



VALLIANZ HOLDINGS LIMITED

Unaudited Financial Statements

For the Financial Year Ended 31 March 2020

UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 (“FY2020”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS QUARTERLY (Q1, Q2, Q3 & Q4), 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		Change %
	FY2020 US\$'000	FY2019 US\$'000	
Revenue	188,641	184,518	2.2
Cost of sales	(165,071)	(151,547)	8.9
Gross Profit	23,570	32,971	(28.5)
Other income	623	1,706	(63.5)
Administrative expenses	(10,907)	(11,703)	(6.8)
Other operating expenses	(2,090)	(1,933)	8.1
Finance costs	(40,118)	(16,473)	nm
Share of results of associate and joint ventures	196	105	86.7
Operating (loss) profit from ordinary activities	(28,726)	4,673	nm
Exceptional Items	(103,611)	(133,318)	(22.3)
Loss before tax	(132,337)	(128,645)	2.9
Income tax	(4,583)	(4,018)	14.1
Loss for the year	(136,920)	(132,663)	3.2

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 %
	FY2020 US\$'000	FY2019 US\$'000	
Loss for the year attributable to:			
Owners of the Company	(134,888)	(128,181)	5.2
Non-controlling interests	(2,032)	(4,482)	(54.7)
Total	(136,920)	(132,663)	3.2
Other comprehensive (loss) income for the year, net of tax			
Exchange differences on translation of foreign operations	(88)	(88)	-
Actuarial gain on post-employment benefit obligation	124	71	74.6
Total comprehensive loss for the year	(136,884)	(132,680)	3.2
Total comprehensive loss attributable to			
Owners of the Company	(134,852)	(128,198)	5.2
Non-controlling interests	(2,032)	(4,482)	(54.7)
Total	(136,884)	(132,680)	3.2

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	
	FY2020	FY2019
	US\$'000	US\$'000
(Write back) Loss allowance for trade and other receivables	(560)	1,015
Depreciation of property, plant and equipment	53,481	11,879
Bad debts written off	67	398
Prepayments written off	20,941	-
Finance costs	40,118	16,473
Foreign exchange loss (gain), net	764	(122)
(Gain) Loss on disposal of property, plant and equipment	(485)	284
Fair value loss/(gain) of derivative financial instruments	3,417	(373)
Provision for employee benefits	187	136
Reinstatement cost of shipyard	-	520
Share-based payment expense	-	250
Forfeiture of performance shares award	-	(22)
Forfeiture of share option	-	(60)
Impairment of investment in associate	-	67,392
Impairment of property, plant and equipment	53,098	53,510
Compensation for late delivery of vessels and cancellation of project	26,155	12,416

- 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	
	31 March 2020 US\$'000	31 March 2019 US\$'000	31 March 2020 US\$'000	31 March 2019 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	9,390	8,374	619	118
Trade receivables	35,563	42,420	2	2
Other receivables	23,688	161,743	295,632	207,347
Inventories	5,856	4,935	-	-
Contract assets	913	492	-	-
Financial assets at fair value through other comprehensive income	31,729	31,729	-	-
Derivative financial instruments	5,129	-	-	-
Total current assets	112,268	249,693	296,253	207,467
Non-current assets				
Monies pledged with banks	699	699	-	-
Property, plant and equipment	816,712	237,367	52	69
Right-of-use assets	25,863	-	-	-
Subsidiaries	-	-	154	154
Joint ventures	-	65,435	-	68,530
Associate	14,843	14,843	-	-
Derivative financial instruments	-	1,713	-	-
Total non-current assets	858,117	320,057	206	68,753
Total assets	970,385	569,750	296,459	276,220

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

	Group		Company	
	31 March 2020 US\$'000	31 March 2019 US\$'000	31 March 2020 US\$'000	31 March 2019 US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Term loans	247,951	152,050	-	-
Trade payables	58,181	65,784	-	-
Other payables	43,331	24,503	150,155	153,238
Finance lease payables	1	5	-	-
Lease liability	17,435	-	-	-
Income tax payable	3,982	4,947	-	-
Derivative financial instruments	3,417	-	-	-
Total current liabilities	374,298	247,289	150,155	153,238
Non-current liabilities				
Term loans	474,888	152,258	-	-
Retirement benefit obligation	2,210	2,014	-	-
Finance lease payables	-	1	-	-
Lease liability	8,911	-	-	-
Deferred tax liabilities	20,975	8,045	-	-
Total non-current liabilities	506,984	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	(202)	(114)	-	-
Share options reserve	-	-	-	-
Other reserve	(165)	(41)	28	28
Shareholder's advances	87,341	61,448	80,010	54,660
Accumulated losses	(394,042)	(259,154)	(303,980)	(301,952)
Equity attributable to owners of the Company and capital securities holders	63,178	172,385	146,304	122,982
Non-controlling interests	25,925	(12,242)	-	-
Total equity	89,103	160,143	146,304	122,982
Total liabilities and equity	970,385	569,750	296,459	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 31 March 2020		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
247,952	-	152,055	-

Amount repayable after one year

Group		Group	
As at 31 March 2020		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
474,888	-	152,259	-

Details of any collateral

The Group's borrowings are secured by:

- (i) mortgage over all the Group's property, vessels, motor vehicles, equipment and a vessel held by a related company of a major 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) corporate guarantees from the Company and a major shareholder of the Group; and
- (vii) shares of pledged subsidiaries.

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

Consolidated Statement of Cash Flows

	Group	
	FY2020 US\$'000	FY2019 US\$'000
Operating activities		
Loss before tax	(132,337)	(128,645)
Adjustments for:		
(Write back) Loss for allowance for trade and other receivables	(560)	1,015
Bad debts written off	67	398
Prepayments written off	20,941	-
Depreciation of property, plant and equipment	53,481	11,879
Provision for retirement benefit obligation	187	136
Finance costs	40,118	16,473
(Gain) Loss on disposal of property, plant and equipment	(485)	284
Unrealised foreign exchange gain	(163)	(88)
Share-based payment expense	-	250
Share of results of associate and joint venture	(196)	(105)
Fair value loss/ (gain) of derivative financial instruments	3,417	(373)
Forfeiture of performance shares award	-	(22)
Forfeiture of shares	-	(60)
Reinstatement cost of shipyard	-	520
Impairment of investment in associate	-	67,392
Impairment of property, plant and equipment	53,098	53,510
Compensation for late delivery of vessels and cancellation of project	26,155	12,416
Operating cash flows before working capital changes	63,723	34,980
Trade and other receivables	22,466	1,040
Trade and other payables	(35,673)	(3,048)
Inventories	(921)	(1,999)
Contract assets	(421)	(240)
Cash generated from operations	49,174	30,733
Income tax paid	(2,508)	(113)
Net cash generated from operating activities	46,666	30,620
Investing activities		
Purchase of property, plant and equipment	(78,302)	(29,356)
Acquisition of subsidiary	8,149	-
Advances to joint venture	-	(92,681)
Proceeds from disposal of property, plant and equipment	1,675	800
Net cash used in investing activities	(68,478)	(121,237)

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

	Group	
	FY2020	FY2019
	US\$'000	US\$'000
Financing activities		
Interest paid	(30,903)	(11,073)
Proceeds from new term loans raised	76,428	70,323
Proceeds from shareholder's advances	25,350	44,390
Repayment of term loans	(48,042)	(12,213)
Repayment of obligation under finance lease	(5)	(5)
Net cash from financing activities	22,828	91,422
Net increase in cash and cash equivalents	1,016	805
Cash and cash equivalents at beginning of year	8,374	7,569
Cash and cash equivalents at end of year	9,390	8,374

- 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	Equity attributable to owners of the company	Perpetual capital securities	Equity attributable to owners of the Company and securities holders	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group											
At 1 April 2019	347,746	(114)	-	(41)	61,448	(259,154)	149,885	22,500	172,385	(12,242)	160,143
Total comprehensive income for the year											
Loss for the year	-	-	-	-	-	(134,888)	(134,888)	-	(134,888)	(2,032)	(136,920)
Other comprehensive income for the year	-	(88)	-	(124)	-	-	(212)	-	(212)	49	(163)
Total	-	(88)	-	(124)	-	(134,888)	(135,100)	-	(135,100)	(1,983)	(137,083)
Transactions with owners, recognised directly in equity											
Non-controlling interest arising from assignment of economic rights	-	-	-	-	-	-	-	-	-	40,150	40,150
Recognition of equity component of shareholders' advance	-	-	-	-	543	-	543	-	543	-	543
Deemed investment by a shareholder	-	-	-	-	25,350	-	25,350	-	25,350	-	25,350
Total	-	-	-	-	25,893	-	25,893	-	25,893	40,150	66,043
At 31 March 2020	347,746	(202)	-	(165)	87,341	(394,042)	40,678	22,500	63,178	25,925	89,103

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	Equity attributable to owners of the company	Perpetual capital securities	Equity attributable to owners of the Company and securities holders	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group											
At 1 April 2018	344,866	(26)	405	(112)	6,788	(130,973)	220,948	22,500	243,448	(7,760)	235,688
Total comprehensive income for the year											
Loss for the year	-	-	-	-	-	(128,181)	(128,181)	-	(128,181)	(4,482)	(132,663)
Other comprehensive income for the year	-	(88)	-	71	-	-	(17)	-	(17)	-	(17)
Total	-	(88)	-	71	-	(128,181)	(128,198)	-	(128,198)	(4,482)	(132,680)
Transactions with owners, recognised directly in equity											
Issue of vendor settlement shares	2,307	-	-	-	-	-	2,307	-	2,307	-	2,307
Performance shares awarded	573	-	(573)	-	-	-	-	-	-	-	-
Forfeiture of performance shares award	-	-	(82)	-	-	-	(82)	-	(82)	-	(82)
Recognition of share-based payments	-	-	250	-	-	-	250	-	250	-	250
Deemed investment by a shareholder	-	-	-	-	54,660	-	54,660	-	54,660	-	54,660
Total	2,880	-	(405)	-	54,660	-	57,135	-	57,135	-	57,135
At 31 March 2019	347,746	(114)	-	(41)	61,448	(259,154)	149,885	22,500	172,385	(12,242)	160,143

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 year							
Loss for the year	-	-	-	-	(2,028)	-	(2,028)
Total	-	-	-	-	(2,028)	-	(2,028)
Transactions with owners, recognised directly in equity							
Deemed investment by shareholder	-	-	-	25,350	-	-	25,350
Total	-	-	-	25,350	-	-	25,350
At 31 March 2020	347,746	-	28	80,010	(303,980)	22,500	146,304

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

	Share capital US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Shareholder's Advance US\$'000	Perpetual capital securities US\$'000	Accumulated losses US\$'000	Total Equity US\$'000
Company							
At 1 April 2018	344,866	405	28	-	(299,468)	22,500	68,331
Total comprehensive income for the year							
Loss for the year	-	-	-	-	(2,484)	-	(2,484)
Total	-	-	-	-	(2,484)	-	(2,484)
Transactions with owners, recognised directly in equity							
Issue of vendor settlement shares	2,307	-	-	-	-	-	2,307
Deemed investment by shareholder	-	-	-	54,660	-	-	54,660
Recognition of share-based payments	-	250	-	-	-	-	250
Performance shares awarded	573	(573)	-	-	-	-	-
Forfeiture of performance shares award	-	(82)	-	-	-	-	(82)
Total	2,880	(405)	-	54,660	-	-	57,135
At 31 March 2019	347,746	-	28	54,660	(301,952)	22,500	122,982

- 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

	6 months ended 31 March 2020	3 months ended 31 March 2019
	No. of shares ('000)	No. of shares ('000)
As at beginning of the period	559,352	16,780,595
Issuance of new ordinary shares pursuant to:		
- Exercise of warrants	2	-
- Share Consolidation	-	(16,221,243)
As at the end of the period	559,354	559,352

(a) Share Consolidation

On 4 July 2018, the Company announced the proposed share consolidation exercise pursuant to which the Company will consolidate every thirty existing ordinary shares registered in the name of each shareholder into one ordinary share ("**Share Consolidation**"). Accordingly, the outstanding number of Warrants, new shares to be issued pursuant to the exercise of Warrants and Awards granted under the PSP will also be adjusted. Please refer to the circular to Shareholders dated 11 July 2018 for further details on the Share Consolidation.

The Share Consolidation was approved by Shareholders at the annual general meeting of the Company held on 26 July 2018.

The Share Consolidation was completed and became effective from 24 January 2019 ("**Share Consolidation Effective Date**" and "**Warrant Adjustment Effective Date**").

Prior to the Share Consolidation Effective Date, the issued share capital of the Company comprised 16,780,595,243 Existing Shares, and with effect from the Share Consolidation Effective Date, the issued share capital of the Company comprises 559,351,901 Consolidated Shares, after taking into consideration of any fractions of Consolidated Shares arising from the Share Consolidation.

Prior to the Warrant Adjustment Effective Date, the Company had 1,501,801,298 unexercised Warrants, and with effect from the Warrant Adjustment Effective Date, the Company had 50,059,928 unexercised Adjusted Warrants, after taking into consideration of any fractions of Adjusted Warrants arising from the Warrant Adjustment. All the remaining 50,057,395 warrants had expired on the expiry date of the warrants on 26 December 2019.

The SGX-ST has, in accordance with its practice, retired the Company's existing stock codes – 545 and 1H1W and issued new, randomly generated stock codes to the Company – WPC in respect of the shares, and PFYW in respect of the warrants.

- 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.

	31 March 2020	31 March 2019
	No. of shares ('000)	No. of shares ('000)
Total number of issued shares	<u>559,354</u>	<u>559,352</u>

There were no treasury shares as at 31 March 2020 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 year 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 SFRS(I) 16 Leases with effect from 1 April 2019 which is relevant to its operations. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption and has not restated comparatives for the financial year ended 31 March 2019 reporting period as permitted under the specific transition provisions in the standard. The effect of the change on the adoption of SFRS(I) 16 Leases is the recognition of right-of-use assets and lease liabilities in the statement of financial position for the year ended 31 March 2020. Following the adoption of SFRS(I) 16, right-of-use assets and lease liabilities were being recognized in the balance sheet for the financial periods beginning on or after 1 April 2019 for the first time, without restatement of comparative amounts for the period prior to first 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	
	FY2020	FY2019
Earnings (US\$'000)		
Net loss after tax attributable to owners of the Company	(134,888)	(128,181)
Number of shares ('000)		
Weighted average number of shares for basic earnings per share	559,353	556,481
Effects of dilution ^(*)	-	50,060
Weighted average number of shares for diluted earnings per share	559,353	606,541

^(*): 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 if applicable. All the remaining 50,057,395 warrants had expired on 26 December 2019.

	Group	
	FY2020	FY2019
Losses per share (US cents)		
Basic	(24.12)	(23.03)
Diluted	(24.12)	(21.13)

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	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Net asset value (US\$'000)	63,178	172,385	146,304	122,982
Total number of shares issued ('000)	559,354	559,352	559,354	559,352
Net asset value per share (US cents)	11.29	30.82	26.16	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

In FY2020, the Group recorded stable revenue of around US\$188.6 million as compared to US\$184.5 million in FY2019. The Group's core chartering and brokerage services registered higher revenue of US\$179.4 million in FY2020 as compared to US\$167.1 million in FY2019, attributable mainly to the full impact of vessel charter contracts that commenced in FY2019 and the commencement of new charter contracts in FY2020. However, this increase was offset by lower revenue of US\$9.2 million derived from the Group's vessel management services in FY2020 as compared to US\$17.4 million in FY2019 due to lower volume of vessel management projects.

Chartering and brokerage services accounted for approximately 95% of Group revenue in FY2020, compared to 91% in FY2019. The remaining 5% of Group revenue was derived from the provision of vessel management services.

(b) Gross profit

In FY2020, the Group's gross profit decreased 28.5% to US\$23.6 million from US\$33.0 million in FY2019.

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.

As a result, the gross profit margin of the chartering and brokerage services increased from 12% in FY2019 to 22% in FY2020. However, due to a gross loss recorded from the vessel management services, the Group's gross profit margin narrowed to 12.5% as compared to 17.9% in FY2019. The softer gross profit margin in FY2020 was also partly attributed to the absence of higher margin engineering services in FY2020.

(c) Other income

The Group registered other income of US\$0.6 million in FY2020 as compared to US\$1.7 million recorded in FY2019 due mainly to US\$1.1 million insurance claims in FY2019.

(d) Administrative and other operating expenses

Administrative expenses in FY2020 decreased 6.8% to US\$10.9 million from US\$11.7 million in FY2019, attributed mainly to lower rental costs, share based payment expense and professional fees.

Other operating expenses in FY2020 remained comparable at US\$2.1 million as compared to US\$1.9 million recorded in FY2019.

(e) Finance costs

Finance costs increased to US\$40.1 million in FY2020 from US\$16.4 million in FY2019 due to the provision for distribution for perpetual capital securities and the consolidation of RVIC financial results with effect from 1 October 2019.

(f) Share of results of associate and joint ventures

The Group recorded a profit of US\$0.20 million from its share of results of associate and joint ventures in FY2020, attributable mainly to RVIC before the consolidation of its financial results with effect from 1 October 2019.

(g) Exceptional items

The Group recorded exceptional items of US\$103.6 million in FY2020 due mainly to impairment of property, plant and equipment of US\$53.1 million, prepayments written off of US\$20.9 million, compensation for late delivery of vessels of US\$26.2 million and fair value loss on derivative financial instruments of US\$3.4 million. The impairment and prepayments written off is based on an in-depth evaluation of the various vessels held by the Group and its recoverability in light of the continued challenges and prolonged downturn in the offshore and marine market.

(h) Net loss attributable to owners of the Company

As a result of the above factors, the Group posted a net loss attributable to owners of the Company of US\$134.9 million in FY2020 compared to US\$128.2 million in FY2019. This was due mainly to the recognition of exceptional items of US\$103.6 million, higher finance cost and lower gross profit in FY2020.

Statements of Financial Position

(i) Trade and other receivables

Trade receivables decreased to US\$35.6 million as at 31 March 2020 from US\$42.4 million as at 31 March 2019 due mainly to the Group's efforts in the collection of outstanding trade receivables. Other receivables decreased to US\$23.7 million as at 31 March 2020 from US\$161.7 million as at 31 March 2019 due mainly to prepayments written off of US\$20.9 million and the set-off of the amount owing from RVIC to RVOS as part of the payment consideration arising from the acquisition of vessels by RVOS from RVIC pursuant to the restructuring exercise as explained in Section 13 below.

(j) Property, plant and equipment

Property, plant and equipment increased to US\$816.7 million as at 31 March 2020 from US\$237.4 million as at 31 March 2019, due mainly to the acquisition of vessels by RVOS from RVIC as part of the restructuring exercise mentioned above.

(k) Joint ventures

The decrease in investment in joint ventures was due mainly to the reclassification of investment in joint venture to subsidiary following the assignment of RHC's 50% economic rights in RVIC to the Company.

(l) 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\$722.8 million as at 31 March 2020 from US\$304.3 million as at 31 March 2019. This was due mainly to new bank borrowings obtained by RVOS to partly fund the acquisition of all the vessels from RVIC as part of the restructuring exercise as explained in Section 13 below. RVOS' new bank borrowings are secured on these vessels and are fully guaranteed by RHC at no cost to the Group. RVIC then used these proceeds to repay its bank borrowings.

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 31 March 2020.

As at the end of the reporting period, the Group has breached the financial covenants imposed by two financial institutions for credit lines provided to its subsidiaries. The breaches are the failure to maintain the minimum sum in the Debt Servicing Reserve Account and certain financial ratios. The Company has secured a waiver for the breaches from one of the financial institutions as at 31 March 2020. The non-current portion of the term loan owed to the other financial institution amounting to US\$18.8 million has been classified as current liabilities as at 31 March 2020 as the Group does not have the unconditional right to defer settlement of the non-current term loan.

As disclosed in the Company's half year results announcement on 14 November 2019, the Company is currently in discussions with certain of its bankers on further debt restructuring. Such debt restructuring includes restructuring the existing Framework Agreement, entered into by the Company with certain lenders on 10 March 2017 on the repayment terms and loan covenants.

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

(I) Trade and other payables

The Group's trade payables decreased to US\$58.2 million as at 31 March 2020 from US\$65.8 million as at 31 March 2019. Other payables increased to US\$43.3 million as at 31 March 2020 from US\$24.5 million as at 31 March 2019 due mainly to higher accruals as a result of late receipts of invoices from vendors and provision for cumulative distribution for perpetual capital securities, not provided for previously.

Consolidated Statement of Cash Flows

Cash and cash equivalents increased to US\$9.4 million as at 31 March 2020 from US\$8.4 million as at 31 March 2019.

The Group generated net cash of US\$46.7 million from operating activities during FY2020. Net cash used in investing activities of US\$68.5 million for FY2020 was attributed mainly to purchase of property, plant and equipment of US\$78.3 million, partially offset by acquisition of subsidiary amounting to US\$8.1 million and proceeds from disposal of property, plant and equipment of US\$1.7 million. Net cash generated from financing activities in FY2020 amounted to US\$22.8 million. This was attributed to advances from shareholder of US\$25.4 million and proceeds from new bank loans of US\$76.4 million, offset partially by repayment of existing term loans of US\$48.0 million and payment of interest of US\$30.9 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 to witness difficult business conditions in the foreseeable future. Industry analysts are forecasting that any potential recovery in global oil demand will likely be slower than expected as governments across the world could re-impose lockdowns to combat the recent resurgence in Covid-19 cases. The Organization of Petroleum Exporting Countries (OPEC) and its allies have also been cutting crude oil production to support oil prices and reduce the build-up in oil inventories caused by the Covid-19 pandemic. Despite the major reduction in output, oil prices have not staged a recovery and inventories have continued to rise due to the unprecedented decline in worldwide oil consumption.

In its World Economic Outlook Update released in June 2020, the International Monetary Fund (IMF) projected the global economy to contract by 4.9% in 2020 followed by growth of 5.4% in 2021. This compares to the IMF's pre-Covid-19 forecast in January 2020 when it projected the global economy to grow in both 2020 and 2021 by 3.3% and 3.4% respectively. Similarly the World Bank in its June 2020 *Global Economic Prospects* forecast a 5.2% contraction in global GDP in 2020 – the deepest global recession in eight decades, despite unprecedented policy support – followed by growth of 4.2% in 2021.

As a result of the oil demand destruction and production cuts, coupled with the deepening global economic recession, the operating environment for companies in the offshore support vessel (OSV) segment will continue to remain volatile and challenging. Heightened competition within the OSV industry will also continue to depress OSV utilization and charter rates.

As such, the Group is adopting 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.

Looking ahead to 2021, OPEC said it expects global oil demand growth to rebound by 7.7% to an average of 97.7 million barrels per day (bpd) as the world economy recovers from the coronavirus pandemic. For 2020, OPEC is forecasting global oil demand to fall 9.0% to 90.6 million bpd from 100.1 million bpd in 2019. In its monthly report released in July 2020, OPEC said its 2021 forecast assumes no further downside risks will materialize next year such as USA-China trade tensions, high debt levels and that Covid-19 pandemic will be contained, especially in major economies.

As at 31 March 2020, the Group's chartering services order book had total value of approximately US\$413 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 59 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 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 Catalyst), there were no transactions with interested persons for the 12 months ended 31 March 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)
Chartering services provided to the Group		
Rawabi Vallianz International Company	Nil	US\$29,539,526 ⁽¹⁾
Corporate services provided to the Group		
Rawabi Holding Company Limited and its subsidiaries	Nil	US\$690,397
Shipyard, Engineering, Fabrication Services and Facilities services provided by the Group		
Swiber Holdings Limited ("SHL") and its subsidiaries ("SHL Group")	US\$52,687	Not applicable
Ship management services provided by the Group		
SHL Group	US\$3,932,089	Not applicable
Principal loan repayment paid for by the Group		
Holmen Heavylift Offshore Pte. Ltd. ("HOL") and its subsidiaries ("HOL Group") ⁽²⁾	US\$4,555,560 ⁽³⁾	Not applicable
Interests payment paid for by the Group		
HOL Group ⁽²⁾	US\$4,710,612 ⁽³⁾	Not applicable

Notes:

- (1) This amount relates to the provision of chartering services from RVIC to the Group from 1 April 2019 to 30 September 2019. Following the assignment of its 50% economic rights in RVIC by RHC to the Company on 1 October 2019, the Group had consolidated the results of RVIC as a wholly-owned subsidiary with effect from 1 October 2019.
- (2) HOL Group is 25% owned by SHL and 75% owned by the Company.
- (3) The amount represents 100% of the amount which was paid for by the Company. The Company had made principal repayment and interest payment of US\$4.56 million and US\$4.71 million respectively for the year ended 31 March 2020 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%.

Save for the IPTs entered into for the year ended 31 March 2020, the Company's outstanding share of/exposure to the corporate guarantees/outstanding bank facilities and advances to interested persons has decreased, as set out in the table below:

Entities	As at 31 March 2020 (US\$'000)	As at 30 September 2019 (US\$'000)
Company's exposure to the corporate guarantee/outstanding bank facilities		
RVIC	- *	226,242
RVOS	18,667 **	29,412
RPL	31,729	31,729
HOL	86,115	88,393
Advances		
RVIC	-*	78,620

* During the second half of the financial year ended 31 March 2020, the Group went through a restructuring exercise whereby RVOS acquired all the vessels from RVIC based on market valuation of these vessels and funded the acquisition partly through new bank borrowings obtained by RVOS and partly from the set-off of amount owing from RVIC to RVOS. RVOS's new bank borrowings are secured on these vessels and are fully guaranteed by RHC at no cost to the Group. RVIC then used the proceeds that it received from RVOS from the sale of the vessels to repay its bank borrowings. Following the restructuring exercise, RVIC will have no outstanding bank borrowings. Accordingly, all corporate guarantees from the Company and RHC in relation to RVIC's bank borrowings were also fully released.

RVIC will become temporarily inactive following the restructuring exercise and may be reactivated if and when suitable business opportunities are identified by its joint venture partners.

Both RVOS and RVIC are considered as interested persons within the meaning of Chapter 9 of the Catalyst Rules and thus the acquisition of the vessels by RVOS from RVIC is deemed as an interested person transaction ("IPT"). However, as these entities are jointly and equally owned by the Company and RHC, and as the Group consolidates both RVOS and RVIC as wholly-owned subsidiaries pursuant to RHC's assignment of economic benefits in RVOS and RVIC to the Company, the value at risk for the IPT is zero.

** As an update, subsequent to 31 March 2020, the corporate guarantees amounting to US\$18.7 million previously provided by the Company in relation to RVOS' existing bank borrowings had also been released and replaced by RHC at no cost to the Group.

As stated in the Company's announcements on 24 July 2019, 5 August 2019, 30 August 2019, 3 February 2020 and 6 March 2020, 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 W Capital Markets Pte Ltd, the independent financial adviser, 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. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	Vessel chartering & broking US\$'000	Vessel management & services US\$'000	Investment holding US\$'000	Total US\$'000
FY2020				
Revenue				
External sales	179,426	9,068	147	188,641
Results				
Segment results	31,418	(17,200)	(3,022)	11,196
Finance costs	(32,694)	(224)	(7,200)	(40,118)
Share of results of associate and joint ventures	196	-	-	196
Operating loss from ordinary activities / Loss before tax	(1,080)	(17,424)	(10,222)	(28,726)
Exceptional items	(56,515)	(47,096)	-	(103,611)
Loss before tax				(132,337)
Income tax				(4,583)
Loss for the year				(136,920)
FY2019				
Revenue				
External sales	167,102	17,416	-	184,518
Results				
Segment results	18,465	6,052	(3,476)	21,041
Finance costs	(13,410)	(55)	(3,008)	(16,473)
Share of results of associate and joint ventures	105	-	-	105
Operating profit from ordinary activities / Profit (Loss) before tax	5,160	5,997	(6,484)	4,673
Exceptional items	(51,408)	(14,518)	(67,392)	(133,318)
Loss before tax				(128,645)
Income tax				(4,018)
Loss for the year				(132,663)

15. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to paragraph 8 and 14 above.

16. Breakdown of sales and profit

	<u>Group</u>		
	FY2020	FY2019	Increase / (decrease)
	US\$'000	US\$'000	%
(a) Sales reported for first half year	87,152	87,860	(0.8)
(b) Profit after tax before deducting non-controlling interest	(304)	4,741	nm
(c) Sales reported for second half year	101,489	96,658	5.0
(d) Loss after tax before deducting non-controlling interest	(136,616)	(137,404)	(0.6)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not Applicable.

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

Pursuant to Rule 704(10) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of the Company would like to confirm that none of the persons occupying managerial positions in the Company or its principal subsidiaries are related to a Director or Chief Executive Officer or Substantial Shareholder of the Company, for the financial year ended 31 March 2020.

19. 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

29 July 2020

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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