$'000	HY2015	%
		US\$'000			US\$'000	
Profit for the period attributable to :						
Owners of the Company	3,569	3,773	(5.4)	8,456	8,741	(3.3)
Capital securities holders	218	224	(2.2)	442	446	(0.9)
Non-controlling interests	206	585	(64.8)	561	913	(38.6)
Total	3,993	4,582	(12.9)	9,459	10,100	(6.3)
Other comprehensive income for the period, net of tax						
Exchange differences on translation of foreign operations	40	1,041	(96.2)	1,029	(301)	441.9
Cash flow hedges	681	1,589	(57.1)	1,455	118	1,133.1
	4,714	7,212	(34.6)	11,943	9,917	20.4
Total comprehensive income attributable to :						
Owners of the Company	4,290	6,403	(33.0)	10,940	8,558	27.8
Capital securities holders	218	224	(2.2)	442	446	(0.9)
Non-controlling interests	206	585	(64.8)	561	913	(38.6)
Total	4,714	7,212	(34.6)	11,943	9,917	20.4

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
	2Q2016	2Q2015
	US\$'000	US\$'000
Depreciation of property, plant and equipment	5,869	9,473
Amortisation of intangible assets	269	-
Dividend income	(1,027)	(1,224)
Fair value change of derivative financial instrument	(295)	-
Finance costs	5,735	7,313
Foreign exchange gain, net	317	1,123
Other income	(545)	(424)
Gain on disposal of property, plant and equipment	(254)	(112)
Provision for employee benefits	65	59
Share-based payment expense	445	156
Impairment charge	1,617	-

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

Statements of Financial Position

	Group		Company	
	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	8,188	41,901	728	936
Trade receivables	141,590	130,355	1,348	899
Other receivables	131,753	175,801	313,875	272,093
Inventories	1,216	1,069	-	-
Construction work-in-progress	709	464	-	-
Available-for-sale investments	88	88	86	86
Derivative financial instruments	-	295	-	-
	283,544	349,973	316,037	274,014
Assets classified as held for sale	204	115,314	-	-
Total current assets	283,748	465,287	316,037	274,014
Non-current assets				
Monies pledged with banks	699	900	-	-
Available-for-sale investments	77,200	90,200	-	-
Intangible assets	-	2,155	-	-
Property, plant and equipment	520,444	161,007	31	57
Subsidiary corporations	-	-	32,009	32,009
Joint ventures	44,349	44,018	39,695	39,695
Associate	16,942	16,293	-	-
Goodwill	9,171	9,171	-	-
Deferred tax assets	-	242	-	-
Total non-current assets	668,805	323,986	71,735	71,761
Total assets	952,553	789,273	387,772	345,775

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

	Group		Company	
	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Term loans	92,754	127,798	-	-
Notes payable	44,357	112,337	44,357	112,337
Trade payables	98,781	33,995	-	-
Other payables	159,572	79,786	147,709	26,129
Finance lease payables	4,644	774	-	-
Derivative financial instruments	3,729	15,967	3,729	15,967
Income tax payable	2,863	2,034	-	-
Total current liabilities	406,700	372,691	195,795	154,433
Non-current liabilities				
Shareholders' advances	34,000	-	-	-
Term loans	225,331	137,893	-	-
Retirement benefit obligation	995	860	-	-
Finance lease payables	482	876	-	-
Deferred tax liabilities	7,988	8,956	-	-
Total non-current liabilities	268,796	148,585	-	-
Capital and reserves				
Share capital	191,821	185,338	191,821	185,338
Perpetual capital securities	22,500	22,500	22,500	22,500
Foreign currency translation reserve	(411)	(1,440)	-	-
Hedging reserve	(489)	(1,945)	(489)	(1,945)
Share options reserve	3,330	2,487	3,330	2,487
Other reserve	(553)	(27)	28	28
Accumulated profits (losses)	28,619	22,059	(25,213)	(17,066)
Equity attributable to owners of the Company and capital securities holders	244,817	228,972	191,977	191,342
Preference shares	-	9,474	-	-
Non-controlling interests	32,240	29,551	-	-
Total equity	277,057	267,997	191,977	191,342
Total liabilities and equity	952,553	789,273	387,772	345,775

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

Amount repayable in one year or less, or on demand

Group As at 30 Jun 2016		Group As at 31 Dec 2015	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
63,559	78,196	126,315	114,594

Amount repayable after one year

Group As at 30 Jun 2016		Group As at 31 Dec 2015	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
225,813	-	138,769	-

Details of any collateral

The Group's borrowings are secured by:

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

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

Consolidated Statement of Cash Flows

	Group		Group	
	2Q2016 US\$'000	2Q2015 US\$'000	HY2016 US\$'000	HY2015 US\$'000
Operating activities				
Profit before tax	4,420	4,558	9,940	10,168
Adjustments for :				
Depreciation of property, plant and equipment	5,869	9,473	9,150	17,078
Amortisation of intangible assets	269	-	538	-
Dividend income for available-for-sale investment	(1,027)	(1,224)	(2,195)	(2,467)
Gain on disposal of property, plant and equipment	(254)	(112)	(254)	(112)
Finance costs	5,735	7,313	10,771	13,942
Share-based payment expense	445	156	891	520
Provision for employee benefits	65	59	135	143
Impairment charge	1,617	-	1,617	-
Share of results of associate	(820)	118	(650)	(926)
Unrealised exchange loss	42	1,497	994	155
Fair value change of derivative financial instruments	295	-	295	-
Operating cash flows before working capital changes	16,656	21,838	31,232	38,501
Trade and other receivables	879	(21,480)	(8,166)	(28,013)
Trade and other payables	(53,474)	(5,840)	(46,377)	9,424
Inventories	(67)	(52)	(147)	(205)
Construction work-in-progress	(136)	1,118	(245)	1,398
Net cash (used in) from operations	(36,142)	(4,416)	(23,703)	21,105
Income tax paid	(184)	(489)	(184)	(1,864)
Net cash (used in) from operating activities	(36,326)	(4,905)	(23,887)	19,241
Investing activities				
Dividends received	-	-	1,182	1,316
Proceeds from redemption of preference shares	3,750	5,000	13,000	9,500
Acquisition of subsidiary	7,274	-	7,274	-
Acquisition of associate	-	-	-	(84)
Proceeds from assets disposed in prior period	-	1,693	65,714	1,693
Proceeds from disposal of asset previously held-for-sale	3,066	-	3,066	-
Purchase of property, plant and equipment	(24,646)	(9,482)	(24,800)	(20,552)
Net cash from (used in) investing activities	(10,556)	(2,789)	65,436	(8,127)

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 (cont'd).**

Consolidated Statement of Cash Flows (cont'd)

	<u>Group</u>		<u>Group</u>	
	2Q2016 US\$'000	2Q2015 US\$'000	HY2016 US\$'000	HY2015 US\$'000
Financing activities				
Dividend paid	(1,800)	(1,672)	(1,800)	(1,672)
Interest paid	(199)	(6,869)	(2,607)	(13,055)
Distribution paid	(316)	-	(770)	-
Advances from shareholders	-	-	72,913	-
Proceeds from new loans raised	39,234	59,991	62,459	91,026
Net proceeds from shares issue(net of expenses)	(48)	-	(48)	-
Proceeds from issuance of preference shares by a subsidiary	-	9,474	-	9,474
Redemption of preference shares issued by a subsidiary	-	-	(10,000)	-
Repayment of term loans	(23,822)	(58,564)	(120,353)	(88,990)
Repayment of notes payable	(78,762)	-	(78,762)	-
Repayment of obligation under finance lease	3,701	(460)	3,476	(12,485)
Pledged deposits	201	(505)	201	(505)
Net cash (used in) from financing activities	(61,811)	1,395	(75,291)	(16,207)
Net decrease in cash and cash equivalents	(108,693)	(6,299)	(33,742)	(5,093)
Effects of exchange rate changes on the cash balance	-	-	29	-
Cash and cash equivalents at beginning of period	116,881	21,960	41,901	20,754
Cash and cash equivalents at end of period	8,188	15,661	8,188	15,661

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

Group	Share capital US\$'000	Foreign currency translation reserve US\$'000	Hedging reserve US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Accumulated profits US\$'000	Perpetual capital securities US\$'000	Equity attributable to owners of the Company and capital securities holders US\$'000	Preference shares issued to a non-controlling interest US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2016	185,338	(1,440)	(1,945)	2,487	(27)	22,059	22,500	228,972	9,474	29,551	267,997
Total comprehensive income for the period	-	-	-	-	-	8,898	-	8,898	-	561	9,459
Profit for the period	-	-	-	-	-	8,898	-	8,898	-	561	9,459
Other comprehensive income for the period	-	1,029	1,456	-	-	-	-	2,485	-	-	2,485
Total	-	1,029	1,456	-	-	8,898	-	11,383	-	561	11,944
Transactions with owners, recognized directly in equity											
Issuance of consideration shares, net of expenses	6,483	-	-	-	-	-	-	6,483	-	-	6,483
Recognition of share-based payments	-	-	-	891	-	-	-	891	-	-	891
Redemption of preference shares issued by subsidiary	-	-	-	-	-	-	-	-	(10,000)	-	(10,000)
Effects of redemption of preference shares	-	-	-	-	(526)	-	-	(526)	526	-	-
Distribution	-	-	-	-	-	(538)	-	(538)	-	-	(538)
Non controlling interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	2,128	2,128
Performance shares awarded	-	-	-	(48)	-	-	-	(48)	-	-	(48)
Dividend declared	-	-	-	-	-	(1,800)	-	(1,800)	-	-	(1,800)
Total	6,483	-	-	843	(526)	(2,338)	-	4,462	(9,474)	2,128	(2,884)
At 30 June 2016	191,821	(411)	(489)	3,330	(553)	28,619	22,500	244,817	-	32,240	277,057

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

	Share capital	Foreign currency translation reserve	Hedging reserve	Share options reserve	Other reserve	Accumulated profits	Perpetual capital securities	Preference shares	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	US\$'000
Group											
At 1 January 2015	185,276	(268)	(2,141)	1,156	24	6,262	22,500	-	212,809	27,939	240,748
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	10,187	-	-	9,187	913	10,100
Other comprehensive income for the period	-	(301)	118	-	-	-	-	-	(183)	-	(183)
Total	-	(301)	118	-	-	10,187	-	-	9,004	913	9,917
Transactions with owners, recognized directly in equity											
Dividends	-	-	-	-	-	(1,672)	-	-	(1,672)	-	(1,672)
Recognition of share-based payments	-	-	-	520	-	-	-	9,474	9,474	-	9,474
Issue of convertible preference shares, net of transaction costs	-	-	-	-	-	-	-	-	520	-	520
Total	-	-	-	520	-	(1,672)	-	9,474	8,322	-	8,322
At 30 June 2015	185,276	(569)	(2,023)	1,676	24	14,777	22,500	9,474	230,135	28,852	258,987

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

	Share capital US\$'000	Hedging reserve US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Accumulated losses US\$'000	Perpetual capital securities US\$'000	Total equity US\$'000
Company							
At 1 January 2016	185,338	(1,945)	2,487	28	(17,066)	22,500	191,342
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(5,809)	-	(5,809)
Other comprehensive income for the period	-	1,456	-	-	-	-	1,456
Total	-	1,456	-	-	(5,809)	-	(4,353)
Transactions with owners, recognized directly in equity							
Distribution paid to perpetual capital securities holder	-	-	-	-	(538)	-	(538)
Issuance of consideration shares, net of expenses	6,483	-	-	-	-	-	6,483
Recognition of share-based payments	-	-	891	-	-	-	891
Performance shares awarded	-	-	(48)	-	-	-	(48)
Dividends	-	-	-	-	(1,800)	-	(1,800)
Total	6,483	-	843	-	(2,338)	-	4,988
At 30 June 2016	191,821	(489)	3,330	28	(25,213)	22,500	191,977
At 1 January 2015	185,276	(2,141)	1,156	24	(17,868)	22,500	188,947
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(7,977)	446	(7,531)
Other comprehensive income for the period	-	118	-	-	-	-	118
Total	-	118	-	-	(7,977)	-	(7,413)
Transactions with owners, recognized directly in equity							
Dividends	-	-	-	-	(1,672)	-	(1,672)
Recognition of share-based payments	-	-	520	-	-	-	520
Total	-	-	520	-	(1,672)	-	(1,152)
At 30 June 2015	185,276	(2,023)	1,676	24	(27,517)	22,946	180,382

- 1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

(a) Performance Share Plan

On 14 May 2013, pursuant to the Vallianz Performance Share Plan (“PSP”), Vallianz Holdings Limited (the “Company”) granted 6,000,000 share awards (“Awards”). One-third of the Awards will be vested in each year on the anniversary of the Awards over a three (3) year period.

On 6 July 2015, the Company granted 51,500,000 Awards pursuant to the PSP which were vested on 7 July 2016.

Date of grant	As at 1 January 2016	Granted	Vested	Cancelled	As at 30 June 2016
14 May 2013	1,166,666	-	(1,166,666)	-	-
6 July 2015	50,500,000	-	-	-	50,500,000

(b) Employee Share Options

On 14 May 2013, the Company granted 9,000,000 share options pursuant to the Vallianz Employee Share Option Scheme (“ESOS”). The share option is valid for a period of five (5) years commencing from the date of grant and exercisable after the first anniversary of the date of grant.

On 7 May 2014, the Company granted 20,000,000 share options pursuant to the ESOS. Each share option is valid for a period of ten (10) years commencing from the date of grant and exercisable after the first anniversary of the date of grant.

Date of grant	As at 1 January 2016	Granted	As at 30 June 2016
14 May 2013	9,000,000	-	9,000,000
7 May 2014	20,000,000	-	20,000,000

On 27 July 2016, 25,000,000 share options were cancelled due to the cessation of Mr Raymond Kim Goh as Non-Executive Director and Chairman of the Board.

(b) Consideration Shares for OER acquisition

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

(c) Consideration Shares for the acquisition of vessels

On 22 January 2016, the Company completed the listing and quotation of 70,532,596 ordinary shares which were issued as part consideration for the acquisition of two vessels by the Group during the period ended 30 June 2016.

(d) Total number of Shares that may be issued as at 30 June 2016

Corporate Action	No. of Shares
Grant of share awards under PSP	50,500,000
Grant of share options under ESOS	29,000,000
	79,500,000

Subsequent to 30 June 2016, the number of share options granted under ESOS will be reduced to 4,000,000 due to the cancellation of share options granted to Mr Raymond Kim Goh.

- 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>Group and Company</u>	
	30 Jun 2016	31 Dec 2015
	No. of shares	No. of shares
	('000)	('000)
The number of issued shares	3,541,711	3,345,012

There were no treasury shares as at 30 June 2016 and 31 December 2015.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Group does not have any treasury shares at the end of the financial period.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as those applied in the audited financial statements for the year ended 31 December 2015.

5. If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new or revised Financial Reporting Standard ("FRS") and the interpretation of FRS ("IFRS") that become effective for the entities with their financial periods commencing 1 January 2016. The adoption of the new and revised FRS and IFRS has no material impact on the unaudited financial statements for the second quarter and half year ended 30 June 2016.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<u>Group</u>		<u>Group</u>	
	2Q2016	2Q2015	HY2016	HY2015
<u>Earnings (US\$'000)</u>				
Net profit after tax attributable to owners of the Company	3,569	3,773	8,456	8,741
<u>Number of shares ('000)</u>				
Weighted average number of shares for basic earnings per share	3,534,292	3,344,303	3,466,780	3,343,910
Effects of dilution	52,322	130,414	52,322	130,414
Weighted average number of shares for diluted earnings per share	3,587,106	3,474,717	3,494,226	3,474,324
<u>Earnings per share (US cents)</u>				
Basic	0.10	0.11	0.24	0.26
Diluted	0.10	0.11	0.24	0.25

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.**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Net asset value (US\$'000)	244,817	228,972	191,977	191,342
Total number of shares issued ('000)	3,541,711	3,345,012	3,541,711	3,345,012
Net asset value per share (US cents)	6.91	6.85	5.42	5.72

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.**

Review of Group Performance

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Revenue, costs of sales and gross profit

The Group's revenue decreased 2.1% or US\$1.36 million to US\$63.66 million for the three (3) months ended 30 June 2016 ("2Q2016") when compared to the three (3) months ended 30 June 2015 ("2Q2015"). For the first six months ended 30 June 2016 ("HY2016"), the Group's revenue decreased by 10% or US\$12.79 million to US\$112.96 million from US\$125.75 million in HY2015. This was due mainly to the absence of contributions from ship management projects in Latin America which were completed in late 2015, the renewal of certain existing contracts with a customer in the Middle East in July 2015 at lower average charter rates, and a change in the revenue mix to a higher percentage of chartering and brokerage services business and less on vessel management.

8 Review of Group Performance (Cont'd)

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

As a percentage of total revenue, the charter and brokerage services accounted for 68% of the Group's revenue in 2Q2016, an increase from 63% in 2Q2015. For HY2016, charter and brokerage services contributed 69% of the Group's revenue as compared to 66% in HY2015. This is in line with the Group's strategy to focus on the expansion of its vessel chartering and brokerage business and less on vessel management.

The Group's cost of sales in 2Q2016 increased marginally by 1.1% to US\$47.78 million as compared to US\$47.26 million 2Q2015. The Group recorded a gross profit margin of 25.0% in 2Q2016 compared to 27.3% in 2Q2015. For HY2016, the Group's gross profit margin remained consistent at 26.9% versus HY2015 which can be attributed to the Group's efforts to maximize cost savings from its vessel operations and labour expenses.

(b) Other income

For HY2016, other income amounted to US\$574,000. The other income comprised primarily a gain on disposal of property, plant and equipment of US\$254,000 and government grant received of US\$118,000.

(c) Administrative expenses

Administrative expenses comprise largely staff and travel related expenses. Administrative expenses decreased by 8.2% or US\$423,000 to US\$4.75 million in 2Q2016 when compared to 2Q2015. These expenses also fell by 18.4% year-on-year to US\$8.77 million in HY2016. The declines were largely attributable to the Group's concerted efforts to optimise its cost structure since late 2015.

(d) Finance costs

Finance costs in 2Q2016 decreased by 21.6% or US\$1.58 million to US\$5.74 million from US\$7.31 million in the 2Q2015. This is mainly because of the repayment of the Notes Payables – Series 1 on 1 April 2016 of which the positive impact was offset to some extent by the interest expenses of the borrowings arising from the consolidation of the financial statements of Holmen and loans for the acquisition of vessels during 2Q2016.

For HY2016, the Group's finance costs declined 22.7% to US\$10.77 million from US\$13.94 million in HY2015. The reduction was partially attributable to the completion of a refinancing exercise for its operations in the Middle East in February 2016.

(e) Share of results of associate and joint ventures

The Group recorded a profit of US\$820,000 from its share of results of associate and joint ventures in 2Q2016 compared to a loss of US\$120,000 in 2Q2015. For HY2016, the profit contribution from its share of results of associate and joint ventures was US\$650,000, a decline of 29.8% from US\$926,000 in HY2015.

(f) Operating profit from ordinary activities

The Group recorded higher operating profit of US\$6.04 million in 2Q2016, an increase of 32.4% from US\$4.56 million in 2Q2015. This was due mainly to reduction in operating expenses and an increase in share of results of associate and joint ventures.

Notwithstanding the lower revenue in HY2016, the Group's operating profit for HY2016 increased by 13.7% to US\$11.56 million from US\$10.17 million in HY2015 as a result of its concerted efforts to rationalise and improve its cost structure.

(g) Net Profit

For 2Q2016, the Group's net profit decreased by 12.9% or US\$589,000 to US\$3.99 million compared to US\$4.58 million for 2Q2015 due mainly to a one-off impairment charge of US\$1.62 million. This charge is related to the impairment of intangible assets of OER Group's customer list in relation to Swiber. As a result of the impairment charge, the Group's net profit for HY2016 eased marginally by 6.3% or US\$641,000 to US\$9.46 million from US\$10.10 million in HY2015.

Based on the weighted average number of shares, the Group recorded earnings per share of 0.10 US cents for 2Q2016 as compared to 0.11 US cents for 2Q2015. For HY2016, its earnings per share remained relatively stable at 0.24 US cents compared to 0.26 US cents in HY2015.

8 Review of Group Performance (Cont'd)

Statements of Financial Position

(h) Trade and other receivables

The decrease in trade and other receivables from US\$306.16 million as at 31 December 2015 to US\$273.34 million as at 30 June 2016 is largely due to the concerted efforts by the Group in collecting outstanding receivables during the financial period ended 30 June 2016.

(i) Available-for-sale investments

As at 30 June 2016, the Group had 772,000 preferential shares in Resolute Offshore Pte Ltd valued at US\$77.20 million. Resolute Offshore Pte Ltd redeemed 130,000 preference shares for a total value of US\$13.0 million in HY2016.

(j) Property, plant and equipment

Property, plant and equipment increased from US\$161.01 million as at 31 December 2015 to US\$520.44 million as at 30 June 2016. The increase was due mainly to the acquisition of vessels and consolidation of vessel fleet owned by Holmen.

(k) Asset held for sale

As at 30 June 2016, the Group had an asset held for sale of US\$204,000 which it expects the sale to be completed within the foreseeable future.

(l) Total current and non-current borrowings

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

	30 Jun 2016			31 Dec 2015		
	Current US\$'000	Non-current US\$'000	Total US\$'000	Current US\$'000	Non-current US\$'000	Total US\$'000
Term Loans ⁽¹⁾	92,754	225,331	318,085	127,798	137,893	265,691
Notes Payable	44,357	-	44,357	112,337	-	112,337
Finance Lease	4,644	482	5,126	774	876	1,650
	141,755	225,813	367,568	240,909	138,769	379,678

(1) Including working capital line of US\$44.8 million and US\$32.5 million as at 30 June 2016 and 31 December 2015 respectively.

Total current and non-current term borrowings moved from US\$379.68 million as at 31 December 2015 to US\$367.57 million as at 30 June 2016 mainly due to repayments and drawdowns made in HY2016.

On 20 March 2014, the Group established a Multicurrency Debt Issuance Programme to issue up to S\$500,000,000 fixed or floating rate notes. As at 30 June 2016, the Group has the following Notes outstanding:

	Tenure (years)	Interest Rate	Due Date	S\$'000	US\$'000
Series 2	2.5	7.25%	Nov 2016	60,000	44,357

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

(m) Trade and other payables

The Group's trade and other payables increased by approximately US\$155.57 million from US\$113.78 million as at 31 December 2015 to US\$269.35 million as at 30 June 2016. This arose from the consolidation of the financial statements of Holmen in 2Q2016 and the reclassification of an amount of US\$38.9 million previously recognised and included in Shareholders' Advances to Current Liabilities. This reclassification is the result of the events at Swiber as described in 8(s) below.

(n) Shareholders' advances

The Group received interest free advances from certain shareholders in late March 2016 with no fixed term for repayment.

8 Review of Group Performance (Cont'd)

(n) Shareholders' advances (Cont'd)

Shareholders' advances as at 30 June 2016 were US\$34.0 million compared to US\$72.91 million as at 31 March 2016. The decrease during 2Q2016 was due to the reclassification of the amount due to Swiber to Trade and Other Payables as described under 8(m) above.

(o) Negative working capital

The average repayment period for the Group's vessel borrowings is approximately six (6) years, which is significantly shorter than the useful lives of the vessels which are typically between 18 and 25 years. The short-term portion of vessel borrowings is recorded as current liabilities whereas the vessels' values are entirely recorded as non-current assets. This mismatch contributed partly to the net current liabilities position of US\$122.82 million as at 30 June 2016.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from US\$41.90 million as at 31 December 2015 to US\$8.19 million as at 30 June 2016.

(p) Cash flow from operating activities

The Group used net cash for operating activities of US\$36.33 million in 2Q2016. For HY2016, net cash used in operating activities was US\$23.89 million.

(q) Cash flow from investing activities

Net cash used in investing activities for 2Q2016 amounted to US\$10.56 million, mainly for the purchase of property, plant and equipment. For HY2016, the Group generated net cash from investing activities of US\$65.44 million, due mainly to proceeds from redemption of preference shares, and the receipt of proceeds from the sale of property, plant and equipment in late 2015.

(r) Cash flow used in financing activities

Net cash used in financing activities in 2Q2016 amounted to US\$61.82 million. This was mainly for the repayment of Series 1 of the Notes payable on 1 April 2016, term loans and finance leases, which was partially offset by advances from certain shareholders of the Company of approximately US\$72.91 million and proceeds from new loans for acquisition of vessels. For the HY2016, net cash used in financing activities was US\$75.29 million.

(s) Implication of Swiber events

Subsequent to the Company Update that was announced on 1 August 2016, the Company wishes to provide the additional updates below:

1. Vessel charter contracts in the Middle East

As at the date of this results announcement, the Group's core vessel chartering business is continuing as usual. As at 30 June 2016, revenue from the chartering and brokerage business contributed approximately 70% to the Group's total revenue which is in line with the Company's focus since 2015.

2. Revenue contribution from Swiber Holdings and its subsidiaries, associates and joint ventures (collectively known as the "Swiber entities")

The following tables provide an update of the revenue contribution from the Swiber entities:

Financial Period	Reported Revenue	Revenue from Swiber entities	Proportion of Revenue from Swiber entities	Revenue from third-party customers	Proportion of Revenue from third-party customers
	US\$'000	US\$'000	(%)	US\$'000	(%)
FY2015	232,554	80,562	34.6%	151,992	65.4%
1Q2016	49,303	9,842	20.0%	39,461	80.0%
2Q2016	63,660	10,825	17.0%	52,836	83.0%

Notably, the Group has been decreasing its dependency on the revenue contribution from the Swiber entities, which has declined from 34.6% in FY2015 to 20.0% in 1Q2016 and further to 17.0% in 2Q2016.

8 Review of Group Performance (Cont'd)

Segmental revenue comparison of impact from Swiber's revenue on two main segments

In US\$'000	Vessel chartering and brokerage				Vessel management			
	2Q2016	% of segment revenue	1Q2016	% of segment revenue	2Q2016	% of segment revenue	1Q2016	% of segment revenue
Reported Revenue	43,003	-	34,661	-	19,631	-	13,474	-
Revenue from Swiber entities	1,820	4.2%	2,235	6.5%	9,005	45.9%	7,607	56.5%
Revenue from third parties	41,183	95.8%	32,426	93.5%	10,626	54.1%	5,867	43.5%

Based on the table above, the Swiber entities accounted for only 4.2% of the Group's chartering and brokerage revenue in 2Q2016. While the Swiber entities contributed 45.9% to the Group's vessel management revenue in 2Q2016, this segment is a complementary service business to the core vessel chartering business of the Group.

3. Receivables and payables

As at 30 June 2016, the Group had trade and other receivables owing from Swiber entities amounting to approximately US\$65.92 million. The Group also had trade payables and other payables owing to Swiber entities of approximately US\$67.34 million.

A court hearing was held at 5 pm on 2 August 2016 to have Swiber and its subsidiary, Swiber Offshore Construction placed under interim judicial management, and to have the provisional liquidation order in respect of Swiber discharged.

The Company's lawyers attended the hearing and have reported that pursuant to the hearing, the Court has ordered Swiber and Swiber Offshore Construction to be placed under interim judicial management. The provisional liquidation order in respect of Swiber has also been discharged.

As the above event is fairly recent, the Company, in consultation with its legal advisers, has not made any provision in respect of any impairment in relation to the above receivables. The Company will continue to monitor the situation in consultation with its legal advisers and make the relevant announcement when necessary.

4. Borrowings

The Company and certain of its subsidiaries had 3 outstanding bank loans which have corporate guarantees from Swiber and, in addition, 1 of these bank loans require Vallianz to continue to be an associate of Swiber as a loan covenant. In this regard, following the announcement by Swiber on 28 July 2016, the Company is already in discussions with the relevant banks to amend these terms.

As at the date of this announcement, the Company has not been served with any notices of any event of default for any of its loans.

5. Business operations

To-date, the Group has not experienced any disruption to its business operations.

The Company will, in consultation with the Company's legal advisers, continue to assess the implications of these developments.

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

Not applicable.

10. **A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group expects business conditions in the offshore marine industry to remain challenging due to the volatile oil prices and the protracted downturn in the global oil industry. As overall demand for offshore support vessels (“OSV”) has slowed considerably, this has resulted in an increasingly competitive environment for OSV operators, characterised by downward pressure on charter rates and more stringent customer requirements.

For HY2016, Vallianz had maintained a profitable performance as it continued to execute existing and new charter contracts as well as benefit from continuous cost control improvements. The Group also secured new vessel charter awards during HY2016, including contracts valued at up to US\$273 million in the Middle East where it has built an established market position. As at 30 June 2016, the Group has outstanding chartering services order book which comprises fixed term long term charters and options to extend, worth approximately US\$1.1 billion in aggregate. The options to extend for further periods stretching up to 2025 are at the customers’ discretion. The US\$1.1 billion order book is mainly for a national oil company in the Middle East.

The Group will adopt a cautious approach due to the challenging business environment. To ensure it remains competitive, the Group will focus on operational and service excellence while optimising its cost structure. The Group will also seek to reinforce its market position in the Middle East by strengthening existing customer relationships and increasing its penetration in other target markets.

The Group will, in consultation with its legal advisors, continue to closely monitor and evaluate the impact of Swiber’s developments, and will provide updates to shareholders as and when appropriate.

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 half year ended 30 June 2016 which exceeds the stipulated threshold except as disclosed below:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Chartering services provided by the Group		
Swiber and its subsidiaries	Nil	US\$4,055,373
Ship management services provided by the Group		
Swiber and its subsidiaries	Nil	US\$14,544,979
Shipyard, Engineering, Fabrication Services and Facilities services provided by the Group		

Swiber and its subsidiaries	Nil	US\$2,066,660
Chartering services provided to the Group		
Swiber and its subsidiaries	Nil	US\$360,000
Corporate services provided to the Group		
Swiber and its subsidiaries	Nil	US\$192,000
Rawabi Holdings Co Ltd	Nil	US\$134,879

14. Statement by Directors pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter and half year financial results for the period ended 30 June 2016 to be false or misleading in any material aspect.

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

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

On behalf of the Board of Directors

Ling Yong Wah
Director
Chief Executive Officer

Bote de Vries
Independent Non-Executive Director

BY ORDER OF THE BOARD

Lee Bee Fong
Company Secretary
14 August 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of 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.

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