



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statements

For the Second Quarter and Half Year Ended 30 September 2019

ANNOUNCEMENT IN RELATION TO UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED (“2QFY2019/20”) AND SIX MONTHS ENDED 30 SEPTEMBER 2019 (“1HFY2019/20”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Group			Group		
	Quarter ended 30		Change	6 Months ended 30		Change
	2019	2018		2019	2018	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	46,003	45,356	1.4	87,152	87,860	(0.8)
Cost of sales	(41,129)	(37,119)	10.8	(76,242)	(70,698)	7.8
Gross Profit	4,874	8,237	(40.8)	10,910	17,162	(36.4)
Other income	447	836	(46.5)	690	975	(29.2)
Administrative expenses	(3,090)	(2,879)	7.3	(5,031)	(5,174)	(2.8)
Other operating expenses	(162)	(830)	(80.5)	(162)	(1,132)	(85.7)
Finance costs	(2,806)	(3,584)	(21.7)	(6,151)	(6,998)	(12.1)
Share of results of associate and joint ventures	92	32	nm	165	22	nm
(Loss) Profit before tax	(645)	1,812	nm	421	4,855	(91.3)
Income tax expense	(446)	(41)	nm	(724)	(114)	nm
(Loss) Profit for the period	(1,091)	1,771	nm	(303)	4,741	nm

Note: nm – Not Meaningful

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

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

	Group			Group		
	Quarter ended 30 September		Change %	6 Months ended 30 September		Change %
	2019 US\$'000	2018 US\$'000		2019 US\$'000	2018 US\$'000	
(Loss) Profit for the period attributable to:						
Owners of the Company	(526)	2,930	nm	599	7,155	(91.6)
Non-controlling interests	(565)	(1,159)	(51.3)	(902)	(2,414)	(62.6)
Total	(1,091)	1,771	nm	(303)	4,741	nm
Other comprehensive (loss) income for the period, net of tax						
Exchange differences on translation of foreign operations	(5)	6	nm	-	(97)	nm
Actuarial loss on post-employment benefit obligation	(6)	-	nm	(11)	-	nm
Total comprehensive (loss) income for the period	(1,102)	1,777	nm	(314)	4,644	nm
Total comprehensive (loss) income attributable to:						
Owners of the Company	(537)	2,936	nm	588	7,058	(91.7)
Non-controlling interests	(565)	(1,159)	(51.3)	(902)	(2,414)	(62.6)
Total	(1,102)	1,777	nm	(314)	4,644	nm

Note: nm – Not Meaningful

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

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

	Group		Group	
	Quarter ended 30 September		6 months ended 30 September	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Bad debt written off	-	26	-	26
Depreciation of property, plant and equipment	5,469	2,933	9,940	5,784
Finance costs	2,806	3,584	6,151	6,998
Foreign exchange loss, net	394	89	223	391
Other income	(679)	(836)	(744)	(975)
Provision for employee benefits	23	87	(76)	89
Share-based payment expense	-	55	-	197
Forfeiture of performance shares award	-	(4)	-	(19)

- 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 Sep 2019 US\$'000	31 Mar 2019 US\$'000	30 Sep 2019 US\$'000	31 Mar 2019 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	7,517	8,374	360	118
Trade receivables	36,297	42,420	2	2
Other receivables	172,580	161,743	213,509	207,347
Inventories	4,923	4,935	-	-
Contract assets	68	492	-	-
Financial assets at fair value through other comprehensive income	31,729	31,729	-	-
Total current assets	253,114	249,693	213,871	207,467
Non-current assets				
Monies pledged with banks	699	699	-	-
Property, plant and equipment	239,399	237,367	61	69
Subsidiaries	-	-	154	154
Joint ventures	65,601	65,435	68,530	68,530
Associate	14,843	14,843	-	-
Derivative financial instruments	1,713	1,713	-	-
Total non-current assets	322,255	320,057	68,745	68,753
Total assets	575,369	569,750	282,616	276,220

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

	Group		Company	
	30 Sep 2019 US\$'000	31 Mar 2019 US\$'000	30 Sep 2019 US\$'000	31 Mar 2019 US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Term loans	166,387	152,050	-	-
Trade payables	63,588	65,784	-	-
Other payables	23,830	24,503	149,474	153,238
Finance lease payables	4	5	-	-
Income tax payable	3,886	4,947	-	-
Total current liabilities	257,695	247,289	149,474	153,238
Non-current liabilities				
Term loans	136,600	152,258	-	-
Retirement benefit obligation	1,938	2,014	-	-
Finance lease payables	-	1	-	-
Deferred tax liabilities	7,977	8,045	-	-
Total non-current liabilities	146,515	162,318	-	-
Capital and reserves				
Share capital	347,746	347,746	347,746	347,746
Perpetual capital securities	22,500	22,500	22,500	22,500
Foreign currency translation reserve	(114)	(114)	-	-
Share options reserve	-	-	-	-
Other reserve	(52)	(41)	28	28
Shareholder's advance	72,748	61,448	65,960	54,660
Accumulated losses	(258,555)	(259,154)	(303,092)	(301,952)
Equity attributable to owners of the Company and capital securities holders	184,273	172,385	133,142	122,982
Non-controlling interests	(13,114)	(12,242)	-	-
Total equity	171,159	160,143	133,142	122,982
Total liabilities and equity	575,369	569,750	282,616	276,220

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 2019		As at 31 Mar 2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
166,391	-	152,055	-

Amount repayable after one year

Group		Group	
As at 30 Sep 2019		As at 31 Mar 2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
136,600	-	152,259	-

Details of any collateral

The Group's borrowings are secured by:

- (i) mortgage over all the Group's property, vessels, equipment and a vessel held by a related company of a corporate shareholder;
- (ii) assignment of marine insurances in respect of some of the vessels;
- (iii) unquoted cumulative preference shares held by the Group;
- (iv) monies pledged;
- (v) assignment of earnings/charter proceeds in respect of some of the vessels;
- (vi) shares of pledged subsidiaries; and
- (vii) corporate guarantees from the Company and corporate shareholders of the Group. The corporate guarantees are provided to the Group's entities, including those which are not wholly-owned by the Group and are owned by interested persons.

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

Consolidated Statement of Cash Flows

	Quarter ended 30 September		6 Months ended 30 September	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Operating activities				
(Loss) Profit before tax	(645)	1,812	421	4,855
Adjustments for :				
Depreciation of property, plant and equipment	5,469	2,933	9,940	5,784
Bad debts written off	-	26	-	26
Finance costs	2,806	3,584	6,151	6,998
Share-based payment expense	-	55	-	197
Forfeiture of performance shares award	-	(4)	-	(19)
Provision for employee benefits	23	87	(76)	89
Share of results of associate and joint ventures	(93)	(32)	(166)	(22)
Unrealised exchange (gain) loss	13	6	18	(97)
Operating cash flows before working capital changes	7,573	8,467	16,288	17,811
Trade and other receivables	(6,209)	(1,607)	(19,139)	(18,876)
Trade and other payables	(5,691)	(3,990)	(5,317)	(2,150)
Inventories	(867)	(430)	12	(710)
Contract assets	215	(103)	424	(349)
Cash (used in) from operations	(4,979)	2,337	(7,732)	(4,274)
Income tax paid	(493)	(636)	(1,853)	(630)
Net cash (used in) from operating activities	(5,472)	1,701	(9,585)	(4,904)
Investing activities				
Repayment from (Advance to) joint venture	3,100	(5,661)	14,061	(22,822)
Purchase of property, plant and equipment	(5,647)	(4,317)	(11,608)	(8,764)
Net cash (used in) from investing activities	(2,547)	(9,978)	2,453	(31,586)

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

	Quarter ended 30 September		6 Months ended 30 September	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Financing activities				
Proceeds from shareholder's advances	6,800	6,050	11,300	6,050
Interest paid	(2,911)	(2,598)	(3,702)	(4,248)
Proceeds from new bank loans raised	5,501	4,903	8,599	44,903
Repayment of term loans	(4,437)	(565)	(9,920)	(11,083)
Repayment of obligation under finance lease	(1)	(2)	(2)	(2)
Net cash from financing activities	4,952	7,788	6,275	35,620
Net decrease in cash and cash equivalents	(3,067)	(489)	(857)	(870)
Cash and cash equivalents at beginning of period	10,584	7,188	8,374	7,569
Cash and cash equivalents at end of period	7,517	6,699	7,517	6,699

- 1(d)(i) A statement (for the issuer and group) showing either
 (i) all changes in equity, or
 (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity

	Share capital	Foreign currency translation reserve	Share options reserve	Other reserve	Shareholder's advance	Accumulated losses	Perpetual capital securities	Equity attributable to owners of the Company and capital securities holders	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group										
At 1 April 2019	347,746	(114)	-	(41)	61,448	(259,154)	22,500	172,385	(12,242)	160,143
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	599	-	599	(902)	(303)
Other comprehensive income for the period	-	-	-	(11)	-	-	-	(11)	30	19
Total	-	-	-	(11)	-	599	-	588	(872)	(284)
Transactions with owners, recognised directly in equity										
Deemed investment by a shareholder	-	-	-	-	11,300	-	-	11,300	-	11,300
Total	-	-	-	-	11,300	-	-	11,300	-	11,300
At 30 September 2019	347,746	(114)	-	(52)	72,748	(258,555)	22,500	184,273	(13,114)	171,159

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

	Share capital	Foreign currency translation reserve	Share options reserve	Other reserve	Shareholder's advance	Accumulated (losses) profits	Perpetual capital securities	Equity attributable to owners of the Company and capital securities holders	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group										
At 1 April 2018	344,866	(26)	405	(112)	6,788	(130,973)	22,500	243,448	(7,760)	235,688
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	7,155	-	7,155	(2,414)	4,741
Other comprehensive income for the period	-	(97)	-	-	-	-	-	(97)	-	(97)
Total	-	(97)	-	-	-	7,155	-	7,058	(2,414)	4,644
Transactions with owners, recognised directly in equity										
Issue of vendor settlement shares	2,307	-	-	-	-	-	-	2,307	-	2,307
Forfeiture of performance shares award	-	-	(19)	-	-	-	-	(19)	-	(19)
Recognition of share-based payments	-	-	197	-	-	-	-	197	-	197
Performance shares awarded	290	-	(290)	-	-	-	-	-	-	-
Total	2,597	-	(112)	-	-	-	-	2,485	-	2,485
At 30 September 2018	347,463	(123)	293	(112)	6,788	(123,818)	22,500	252,991	(10,174)	242,817

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

	Share capital	Share options reserve	Other reserve	Shareholder's Advance	Accumulated losses	Perpetual capital securities	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company							
At 1 April 2019	347,746	-	28	54,660	(301,952)	22,500	122,982
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(1,140)	-	(1,140)
Total	-	-	-	-	(1,140)	-	(1,140)
Transactions with owners, recognised directly in equity							
Deemed investment by a shareholder	-	-	-	11,300	-	-	11,300
Total	-	-	-	11,300	-	-	11,300
At 30 September 2019	347,746	-	28	65,960	(303,092)	22,500	133,142

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

	Share capital	Share options reserve	Other reserve	Shareholder's Advance	Accumulated losses	Perpetual capital securities	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company							
At 1 April 2018	344,866	405	28	-	(299,468)	22,500	68,331
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(1,327)	-	(1,327)
Total	-	-	-	-	(1,327)	-	(1,327)
Transactions with owners, recognised directly in equity							
Issue of vendor settlement shares	2,307	-	-	-	-	-	2,307
Recognition of share-based payments	-	197	-	-	-	-	197
Forfeiture of performance shares award	-	(19)	-	-	-	-	(19)
Performance shares awarded	290	(290)	-	-	-	-	-
Total	2,597	(112)	-	-	-	-	2,485
At 30 September 2018	347,463	293	28	-	(300,795)	22,500	69,489

- 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.

Total number of shares that may be issued	As at 30 September 2019	As at 31 March 2019
	No. of shares	No. of shares
Outstanding warrants pursuant to Rights cum Warrants Exercise	<u>50,059,928</u>	<u>50,059,928</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.

	As at 30 September 2019	As at 31 March 2019
	No. of shares ('000)	No. of shares ('000)
The number of issued shares	<u>559,352</u>	<u>559,352</u>

There were no treasury shares as at 30 September 2019 and 31 March 2019.

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

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

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as those applied in the audited financial statements for the financial year ended 31 March 2019.

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

On 1 April 2019, the Group has adopted the new Singapore Financial Reporting Standards (International) 16 Leases ("SFRS(I) 16"). The Group anticipates that the adoption of SFRS(I) 16 will not result in any material impact on the financial statements of the Group in the period of its initial adoption.

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

	Group		Group	
	Quarter ended 30 September		6 Months ended 30 September	
	2019	2018	2019	2018
Earnings (US\$'000)				
Net profit after tax attributable to owners of the Company	(526)	2,930	599	7,155
Number of shares ('000)				
Weighted average number of shares for basic earnings per share	559,352	557,633	559,352	554,154
Effects of dilution ^(*)	-	50,941	-	50,941
Weighted average number of shares for diluted earnings per share	559,352	608,574	559,352	605,095

^(*): This represents the effects of dilution resulted from the exercise of all outstanding warrants pursuant to the Rights cum Warrants Issue, the exercise of all outstanding share options granted under the ESOS and the issue of new ordinary shares from the vesting of PSP as described in 1(d)(ii) above. As the warrants are currently out of money, the effects of dilution is deemed to be nil for 2QFY2020 and 1HFY2020.

Earnings per share (US cents)

Basic	(0.09)	0.53	0.11	1.29
Diluted	(0.09) ^(**)	0.48	0.11 ^(**)	1.18

^(**): The diluted (loss)/earnings per share is the same as the basic (loss)/profit per share because the effect of the potential conversion of warrants is nil as the warrants are currently out of money.

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 2019	31 Mar 2019	30 Sep 2019	31 Mar 2019
Net asset value (US\$'000)	184,273	172,385	133,142	122,982
Total number of shares issued ('000)	559,352	559,352	559,352	559,352
Net asset value per share (US cents)	32.94	30.82	23.80	21.99

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

The Group recorded revenue of approximately US\$46.00 million for the three months ended 30 September 2019 ("2QFY2020"), up 1.4% from US\$45.36 million in the previous corresponding period ("2QFY2019").

Revenue from the Group's core chartering and brokerage business remains comparably unchanged at US\$43.17 million in 2QFY2020, as compared to US\$41.39 million in 2QFY2019. Chartering and brokerage services accounted for approximately 94% of Group revenue in 2QFY2020, compared to 91% in 2QFY2019. The remaining 6% of the Group revenue in 2QFY2020 was derived from the provision of vessel management services.

For the six months ended 30 September 2019 ("1HFY2020"), Group revenue was stable at US\$87.15 million as compared to US\$87.86 million in the previous corresponding period ("1HFY2019").

(b) Gross profit

Gross profit in 2QFY2020 decreased 40.8% to US\$4.87 million from US\$8.24 million in 2QFY2019. Gross profit margin softened to 10.6% in 2QFY2020 from 18.2% previously. This was attributed mainly to depreciation of dry docking cost of US\$2 million which was incurred for certain older vessels, absence of higher margin engineering services in 2QFY2020 as compared to corresponding quarter in FY2019, as well as lower charter rates for the South-East Asia market.

(c) Other income

The Group recorded other income of US\$0.45 million in 2QFY2020 compared to US\$0.84 million in 2QFY2019. This was due mainly to an insurance claim in 2QFY2019.

(d) Administrative expenses

Administrative expenses, which comprise largely personnel and travel related expenses, increased 7.3% to US\$3.09 million in 2QFY2020 compared to US\$2.88 million in 2QFY2019. The increase was attributed mainly to higher staff costs.

(e) Other operating expenses

Other operating expenses decreased to US\$0.16 million in 2QFY2020 from US\$0.83 million in 2QFY2019 due mainly to a provision for compensation cancellation of a project in 2QFY2019.

(f) Finance costs

Finance costs in 2QFY2020 decreased to US\$2.81 million compared to US\$3.58 million in 2QFY2019 due mainly to lower borrowing cost as a result of lower Saudi SIBOR.

(g) Share of results of associate and joint ventures

The Group recorded a profit of US\$0.09 million from its share of results of associate and joint ventures in 2QFY2020 which was attributed to RVIC.

(h) Net profit attributable to owners of the Company

The Company registered a net loss attributable to owners of the Company of US\$0.53 million in 2QFY2020 as compared to a profit of US\$2.93 million in 2QFY2019, attributed mainly to lower gross profit.

For 1HFY2020, the Group recorded net profit attributable to owners of the Company of US\$0.60 million, down 91.6% from US\$7.16 million in 1HFY2019.

8. Review of Group Performance (Cont'd)

Statements of Financial Position

(i) *Trade and other receivables*

Trade receivables decreased to US\$36.30 million as at 30 September 2019 from US\$42.42 million as at 31 March 2019, due to the Group's concerted efforts in collection of outstanding receivables.

Other receivables, which comprised substantially of an amount due from a joint venture, RVIC, increased to US\$172.58 million from US\$161.74 million as at 31 March 2019. This was attributed mainly to an increase in prepayments to third parties for certain projects of US\$25.68 million offset by a decrease in amount due from RVIC of US\$14.06 million due to repayment.

(j) *Property, plant and equipment*

Property, plant and equipment increased to US\$239.40 million as at 30 September 2019 from US\$237.37 million as at 31 March 2019, due to capitalization of vessel dry docking cost of US\$9.54 million and additions of US\$1.63 million, which was offset partially by depreciation expenses of US\$9.94 million.

(k) *Joint ventures*

Investment in joint ventures increased slightly to US\$65.60 million as at 30 September 2019 from US\$65.44 million as at 31 March 2019. This was due mainly to the share of results from RVIC.

(l) *Total current and non-current borrowings*

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

	30 Sep 2019			31 Mar 2019		
	Current US\$'000	Non-current US\$'000	Total US\$'000	Current US\$'000	Non-current US\$'000	Total US\$'000
Term Loans	166,387	136,600	302,987	152,050	152,258	304,308
Finance Lease	4	-	4	5	1	6
	166,391	136,600	302,991	152,055	152,259	304,314

Total current and non-current term borrowings, which comprised largely of bank borrowings for vessels, decreased slightly to US\$302.99 million as at 30 September 2019 from US\$304.31 million as at 31 March 2019. This was due to repayment of revolving facilities of US\$9.92 million, offset partially by drawdown of a term loan facility of US\$8.60 million. In view of ongoing challenges in the business environment, the Company is currently in discussion with its various bankers on further debt restructuring.

(m) *Trade and other payables*

The Group's trade payables decreased slightly to US\$63.59 million as at 30 September 2019 from US\$65.78 million as at 31 March 2019. Other payables decreased slightly to US\$23.83 million as at 30 September 2019 from US\$24.50 million as at 31 March 2019 due mainly to lower trade accruals.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased slightly by US\$0.85 million to US\$7.52 million as at 30 September 2019 from US\$8.37 million as at 31 March 2019.

(n) *Cash flow used in operating activities*

The Group used net cash of US\$5.47 million in 2QFY2020.

(o) *Cash flow from investing activities*

Net cash used in investing activities of US\$2.55 million was attributed mainly to increase in property, plant and equipment of US\$5.65 million which was offset by repayment from joint venture amounting to US\$3.10 million.

(p) *Cash flow from financing activities*

Net cash generated from financing activities in 2QFY2020 amounted to US\$4.95 million. This was attributed to advances from shareholder of US\$6.80 million and proceeds from new bank loans of US\$5.50 million which was offset partially by repayment of existing term loans of US\$4.44 million and payment of interests of US\$2.91 million.

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.

There are encouraging signs that the global oil and gas (O&G) industry is undergoing a gradual recovery which could potentially lead to higher rig deployment, capital expenditure as well as exploration and development activities in the coming years.

In the near term however, the business environment for companies operating in the offshore support vessel (“OSV”) segment remains challenging due to concerns over global economic growth and political uncertainties. In addition, the persistent oversupply of OSVs has led to heightened competition which is depressing vessel charter rates.

The Group expects the business environment to remain difficult in the current financial year ending 31 March 2020. As such, the Group will continue to implement measures to improve cost-efficiency of its operations and actively pursue business opportunities with customers in its target markets in Asia and the Middle East.

According to a review by GlobalData, Middle East activity lifted the value of global oil and gas contracts awarded to US\$44.4 billion in the third quarter of 2019 with close to US\$22 billion derived from contracts and projects by Saudi Arabian Oil Company (Saudi Aramco) and Abu Dhabi National Oil Company (ADNOC).

The Group’s core vessel chartering business is driven mainly by long term charter contracts secured with a key National Oil Company (“NOC”) customer in the Middle East. The Group is working to deepen its working relationship with the NOC customer by differentiating its capabilities and broadening its service offering to provide a more comprehensive solution to the customer’s offshore support needs. Backed by its largest shareholder Rawabi Holding Company Limited and commitment towards the NOC customer’s In-Kingdom Total Value Add program requirements, the Group is participating actively in tenders for projects of the NOC customer.

To broaden and diversify its revenue streams, the Group is also working to expand its footprint in the Middle East by securing projects in new markets in Egypt, Abu Dhabi and Kuwait.

As at 30 September 2019, the Group’s chartering services order book had total value of approximately US\$513 million which comprises mainly long-term charter contracts that stretch up to 2024 inclusive of extension options of up to 2 years. The Group currently owns and operates a young fleet of 62 OSVs.

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 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 during the current financial period. 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 would like to declare dividends to ordinary shareholders, the Company would be required to first declare and pay the distribution for that year (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.

13. Interested person transaction

In compliance with Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalyst), there were no transactions with interested persons for the 3 months ended 30 September 2019 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 (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 (including transactions less than S\$100,000)
Chartering services provided to the Group		
Rawabi Vallianz International Company	Nil	US\$14,452,800
Corporate services provided to the Group		
Rawabi Holding Company Limited and its subsidiaries	Nil	US\$138,103
Shipyards, Engineering, Fabrication Services and Facilities services provided by the Group		
SHL and its subsidiaries	US\$(1,350)	Not applicable
Ship management services provided by the Group		
SHL and its subsidiaries	US\$2,600,734 ⁽¹⁾	Not applicable
Principal loan repayment paid for by the Group		
Holmen Heavylift Offshore Pte. Ltd. ("HOL") and its subsidiaries ("HOL Group") ⁽²⁾	US\$284,722 ⁽³⁾	Not applicable
Interests payment paid for by the Group		
HOL Group ⁽²⁾	US\$304,939 ⁽³⁾	Not applicable

Notes:

- (1) This amount relates to the provision of ship management services by the Group to the Swiber Group for the 6 months ended 30 September 2019 which includes provision of such services of US\$1,022,392 for the 3 months ended 30 June 2019 and US\$1,578,342 for the 3 months ended 30 September 2019. The amount for the 3 months ended 30 June 2019 was not disclosed in the Company's results announcement for the 3 months ended 30 June 2019 as the Company did not receive such information on time. As the Company is currently undertaking a comprehensive review of all IPTs including IPTs with the Swiber Group, further information on these IPTs will be provided in a circular to be despatched to shareholders in due course.
- (2) HOL Group is 25% owned by SHL and 75% owned by the Company.
- (3) The amount represents SHL's share of the amount which was paid for by the Company. The Company had made principal repayment and interest payment of US\$1.14 million and US\$1.22 million respectively for the 3 months ended 30 September 2019 on the bank facilities extended to HOL and its subsidiaries notwithstanding that the Company's shareholding interest in HOL is only 75%, and not 100%. This would mean that the Company had also paid the interested person's 25% share of the principal repayment and interest payment, in this case for the benefit of the interested person, SHL. The principal repayment had commenced in April 2019 in accordance with the Framework Agreement which the Group had entered into with certain of its lenders on 10 March 2017.

Save for the IPTs entered into for the 6 months ended 30 September 2019, the Company's outstanding share of/exposure to the corporate guarantees/outstanding bank facilities and advances to interested persons has decreased except for corporate guarantees extended to RVIC since 31 March 2019 to 30 September 2019, as set out in the table below:

Entities	As at 31 March 2019 (US\$'000)	As at 30 September 2019 (US\$'000)
Company's exposure to the corporate guarantee/outstanding bank facilities		
RVIC	222,858	226,242
RVOS	36,496	29,412
RPL	31,729	31,729
HOL	91,111	88,393
Advances		
RVIC	92,681	78,620

As stated in the Company's announcements on 24 July 2019 and 5 August 2019, the Company is currently undertaking a comprehensive review of the IPTs and will update shareholders in due course, including the despatch of a circular to shareholders containing, *inter alia*, further information on the IPTs, an opinion from the independent financial advisor to be appointed, together with a notice of extraordinary general meeting to be held, to seek the approval and ratification of shareholders for the relevant IPTs which has surfaced through this review.

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, save as disclosed in the Company's announcement on 24 July 2019, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial results for the period ended 30 September 2019 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 Lead Independent Director

14 November 2019

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 SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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