



## **VALLIANZ HOLDINGS LIMITED**

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**Announcement In Relation to Unaudited Financial Statement**

**For the Third Quarter and Nine Months Ended 30 September 2016**

**ANNOUNCEMENT IN RELATION TO UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER ENDED (“3Q2016”) AND NINE MONTHS ENDED 30 SEPTEMBER 2016 (“9M2016”)**

**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		
	3Q2016 US\$'000	3Q2015 US\$'000	Change %	9M2016 US\$'000	9M2015 US\$'000	Change %
<b>Revenue</b>	<b>54,794</b>	59,834	(8.4)	<b>167,757</b>	185,582	(9.6)
Cost of sales	<b>(42,901)</b>	(43,006)	(0.2)	<b>(125,547)</b>	(134,972)	(7.0)
<b>Gross Profit</b>	<b>11,893</b>	16,828	(29.3)	<b>42,210</b>	50,610	(16.6)
Other income	<b>709</b>	1,457	(51.3)	<b>1,283</b>	1,619	(20.8)
Administrative expenses	<b>(3,719)</b>	(5,027)	(26.0)	<b>(12,495)</b>	(15,787)	(20.9)
Other operating expenses	-	-	-	<b>(436)</b>	-	nm
Finance costs	<b>(4,954)</b>	(6,538)	(24.2)	<b>(15,725)</b>	(20,480)	(23.2)
Share of profit of associate and joint ventures	<b>(771)</b>	(468)	(64.7)	<b>(121)</b>	458	(73.6)
<b>Operating profit from ordinary activities</b>	<b>3,158</b>	6,252	(49.5)	<b>14,716</b>	16,420	(10.4)
Impairment charge	-	-	-	<b>(1,617)</b>	-	nm
<b>Profit before tax</b>	<b>3,158</b>	6,252	(49.5)	<b>13,099</b>	16,420	(20.2)
Income tax expense	<b>(115)</b>	(963)	88.1	<b>(595)</b>	(1,031)	42.3
<b>Profit for the period</b>	<b>3,043</b>	5,289	(42.5)	<b>12,504</b>	15,389	(18.7)

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.**

	Group			Group		
	3Q2016 US\$'000	3Q2015 US\$'000		9M2016 US\$'000	9M2015 US\$'000	
<b>Profit for the period attributable to :</b>						
Owners of the Company	693	4,593	(84.9)	9,150	13,334	(31.4)
Preference shares holders	-	109	nm	-	109	nm
Capital securities holders	231	227	1.8	674	673	nm
Non-controlling interests	2,119	360	488.6	2,680	1,273	110.5
<b>Total</b>	<b>3,043</b>	<b>5,289</b>	<b>(42.5)</b>	<b>12,504</b>	<b>15,389</b>	<b>(18.7)</b>
<b>Other comprehensive income for the period, net of tax</b>						
Exchange differences on translation of foreign operations	(186)	(838)	77.8	843	(1,139)	174.0
Cash flow hedges	107	(1,199)	108.9	1,562	(1,081)	244.5
<b>Total comprehensive income for the period</b>	<b>2,964</b>	<b>3,252</b>	<b>(8.9)</b>	<b>14,909</b>	<b>13,169</b>	<b>13.2</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	614	2,556	(76.0)	11,555	11,114	4.0
Preference shares holders	-	109	nm	-	109	nm
Capital securities holders	231	227	nm	674	673	nm
Non-controlling interests	2,119	360	488.6	2,680	1,273	110.5
<b>Total</b>	<b>2,964</b>	<b>3,252</b>	<b>(8.9)</b>	<b>14,909</b>	<b>13,169</b>	<b>13.2</b>

**Note:** nm – Not Meaningful

**1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.**

Net profit for the period is determined after charging/(crediting) the following:

	Group		Group	
	3Q2016 US\$'000	3Q2015 US\$'000	9M2016 US\$'000	9M2015 US\$'000
Depreciation of property, plant and equipment	5,695	6,495	14,845	23,573
Amortisation of intangible assets	-	-	538	-
Dividend income	(1,011)	(1,183)	(3,206)	(3,650)
Fair value change of derivative financial instrument	-	-	(295)	-
Finance costs	4,954	6,538	15,725	20,480
Foreign exchange gain, net	(142)	(689)	(19)	(32)
Other income	(161)	(299)	(1,112)	(1,006)
Loss/(Gain) on disposal of property, plant and equipment	214	(452)	(41)	(564)
Provision for employee benefits	33	20	168	163
Share-based payment expense	25	426	916	946
Impairment charge	-	-	1,617	-
Provision for doubtful debts written back	-	(17)	-	(17)
Write down of available-for-sale investment	-	11	-	11

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**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2016</b>	31 Dec 2015	<b>30 Sep 2016</b>	31 Dec 2015
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	<b>37,373</b>	41,901	<b>30,079</b>	936
Trade receivables	<b>137,374</b>	130,355	<b>1,574</b>	899
Other receivables	<b>149,775</b>	175,801	<b>342,730</b>	272,093
Inventories	<b>1,350</b>	1,069	-	-
Construction work-in-progress	<b>784</b>	464	-	-
Available-for-sale investments	<b>88</b>	88	<b>86</b>	86
Derivative financial instruments	-	295	-	-
	<b>326,744</b>	349,973	<b>374,469</b>	274,014
Assets classified as held for sale	<b>202</b>	115,314	-	-
Total current assets	<b>326,946</b>	465,287	<b>374,469</b>	274,014
<b>Non-current assets</b>				
Deposits pledged with banks	<b>699</b>	900	-	-
Available-for-sale investments	<b>77,200</b>	90,200	-	-
Intangible assets	-	2,155	-	-
Property, plant and equipment	<b>516,333</b>	161,007	<b>126</b>	57
Subsidiaries	-	-	<b>29,417</b>	32,009
Joint venture	<b>44,166</b>	44,018	<b>52,423</b>	-
Associate	<b>16,024</b>	16,293	-	39,695
Goodwill	<b>9,171</b>	9,171	-	-
Deferred tax assets	-	242	-	-
Total non-current assets	<b>663,593</b>	323,986	<b>81,966</b>	71,761
<b>Total assets</b>	<b>990,539</b>	789,273	<b>456,435</b>	345,775

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

	Group		Company	
	30 Sep 2016 US\$'000	31 Dec 2015 US\$'000	30 Sep 2016 US\$'000	31 Dec 2015 US\$'000
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Term loans	100,551	127,798	-	-
Notes payables	43,895	112,337	43,896	112,337
Trade payables	78,592	33,995	-	-
Other payables	149,935	79,786	218,184	26,129
Finance lease payables	1,125	774	-	-
Derivative financial instruments	4,211	15,967	4,211	15,967
Income tax payable	3,147	2,034	-	-
Total current liabilities	<b>381,456</b>	372,691	<b>266,291</b>	154,433
<b>Non-current liabilities</b>				
Shareholders' advances	97,087	-	-	-
Term loans	219,855	137,893	-	-
Retirement benefit obligation	1,028	860	-	-
Finance lease payables	3,696	876	-	-
Deferred tax liabilities	7,629	8,956	-	-
Total non-current liabilities	<b>329,295</b>	148,585	-	-
<b>Capital and reserves</b>				
Share capital	193,620	185,338	193,620	185,338
Perpetual capital securities	22,500	22,500	22,500	22,500
Foreign currency translation reserve	(597)	(1,440)	-	-
Hedging reserve	(383)	(1,945)	(383)	(1,945)
Share options reserve	60	2,487	60	2,487
Other reserve	943	(27)	1,524	28
Accumulated profits (losses)	29,316	22,059	(27,177)	(17,066)
Equity attributable to owners of the Company and capital securities holders	<b>245,459</b>	228,972	<b>190,144</b>	191,342
Preference shares	-	9,474	-	-
Non-controlling interests	34,329	29,551	-	-
Total equity	<b>279,788</b>	267,997	<b>190,144</b>	191,342
<b>Total liabilities and equity</b>	<b>990,539</b>	789,273	<b>456,435</b>	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		Group	
As at 30 Sep 2016		As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
99,550	46,021	126,315	114,594

**Amount repayable after one year**

Group		Group	
As at 30 Sep 2016		As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
223,551	-	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**

	<b>3Q2016</b>	3Q2015	<b>9M2016</b>	9M2015
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
<b>Operating activities</b>				
Profit before tax	<b>3,158</b>	6,252	<b>13,099</b>	16,420
Adjustments for :				
Depreciation of property, plant and equipment	<b>5,695</b>	6,495	<b>14,845</b>	23,573
Amortisation of intangible assets	-	-	<b>538</b>	-
Dividend income for available-for-sale investments	<b>(1,011)</b>	(1,183)	<b>(3,206)</b>	(3,650)
Loss (Gain) on disposal of property, plant and equipment	<b>214</b>	(452)	<b>(41)</b>	(564)
Finance costs	<b>4,954</b>	6,538	<b>15,725</b>	20,480
Share-based payment expense	<b>25</b>	426	<b>916</b>	946
Provision for employee benefits	<b>33</b>	20	<b>168</b>	163
Impairment charge	-	-	<b>1,617</b>	-
Share of results of associate and joint ventures	<b>771</b>	468	<b>121</b>	(458)
Unrealised exchange (gain) loss	<b>(192)</b>	126	<b>802</b>	281
Provision for doubtful debts written back	-	(17)	-	(17)
Fair value change of derivative financial instruments	-	-	<b>295</b>	-
Write down of available-for-sale investments	-	11	-	11
<b>Operating cash flows before working capital changes</b>	<b>13,647</b>	18,684	<b>44,879</b>	57,185
Trade and other receivables	<b>(13,416)</b>	(10,421)	<b>(23,445)</b>	(38,434)
Trade and other payables	<b>(17,907)</b>	(31,643)	<b>(34,555)</b>	(22,219)
Inventories	<b>(134)</b>	164	<b>(281)</b>	(41)
Construction work-in-progress	<b>(75)</b>	(35)	<b>(320)</b>	1,363
<b>Cash used in operations</b>	<b>(17,885)</b>	(23,251)	<b>(13,722)</b>	(2,146)
Income tax paid	<b>(637)</b>	(409)	<b>(821)</b>	(2,272)
<b>Net cash used in operating activities</b>	<b>(18,522)</b>	(23,660)	<b>(14,543)</b>	(4,418)
<b>Investing activities</b>				
Dividends received	-	-	<b>1,182</b>	1,316
Proceeds from redemption of preference shares	-	-	<b>13,000</b>	9,500
Acquisition of subsidiary	-	-	<b>7,274</b>	-
Acquisition of associate	-	-	-	(84)
Investment in joint venture	-	(5,880)	-	(5,880)
Proceeds from disposal of property, plant and equipment	-	1,446	<b>65,714</b>	3,138
Proceeds from disposal of asset previously held-for-sale	-	-	<b>3,066</b>	-
Purchase of property, plant and equipment	<b>(2,329)</b>	(99)	<b>(27,129)</b>	(20,651)
<b>Net cash (used in) from investing activities</b>	<b>(2,329)</b>	(4,533)	<b>63,107</b>	(12,661)

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

	<b>3Q2016</b>	3Q2015	<b>9M2016</b>	9M2015
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
<b>Financing activities</b>				
Pledged deposits	-	(446)	<b>201</b>	(951)
Dividends paid	-	-	<b>(1,800)</b>	(1,672)
Distribution paid	-	(446)	<b>(770)</b>	(446)
Advances from shareholders	<b>52,088</b>	-	<b>97,087</b>	-
Interest paid	<b>(4,073)</b>	(6,093)	<b>(6,680)</b>	(19,148)
Proceeds from new bank loans raised	<b>8,890</b>	49,989	<b>71,349</b>	141,015
Proceeds from issuance of preference shares by a subsidiary	-	-	-	9,474
Repayment of term loans	<b>(6,569)</b>	(18,290)	<b>(126,922)</b>	(107,280)
Repayment of notes payable	-	-	<b>(78,762)</b>	-
Repayment of obligation under finance lease	<b>(305)</b>	(620)	<b>3,171</b>	(13,105)
Redemption of preference shares issued by a subsidiary	-	-	<b>(10,000)</b>	-
<b>Net cash from (used in) financing activities</b>	<b>50,031</b>	24,094	<b>(53,126)</b>	7,887
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>29,180</b>	(4,099)	<b>(4,562)</b>	(9,192)
<b>Effects of exchange rate changes on the cash balance</b>	<b>5</b>	-	<b>34</b>	-
<b>Cash and cash equivalents at beginning of period</b>	<b>8,188</b>	15,661	<b>41,901</b>	20,754
<b>Cash and cash equivalents at end of period</b>	<b>37,373</b>	11,562	<b>37,373</b>	11,562



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	Preference shares	Foreign currency translation reserve	Hedging reserve	Share options reserve	Other reserve	Accumulated profits	Perpetual capital securities	Equity attributable to owners of the Company, preference shares holders 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
<b>Group</b>											
At 1 January 2016	185,338	9,474	(1,440)	(1,945)	2,487	(27)	22,059	22,500	238,446	29,551	267,997
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	9,824	-	9,824	2,680	12,504
Other comprehensive income for the period	-	-	843	1,562	-	-	-	-	2,405	-	2,405
Total	-	-	843	1,562	-	-	9,824	-	12,229	2,680	14,909
<b>Transactions with owners, recognised directly in equity</b>											
Issue of consideration shares, net of expenses	6,435	-	-	-	-	-	-	-	6,435	-	6,435
Recognition of share-based payments	-	-	-	-	916	-	-	-	916	-	916
Redemption of preference shares issued by subsidiary	-	(10,000)	-	-	-	-	-	-	(10,000)	-	(10,000)
Effects of redemption of preference shares paid to perpetual capital securities holder	-	526	-	-	-	(526)	-	-	-	-	-
Distribution paid	-	-	-	-	-	-	(767)	-	(767)	-	(767)
Non-controlling interests arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	2,098	2,098
Performance shares awarded	1,847	-	-	-	(1,847)	-	-	-	-	-	-
Forfeiture of performance shares awarded/options granted	-	-	-	-	(1,496)	1,496	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	(1,800)	-	(1,800)	-	(1,800)
Total	8,282	(9,474)	-	-	(2,427)	970	(2,567)	-	(5,216)	2,098	(3,118)
<b>At 30 September 2016</b>	<b>193,620</b>	<b>-</b>	<b>(597)</b>	<b>(383)</b>	<b>60</b>	<b>943</b>	<b>29,316</b>	<b>22,500</b>	<b>245,459</b>	<b>34,329</b>	<b>279,788</b>

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

	Share capital	Preference shares	Foreign currency translation reserve	Hedging reserve	Share options reserve	Other reserve	Accumulated (losses) profits	Perpetual capital securities	Equity attributable to owners of the Company and redeemable convertible capital securities holders	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>											
At 1 January 2015	185,276	-	(268)	(2,141)	1,156	24	6,262	22,500	212,809	27,939	240,748
<b>Total comprehensive income for the period</b>											
Profit for the period	-	109	-	-	-	-	13,334	673	14,116	1,273	15,389
Other comprehensive income for the period	-	-	(1,139)	(1,081)	-	-	-	-	(2,220)	-	(2,220)
Total	-	109	(1,139)	(1,081)	-	-	13,334	673	11,896	1,273	13,169
<b>Transactions with owners, recognised directly in equity</b>											
Issue of convertible preference shares, net of expenses securities	-	9,474	-	-	-	-	-	-	9,474	-	9,474
Non-controlling interest arising from increase in control of investment	-	-	-	-	-	(55)	-	-	(55)	54	(1)
Performance shares awarded	62	-	-	-	(62)	-	-	-	-	-	-
Forfeiture of performance shares awards	-	-	-	-	(4)	4	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	946	-	-	-	946	-	946
Dividend declared	-	-	-	-	-	-	(1,672)	-	(1,672)	-	(1,672)
Distribution paid	-	-	-	-	-	-	-	(446)	(446)	-	(446)
Total	62	9,474	-	-	880	(51)	(1,672)	(446)	8,247	54	8,301
<b>At 30 September 2015</b>	<b>185,338</b>	<b>9,583</b>	<b>(1,407)</b>	<b>(3,222)</b>	<b>2,036</b>	<b>(27)</b>	<b>17,924</b>	<b>22,727</b>	<b>232,952</b>	<b>29,266</b>	<b>262,218</b>

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

	Share capital	Hedging reserve	Share options reserve	Other reserve	Accumulated losses	Perpetual capital securities	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Company</b>							
At 1 January 2016	185,338	(1,945)	2,487	28	(17,066)	22,500	191,342
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	-	(7,544)	-	(7,544)
Other comprehensive income for the period	-	1,562	-	-	-	-	1,562
Total	-	1,562	-	-	(7,544)	-	(5,982)
<b>Transactions with owners, recognised directly in equity</b>							
Distribution paid to perpetual capital securities holder	-	-	-	-	(767)	-	(767)
Issuance of consideration shares, net of expense	6,435	-	-	-	-	-	6,435
Recognition of share-based payments	-	-	916	-	-	-	916
Performance shares awarded	1,847	-	(1,847)	-	-	-	-
Forfeiture of performance shares awarded/options granted	-	-	(1,496)	1,496	-	-	-
Dividend declared	-	-	-	-	(1,800)	-	(1,800)
Total	8,282	-	(2,427)	1,496	(2,567)	-	4,784
<b>At 30 September 2016</b>	<b>193,620</b>	<b>(383)</b>	<b>60</b>	<b>1,524</b>	<b>(27,177)</b>	<b>22,500</b>	<b>190,144</b>

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

	Share capital	Hedging reserve	Share options reserve	Other reserve	Accumulated losses	Redeemable convertible capital securities	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Company</b>							
At 1 January 2015	185,276	(2,141)	1,156	24	(17,868)	22,500	188,947
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	-	(10,980)	673	(10,307)
Other comprehensive income for the period	-	(1,081)	-	-	-	-	(1,081)
Total	-	(1,081)	-	-	(10,980)	673	(11,388)
<b>Transactions with owners, recognised directly in equity</b>							
Performance shares awarded	62	-	(62)	-	-	-	-
Forfeiture of performance shares awarded	-	-	(4)	4	-	-	-
Recognition of share-based payments	-	-	946	-	-	-	946
Dividends	-	-	-	-	(1,672)	-	(1,672)
Distribution paid	-	-	-	-	-	(446)	(446)
Total	62	-	880	4	(2,345)	(446)	(1,172)
<b>At 30 September 2015</b>	<b>185,338</b>	<b>(3,222)</b>	<b>2,365</b>	<b>28</b>	<b>(30,520)</b>	<b>22,727</b>	<b>176,387</b>

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

**(a) Performance Share Plan**

On 14 May 2013, Vallianz Holdings Limited (the "Company") granted 6,000,000 share awards ("Awards") pursuant to the Vallianz Performance Share Plan ("PSP"). 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 September 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.

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.

Date of grant	As at 1 January 2016	Granted	Cancelled	As at 30 September 2016
14 May 2013	9,000,000	-	5,000,000	4,000,000
7 May 2014	20,000,000	-	20,000,000	-

**(c) 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.

**(d) 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 in 1Q2016.

**(e) Total number of shares that may be issued as at 30 September 2016**

Corporate Action	No. of Shares
Grant of share options under ESOS	4,000,000
	<u>4,000,000</u>

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	<u>30 September 2016</u>	<u>31 December 2015</u>
	No. of shares ( '000 )	No. of shares ( '000 )
The number of issued shares	<u>3,592,211</u>	<u>3,345,012</u>

There were no treasury shares as at 30 September 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 third quarter ended 30 September 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>	
	3Q2016	3Q2015	9M2016	9M2015
<b>Earnings (US\$'000)</b>				
Net profit after tax attributable to owners of the Company	<b>693</b>	4,593	<b>9,150</b>	13,334
<b>Number of shares ('000 )</b>				
Weighted average number of shares for basic earnings per share	<b>3,565,444</b>	3,345,012	<b>3,507,790</b>	3,344,281
Effects of dilution	<b>2,458</b>	143,581	<b>2,458</b>	143,581
Weighted average number of shares for diluted earnings per share	<b>3,567,902</b>	3,488,593	<b>3,510,248</b>	3,487,862
<b>Earnings per share (US cents)</b>				
Basic	<b>0.02</b>	0.14	<b>0.26</b>	0.40
Diluted	<b>0.02</b>	0.13	<b>0.26</b>	0.38

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) **current financial period reported on; and**  
 (b) **immediately preceding financial year.**

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Net asset value (US\$'000)	<b>245,459</b>	228,972	<b>190,144</b>	191,342
Total number of shares issued ('000)	<b>3,592,211</b>	3,345,012	<b>3,592,111</b>	3,345,012
Net asset value per share (US cents)	<b>6.83</b>	6.85	<b>5.29</b>	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 registered revenue of approximately US\$54.79 million for the three (3) months ended 30 September 2016 ("3Q2016"), representing a decrease of 8.4% or US\$5.04 million when compared to the three (3) months ended 30 September 2015 ("3Q2015"). Charter revenue increased in 3Q2016 compared to 3Q2015 but was more than offset by a decrease in vessel management revenue due mainly to the completion of ship management projects in Latin America in late 2015.

For the nine (9) months ended 30 September 2016 ("9M2016"), the Group's revenue decreased 9.6% to US\$167.76 million from US\$185.58 million in the nine (9) months ended 30 September 2015 ("9M2015"). This was due mainly to a decrease in vessel management revenue. Despite the renewal of existing contracts with a customer in the Middle East in July 2015 at a lower average charter rate, revenue from charter and brokerage services in 9M2016 remained relatively stable due to commencement of new charter contracts.

As at 9M2016, total charter and brokerage services accounted for approximately 70% of the Group's revenue as compared to 64% in 9M2015. This is in line with the Group's strategy to focus more on the expansion of its vessel chartering and brokerage business, and less on vessel management services.

The Group's cost of sales decreased marginally by US\$105,000 to US\$42.90 million in 3Q2016 from US\$43.01 million in 3Q2015. For 9M2016, the Group's cost of sales also decreased by US\$9.43 million to US\$125.55 million from US\$134.97 million in 9M2015. These declines are in line with the lower in revenue.

The Group recorded a decrease in gross profit margin to 21.7% in 3Q2016 from 28.1% in 3Q2015 amid a backdrop of lower charter rates. On a nine-month basis, gross profit margin eased to 25.2% in 9M2016 from 27.3% in 9M2015. This was mainly attributable to renewal of existing contracts with a customer in Middle East in July 2015 at a lower average charter rate.

**(b) Other income**

Other income of US\$709,000 in 3Q2016 and US\$1.28 million in 9M2016 mainly consisted of waiver of prior year charges by vendor.

**(c) Administrative expenses**

Administrative expenses, which comprise largely staff and travel related expenses, decreased 26.0% or US\$1.31 million year-on-year to US\$3.72 million in 3Q2016. Administrative expenses also decreased 20.9% or US\$3.29 million to US\$12.50 million in 9M2016 from US\$15.79 million in 9M2015. These reductions resulted from measures implemented by the Group to optimize its cost structure.

**(d) Finance costs**

Finance costs decreased 24.2% or US\$1.58 million to US\$4.95 million in 3Q2016 from US\$6.54 million in 3Q2015. For 9M2016, the Group incurred finance costs of US\$15.73 million, a 23.2% decrease compared to US\$20.48 million in 9M2015. The decline in finance costs was due mainly to the repayment of the Notes Payables – Series 1 on 1 April 2016 which was partially offset by the increase in interest expenses arising from new term loans taken up for acquisition of vessels acquired during 2Q2016.

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

### (e) Share of profit of associate and joint ventures

The Group recorded a loss of US\$121,000 from its share of results from associate and joint ventures in 9M2016. This was mainly due to a loss reported by PT Vallianz Offshore Maritim ("PTVOM"), the Group's 49%-owned associate in Indonesia. PTVOM was acquired by the Group on 31 December 2014.

### (f) Net profit

The Group's net profit decreased by 42.5% or US\$2.25 million to US\$3.04 million in 3Q2016 from US\$5.29 million in 3Q2015. For 9M2016, its net profit declined 10.4% or US\$2.88 million to US\$12.50 million from US\$15.39 million in 9M2015. The lower profits are attributable mainly to pressure on gross profit margin as a result of the challenging business conditions in the offshore marine industry. To buffer the impact, the Group has been focusing on cost structure optimization. This has enabled the Group to reduce its aggregate administrative expenses and finance costs by US\$2.89 million in 3Q2016 as compared to 3Q2015, and US\$8.05 million in 9M2016 as compared to 9M2015.

The large increase in profit attributable to the non controlling interests for 3Q2016 is due mainly to the profit contribution by a subsidiary which is not wholly owned by the Group.

## Statements of Financial Position

### (g) Trade and other receivables

The decrease in trade and other receivables from US\$306.16 million as at 31 December 2015 to US\$287.15 million as at 30 September 2016 is largely due to the concerted efforts by the Group in collecting outstanding receivables during the financial period ended 30 September 2016.

### (h) Available-for-sale investments

As at 30 September 2016, the Group had 772,000 preferential shares in Resolute Offshore Pte Ltd valued at US\$77.20 million. This has remained unchanged since the last period as at 30 June 2016 following the redemption of 130,000 preference shares by Resolute Offshore Pte Ltd for a total value of US\$13.0 million in HY2016.

### (i) Property, plant and equipment

Property, plant and equipment increased from US\$161.01 million as at 31 December 2015 to US\$516.34 million as at 30 September 2016. The increase is mainly due to the acquisition of new vessels and consolidation of vessel fleet owned by Holmen.

Depreciation of property, plant and equipment decreased 37.0% or US\$8.73 million year-on-year from US\$23.57 million to US\$14.85 million following a refinancing exercise of the Group's operations in the Middle East early this year.

### (j) Asset held for sale

As at 30 September 2016, the Group had an asset held for sale of US\$202,000 which it expects the sale to be completed within the foreseeable future.

### (k) Total current and non-current borrowings

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

	30 Sep 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 <sup>(1)</sup>	100,551	219,855	320,406	127,798	137,893	233,214
Notes Payable	43,895	-	43,895	112,337	-	112,337
Finance Lease	1,125	3,696	4,821	774	876	1,650
	<b>145,571</b>	<b>223,551</b>	<b>369,122</b>	<b>240,909</b>	<b>138,769</b>	<b>379,678</b>

<sup>(1)</sup> Including working capital line of US\$52.0 and US\$32.5 million as at 30 September 2016 and 31 December 2015 respectively.



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

### **(k) Total current and non-current borrowings (Cont'd)**

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 September 2016, the Group has the following Notes outstanding:

	<b>Tenure (years)</b>	<b>Interest Rate</b>	<b>Due Date</b>	<b>US\$'000</b>
Series 2	2.5	7.25%	Nov 2016	43,895

The Group hedges the foreign currency exposure from the Notes with a cross-currency interest rate swap contract entered into in previous year. As announced on 3 November 2016, the Group intends to fully redeem the outstanding amount of notes payable when it falls due.

### **(l) Trade and other payables**

The Group's trade and other payables increased by approximately US\$114.75 million from US\$113.78 million as at 31 December 2015 to US\$228.53 million as at 30 September 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 in 2Q2016. This reclassification is the result of the events at Swiber as described in 8(r) below.

### **(m) Shareholders' advance**

The Group received interest free advances of US\$52.09 million from certain shareholders in 3Q2016 with no fixed term for repayment. Shareholders' advances as at 30 September 2016 were US\$97.09 million compared to US\$34.0 million at 30 June 2016.

### **(n) Negative working capital**

The negative working capital largely resulted from the current classification of Notes Payable – Series 2 as described in 8(k). Additionally, 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\$54.51 million as at 30 September 2016.

## **Consolidated Statement of Cash Flows**

Cash and cash equivalents decreased by US\$4.5 million from US\$41.09 million as at 31 December 2015 to US\$37.37 million as at 30 September 2016.

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

The Group used net cash for operating activities of US\$18.52 million for 3Q2016 and used net cash for operating activities of US\$14.54 million for 9M2016.

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

Net cash used in investing activities amounted to US\$2.33 million for 3Q2016, as compared to \$4.53 million in 3Q2015. For 9M2016, net cash generated from investing activities of US\$63.11 million was due mainly to proceeds from redemption of preference shares and receipts of proceeds from sale of property, plant and equipment.

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

Net cash from financing activities in 3Q2016 amounted to US\$50.03 million mainly due to shareholders advance in 3Q2016 of US\$52.09 million.

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

### (r) Implication of Swiber events

#### (i) 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 September 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.

#### (ii) 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%
3Q2016	54,794	12,076	22.0%	51,788	78.0%

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% and 17.0% in 1Q2016 and 2Q2016 respectively. For 3Q2016, revenue from Swiber entities increased slightly and contributed 22.0%. Nevertheless, the revenue from Swiber entities of US\$32.7 million in 9M2016 is significantly lower as compared to US\$63.6 million in 9M2015.

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

	Period	Reported Revenue	Revenue from Swiber entities	% of segment revenue	Revenue from third parties	% of segment revenue
<b>Vessel chartering and brokerage</b>	<b>1Q2016</b>	34,661	2,235	6.5%	32,426	93.5%
	<b>2Q2016</b>	43,003	1,820	4.2%	41,183	95.8%
	<b>3Q2016</b>	45,604	8,581	18.8%	37,023	81.2%
<b>Vessel Management</b>	<b>1Q2016</b>	13,474	7,607	56.5%	5,867	43.5%
	<b>2Q2016</b>	19,631	9,005	45.9%	10,626	54.1%
	<b>3Q2016</b>	8,177	3,495	42.7%	4,682	57.3%

Based on the table above, the Swiber entities accounted for 18.8% of the Group's chartering and brokerage revenue in 3Q2016, an increase from 4.2% in 2Q2015. This increase is mainly due to charter contracts entered into in March 2016 to provide chartering services to Swiber entities.

For 3Q2016, vessel management revenue from the Swiber entities continued to decline and contributed 42.7% to the Group's vessel management revenue, a decrease from 56.5% in 1Q2016 and 45.9% in 2Q2016. This segment is a complementary service business to the core vessel chartering business of the Group.

#### (iii) Receivables and payables

As at 30 September 2016, the Group had trade and other receivables owing from Swiber entities amounting to approximately US\$97.50 million. The Group and the Company also had trade payables and other payables owing to Swiber entities of approximately US\$87.37 million and US\$29.39 million respectively.

On 13 October 2016, the Company announced the postponement of its extraordinary general meeting for its proposed and renounceable Rights cum Warrants Issue. This is subsequent to the Company receiving a notification from the Judicial Managers of Swiber Holdings Limited ("**Swiber**") of: (a) Swiber's interest to participate in the Rights cum Warrants Issue; and (b) a proposal for the Company and Swiber to set off and settle the actual subscription amount payable to the extent of any amount owing by the Company to Swiber on and subject to certain terms ("**Terms**") (Please refer to announcement dated 13 October 2016).

As at the date of this announcement, the discussion of the Terms between the Company and Swiber is still on-going.

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

### (r) Implication of Swiber events (cont'd)

#### (iv) Borrowings

In the 2Q2016 results announcement, the Company disclosed that it and certain of its subsidiaries had 3 outstanding bank loans which have corporate guarantees from Swiber. In addition, 1 of these bank loans requires 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.

To date, the Company and its 3 subsidiaries have not been served with any notices of any event of default for any of its loans and has successfully obtained waivers for event of default to be called for 2 of the 3 bank loans. The Company remains in active discussion with the third bank.

#### (v) 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.**

Business conditions in the offshore marine industry are likely to remain challenging due to the continuing volatility in 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, declining vessel utilisation rates and more stringent customer requirements.

Despite the adverse operating environment, Vallianz still delivered a profitable performance in 3Q2016 and 9M2016 as it continued to benefit from existing and new charter contracts as well as its continuous cost management efforts.

As at 30 September 2016, the Group had an outstanding chartering services order book comprising long term charters with options to extend, worth approximately US\$1.0 billion in aggregate. These charter contracts are mainly with a national oil company in the Middle East. The options to extend the contracts for further periods stretching up to 2025 are at the discretion of the customer.

On 3 November 2016, the Group announced its intention to redeem in full the S\$60 million fixed rate Notes (ISIN Code: SG6QD8000007) that will be maturing on 22 November 2016 ("**Notes**"). The redemption of the Notes will be funded by internally-generated funds as well as advances from Rawabi Holding Company Limited ("**Rawabi**"), the Group's controlling shareholder and strategic business partner.

Given the challenging business environment, the Group will continue to adopt a cautious approach in the execution of its business plans. To remain competitive, the Group will focus on operational and service excellence while optimising its cost structure. The Group, in partnership with Rawabi, also plans to strengthen existing customer relationships and increase its penetration in other target markets in the Middle East region by leveraging its established market position in the region.

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 third quarter ended 30 September 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)
<b>Chartering services provided by the Group</b>		
Swiber and its subsidiaries	Nil	US\$8,580,800
<b>Ship management services provided by the Group</b>		
Swiber and its subsidiaries	Nil	US\$2,763,109
<b>Shipyard, Engineering, Fabrication Services and Facilities services provided by the Group</b>		
Swiber and its subsidiaries	Nil	US\$732,010
<b>Corporate services provided to the Group</b>		
Swiber and its subsidiaries	Nil	US\$1,215
Rawabi Holdings Co Ltd	Nil	US\$269,759

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

On behalf of the Board of Directors of the Company, we confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the third quarter financial results for the period ended 30 September 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  
Director  
Non-Executive Independent Director

**BY ORDER OF THE BOARD**

Lee Bee Fong  
Company Secretary  
14 November 2016

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Wong Bee Eng, Chief Executive Officer, at 96 Robinson Road, #13-01, SIF Building, Singapore 068899.*

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