



# VALLIANZ HOLDINGS LIMITED

---

**Unaudited Financial Statements**

**For the First Half-Year Ended 30 September 2020**

**ANNOUNCEMENT IN RELATION TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020 (“1HFY2021”)**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS 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**

|  | <b>Group</b>          |          | <b>Change</b> |
|--|-----------------------|----------|---------------|
|  | <b>6 Months ended</b> |          |               |
|  | <b>30 September</b>   |          |               |
|  | <b>2020</b>           | 2019     |               |
|  | <b>US\$'000</b>       | US\$'000 | %             |
| <b>Revenue</b>                                   | <b>66,625</b>         | 87,152   | (23.6)        |
| Cost of sales                                    | <b>(61,355)</b>       | (76,242) | (19.5)        |
| <b>Gross Profit</b>                              | <b>5,270</b>          | 10,910   | (51.7)        |
| Other income                                     | <b>1,962</b>          | 690      | nm            |
| Administrative expenses                          | <b>(6,294)</b>        | (5,031)  | 25.1          |
| Other operating expenses                         | <b>(2,125)</b>        | (162)    | nm            |
| Finance costs                                    | <b>(10,304)</b>       | (6,151)  | 67.5          |
| Share of results of associate and joint ventures | -                     | 165      | nm            |
| <b>(Loss)/Profit before tax</b>                  | <b>(11,491)</b>       | 421      | nm            |
| Income tax expense                               | <b>3</b>              | (724)    | nm            |
| <b>Loss for the period</b>                       | <b>(11,488)</b>       | (303)    | 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                          |                  | Change<br>% |
|---|--------------------------------|------------------|-------------|
|   | 6 Months ended<br>30 September |                  |             |
|   | 2020<br>US\$'000               | 2019<br>US\$'000 |             |
| <b>(Loss)/Profit for the period attributable to:</b>                |                                |                  |             |
| Owners of the Company   | (10,567)                       | 599              | nm          |
| Non-controlling interests   | (921)                          | (902)            | 2.1         |
| Total   | <u>(11,488)</u>                | <u>(303)</u>     | nm          |
| <b>Other comprehensive (loss)/income for the period, net of tax</b> |                                |                  |             |
| Exchange differences on translation of foreign operations           | 27                             | -                | nm          |
| Actuarial loss on post-employment benefit obligation                | (359)                          | (11)             | nm          |
| <b>Total comprehensive loss for the period</b>                      | <u>(11,820)</u>                | <u>(314)</u>     | nm          |
| <b>Total comprehensive (loss)/income attributable to:</b>           |                                |                  |             |
| Owners of the Company   | (10,899)                       | 588              | nm          |
| Non-controlling interests   | (921)                          | (902)            | 2.1         |
| Total   | <u>(11,820)</u>                | <u>(314)</u>     | 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                       |                  |
|---|-----------------------------|------------------|
|   | 6 months ended 30 September |                  |
|   | 2020<br>US\$'000            | 2019<br>US\$'000 |
| Loss allowance for trade and other receivables      | 412                         | -                |
| Depreciation of property, plant and equipment       | 12,616                      | 9,940            |
| Depreciation of right-of-use assets                 | 12,957                      | -                |
| Finance costs                                       | 10,304                      | 6,151            |
| Foreign exchange (gain) loss, net                   | (650)                       | 223              |
| Other income  | (1,290)                     | (744)            |
| Provision for employee benefits                     | 451                         | (76)             |
| Gain on disposal of property, plant and equipment   | (23)                        | -                |
| Fair value loss of derivative financial instruments | <u>1,713</u>                | <u>-</u>         |

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.

**Statement of Financial Position**

|   | Group                   |                         | Company                 |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 30 Sep 2020<br>US\$'000 | 31 Mar 2020<br>US\$'000 | 30 Sep 2020<br>US\$'000 | 31 Mar 2020<br>US\$'000 |
| <b><u>ASSETS</u></b>  |                         |                         |                         |                         |
| <b>Current assets</b>   |                         |                         |                         |                         |
| Cash and cash equivalents   | 34,060                  | 30,390                  | 470                     | 619                     |
| Trade receivables   | 61,641                  | 35,563                  | 2                       | 2                       |
| Other receivables   | 65,693                  | 23,688                  | 321,064                 | 295,632                 |
| Inventories   | 6,469                   | 5,855                   | -                       | -                       |
| Contract assets   | 700                     | 913                     | -                       | -                       |
| Financial assets at fair value<br>through other comprehensive<br>income | 31,729                  | 31,729                  | -                       | -                       |
| Derivative financial instruments  | -                       | 5,130                   | -                       | -                       |
| Total current assets  | 200,292                 | 133,268                 | 321,536                 | 296,253                 |
| <b>Non-current assets</b>   |                         |                         |                         |                         |
| Monies pledged with banks   | 699                     | 699                     | -                       | -                       |
| Property, plant and equipment   | 818,034                 | 816,712                 | 44                      | 52                      |
| Right-of-use assets   | 15,416                  | 25,863                  | -                       | -                       |
| Subsidiary corporations   | -                       | -                       | 404                     | 154                     |
| Associate   | 14,843                  | 14,843                  | -                       | -                       |
| Total non-current assets  | 848,992                 | 858,117                 | 448                     | 206                     |
| <b>Total assets</b>   | 1,049,284               | 991,385                 | 321,984                 | 296,459                 |

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

|   | Group                   |                         | Company                 |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 30 Sep 2020<br>US\$'000 | 31 Mar 2020<br>US\$'000 | 30 Sep 2020<br>US\$'000 | 31 Mar 2020<br>US\$'000 |
| <b><u>LIABILITIES AND EQUITY</u></b>  |                         |                         |                         |                         |
| <b>Current liabilities</b>  |                         |                         |                         |                         |
| Term loans  | 210,709                 | 247,951                 | -                       | -                       |
| Trade payables  | 54,627                  | 58,181                  | -                       | -                       |
| Other payables  | 61,870                  | 43,331                  | 166,460                 | 150,155                 |
| Lease liability   | 9,177                   | 17,436                  | -                       | -                       |
| Income tax payable  | 3,958                   | 3,982                   | -                       | -                       |
| Derivative financial instruments  | -                       | 3,417                   | -                       | -                       |
| Total current liabilities   | 340,341                 | 374,298                 | 166,460                 | 150,155                 |
| <b>Non-current liabilities</b>  |                         |                         |                         |                         |
| Term loans  | 592,890                 | 495,888                 | -                       | -                       |
| Retirement benefit obligation   | 2,661                   | 2,210                   | -                       | -                       |
| Lease liability   | 6,910                   | 8,911                   | -                       | -                       |
| Deferred tax liabilities  | 18,980                  | 20,975                  | -                       | -                       |
| Total non-current liabilities   | 621,441                 | 527,984                 | -                       | -                       |
| <b>Capital and reserves</b>   |                         |                         |                         |                         |
| 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  | (126)                   | (153)                   | -                       | -                       |
| Other reserve   | (524)                   | (165)                   | 28                      | 28                      |
| Shareholder's advances  | 97,560                  | 87,341                  | 90,229                  | 80,010                  |
| Accumulated losses  | (404,658)               | (394,091)               | (304,979)               | (303,980)               |
| Equity attributable to owners of the Company and capital securities holders | 62,498                  | 63,178                  | 155,524                 | 146,304                 |
| Non-controlling interests   | 25,004                  | 25,925                  | -                       | -                       |
| Total equity  | 87,502                  | 89,103                  | 155,524                 | 146,304                 |
| <b>Total liabilities and equity</b>   | <b>1,049,284</b>        | <b>991,385</b>          | <b>321,984</b>          | <b>296,459</b>          |

**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 2020 |           | As at 31 Mar 2020 |           |
| Secured           | Unsecured | Secured           | Unsecured |
| US\$'000          | US\$'000  | US\$'000          | US\$'000  |
| 210,709           | -         | 247,951           | -         |

**Amount repayable after one year**

| Group             |           | Group             |           |
|-------------------|-----------|-------------------|-----------|
| As at 30 Sep 2020 |           | As at 31 Mar 2020 |           |
| Secured           | Unsecured | Secured           | Unsecured |
| US\$'000          | US\$'000  | US\$'000          | US\$'000  |
| 592,890           | -         | 495,888           | -         |

**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**

|   | <b>6 Months ended<br/>30 September</b> |                          |
|---|--|--------------------------|
|   | <b>2020<br/>US\$'000</b>               | <b>2019<br/>US\$'000</b> |
| <b>Operating activities</b>                                 |  |                          |
| (Loss)/Profit before tax                                    | (11,491)                               | 421                      |
| Adjustments for :   |  |                          |
| Depreciation of property, plant and equipment               | 12,616                                 | 9,940                    |
| Depreciation of right-of-use assets                         | 12,957                                 | -                        |
| Loss allowance for trade and other receivables              | 412                                    | -                        |
| Finance costs   | 10,304                                 | 6,151                    |
| Gain on disposal of property, plant and equipment           | (23)                                   | -                        |
| Fair value loss of derivative financial instruments         | 1,713                                  | -                        |
| Provision for employee benefits                             | 451                                    | (76)                     |
| Share of results of associate and joint ventures            | -                                      | (165)                    |
| Unrealised exchange (gain)/loss                             | (333)                                  | 17                       |
| Operating cash flows before working capital changes         | <b>26,606</b>                          | 16,288                   |
| Trade and other receivables                                 | (68,493)                               | (19,139)                 |
| Trade and other payables                                    | 13,750                                 | (5,317)                  |
| Inventories   | (614)                                  | 12                       |
| Contract assets   | 213                                    | 424                      |
| <b>Cash used in operations</b>                              | <b>(28,538)</b>                        | (7,732)                  |
| Income tax paid   | (2,016)                                | (1,853)                  |
| <b>Net cash used in operating activities</b>                | <b>(30,554)</b>                        | (9,585)                  |
| <b>Investing activities</b>                                 |  |                          |
| Repayment from joint venture                                | -                                      | 14,061                   |
| Proceeds from disposal of property, plant and equipment     | 834                                    | -                        |
| Purchase of property, plant and equipment                   | (14,749)                               | (11,608)                 |
| <b>Net cash (used in) from investing activities</b>         | <b>(13,915)</b>                        | 2,453                    |
| <b>Financing activities</b>                                 |  |                          |
| Proceeds from shareholder's advances                        | 10,219                                 | 11,300                   |
| Interest paid   | (9,071)                                | (3,702)                  |
| Proceeds from new bank loans raised                         | 135,557                                | 8,599                    |
| Repayment of term loans                                     | (75,796)                               | (9,920)                  |
| Principal payment of lease liability                        | (12,770)                               | (2)                      |
| <b>Net cash from financing activities</b>                   | <b>48,139</b>                          | 6,275                    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>3,670</b>                           | (857)                    |
| <b>Cash and cash equivalents at beginning of period</b>     | <b>30,390</b>                          | 8,374                    |
| <b>Cash and cash equivalents at end of period</b>           | <b>34,060</b>                          | 7,517                    |

- 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.

**Statement of Changes in Equity**

|  | Share capital  | Foreign currency translation reserve | Other reserve | Shareholder's advances | 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      |
| <b>Group</b>   |                |                                      |               |                        |                    |                              |   |                           |               |
| At 1 April 2020  | 347,746        | (153)                                | (165)         | 87,341                 | (394,091)          | 22,500                       | 63,178  | 25,925                    | 89,103        |
| <b>Total comprehensive income for the period</b>               |                |                                      |               |                        |                    |                              |   |                           |               |
| Loss for the period  | -              | -                                    | -             | -                      | (10,567)           | -                            | (10,567)  | (921)                     | (11,488)      |
| Other comprehensive income for the period                      | -              | 27                                   | (359)         | -                      | -                  | -                            | (332)   | -                         | (332)         |
| Total  | -              | 27                                   | (359)         | -                      | (10,567)           | -                            | (10,899)  | (921)                     | (11,820)      |
| <b>Transactions with owners, recognised directly in equity</b> |                |                                      |               |                        |                    |                              |   |                           |               |
| Deemed investment by a shareholder                             | -              | -                                    | -             | 10,219                 | -                  | -                            | 10,219  | -                         | 10,219        |
| Total  | -              | -                                    | -             | 10,219                 | -                  | -                            | 10,219  | -                         | 10,219        |
| <b>At 30 September 2020</b>                                    | <b>347,746</b> | <b>(126)</b>                         | <b>(524)</b>  | <b>97,560</b>          | <b>(404,658)</b>   | <b>22,500</b>                | <b>62,498</b>   | <b>25,004</b>             | <b>87,502</b> |



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

|  | Share capital  | Foreign currency translation reserve | Other reserve | Shareholder's advances | 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       |
| <b>Group</b>   |                |                                      |               |                        |                    |                              |   |                           |                |
| At 1 April 2019  | 347,746        | (114)                                | (41)          | 61,448                 | (259,154)          | 22,500                       | 172,385   | (12,242)                  | 160,143        |
| <b>Total comprehensive income for the period</b>               |                |                                      |               |                        |                    |                              |   |                           |                |
| Profit (Loss) for the period                                   | -              | -                                    | -             | -                      | 599                | -                            | 599   | (902)                     | (303)          |
| Other comprehensive income for the period                      | -              | -                                    | (11)          | -                      | -                  | -                            | (11)  | 30                        | 19             |
| Total  | -              | -                                    | (11)          | -                      | 599                | -                            | 588   | (872)                     | (284)          |
| <b>Transactions with owners, recognised directly in equity</b> |                |                                      |               |                        |                    |                              |   |                           |                |
| Deemed investment by a shareholder                             | -              | -                                    | -             | 11,300                 | -                  | -                            | 11,300  | -                         | 11,300         |
| Total  | -              | -                                    | -             | 11,300                 | -                  | -                            | 11,300  | -                         | 11,300         |
| <b>At 30 September 2019</b>                                    | <b>347,746</b> | <b>(114)</b>                         | <b>(52)</b>   | <b>72,748</b>          | <b>(258,555)</b>   | <b>22,500</b>                | <b>184,273</b>  | <b>(13,114)</b>           | <b>171,159</b> |

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

|  | Share<br>capital<br>US\$'000 | Other<br>reserve<br>US\$'000 | Shareholder's<br>advances<br>US\$'000 | Accumulated<br>losses<br>US\$'000 | Perpetual<br>capital<br>securities<br>US\$'000 | Total<br>Equity<br>US\$'000 |
|--|------------------------------|------------------------------|---------------------------------------|-----------------------------------|--|-----------------------------|
| <b>Company</b>   |                              |                              |                                       |                                   |  |                             |
| At 1 April 2020  | 347,746                      | 28                           | 80,010                                | (303,980)                         | 22,500   | 146,304                     |
| <b>Total comprehensive income for the year</b>                 |                              |                              |                                       |                                   |  |                             |
| Loss for the period  | -                            | -                            | -                                     | (999)                             | -  | (999)                       |
| Total  | -                            | -                            | -                                     | (999)                             | -  | (999)                       |
| <b>Transactions with owners, recognised directly in equity</b> |                              |                              |                                       |                                   |  |                             |
| Deemed investment by shareholder                               | -                            | -                            | 10,219                                | -                                 | -  | 10,219                      |
| Total  | -                            | -                            | 10,219                                | -                                 | -  | 10,219                      |
| <b>At 30 September 2020</b>                                    | <b>347,746</b>               | <b>28</b>                    | <b>90,229</b>                         | <b>(304,979)</b>                  | <b>22,500</b>                                  | <b>155,524</b>              |
| <b>Company</b>   |                              |                              |                                       |                                   |  |                             |
| At 1 April 2019  | 347,746                      | 28                           | 54,660                                | (301,952)                         | 22,500   | 122,982                     |
| <b>Total comprehensive income for the year</b>                 |                              |                              |                                       |                                   |  |                             |
| Loss for the period  | -                            | -                            | -                                     | (1,140)                           | -  | (1,140)                     |
| Total  | -                            | -                            | -                                     | (1,140)                           | -  | (1,140)                     |
| <b>Transactions with owners, recognised directly in equity</b> |                              |                              |                                       |                                   |  |                             |
| Deemed investment by shareholder                               | -                            | -                            | 11,300                                | -                                 | -  | 11,300                      |
| Total  | -                            | -                            | 11,300                                | -                                 | -  | 11,300                      |
| <b>At 30 September 2019</b>                                    | <b>347,746</b>               | <b>28</b>                    | <b>65,960</b>                         | <b>(303,092)</b>                  | <b>22,500</b>                                  | <b>133,142</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.

**Changes in share capital during the financial period**

| Issued and fully paid           | No. of shares<br>( '000) |
|---------------------------------|--------------------------|
| Balance as at 31 March 2020     | 559,354                  |
| Balance as at 30 September 2020 | 559,354                  |

The Company's warrants had expired on 26 December 2019. As at 30 September 2020, the Company has no outstanding instruments convertible into, rights to subscribe for, and options in respect of, its Shares or securities which carry voting rights in the Company.

- 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>As at 30 September 2020</u><br>No. of shares<br>( '000) | <u>As at 31 March 2020</u><br>No. of shares<br>( '000) |
|-----------------------------|--|--|
| The number of issued shares | <u>559,354</u>   | <u>559,354</u>   |

There were no treasury shares as at 30 September 2020 and 31 March 2020.

- 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 2020.

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 same accounting policies and methods of computation in the financial statements for the current financial period ended as those of the audited financial statements for the financial year ended 31 March 2020, as well as applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for financial years beginning on or after 1 April 2020. The adoption of these new and revised SFRS(I) has no material effect on the announcement for the current financial period.

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                       |                |
|--|-----------------------------|----------------|
|  | 6 months ended 30 September |                |
|  | 2020                        | 2019           |
| <b>Earnings (US\$'000)</b>                                       |                             |                |
| Net profit after tax attributable to owners of the Company       | (10,567)                    | 599            |
| <b>Number of shares ('000)</b>                                   |                             |                |
| Weighted average number of shares for basic earnings per share   | 559,354                     | 559,352        |
| Effects of dilution  | -                           | -              |
| Weighted average number of shares for diluted earnings per share | <u>559,354</u>              | <u>559,352</u> |
| <b>Earnings per share (US cents)</b>                             |                             |                |
| Basic  | (1.89)                      | 0.11           |
| Diluted  | (1.89)                      | 0.11           |

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 2020  | 31 Mar 2020  | 30 Sep 2020  | 31 Mar 2020  |
| Net asset value (US\$'000)           | 62,498       | 63,178       | 155,524      | 146,304      |
| Total number of shares issued ('000) | 559,354      | 559,354      | 559,354      | 559,354      |
| Net asset value per share (US cents) | <u>11.17</u> | <u>11.29</u> | <u>27.80</u> | <u>26.16</u> |

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\$66.6 million for the six months ended 30 September 2020 ("1HFY2021"), representing a decrease of 23.6% from US\$87.2 million in the previous corresponding period ("1HFY2020") due mainly to lower chartering and brokerage services.

The Group's core chartering and brokerage business recorded revenue of US\$62.7 million in 1HFY2021, representing a decrease of 25.0% as compared to US\$83.6 million in 1HFY2020 due mainly to the system upgrading and/or drydocking of certain vessels which took up to 3 months to complete. Hence, these vessels could only resume their chartering contracts after such upgrading and/or drydocking were completed in 1HFY2021.

Chartering and brokerage services accounted for approximately 94% of Group revenue in 1HFY2021, compared to 96% in 1HFY2020. The remaining 6% of the Group revenue in 1HFY2021 was derived from the provision of vessel management services.

###### (b) Gross profit

Gross profit in 1HFY2021 decreased 51.4% to US\$5.3 million from US\$10.9 million in 1HFY2020 due to lower revenue and lower gross profit margin as detailed below.

As announced by the Company on 16 April 2020, the Group's controlling shareholder Rawabi Holding Company Ltd ("RHC") had assigned its 50% economic rights in Rawabi Vallianz International Company Ltd ("RVIC") to the Company with effect from 1 October 2019.

Prior to 1 October 2019, the Group paid chartering fees to RVIC for the vessels that RVIC leases to the Group. These chartering fees, essentially covered the financing obligations of RVIC comprising principal and interest payments and were categorized as cost of sales in the Group's profit and loss statement.

Since RVIC is being treated as a wholly-owned subsidiary following the assignment of the 50% economic rights in RVIC by RHC to the Company with effect from 1 October 2019, the Group has consolidated RVIC's financial results. This better reflects the operating gross profit margin of the chartering and brokerage business, where the cost of sales will reflect the depreciation of the Group's vessels instead of accounting for the financing obligations of RVIC as cost of sales.

However, the gross profit margin of the chartering and brokerage services decreased from 12% in 1HFY2020 to 11% in 1HFY2021 due mainly to higher preparation cost in relation to the maintenance of certain of our vessels in order to continue to service their charter contracts. Excluding such preparation costs, the gross margin of the chartering and brokerage services would have increased from 12% in 1HFY2020 to 19% in 1HFY2021. Overall, the Group's gross profit margin narrowed to 8% in 1HFY2021 as compared to 13% in 1HFY2020 due mainly to lower gross margin of the chartering and brokerage services as well as a gross loss recorded from the vessel management services.

###### (c) Other income

The Group recorded other income of US\$2.0 million in 1HFY2021 compared to US\$0.7 million in 1HFY2020. This was due mainly to foreign exchange gain in 1HFY2021 as compared to a loss in 1HFY2020 and government grants received from Jobs Support Scheme in 1HFY2021 due to the COVID-19 pandemic.

###### (d) Administrative expenses

Administrative expenses, which comprise largely personnel and travel related expenses, increased US\$1.3 million (25.1%) to US\$6.3 million in 1HFY2021 compared to US\$5.0 million in 1HFY2020. The increase was due mainly to COVID-19 related costs (testing and quarantine costs) of US\$0.7 million which was absent in 1HFY2020.

###### (e) Other operating expenses

Other operating expenses increased to US\$2.1 million in 1HFY2021 from US\$0.2 million in 1HFY2020 due mainly to fair value loss of derivative instruments of US\$1.7 million and provision of doubtful debts of US\$0.4 million in 1HFY2021.

###### (f) Finance costs

Finance costs in 1HFY2021 increased to US\$10.3 million compared to US\$6.2 million in 1HFY2020 due mainly to the consolidation of RVIC financial results with effect from 1 October 2019.

**(g) Share of results of associate and joint ventures**

The Group recorded a profit of US\$0.2 million from its share of results of associate and joint ventures in 1HFY2020 which was mainly attributed to RVIC. There is no share of results of associate and joint ventures in 1HFY2021 as the Group has consolidated RVIC as a wholly-owned subsidiary with effect from 1 October 2019.

**(h) Net profit attributable to owners of the Company**

As a result of the above, the Company registered a net loss attributable to owners of the Company of US\$10.6 million in 1HFY2021 as compared to a profit of US\$0.6 million in 1HFY2020, attributed mainly to lower revenue and gross profit, and higher finance cost.

**Statements of Financial Position**

**(i) Trade and other receivables**

Trade receivables increased to US\$61.6 million as at 30 September 2020 from US\$35.6 million as at 31 March 2020, due to slower payment from certain customers during this COVID-19 period. The Company is speeding up its invoicing processes and working closely with its customers to improve collection.

Other receivables increased to US\$65.7 million as at 30 September 2020 from US\$23.7 million as at 31 March 2020. This was attributed mainly to an increase in down-payments to third party suppliers for construction of new vessels of US\$41.3 million.

**(j) Property, plant and equipment**

Property, plant and equipment increased to US\$818.0 million as at 30 September 2020 from US\$816.7 million as at 31 March 2020, due mainly to additions of US\$14.7 million, which was offset partially by depreciation expenses of US\$12.6 million.

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

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

Total current and non-current term borrowings, which comprised largely bank borrowings for vessels, increased to US\$803.6 million as at 30 September 2020 from US\$743.8 million as at 31 March 2020. This was due to drawdown of term loan facilities of US\$135.6 million, offset partially by repayment of term loan facilities of US\$75.8 million. In view of ongoing challenges in the business environment, the Company is currently in discussion with its various bankers on further debt restructuring.

The average repayment for bank borrowings of the Group is about 10 years, which is significantly shorter than the useful lives of the vessels which are typically approximately 25 years. The current portion of the vessel borrowings are recorded as current liabilities, whilst the vessels are recorded as non-current assets. This mismatch is one of the main reasons resulting in the net current liabilities position of the Group as at 30 September 2020.

**(l) Trade and other payables**

The Group's trade payables decreased slightly to US\$54.6 million as at 30 September 2020 from US\$58.2 million as at 31 March 2020. Other payables increased to US\$61.9 million as at 30 September 2020 from US\$43.3 million as at 31 March 2020 due mainly to increase in trade accruals as a result of increase in chartering expenses for front-running vessels of US\$6.8 million and late receipt of vendors' invoices of US\$12.9 million.

**Consolidated Statement of Cash Flows**

Cash and cash equivalents increased by US\$3.7 million to US\$34.1 million as at 30 September 2020 from US\$30.4 million as at 31 March 2020.

The Group used net cash of US\$30.6 million from operating activities during 1HFY2021. Net cash used in investing activities of US\$13.9 million for 1HFY2021 was attributed mainly to purchase of property, plant and equipment. Net cash generated from financing activities in 1HFY2021 amounted to US\$48.1 million. This was attributed to advances from shareholder of US\$10.2 million and proceeds from new bank loans of US\$135.6 million, offset partially by repayment of existing term loans of US\$75.8 million, payment of lease liability of US\$12.8 million and payment of interest of US\$9.1 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.**

The global oil and gas (O&G) industry is expected to continue experiencing difficult business conditions in the foreseeable future due to the current COVID-19 pandemic. With the pandemic spreading and accelerating in many countries, a number of major economies have reinstated new rounds of lockdowns. Hence, any potential recovery in global oil demand is likely to be slower than expected.

Accordingly, the Organization of Petroleum Exporting Countries (“OPEC”) has reduced its global oil demand growth forecast to 96.8 million barrels per day (bpd) for 2021 compared to its previous projection in July 2021 of 97.7 bpd. For 2020, OPEC has maintained its forecast for global oil demand to fall by 9.0% to 90.6 million bpd. As a result, industry analysts expect that OPEC and its allies may have to delay the original plan to gradually relax oil production cuts starting from January 2021 to an indefinite future date.

In its World Economic Outlook Update released in October 2020, the International Monetary Fund (“IMF”) projected the global economy to contract by 4.4% in 2020. This was an upward revision from the expected decline of 4.9% in IMF’s previous forecast in June 2020. However, IMF has shaved its projections for 2021 as it now expects the global economy to rebound by 5.2% instead of 5.4% previously in its June forecast. With the recent resurgence of the pandemic, IMF believes the global economy’s long ascent back to pre-pandemic levels of activity remains prone to setbacks.

Given the weak economic outlook, continuing oil demand destruction as well as cuts in capital expenditure and production by the major oil producers, companies operating in the global offshore support vessel (“OSV”) industry will face volatile and challenging market conditions. Heightened competition will also prevail and continue to depress OSV utilisation and charter rates.

According to maritime industry analysts, charter rates are being pressured by the excessive supply of OSVs with more than 1,000 vessels currently laid up and inactive. This situation is expected to continue into 2021 due to the impact of COVID-19 pandemic on oil demand which has led to a reduction in exploration activities and sanctioning of new projects.

As such, the Group maintains a cautious view of its prospects for the current financial year ending 31 March 2021. The Group will continue with its efforts to improve operational cost-efficiencies as well as pursue business opportunities with new and existing customers in its target markets in Asia and the Middle East. The Group will also actively seek ways to enhance its value-add to customers by widening its range of offshore support services.

As at 30 September 2020, the Group’s chartering services order book had total value of approximately US\$609 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 fleet of 61 OSVs.

The Company also wishes to update shareholders on the following:

The Company had announced on 2 June 2020 and 23 July 2020 the purchase by RVOS of debts of PT Vallianz Offshore Maritim, a 49%-owned associated company. As an update, the transaction is not completed yet and is pending the necessary documentation.

The Company had also on 29 June 2020 and 7 August 2020 made announcements in relation to the SHL 2020 SOSA, the SCPL SOSA and the RHCL 2020 SOSA (as defined in the announcements). As an update, the Company is working with its professional advisors to prepare a circular to seek shareholders’ approval at an EGM for the relevant transactions as interested person transactions (“IPTs”).

**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 all accumulated distributions (currently at a rate of 7.0% per annum) to the holder of the perpetual capital securities before the Company can declare dividends to ordinary shareholders.

**13. Interested person transaction**

In compliance with Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalist), there were no transactions with interested persons for the 6 months ended 30 September 2020 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) |
|--|--|--|
| <b>Corporate services provided to the Group</b>  |  |  |
| Rawabi Holding Company Limited and its subsidiaries ("RHC Group")                                | Nil  | US\$641,763  |
| <b>Rental of premises provided to the Group</b>  |  |  |
| RHC Group  | Nil  | US\$136,977  |
| <b>Other goods and services provided to the Group</b>  |  |  |
| RHC Group  | Nil  | US\$425,534  |
| <b>Corporate services provided by the Group</b>  |  |  |
| Holmen Heavylift Offshore Pte. Ltd. ("HOL") and its subsidiaries ("HOL Group") <sup>(1)</sup>    | US\$66,000   | Not applicable   |
| <b>Shipyard, Engineering, Fabrication Services and Facilities services provided by the Group</b> |  |  |
| HOL Group <sup>(1)</sup>   | US\$224,535  | Not applicable   |
| <b>Ship management services provided by the Group</b>  |  |  |
| HOL Group <sup>(1)</sup>   | US\$264,000  | Not applicable   |
| <b>Interests payment paid for by the Group</b>   |  |  |
| HOL Group <sup>(1)</sup>   | US\$1,764,057 <sup>(2)</sup>   | Not applicable   |

Notes:

- (1) HOL Group is 25% owned by SHL and 75% owned by the Company.
- (2) The Company had made interest payment of US\$1.76 million on behalf of the HOL Group on the bank facilities extended to the HOL Group, which represents 100% of the amount notwithstanding that the Company's shareholding interest in HOL is only 75%. No principal repayment was made during 1HFY2021.
- (3) The Company had previously disclosed transactions involving two Mexican subsidiaries of the Group (namely OER and OSR) and the SHL Group as IPTs. The Group owns 99% of the issued share capital of these 2 Mexican entities and the remaining 1% is owned by a local resident director. Upon further assessment, the Company is of the view that these Mexican subsidiaries ought not to fall within the definition of EAR under Chapter 9 of the Catalist Rules even though they are subsidiaries of the Group as the Company does not have any effective control over these entities' business decisions. Hence, the transactions between the Mexican entities and the SHL Group will no longer be considered and disclosed as IPTs. In addition, the Company intends to dispose of its entire interest in these 2 Mexican entities by the end of FY2021. Further details will be set out in the IPT Circular (as defined below) to be released by the Company in due course.



The Company's outstanding exposure of corporate guarantees in relation to outstanding bank facilities to interested persons as at 30 September 2020, is set out in the table below:

| Entities   | As at 31 March 2020 (US\$'000) | As at 30 September 2020 (US\$'000) |
|--|--------------------------------|------------------------------------|
| <b>Company's exposure to the corporate guarantee/outstanding bank facilities</b> |                                |                                    |
| RVOS   | 18,667 *                       | - *                                |
| RPL  | 31,729                         | 31,729                             |
| HOL  | 86,115                         | 86,115                             |

\* In 1HFY2021, the corporate guarantee amounting to US\$18.7 million previously provided by the Company in relation to RVOS' existing bank borrowings had been released and replaced by RHC at no cost to the Group.

The Company has previously provided an update in its annual report for the financial year ended 31 March 2020 (which was published on the SGXNET on 15 September 2020), that the Company is working with its professional advisers to prepare a circular to shareholders ("IPT Circular") to, *inter alia*, set out details of the Non-Compliant IPTs and to seek shareholders' ratification for certain of the past Non-Compliant IPTs as well as approval for new IPTs and adoption of IPT General Mandates. The Company wishes to update Shareholders that the Company is currently working with its professional advisers to finalise the IPT Circular and barring unforeseen circumstances, the Company targets to hold the EGM for the above transactions in due course.

#### 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 1HFY2021 financial results 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

Darren Yeo Chee Neng  
Director  
Executive Vice-Chairman

Ling Yong Wah  
Director  
Chief Executive Officer

13 November 2020

---

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

*The contact person for the Sponsor is Ms. Wong Bee Eng, Chief Executive Officer, who can be contacted at 96 Robinson Road, #13-01, SIF Building, Singapore 068899, telephone: (65) 6227 5810, email: [wongbe@provenancecapital.com](mailto:wongbe@provenancecapital.com)*