Vallianz

Vallianz Holdings Limited • Annual Report 2014

BREAKING WAVES

STAYING STRONG IN CHALLENGING TIMES

Vallianz Strengthens Foothold in Middle East

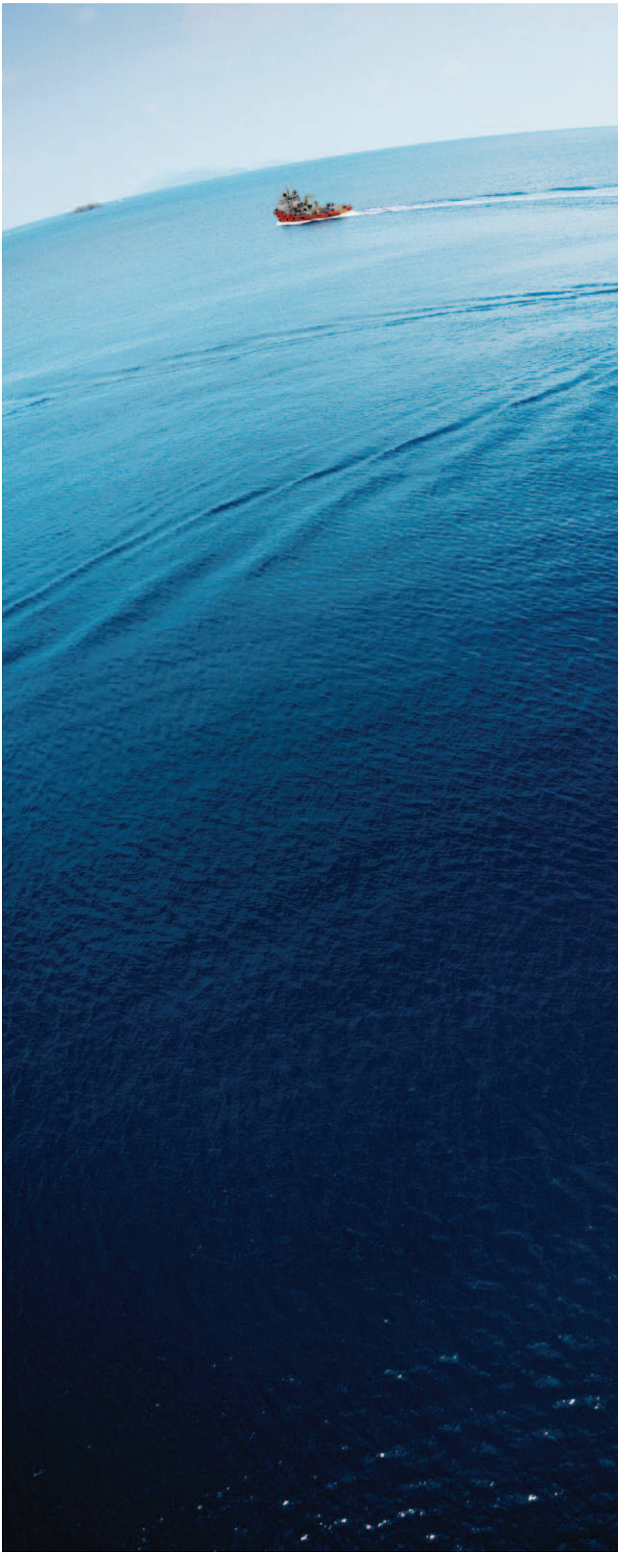
Vallianz Breaks into Latin American Market

Vallianz Acquires Indonesian Offshore Support Vessel Chartering Company

Vallianz Builds Integrated Capabilities with Yard Facilities and Crewing Services

VALLIANZ

PROGRESSING TOWARDS ITS GOAL TO BECOME A LEADING PLAYER IN THE GLOBAL OFFSHORE MARINE INDUSTRY.



CONTENTS

CORPORATE PROFILE

VALLIANZ HOLDINGS LIMITED ("Vallianz" and together with its subsidiaries, "the Group") is a provider of offshore support vessels and integrated offshore marine solutions to the oil and gas industry. Headquartered in Singapore, Vallianz serves oil majors and national oil companies worldwide, and focuses on supporting customers' offshore exploration and production operations in shallow waters. With a young and modern fleet of 37 offshore support vessels, the Group has been actively expanding its presence and building its network in the major and emerging offshore markets in Asia Pacific, the Middle East, Latin America and West Africa.

Offshore marine services include:

- Vessel ownership
- Chartering
- Brokering
- Vessel management services
- Marine marketing services

We have invested in industry experts to operate and manage our fleet of offshore support vessels which include anchor handling tugs with supply capabilities, platform supply vessels, offshore floating storage and supply vessel, flat top cargo barges, crane barge, towing tugs, utility vessel and crew boat. Besides transporting equipment and pipes, materials and supplies to support upstream activities, our vessels are also employed for anchor-handling of construction barges, positioning of drilling rigs and to provide assistance in maintaining and safeguarding offshore facilities.

Our shipyards in Singapore and Indonesia (Batam) which serve as marine bases for vessel docking, repair and maintenance works, possess strong in-house fabrication and engineering capabilities. In addition, our in-house crewing division is well-equipped with crew personnel provision services as well as procurement, logistics and professional catering services. These integrated capabilities further enhance the value-add that we provide to our customers.

Helmed by an experienced Board and management team, Vallianz is progressing towards its goal to become a leading player in the global markets.

Vallianz is listed on the Catalist Board of the Singapore Exchange.

VISION

To be a Sustainable, Globally Competitive Company (GCC) in the offshore marine industry.

MISSION

To ensure our clients' projects flow safely without interruption or delays by subordinating all processes and personnel to deliver fully operational vessels and services ON TIME, BEFORE TIME, ALL THE TIME.

TRADEmark VALUES

TRUST

We are trusted for our integrity, honesty, reliability, fairness and sincerity in our work with our partners, customers and employees.

RESPECT

We respect and value each other's views. We respect the laws of the countries we operate in and the confidentiality of information provided by our clients and employees. We win as a team.

AFFIRMATION

We affirm and recognise the contributions made by our partners, clients and employees to the success of our business. We value our employees, encourage their contributions and develop them to their fullest potential. We practice the 101% principle in affirmation – finding the 1% we can affirm, and giving it 100% of our attention.

DETERMINATION

We are determined to succeed and will always rise up to any challenge. We are known for our resolve in solving any problems faced by us or our clients and partners.

EXCELLENCE

We excel in everything that we do and are committed to delivering jobs of the highest quality, exceeding our customers' expectations.

CORE PHILOSOPHIES

CAUSE NO HARM PHILOSOPHY

A core philosophy that Vallianz embraces unconditionally is the 'Cause No Harm' philosophy. It is a philosophy that is integral to Vallianz's corporate DNA. We see it as the linchpin for all aspects of our organisation, encompassing our business conduct, ethics, daily operations and our overall corporate strategy. The essence behind our philosophy is that everything that we do will have, as our first consideration, the idea that it must 'Cause No Harm'.

Cause No Harm:

- To OURSELVES As Individuals
- To OTHERS
- To OUR EQUIPMENT And MATERIALS
- To OTHERS' ASSETS
- To THE ENVIRONMENT
- To THE PLANET As A Whole
- To FUTURE GENERATIONS

The 'Cause No Harm' philosophy, together with our TRADEmark core values of 'Trust', 'Respect', 'Affirmation', 'Determination' and 'Excellence', forms the basis of our Code of Business Conduct, and Health, Safety and Environment (HSE) policies. It defines how we interact with our stakeholders with the highest standards of ethics, integrity and responsibility.

EMOTIONAL EXCELLENCE PHILOSOPHY

Being aware of our Emotional Quotient ("EQ") and taking the necessary steps to develop it to its optimum, leads to Emotional Excellence ("EE").

EE enables us to create excellent human relationships and keep ourselves and others highly inspired, engaged and committed in both personal life and work.

Practising EE at the workplace allows us to deal and support each other in the right way, enabling us to perform at a higher level in order to achieve the goals of the organisation collectively.

Vallianz strives to be an emotionally excellent organisation, where its leaders and employees exhibit a high level of EE, which allows the organisation to connect with its most important asset – its people.

FLOW MANAGEMENT PHILOSOPHY

At the heart of this philosophy is that the first priority of our business is the safe and smooth flow of our projects. This can be achieved through a smooth and optimised flow where all our internal processes are subordinated to the project. Our processes need to flow as we have planned it to be.

Vallianz Flow Management is all about unblocking the flow. It's about examining ourselves whether we are causing the flow to slow down or to even causing it to stop. It's about subordinating ourselves to the flow for the sake of project completion to be on-time, before time, all the time, without compromising safety.

CORE BUSINESS

The Group's core business activities are in vessel ownership, chartering, brokering and the provision of vessel management services and marine marketing services in the Asia Pacific, the Middle East, Latin America and beyond.

VESSEL OWNERSHIP

The Group currently owns and operates a young and growing fleet of 37 offshore support vessels available for charter, which has an average age of approximately 2.1 years. The Group's vessels are mostly deployed in offshore oil and gas projects in the Middle East, as well as in Latin America and the Asia Pacific region. To enhance its market competitiveness, the Group will continue to assess appropriate plans to expand its range of vessels and modernize the fleet.

CHARTERING

The Group charters its offshore support vessels to customers throughout various stages of their offshore oil and gas exploration, development and production projects. They are used in activities that include seismic surveys during the exploration phase, positioning of rigs during the development of the oil and gas fields, towing, mooring and handling of ship anchors and transportation of supplies during the production period and the removal of rig structures at de-commissioning. The Group's customers typically employ longer term charters of up to 5 years for their dedicated offshore oil field installations.

BROKERING

The Group also provides brokering services that match customers' requirements. This includes sourcing for vessels base, arranging for assist tugs and/or harbour movements, making initial contact with vessel owners or vessel buyers, acting as an intermediary between (a) the vessel owner and the charterer for towage, time and bareboat charters and (b) the seller and buyer of vessels, and assisting with the drafting of related agreements and negotiations. The Group utilises its asset base and network of brokers and owners to identify high quality vessels to match its customers' needs, thus shortening the time required in the vessel acquisition process.

VESSEL MANAGEMENT SERVICES

The Group provides a suite of vessel management services for both owned vessels and third party vessels. Through its ship management expertise and service line, the Group is able to manage and operate a diverse range of vessels deployed in different phases of offshore oil and gas operations.

Vessel management services encompass provision of a seaworthy vessel suitable for the intended deployment; vessel repair and maintenance services such as annual survey, drydocking, repair, maintenance and health safety and environmental compliance; crewing services; procurement services; facilitating port and documentation clearance; ensuring the quality and safety assurance/maintenance of vessels and their classification; providing operational services; ensuring compliance with the charterer's requirement; and arranging for highly skilled repair teams for port and voyage repairs upon customers' request.

MARINE MARKETING SERVICES

As a provider of integrated marine services, the Group also offers marine marketing services and a range of marine logistics support services. The Group leverages on its contacts with main suppliers of marine equipment and materials in the Asia Pacific region and the Middle East to meet the supply needs of its clients.

GEOGRAPHICAL PRESENCE

GLOBAL OPERATIONS

Vallianz has rapidly expanded its market reach into the Middle East, Asia Pacific and Latin America. The majority of our vessel charter contracts are from the Middle East market where Vallianz has developed a strong foothold, being one of the largest offshore support vessel suppliers to the Kingdom of Saudi Arabia's national oil company.

During FY2014, the Group made successful inroads into the Latin America market by securing charter contracts. We also penetrated into Indonesia's cabotage-protected offshore support vessel market through an associate company which the Group acquired in December 2014.

With headquarters in Singapore, Vallianz has developed local presence in key geographical markets to provide fast and effective support to clients as well as to better capture business opportunities. The Group (including associate companies) has offices across Singapore, the Kingdom of Saudi Arabia, Mexico and Indonesia.

Going forward, the Group will continue to focus on deepening its market penetration in the existing geographical regions and expanding its global footprint to West Africa.

Existing and target markets:

- Middle East
- Latin America
- Asia Pacific
- West Africa

Local presence:

- Singapore (Headquarters)
- Kingdom of Saudi Arabia
- Mexico
- Indonesia (Jakarta & Batam)

VALLIANZ FLEET


Vallianz Hope


Swiber Bhanwar

GROWING FLEET OF OFFSHORE SUPPORT VESSELS

From five vessels in 2012, Vallianz expanded its fleet rapidly to own 37 offshore support vessels at the end of December 2014. Our best-in-class fleet is relatively young with an average age of approximately 2.1 years. The Group's associate company in Indonesia operates another 20 offshore support vessels.


Vallianz Raven


Swiber Charlton


Swiber Carina


Rawabi 2


Rawabi 4


Rawabi 14


Rawabi 17


Rawabi 26


Rawabi 32

	VESSEL NAME	BHP/BP/DW	BOLLARD PULL	DECK AREA	YEAR BUILT
	ANCHOR HANDLING TUG				
1	Vallianz Bhanwar	4,750 BHP	58T	250sqm	2009
2	Vallianz Hope	4,200 BHP	52T	150sqm	2008
	ANCHOR HANDLING TUG SUPPLY (DP1)				
3	Rawabi 1	5,150 BHP	66T	370sqm	2012
4	Rawabi 2	5,150 BHP	66T	370sqm	2012
5	Rawabi 3	5,150 BHP	65T	320sqm	2012
6	Rawabi 4	5,150 BHP	65T	320sqm	2012
7	Rawabi 5	5,150 BHP	65T	320sqm	2012
8	Rawabi 6	5,150 BHP	65T	320sqm	2012
9	Rawabi 7	5,150 BHP	65T	320sqm	2012
10	Rawabi 8	5,150 BHP	65T	320sqm	2012
11	Rawabi 11	6,400 BHP	80T	370sqm	2013
12	Rawabi 11R	6,000 BHP	80T	330sqm	2014
13	Rawabi 13	6,000 BHP	80T	330sqm	2014
14	Rawabi 14	6,000 BHP	80T	330sqm	2013
15	Rawabi 15	6,000 BHP	80T	330sqm	2013
16	Rawabi 28	6,000 BHP	75T	330sqm	2014
	ANCHOR HANDLING TUG SUPPLY (DP2)				
17	Rawabi 9	6,000 BHP	80T	360sqm	2013
18	Rawabi 10	6,000 BHP	80T	360sqm	2013
19	Rawabi 12	6,000 BHP	82.8T	390sqm	2013
20	Vallianz Supreme	7,300 BHP	100T	500sqm	2012
21	Rawabi 17	6,000 BHP	82.8T	390sqm	2013
22	Rawabi 31	8,200 BHP	100T	450sqm	2010
23	Rawabi 32	8,200 BHP	100T	450sqm	2011
	PLATFORM SUPPLY VESSEL (DP2)				
24	Rawabi 18	5,150 BHP / 3,000 T DW	–	550sqm	2011
25	Rawabi 19	5,150 BHP / 3,000 T DW	–	550sqm	2011
26	Rawabi 23	6,000 BHP / 3,300 T DW	–	700sqm	2013
27	Rawabi 26	6,000 BHP / 3.300 T DW	–	700sqm	2013
	OFFSHORE FLOATING STORAGE AND SUPPLY VESSEL				
28	Rawabi Integrity	32,600 T DW	–	1,400m2	2015
	TOWING TUG				
29	Swiber Charlton	3,200 BHP	42T	69sqm	2009
30	Vallianz Raven	3,200 BHP	36T	80sqm	2010
31	USP 15	1,200 BHP	12T	–	2013
	UTILITY VESSEL				
32	Swiber Carina	2,400 BHP	32T	–	2009
	CREW BOAT				
33	Vallianz Cheetah	1,350 BHP	–	94sqm	2013

S/N	VESSEL NAME	BHP/BP/DW	DIMENSIONS (FT)	DECK AREA	YEAR BUILT
	FLAT TOP CARGO BARGES				
34	Vallianz 283	–	282 x 90 x 18	–	2013
35	Vallianz 284	–	282 x 90 x 18	–	2013
36	USP 10	–	180 x 56 x 12	–	2008
	CRANE BARGES				
37	USP 11	–	180 x 56 x 10	–	2013

CORPORATE HIGHLIGHTS

KEY CORPORATE HIGHLIGHTS

FROM FY2014 TO DATE

FEBRUARY 2014

- Subscribed for 49% equity interest in Vallianz Marine Mexico, S.A. DE C.V. which is principally engaged in owning, operating and chartering of vessels
- Completed the issuance of US$35.2 million of capital securities and US$22.0 million of options to strategic equity investors, Rawabi Holding Company Limited and Swiber Holdings Limited

APRIL 2014

- Issued S$100 million in principal amount of 7.20% fixed rate notes due 2016 under the S$500 million Multicurrency Debt Issuance Programme
- Signed a collaboration agreement with one of China's first class international shipbuilding enterprises. Vallianz will provide market intelligence including engineering specifications for up to 200 vessels that will be constructed at the Chinese shipyard. Vallianz has the right of first refusal for these vessels without any upfront financial obligations or liabilities

MAY 2014

- Entered Latin America with a US$82.0 million vessel charter and ship management contract
- Issued S$60 million in principal amount of 7.25% fixed rate notes due 2016 under the S$500 million Multicurrency Debt Issuance Programme

JUNE 2014

- Completed the issuance and allotment of 230 million placement shares, and 170 million subscription shares at the issue price of S$0.13545 per share

JULY 2014

- Formed a three-year collaboration with Offshore Oil Engineering Co. Ltd. ("**COOEC**") which is a subsidiary of China National Offshore Oil Corporation and the largest offshore engineering and construction company in China. Vallianz shall provide certain OSVs to support COOEC's offshore construction activities and operations

AUGUST 2014

- Subscribed for 100% equity interest of Vallianz Offshore Capital S.A. DE C.V. SOFOM, E.N.R., a newly incorporated Mexican company that is principally engaged in leasing activities

SEPTEMBER 2014

- Established a marine base in Batam (Indonesia) through the acquisition of Jetlee Shipbuilding & Engineering Pte. Ltd.

JANUARY 2015

- Set up a joint venture company with Alam Maritim Investment Holdings (L) Inc. The Group has 49% equity interest in the joint venture company which will be principally engaged in ship owning, ship management and operation, ship maintenance and marine consultancy

FEBRUARY 2015

- Achieved record earnings of US$20.4 million for FY2014 and capped the year with robust order book of US$540.0 million

OCTOBER 2014

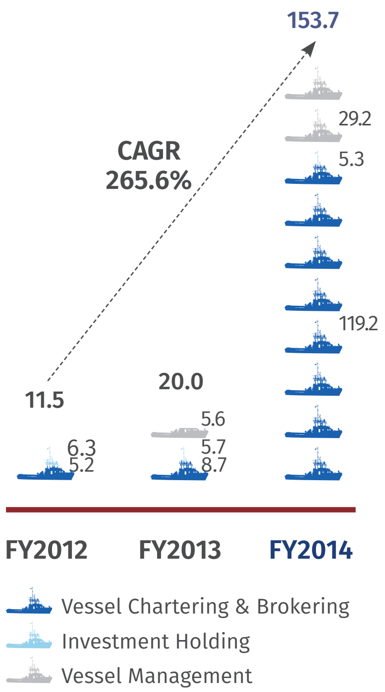
- Secured new charter awards and contracts with aggregate value of over US$60.0 million in Mexico and Asia Pacific, which also marked our successful foray into the Mexico market
- Acquired offshore services firm OER Holdings Pte. Ltd. ("**OER**") to consolidate crew management operations for economies of scale, and leverage on OER's geographical reach

DECEMBER 2014

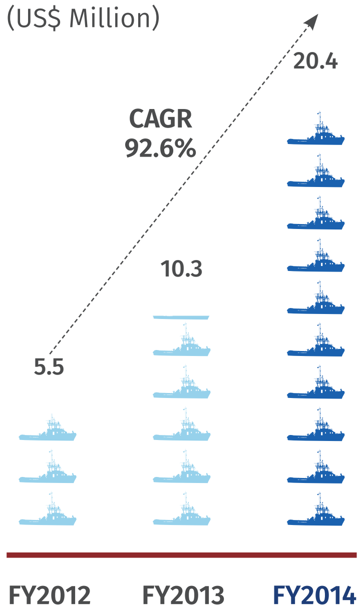
- Won a time charter award worth US$97.0 million from an existing customer in the Middle East to supply a specialized vessel for up to five years. The customer is among the largest national oil companies in the world
- Proposed acquisition of 45% equity stake in Holmen Heavylift Offshore Pte. Ltd., which owns three submersible launch barges, to broaden our vessel offering
- Acquisition of PTSB Holdings Pte. Ltd. ("**PTSB**") to gain immediate access to the cabotage-protected market in Indonesia. PTSB owns 49% equity interest in an owner and operator of offshore support vessels in Indonesia
- Acquisition of Newcruz International Pte. Ltd. which operates a shipyard facility in Singapore, thereby enhancing the Group's in-house fabrication and repair capabilities to support both owned and managed fleet

FINANCIAL HIGHLIGHTS

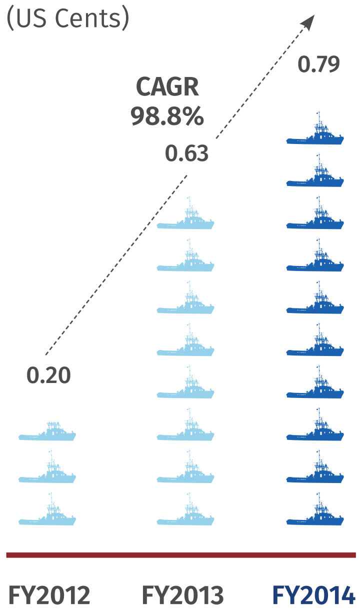
REVENUE
(US$ Million)



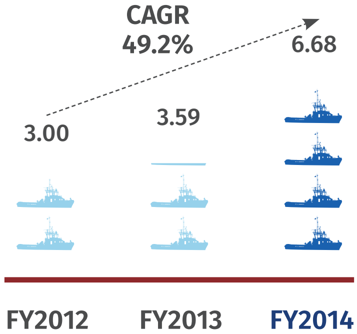
PROFIT FOR THE YEAR
(US$ Million)



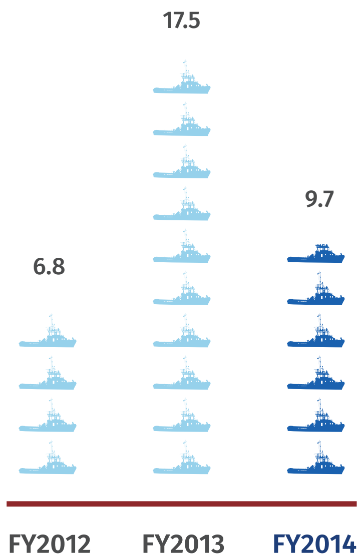
EARNINGS PER SHARE
(US Cents)



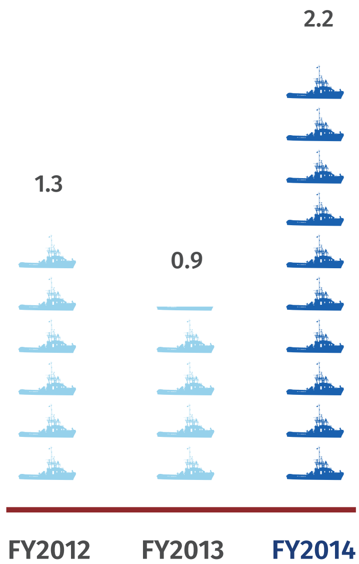
NET ASSET VALUE PER SHARE
(US Cents)



RETURN ON EQUITY
(%)



NET GEARING RATIO
(times)



CHAIRMAN'S MESSAGE

Vallianz has successfully expanded our offshore marine business on multiple fronts. We have increased our operations, market coverage and order book in FY2014.

RAYMOND KIM GOH

Non-Executive Chairman
Vallianz Holdings Limited

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Vallianz Holdings Limited's annual report for the 12 months ended 31 December 2014 ("**FY2014**").

Vallianz had another exciting and eventful year in FY2014 as the Group continued to advance towards its goal of transforming into a leading provider of offshore support vessels to the global oil and gas ("**O&G**") industry. This is clearly evident from the successful expansion of our offshore marine business on multiple fronts. By the end of FY2014, Vallianz had grown the scale and range of its operations, expanded its global market coverage and strengthened the size of its order book.

The transformation at Vallianz is also reflected in our strong financial performance for FY2014. For the year in review, the Group doubled its net profit to US$20.4 million which was attained on the back of a substantial jump in revenue to US$153.7 million, compared to US$20.0 million for the 12 months ended 31 December 2013 ("**FY2013**"). The strong revenue growth was driven by the Group's core offshore support vessel ("**OSV**") chartering business, due mainly to higher contributions from its operations in the Middle East and the commencement of new charter contracts.

To reward shareholders for their support of Vallianz, the Board of Directors is pleased to propose a final dividend of 0.05 US cents per share with respect to FY2014.

CHAIRMAN'S MESSAGE

VALLIANZ RIDES WAVES OF SUCCESS

We continued to navigate Vallianz in the direction of our expansion roadmap. During FY2014, we reaped significant success as the Group accomplished several key corporate developments and crossed important milestones that will strengthen its foundation for long-term growth.

As part of our business expansion strategy to build Vallianz into a bigger player in the industry, the Group successfully executed a string of acquisitions of complementary businesses and assets, as well as sealed alliances with strategic partners.

To build new in-house capabilities, the Group acquired a marine base in Batam, Indonesia and a shipyard in Singapore. With these combined yard facilities, the Group now has its own marine base with the capabilities to provide a comprehensive suite of engineering, fabrication, maintenance and repair services to support the growth of its OSV chartering and ship management businesses. In addition, Vallianz acquired a Singapore-based company that provides professional crew and related services to the offshore industry worldwide to beef up its existing crew management operations. Besides the benefits of higher operating efficiencies and costs savings, these acquisitions will enhance the value of the Group's services to customers.

Towards the end of FY2014, Vallianz also acquired a 49% equity interest in PT Vallianz Offshore Maritim, an established OSV chartering company with a strong track record of supporting O&G exploration and production activities of oil majors and national oil companies in Indonesian waters. This has paved the way for the Group to gain immediate access to the cabotage-protected OSV market in Indonesia and participate in its long-term prospects. More importantly, it further solidifies the Group's market position as a major OSV operator in the Asia Pacific region.

Further to these acquisitions, Vallianz also took steps to strengthen its business model and market coverage by forging partnerships with major offshore and marine companies in the region.

The Group signed a strategic collaboration with a first class international shipbuilding enterprise in China which allows the Group ready access and flexibility to acquire vessels when required. This places Vallianz in a better position to seize future market opportunities that arise.

We also sealed a three-year collaboration agreement with Offshore Oil Engineering Co. Ltd. ("**COOEC**"), a subsidiary of China National Offshore Oil Corporation, to provide OSVs to support the offshore engineering and construction company's activities and operations. Given COOEC's extensive geographical footprint, this partnership will offer opportunities for the Group to participate in COOEC's offshore projects in China and the region.

The Group also achieved a feat by breaking into the Latin America market including Mexico, with new chartering contracts during FY2014. We invested our energies and strengthened our resources in a bid to capitalise on the long-term potential of Mexico's offshore oil and gas market which is expected to be uplifted by the country's energy reforms. While the reforms are in the early stages, we believe that our successful entry into Mexico in FY2014 will lend greater strength to our market position as the Group primes itself to catch the next wave.

Furthermore, Vallianz also secured a five-year time charter award to provide an offshore floating storage and supply vessel to an existing customer in the Middle East which is one of the world's largest national oil companies. This was a landmark deal for the Group as it will be the first time the customer is deploying this type of vessel for its offshore projects. It also reflects our constant focus on addressing customers' needs and enhancing our capabilities and solutions to exceed their expectations.

With a firm footing as one of the leading OSV providers to this customer, the award is a reaffirmation of the customer's confidence in the Group's execution capabilities. More importantly, it will place Vallianz in an advantageous position when bidding for similar contracts in the future.

At the end of the year, the Group had garnered a robust order book valued at US$540.0 million, up from US$470.0 million at the end of FY2013. Vallianz's current fleet consists of 37 young, modern and diverse OSVs, comprising mainly of Anchor Handling Tugs, Anchor Handling Tug Supply vessels and Platform Supply Vessels, at the end of FY2014.

OUTLOOK AND STRATEGY

The global oil market experienced a tumultuous time in FY2014, particularly during the second half of the year as a result of the steep decline in oil prices. The rapid emergence of U.S. shale oil to the world's output in recent years has stoked fears of a supply glut while decelerating economic growth in China and ongoing uncertainty about the direction of the Eurozone economy have led to expectations of weaker global oil demand.

Already, international oil companies have been taking steps to adjust to this sudden change in market dynamics by cutting back on exploration and production activities and capital expenditure plans. These budget cuts in the oil and gas sector are inevitably filtering through to the oilfield services supply chain in the form of price pressure and delays in the award of projects.

However, we believe that Vallianz has built a robust business model that makes it less susceptible to the current market volatility. The Group's vessel chartering business focuses purely on supporting shallow water oilfield development and production activities, which are likely to be less affected given the lower break-even costs as compared to projects in deep water oil fields. Moreover, the Group serves primarily national oil companies which tend to have less volatile exploration and production spending patterns. Together with its operating model of securing longer term charter contracts of up to five years, Vallianz has the ability to weather the present challenging industry conditions.

The Group is also positive about its prospects in the Middle East market, the world's largest oil producing region, due to its strong competitive position and established relationships with national oil companies there. With the Organisation of the Petroleum Exporting Countries maintaining its oil output, the Group will continue leveraging on its market position to capitalise on business opportunities in the Middle East. At the same time, the Group aims to diversify its geographical presence by increasing its penetration in other major and emerging offshore exploration and production markets including Asia Pacific, Latin America and West Africa.

As the Group climbs to a higher level with an enlarged scale of operations across various geographical territories, we have reshuffled our senior management team at the beginning of 2015 to build a more robust organisational structure. Mr Darren Yeo has stepped up to become the Group's Vice-Chairman and will work with me to chart the Group's long-term strategy. At the same time, our Executive Director Mr Ling Yong Wah who has vast corporate and management experience, has been appointed as Chief Executive Officer. Mr Ling will lead in driving the corporate and strategic direction of Vallianz.

Notwithstanding the current challenges posed by the weak oil price environment, I am confident that the Group's experienced management team has the capabilities to elevate Valianz to even greater heights in the years ahead.

THE GROUP IS POSITIVE ABOUT ITS PROSPECTS IN THE MIDDLE EAST MARKET, THE WORLD'S LARGEST OIL PRODUCING REGION, DUE TO ITS STRONG COMPETITIVE POSITION AND ESTABLISHED RELATIONSHIPS WITH NATIONAL OIL COMPANIES THERE. WITH THE ORGANISATION OF THE PETROLEUM EXPORTING COUNTRIES MAINTAINING ITS OIL OUTPUT, THE GROUP WILL CONTINUE LEVERAGING ON ITS MARKET POSITION TO CAPITALISE ON BUSINESS OPPORTUNITIES IN THE MIDDLE EAST.

A NOTE OF APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders and bondholders for their support of Vallianz. I also wish to express my appreciation to my fellow Directors for their valuable contributions and guidance, and extend a warm welcome to Mr Wong Leong Jeam who has joined the Group as a Non-Executive and Independent Director.

To our management and staff, I am grateful for your unwavering commitment and hard work to transform Vallianz into a leading OSV provider. Last but not least, I would like to extend my sincere thanks and appreciation to our valued customers, business partners and associates for their continued support and patronage of the Group, and also thank God for his abundance of blessings and grace to Vallianz.

RAYMOND KIM GOH
Non-Executive Chairman

CEO'S MESSAGE

Dear Shareholders,

It is my pleasure to present my inaugural message as CEO of Vallianz Holdings Limited.

The 12 months ended 31 December 2014 ("**FY2014**") was a watershed year for Vallianz. The Group unveiled a record financial performance and marked a number of milestones in our corporate history for FY2014. Throughout the year, our team continued working tenaciously to break into new markets, expand our asset base and reinforce our operational capabilities in order to build a sturdier foundation for long-term growth.

Indeed, these efforts are already starting to pay off as Vallianz reported a sterling set of results for FY2014. The Group's net profit doubled to US$20.4 million, fuelled mainly by a surge in revenue to US$153.7 million from US$20.0 million for the 12 months ended 31 December 2013 ("**FY2013**"). This was due mainly to significant revenue growth registered by the Group's core offshore support vessel ("**OSV**") chartering business. The increase was achieved on the back of contributions from our chartering operations in the Middle East, as well as new charter contracts that commenced in the fourth quarter of FY2014. The OSV chartering business accounted for 78% of the Group's revenue in FY2014 while ship management services, shipyard services and investments made up the remaining 22%.

Based on weighted average number of shares, the Group's earnings per share rose to 0.79 US cents in FY2014, from 0.63 US cents in FY2013. Net asset value per share also improved to 6.68 US cents as at 31 December 2014 compared to 3.59 US cents at the end of the previous year.

EXPANDING CAPABILITIES THROUGH ACQUISITIONS AND COLLABORATIONS

As part of our strategic thrust to enhance Vallianz's business model, we executed a series of corporate actions during FY2014 to acquire complementary businesses and assets, and strike alliances with strategic partners.

In April 2014, the Group sealed a strategic collaboration with a first class international shipbuilding enterprise in China. Under this agreement, Vallianz has the right of first refusal for up to 200 vessels, ranging from Anchor Handling Tug Supply ("**AHTS**") vessel, Platform Supply Vessel ("**PSV**"), Multi-Purpose Vessel and Accommodation Work Vessel, that will be constructed in the shipyard but without any upfront financial obligations or liabilities. This collaboration ensures that Vallianz is well positioned to seize future market opportunities as it gives the Group ready access and flexibility to acquire vessels that are built to our specifications when the need arises. At the same time, it enables the Group to price our contracts more competitively, and reduce the time-to-market of our vessels as we actively bid for projects in various regions.

Another key tie-up was the collaboration agreement the Group signed in July 2014 with Offshore Oil Engineering Co. Ltd. ("**COOEC**"), which is a subsidiary of China

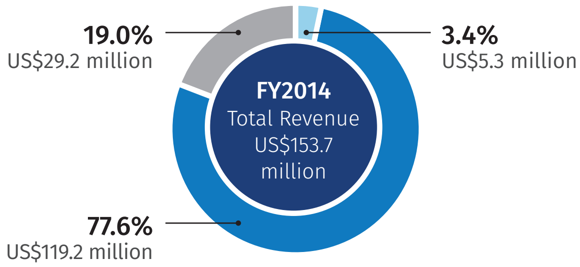
National Offshore Oil Corporation, the third largest national oil company in China. Under this three-year collaboration, Vallianz will provide certain OSVs, including submersible launch barges, to support COOEC's offshore construction activities and operations.

COOEC is the largest offshore engineering and construction company in China and a major engineering, procurement, construction and installation ("**EPCI**") contractor for offshore oil and gas ("**O&G**") exploration and production projects in the Asia-Pacific region. Its footprint extends throughout China, South East Asia, Australasia, and the Middle East. This strategic partnership will offer opportunities for the Group to participate in COOEC's offshore projects in China and the region.

To ensure that Vallianz has the requisite range of vessels to support COOEC's operations, the Group recently proposed to acquire 45% equity interest in Holmen Heavylift Offshore Pte. Ltd. which owns three submersible launch barges.

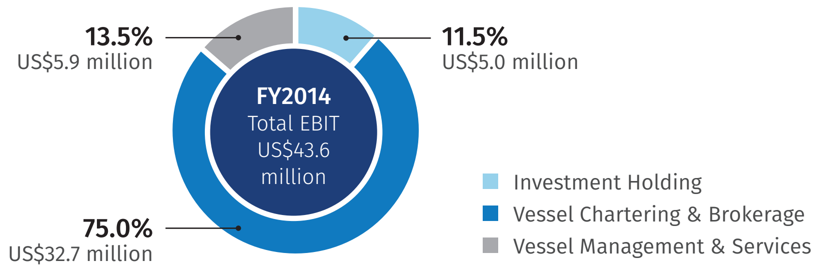
REVENUE

by Segments



EARNINGS BEFORE INTEREST AND TAX

by Segments ("EBIT")



In December 2014, the Group took a major step forward to break into the cabotage-protected OSV market in Indonesia through our acquisition of a 49% equity interest in PT Vallianz Offshore Maritim ("**PTVOM**"). PTVOM is an established OSV operator with a strong track record of supporting O&G exploration and production activities of oil majors and national oil companies in Indonesian waters. It operates a diverse fleet of 20 OSVs comprising Anchor Handling Tug ("**AHT**") vessels, AHTS vessels, Flat Top Barges and Accommodation Work Barges.

Besides providing a platform for the Group to ride on the long-term prospects of Indonesia's offshore O&G market, PTVOM also strengthens our market position in the region's OSV industry and increases the geographical diversity of our earnings streams.

Vallianz also completed three other acquisitions in the second half of FY2014 to boost our in-house capabilities and achieve a higher level of integration. We purchased Jetlee Shipbuilding & Engineering Pte. Ltd. and its Indonesian subsidiary (together the "**Jetlee Group**"), and Newcruz International Pte. Ltd. ("**NIPL**"). As a result, we now have a marine base in Batam, Indonesia and a shipyard facility in Singapore which provide the Group with in-house fabrication and repair capabilities

VALLIANZ UNVEILED A RECORD FINANCIAL PERFORMANCE AND MARKED A NUMBER OF MILESTONES IN OUR CORPORATE HISTORY IN FY2014.

CEO'S MESSAGE

to support our growing fleet of vessels. Vallianz also acquired OER Holdings Pte. Ltd. ("**OER**"), a Singapore-based company that provides professional crew and related services to the offshore industry worldwide, which has been consolidated with the Group's existing crew management operations.

The acquisitions of Jetlee Group, NIPL and OER are complementary to our vessel chartering and third-party vessel management businesses as they enhance the value of the Group's services to customers and enable us to broaden our geographical reach. At the same time, the integration of these acquisitions within our organization will enable the Group to increase operating efficiencies and benefit from economies of scale.

EXPANDING THE SIZE AND RANGE OF OUR FLEET

Vallianz focuses on supporting the shallow water offshore activities of national oil companies and international oil companies. To fulfill the demanding requirements of our customers, the Group has been building a fleet of young and modern OSVs. From 27 OSVs at the end of 2013, our own fleet has expanded to 37 OSVs as at 31 December 2014, comprising mainly of AHTs, AHTS and PSVs. With an average age of approximately 2.1 years, our fleet affords the Group a competitive edge in the industry.

Besides our own fleet, the Group also has additional resources through PTVOM which operates another 20 OSVs in Indonesia. Our proposed acquisition of Holmen will also provide the Group with three submersible launch vessels. These are construction support vessels that are used primarily for the transportation and installation of jackets during the field development phase of the oilfield life cycle.

EXPANDING OUR ORDER BOOK

During FY2014, the Group boosted its order book as we made successful inroads into new geographical markets while increasing our market penetration in existing territories.

In May 2014, Vallianz scored our first contract in Latin America with a Letter of Award ("**LOA**") worth US$82.0 million to provide Charter and Ship Management services to a major offshore construction company. Under this LOA, the Group has deployed a range of vessels such as Submersible Vessels, Pipe Carriers, PSVs, AHTS and cargo barges. In addition, we are providing a full suite of offshore marine support services, including mobilisation, demobilisation, marine logistics support and operational services, for the customer's project.

Vallianz broke new grounds again in October 2014 by clinching LOAs and new charter contracts for the supply of OSVs in Mexico and the Asia Pacific region for periods of up to 3 years. These LOAs and contracts, which have a total value of over US$60.0 million, marked our entry into Mexico and also further entrenched the Group's position in the Asia Pacific region.

The Group capped off 2014 by winning a time charter award worth US$97.0 million from an existing customer that is one of the world's largest national oil companies in the Middle East ("**NOC**").

FROM 27 OSVs AT THE END OF 2013, OUR OWN FLEET HAS EXPANDED TO 37 OSVs. WITH AN AVERAGE AGE OF APPROXIMATELY 2.1 YEARS, OUR FLEET AFFORDS THE GROUP A COMPETITIVE EDGE IN THE INDUSTRY.

Under this award, Vallianz will supply an offshore floating storage and supply vessel for up to five years from the third quarter of 2015 to support the NOC's oil and gas production activities in the Middle East. This award adds to the Group's ongoing contracts in the Middle East where most of our own vessels are presently deployed.

As a result of the new contracts secured, the Group had a robust order book of US$540.0 million as at 31 December 2014, up from US$470.0 million at the end of FY2013.

LOOKING AHEAD

The prevailing weak oil price environment has clouded the near-term outlook of the oil and gas industry and led to reductions in capital expenditures of oil companies. However, Vallianz's capabilities are concentrated on supporting shallow water oil field activities and we serve primarily national oil companies which have less volatile exploration and production spending patterns. Combined with our operating model of securing longer term charter contracts, we believe Vallianz is less susceptible to the current market volatility.

Hence, the Group intends to stay the course to propel Vallianz towards our goal of becoming a major provider of OSVs to the global offshore oil and gas industry. In the current financial year, the Group expects to reap maiden contributions from PTVOM, as well as OER. New charter contracts secured in FY2014 will start contributing to the Group's revenue in 2015.

AS A RESULT OF THE NEW CONTRACTS SECURED, THE GROUP HAD A ROBUST ORDER BOOK OF US$540.0 MILLION AS AT 31 DECEMBER 2014, UP FROM US$470.0 MILLION AT THE END OF FY2013.

We continue to see new tenders for OSVs in our target markets despite the weaker oil price environment. As such, the Group will continue to actively bid for new charter contracts in the Middle East, Latin America, Asia and West Africa where we believe the longer-term prospects remain sanguine. At present, our vessel chartering bid book stands at US$1.2 billion. As market conditions could remain volatile in the near term, we will continue to closely monitor the market situation and adopt a prudent approach. Nevertheless, we will remain steadfast in the pursuit of our long-term business goals to steer the Group to greater heights in future.

LING YONG WAH
Chief Executive Officer

BOARD OF DIRECTORS

1 RAYMOND KIM GOH

Non-Executive Chairman

Mr Raymond Kim Goh is an industry veteran with close to two decades of experience in the offshore oil and gas industry. In his role as Non-Executive Chairman, Mr Goh sets the long-term growth strategy of the Vallianz Group and spearheads growth initiatives to expand Vallianz's resources, develop new markets, and invest in new vessel designs and technology. Mr Goh is also the founder and Executive Chairman of Swiber Holdings Limited ("Swiber"), where he is the key figure in leading Swiber's overall business, operations and marketing activities globally. Mr Goh is active in grassroot community activities. He serves as a patron of the Punggol North Citizen's Consultative Committee and as Chairman of the School Advisory Board (SAC) for Westwood Primary School. Mr Goh graduated from Murdoch University in Australia with a Bachelor of Commerce (Honours) degree.

2 DARREN YEO

Non-Executive Vice Chairman

Mr Darren Yeo was appointed to the Vallianz Board in December 2012 and is the Non-Executive Vice Chairman. As Vice Chairman, Mr Yeo plays a key role in charting Vallianz's long term strategy alongside Mr Raymond Kim Goh. Mr Yeo brings with him over 20 years of industry experience under his belt. He graduated from the National University of Singapore with a Bachelor of Engineering degree and holds a diploma in Marketing from the Singapore Institute of Management. Mr Yeo is also the Deputy Group CEO and Executive Director of Swiber.

3 LING YONG WAH

Executive Director and CEO

Mr Ling Yong Wah was appointed to the Vallianz Board in March 2014 and is the CEO of the Company. As CEO, Mr Ling leads in driving the corporate and strategic directions of Vallianz. He has over 25 years of business and management experience and has held various roles including board seats in companies listed on the Singapore Exchange and the Hong Kong Stock Exchange. Mr Ling is a member of the Institute of Chartered Accountants of England and Wales.

4 YEO JEU NAM

Non-Executive Independent Director

Mr Yeo Jeu Nam has more than 30 years of consultancy experience and was appointed as Independent Non-Executive Director of the Company on 21 August 2008. Mr Yeo sits on the board of Swiber and Frencken Group Limited as an Independent Director. Before founding Radiance Consulting Pte. Ltd., which Mr Yeo is currently the Managing Director, Mr Yeo headed the Strategy and Transformation practice as well as the HR Consulting practice at Ernst & Young Consultants Pte. Ltd. for more than 12 years, as its Senior Consulting Partner. He was also previously a Director at PwC Consulting where he headed their Public Sector Consulting practice. He graduated from the National University of Singapore with a Bachelor of Arts and a Bachelor of Social Sciences and is also an alumnus of INSEAD.

5 BOTE DE VRIES

Non-Executive Independent Director

Mr Bote de Vries was appointed to the Board of Directors on 6 September 2010 and brings to Vallianz more than 20 years of international asset finance experience in the shipping transport industry. Apart from Mr de Vries' appointment on Vallianz's Board, he is also an Independent Advisor to Finamar B.V., a financial consultancy firm, and he holds several Non-Executive board positions. Mr de Vries is a frequent speaker at conferences on asset finance related issues such as Marine Money, Mareforum, Lloyd List, and Euro Money. Mr de Vries graduated from the University of Leiden with a Bachelor of Biology degree and a Masters in Law.

6 WONG LEONG JEAM

Non-Executive Independent Director

Mr Wong Leong Jeam was appointed to the Board of Vallianz in January 2015. Prior to this, he was an Independent Director of Kreuz Holdings Limited. Mr Wong was previously a diplomat in Thailand, Indonesia and Myanmar from 1990 to 2003, and prior to that, held senior positions in the Singapore Armed Forces and the Ministry of Defence. Mr Wong is an active volunteer with the Singapore Red Cross in disaster management, liaison and photography.

CORPORATE SOCIAL RESPONSIBILITY

VALLIANZ GIVES BACK

Loads of TLC with TPYCC

It has been four years since Vallianz first formed a caring partnership with Toa Payoh Care Corner ("**TPYCC**"). What was initially thought of as a one-off project has blossomed into a strong and sincere relationship – not just with the Management and Staff of TPYCC- but most importantly with the senior beneficiaries of the non-profit organisation.

Year in and year out, like family, the elderly folks eagerly anticipate their "Vallianz Family" to celebrate Chinese New Year and Mid-Autumn Festival with them. It is not lost on Vallianz that these are events that the Seniors hold dear to their hearts, most especially as most of them are living on their own. Over the years, it is endearing to see both Vallianz Group employees and the TPYCC elderly greet and hug each other as faces become more familiar and bonds are formed.

This year, they celebrated CNY at the Tim Palace Restaurant and for the Mid- Autumn Festival, the elderly were treated to an excursion at the Gardens by the Bay and a hearty dinner at the East Coast Jumbo Restaurant. Apart from these yearly events, Vallianz has also committed to a Hot Meals program through the sponsorship of a dedicated cook for the Toa Payoh Block 5 Seniors Activity Centre. She has been serving hot and healthy meals for the elderly five and a half days a week for over three years now.

Vallianz Builds It Forward

Towards the end of the year, another special project that Vallianz put their hearts into was the Vallianz Builds It Forward project, where they were challenged to look for families that will be most deserving of a home transformation. After which, each took part in several fund-raising activities to help fund the home makeovers.

The team eventually chose the home of a 101 year-old father and his special needs daughter, who were living in a 30-year old flat with their odd number of cats. In a state of disrepair and in need of major clean-up, Vallianz had their work cut out for them. It took them two days for cleaning and clearing, four days for re-painting the whole house and five days for the rest of the renovation works. But all these efforts paid out clearly in the end, as they brought a radical transformation to this home.


Gardens by the Bay Excursion


Enjoying a Hot Meal at the Centre

Group Photo after a Mid-Autumn Feast

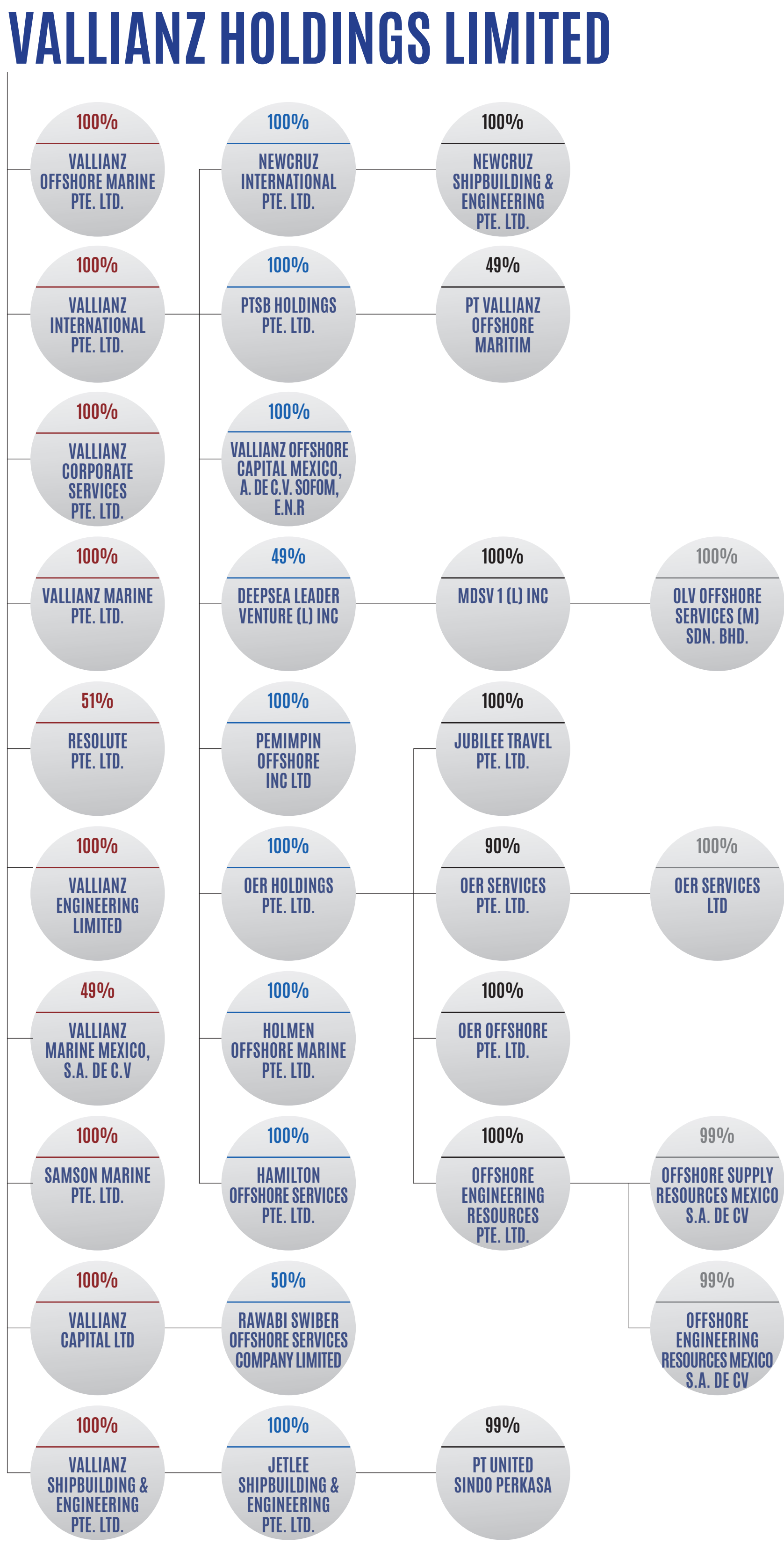

Re-painting the ceiling


The "new" Living Room


Sorting out the stuff


During the completion of the renovation

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Raymond Kim Goh
Non-Executive Chairman
Mr Yeo Chee Neng
Non-Executive Vice Chairman
Mr Ling Yong Wah
Executive Director and CEO
Mr Yeo Jeu Nam
Non-Executive Independent Director
Mr Bote de Vries
Non-Executive Independent Director
Mr Wong Leong Jeam
Non-Executive Independent Director

COMPANY SECRETARY

Ms Lee Bee Fong

AUDIT COMMITTEE

Mr Yeo Jeu Nam *(Chairman)*
Mr Raymond Kim Goh
Mr Bote de Vries
Mr Wong Leong Jeam

REMUNERATION COMMITTEE

Mr Yeo Jeu Nam *(Chairman)*
Mr Raymond Kim Goh
Mr Bote de Vries
Mr Wong Leong Jeam

NOMINATING COMMITTEE

Mr Bote de Vries *(Chairman)*
Mr Raymond Kim Goh
Mr Yeo Jeu Nam
Mr Wong Leong Jeam

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
80 Robinson Road #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399
Email: info@sg.tricorglobal.com
Website: www.sg.tricorglobal.com

CONTINUING SPONSOR

Stamford Corporate Services Pte Ltd
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way, OUE Downtown 2
#33-00 Singapore 068809
Partner-in-charge: Dr Ernest Kan Yaw Kiong
(Since the financial year ended 31 December 2011)

INVESTOR RELATIONS CONSULTANT

Octant Consulting
7500A Beach Road
The Plaza #08-318
Singapore 199591
Tel: (65) 6296 3583

VALLIANZ HOLDINGS LIMITED (REGISTERED OFFICE)

Company Registration No. 199206945E
12 International Business Park
#03-02 Swiber@IBP
Singapore 609920
Tel: (65) 6505 0600
Fax: (65) 6505 0601
www.vallianzholdings.com

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "**Board**") is committed to maintain a high standard of corporate governance within the Group and adopts principles and practices of corporate governance in line with the recommendations of the Code of Corporate Governance 2012 (the "**Code**"). The Company recognizes the importance of good governance for continued growth and investor confidence.

In line with the commitment by the Company to maintain high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Code and the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").

The Board is pleased to report compliance of the Company with the Code and the Catalist Rules, where applicable, except where otherwise stated.

Principle 1: Board's Conduct of Affairs
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board's primary role is to protect and enhance long-term shareholder value. Apart from its statutory duties and responsibilities, the Board sets strategy for the Group and oversees the executive management and affairs of the Group. It reviews and advises on overall strategies, policies and objectives, sets goals, supervises Management, monitors business performance and goals achievement, and assumes responsibility for overall corporate governance of the Group to ensure that the Group's strategies are in the interests of the Company and its shareholders.

The Board is also responsible for the following corporate matters:

(a) approval of quarterly and year end results announcements;
(b) approval of the annual report and accounts;
(c) convening of shareholders' meetings;
(d) major investments and funding;
(e) interested person transactions;
(f) material acquisitions and disposal of assets;
(g) corporate strategic direction, strategies and action plans;
(h) issuance of policies and key business initiatives; and
(i) to consider sustainability issues such as environmental and social factors as part of its strategic formulation.

Apart from the above, interested person transactions and the Group's internal audit procedures are reviewed by the Audit Committee and reported to the Board.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. While the Board considers directors' attendance at Board meetings to be important, it should not be the main criteria to measure their contributions. The Board also takes into account the contributions by board members in other forms including periodical reviews, provisions of guidance and advice on various matters relating to the Group.

In recognition of the high standard of accountability to our shareholders, the Board has established various board committees, namely, Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**").

These committees function within clearly defined terms of references and operating procedures, which will be reviewed on a regular basis by the Board. The effectiveness of each committee will also be constantly reviewed by the Board.

During the financial year, the number of meetings held and the attendance of each member of the Board and Board committees' meeting are as follows:

	Board	AC	NC	RC
Number of meetings held	4	4	2	2
Directors / Members		**Number of meetings attended**		
Raymond Kim Goh	3	3	1	1
Yeo Chee Neng	4	4	2	2
Ling Yong Wah(1)	3	3	1	1
Yeo Jeu Nam	4	4	2	2
Bote de Vries	4	4	2	2
Wong Leong Jeam(2)	-	-	-	-

Note:
1. Mr. Ling Yong Wah ("**Mr. Ling**") was appointed as an Executive Director of the Company on 17 March 2014.
2. Mr. Wong Leong Jeam ("**Mr. Wong**") was appointed as an Independent Non-Executive Director of the Company on 13 January 2015.

The Directors of the Company are provided with briefings from time to time and are kept updated on relevant laws and regulations, including directors' duties and responsibilities, corporate governance and developing trends, insider trading and financial reporting standards so as to enable them to properly discharge their duties as Board or Board committee members. The directors also received updates on the business of the Group through regular scheduled meetings and *ad hoc* Board meetings.

During the financial year, external auditors have briefed the AC members on developments in accounting and governance standards and AC members have provided such updates to the Board members. In addition, the Chief Executive Officer ("**CEO**") and Chairman constantly update Board members on business and strategic developments of the Group and overview of industry trends at regular scheduled meetings and *ad hoc* Board meetings. Directors can request for further explanations, briefings or information on any aspects the Group's business issues from the Management.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this Annual Report, the Board comprises six (6) directors of whom one (1) is an Executive Director, two (2) are Non-Independent Non-Executive Directors and three (3) are Independent Non-Executive Directors. With the Independent Non-Executive Directors making up of not less than half of the Board, it provides an independent element on the Board capable of exercising objective judgment. The Company has also met the requirement for independent directors to make up at least half of the Board where the Chairman is not an independent director (Guideline 2.2 of the Code) as the existing Board has consists of three (3) Independent Directors. The NC has reviewed the size and composition of the Board and Board committees and is of the view that the current Board composition provides diversity and has the appropriate mix of expertise and experience. The Board collectively possesses the necessary core competencies such as accounting, finance, business, investment industry knowledge and strategic planning experience. Each director has been appointed based on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategies and the performance of its business. The Board considers that the present Board size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.

The Code sets out guidelines that the independence of any director who has served on the Board beyond nine (9) years from the date of his first appointment should be subject to rigorous review. The NC is charged with the responsibility of monitoring and determining if a director remains independent in accordance with the guidelines and salient factors under the Code including to conduct rigorous review on any Independent Non-Executive Director who has served on the Board for a nine-year term. As at the date of this Annual Report, none of the Independent Non-Executive Directors has served on the Board for nine (9) years or beyond.

All Directors are subject to retirement and re-election at least once every three (3) years. The independence of each Independent Non-Executive Director is reviewed annually by the NC in accordance with the Code. The NC adopts the Code's definition of what constitutes an Independent Director in its review. The NC is of the view that the three (3) Independent Non-Executive Directors are independent.

The criteria for independence are determined based on the definition provided in the Code and also the followings:

(a) The Board will assess the independence of directors regularly. For the avoidance of doubt, only Non-Executive Directors (that is, a director who is not a member of management) can be considered independent.

(b) The Board will endeavour to consider all of the circumstances relevant to a director in determining whether the director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

(c) Amongst the circumstances considered by the Board will be a range of factors, including that a director:

    (i) is not being employed by the Company or any of its related companies for the current or any of the past three (3) financial years;

    (ii) is not an immediate family member (being a spouse, child, adopted child, brother, sister and parent) who is, or has been in any of the past three (3) financial years, employed by the Company or of its related companies and whose remuneration is determined by the RC;

    (iii) or an immediate family member has not accepted any compensation from the Company or any of its related companies for the provision of services for the current or immediate past financial year, other than compensation for board service;

    (iv) or an immediate family member is or was not a substantial shareholder of or a partner in (with 10% or more stake), or an executive officer of, any for-profit business organisation to which the Company made, or from the Company received, significant payments in the current or immediate past financial year;

    (v) or an immediate family member is not a substantial shareholder of the Company; and

    (vi) is or has not directly associated with a substantial shareholder of the Company in the current or immediate past financial year.

(d) Each director is responsible for notifying the Chairman and the Company Secretary about any external positions, appointments or arrangements that could result in the director not being "independent".

The Board considers the present Board size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.

To date, none of the Independent Non-Executive Directors of the Company has been appointed as a director of the Company's principal subsidiaries. The Board and the Management are of the view that the current Board structures in the principal subsidiaries are already well organised and constituted.

CORPORATE GOVERNANCE STATEMENT

The Board and the Management will from time to time review the structures of the boards of its principal subsidiaries and will make an appropriate corporate decision to consider the appointment of the Independent Non-Executive Directors into the principal subsidiaries.

The profile of each of the directors is set out on pages 20 and 21 of this Annual Report.

Principle 3: Chairman and Chief Executive Officer
There should be a clear division of responsibilities between the leadership of the Board and the executive responsibility of managing the company's business. No one individual represents a considerable concentration of power.

The Chairman and CEO are separate persons. Mr. Raymond Kim Goh ("**Mr. Goh**") continues to serve as Non-Executive Chairman of the Group and Mr. Ling assumes executive responsibilities for the Group's performances and business. The separation of the roles of Chairman and CEO is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the CEO are not related.

Mr. Goh plays a role in mapping out the directions for Group's growth at a strategic level. He exercises control over the quality and timeliness of information flow between the Board and the Management. In addition, he provides close oversight, guidance, advice and leadership to the CEO and Management. At annual general meeting ("**AGM**") and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management as well as between Board members, and promote high standards of corporate governance.

As the Company's CEO, Mr. Ling will lead Management in setting strategies, objectives and missions and is responsible for the day-to-day operations of the Group. The role of Mr. Ling also includes scheduling and controlling the quality, quantity and timeliness of information supplied to the Board.

Mr. Ling's performance and remuneration will be reviewed annually by the NC and the RC, whose members also comprise majority of Independent Non-Executive Directors of the Company. As such, the strong independent element on the Board ensures decisions are not based on a considerable concentration of power in a single individual. With the existence of various committees with power and authority to perform key functions, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Independent Non-Executive Directors will be available to the shareholders where their concerns cannot be resolved through the normal channels to the Chairman or CEO, or where such contact is not possible or inappropriate.

Principle 4: Board Membership
There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board reviews the composition of the Board and Board committees annually, having regard to the performance and contribution of each individual director.

To ensure that the governance and business needs of the Group are adequately addressed, the NC regularly reviews the capabilities of the directors collectively by taking into account their skills, experience, gender, and company and industry knowledge.

The NC comprises Mr. Bote de Vries ("**Mr. de Vries**"), Mr. Goh, Mr. Yeo Jeu Nam ("**Mr. Yeo**") and Mr. Wong. Save for Mr. Goh, a Non-Independent Non-Executive Director of the Company, the other three (3) members of the NC are Independent Non-Executive Directors. Mr. de Vries is the Chairman of the NC.

The NC is governed by written terms of reference under which it is responsible for:

(a) making recommendations to the Board on all Board appointments, including making recommendations on the composition of the Board, taking into account the balance between Executive and Non-Executive Directors and between Independent and Non-Independent Directors;
(b) re-nominating directors (including Independent Non-Executive Directors) taking into consideration each director's contribution and performance;
(c) determining annually whether or not a director is independent;
(d) deciding whether or not a director is able to and has been adequately carrying out his duties as a director;
(e) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board;
(f) reviewing board succession plans for directors, in particular, the Chairman and CEO; and
(g) reviewing of training and professional development programs for the Board.

New directors are appointed by way of a Board Resolution or Board of Directors' Meetings, after the NC has approved their nomination. In its search and selection process for new directors, other than through formal search, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates and appraises the nominees to ensure that the candidates possess relevant experience and have the calibre to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the Group.

Upon the appointment of a new director, the Company will provide a formal letter to director, setting out his duties and obligations. Such directors are given appropriate briefings when they are first appointed to the board. Appropriate programmes are conducted for all new directors appointed to the Board to ensure that they are familiar with Company's business, operations, governance practice and regulatory requirements.

Annual Review of Director's Independence in 2014

It is mandatory for the NC to determine annually whether a director is independent based on the guidelines of the Code's definition of what constitutes an Independent Director. Each Independent Director is responsible for notifying the Chairman and the Company Secretary on any external positions, appointments or arrangements which may affect his independence status.

The NC had reviewed the independence of each of the Independent Directors in accordance with the Code and based on each of the Director's declaration of independence. The NC is of the view that the three (3) Independent Non-Executive Directors are independent.

Directors' Time Commitments & Multiple Board Representations

The NC is aware that some of the Directors do hold multiple directorships as each of them are required to disclose their other directorships to the Board, upon appointment and cessation. Therefore, the NC will from time to time, evaluate their performance to ensure that each Director is able to carry out his duties effectively, taking into consideration the other board representation and principal commitments.

The primary consideration in deciding on the capacity of directors including but not limited to the time and attention that a Director may contribute for meetings, site visits and other training requirements, taking into account the Director's profession and involvement in consulting or committee work, his other board representation in non-profit organisations, if any. Other consideration also includes the ability and integrity of Directors to avoid potential conflict of interests while serving multiple board representations.

CORPORATE GOVERNANCE STATEMENT

The NC had reviewed, taking into account the individual performance assessment and their actual conduct on the Board and concluded that each Director had adequately carried out their duties as a Director of the Company and spent sufficient time and attention on the Company's affairs despite having multiple board representations and principal commitments.

The NC believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirement for each directorship varies and thus should not be prescriptive. The NC considers that the multiple board representations held presently by some Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the experience and knowledge of the Board.

Recommendation of Nomination and Re-nomination of Directors

The NC is responsible for reviewing and recommending all nominations and re-nominations of Directors. All directors are subject to retirement in accordance with the provisions of the Company's Articles of Association whereby one third of the directors are required to retire (or if their number is not a multiple of three (3), the number nearest to but not greater than one third) and subject themselves for re-election by shareholders at every AGM. A new director who is appointed by the Board is subject to re-election by shareholders at the next AGM following his appointment and, thereafter, shall be taken into account in determining the number of directors who are to retire by rotation at the AGM. Directors of or over 70 years of age are required to be re-elected every year at the AGM under Section 153(6) of the Companies Act., Cap. 50 before they can continue to act as a Director.

Apart from the requirements by the Company's Articles of Association, the NC also review the re-election of directors taking into consideration the Directors' attendances and participation at the Board meetings, personal attributes, contributions towards issues from time to time.

At the forthcoming AGM, the NC had nominated and recommended that Mr. Yeo and Mr. Wong will be retiring pursuant to Article 105 and Article 109 of the Company's Articles of Association respectively. Both of them, being eligible for re-election, have offered themselves for re-election.

There are no relationships including immediate family relationships between Mr. Yeo and Mr. Wong and the other directors, the Company or its 10% Shareholders. The key information of Mr. Yeo and Mr. Wong can be found on page 21 of the Annual Report.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he has an interest.

Succession Planning for the Board and Senior Management

Succession planning is an important part of the governance process. The NC will review the succession planning of the Board and senior management and seek to refresh Board membership as and when it may be necessary.

All directors are required to declare their board representations, as at the date of this Annual Report. The date of appointment and last re-election of each director to the Board together with their directorships and chairmanships in other listed companies, both current and those held over in the preceding three years are as follows:

Mr. Raymond Kim Goh – Non-Independent Non-Executive Director	
Date of appointment	6 September 2010
Date of last re-election	28 April 2014
Board committee(s) served on	Audit, Nominating and Remuneration Committees
Present Directorships in other listed companies	Executive Chairman of Swiber Holdings Limited
Past Directorship in other listed companies held over the preceding three years	Non-Executive Chairman of Kreuz Holdings Limited

CORPORATE GOVERNANCE STATEMENT

Mr. Yeo Chee Neng – Non-Independent Non-Executive Director	
Date of appointment	1 December 2012
Date of last re-election	15 April 2013
Board committee(s) served on	Not applicable
Present Directorships in other listed companies	Executive Director of Swiber Holdings Limited
Past Directorship in other listed companies held over the preceding three years	Alternate Director of Mr Francis Wong Chin Sing in Kreuz Holdings Limited

Mr. Ling Yong Wah – Executive Director and Chief Executive Officer	
Date of appointment	17 March 2014
Date of last re-election	28 April 2014
Board committee(s) served on	Not applicable
Present Directorships in other listed companies	Lead Independent Director of Frencken Group Limited
Past Directorship in other listed companies held over the preceding three years	Independent Director of Kreuz Holdings Limited

Mr. Yeo Jeu Nam – Independent Non-Executive Director	
Date of appointment	21 August 2008
Date of last re-election	20 April 2012
Board committee(s) served on	Audit, Nominating and Remuneration Committees
Present Directorships in other listed companies	Lead Independent Director of Swiber Holdings Limited Independent Director of Frencken Group Limited
Past Directorship in other listed companies held over the preceding three years	Not applicable

Mr. Bote de Vries – Independent Non-Executive Director	
Date of appointment	6 September 2010
Date of last re-election	15 April 2013
Board committee(s) served on	Audit, Nominating and Remuneration Committees
Present Directorships in other listed companies	Not applicable
Past Directorship in other listed companies held over the preceding three years	Not applicable

Mr. Wong Leong Jeam – Independent Non-Executive Director	
Date of appointment	13 January 2015
Date of last re-election	Not applicable
Board committee(s) served on	Audit, Nominating and Remuneration Committees
Present Directorships in other listed companies	Not applicable
Past Directorship in other listed companies held over the preceding three years	Independent Director of Kreuz Holdings Limited

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Group implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board as a whole.

At the date of this Annual Report, the NC has adopted a formal process to assess the effectiveness of the Board and committees of the Board as a whole. The qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board. The evaluation exercise is carried out annually by way of a Board Assessment Checklist, which is circulated to the Board members for completion and thereafter for the NC to review and determine the actions required to improve the corporate governance of the Company and effectiveness of the Board as a whole.

A review of the Board's performance is undertaken collectively by the Board annually and informally on a continuous basis by the NC with input from the other Board members. Renewals or replacement of Board members, when it occurs, do not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium term needs of the Company and its business.

The performance of the directors is evaluated using agreed criteria, aligned as far as possible with appropriate corporate objectives. The criteria include short and long term measures and cover financial and non-financial performance indicators such as the strength of his experience and stature, and his contribution to the proper guidance of the Company.

The NC is satisfied that the current size and composition of the Board provides it with adequate ability to meet the existing scope of needs and the nature of operations of the Company. From time to time, the NC will review the appropriateness of the current Board size, taking into consideration the changes in the nature and scope of operations as well as the regulatory environment.

The NC is satisfied that each Director has contributed effectively and demonstrated commitment to their respective role (including commitment of time for the Board and Board Committee meetings, and any other duties). The Board as a whole has also met the performance evaluation criteria and objectives during the financial year.

Principle 6: Access to Information

In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board and the Board committees are furnished with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. Management team and the Company's auditors would also provide additional information on the matters for discussion.

All directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary administers and prepares minutes of Board and Board committees meetings and assists the Chairman in ensuring that Board procedures are followed and that applicable statutory and regulatory rules and regulations are complied with.

The appointment and removal of the Company's Secretary are subject to the Board's approval as a whole.

The directors, in furtherance of their duties, are entitled to take independent professional advice at the expense of the Company when necessary.

To assist the members of the Board, the Company has arranged for the Board to be updated by the Company Secretary and its other consultants on the continuing obligations and various requirements expected of a public company. When a director is first appointed to the Board, an orientation program is arranged for him to ensure that he is familiar with the Company's business and governance practices.

Principle 7: Procedures for Developing Remuneration Policies
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises Mr. Yeo, Mr. Goh, Mr. de Vries and Mr. Wong. Save for Mr. Goh, a Non-Independent Non-Executive Director of the Company, the other three members of the RC are Independent Non-Executive Directors. Mr Yeo is the Chairman of the RC.

The RC is responsible for:

(a) recommending to the Board a framework of remuneration for the Non-Executive and Executive Directors, CEO and key executives;
(b) determining specific remuneration packages for each Executive Director;
(c) reviewing all aspects of remuneration, including directors' fees, salaries, allowances, bonuses, the options to be issued under the share option scheme, the awards to be granted under the share plan and other benefit in-kind;
(d) overseeing the administration of the Employees' Option Scheme and Performance Share Plan of the Company;
(e) reviewing and recommending to the Board the terms of renewal of service contracts which including the suitable compensation commitments in the event of early termination;
(f) retaining such professional consultancy firm as the RC may deem necessary to enable it to discharge its duties hereunder satisfactorily; and
(g) considering the various disclosure requirements for directors' remuneration particularly those required by regulatory bodies such as SGX-ST and ensuring that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and the relevant interested parties.

No director or member of the RC shall be involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist it in its deliberations. The RC may obtain expert professional advice on remuneration mattes, if required.

The Chairman of the RC reviews, for recommendation to the Board, the specific remuneration package for the Executive Director or senior management. There are appropriate and meaningful measures in place for the purpose of assessing the performance of Executive Directors and senior management staff. In determining remuneration packages of Executive Directors and senior management, the RC will ensure that directors and senior management are adequately but not excessively rewarded. In consultation with the Board, the RC will consider amongst other things, their responsibilities, skills, expertise and contribution to the Company's performance and whether the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent. Each member of the RC does not participate in any decision concerning his own remuneration.

In reviewing and recommending the remuneration of Non-Executive Directors, the RC will consider, in consultation with the Board, the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Non-Executive Directors. The RC will ensure that the Non-Executive Directors are not over compensated to the extent that their independence may be compromised.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate directors and key management personnel of the required experience and expertise to run the Company successfully.

In addition to the above, the Company ensures that performance-related remuneration system was implemented to ensure that the interests of the shareholders are aligned with the Board and Management and in order to promote the long-term success of the Company.

The Company had taken appropriate and meaningful measures in assessing the Executive Director and key management personnel performance.

Long-term incentive schemes are generally encouraged for the Executive Director and key management personnel. The RC had reviewed the Executive Director and key management personnel who are eligible for benefits under the long-term incentive schemes. The long-term incentives schemes of the Company include the Employee Share Option Scheme and Vallianz Performance Share Plan.

The Non-Executive Directors receive directors’ fees, in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent serving on the Board and Board committees. The directors’ fees are recommended by the Board for approval at the AGM.

During the financial year, the performance conditions and criteria used to determine the Executive Director and key manangement personnel entitlement under the short-term and long-term incentive scheme have been met.

The Company had entered into an employment contract with Mr. Ling, the Executive Director whereby the employment contract will be terminated by either party, giving not less than three (3) months’ notice to the other. The employment contract covers the terms of employment and specifically his salary and bonuses.

The Non-Executive Directors do not have any service agreements with the Company except for directors’ fees, which have to be approved by shareholders at annual general meetings. The Independent Non-Executive Directors do not receive any other form of remuneration from the Company.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company for the reason that the Executive Director owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The following table shows a breakdown of the annual remuneration (in percentage terms) of directors for the financial year under review:

Remuneration Band and Name of Directors	Salary[(1)]	Performance Incentives[(2)]/ Bonus[(3)]	Directors' Fees	Others Benefits	Total
	%	%	%	%	%
S$250,001 and above					
Yeo Chee Neng	30	61	3	6	100
Ling Yong Wah	100	–	–	–	100
S$250,000 and below					
Raymond Kim Goh	–	–	100	–	100
Yeo Jeu Nam	–	63	37	–	100
Bote de Vries	–	17	83	–	100
Wong Leong Jeam[(4)]	–	–	–	–	–

The Company has decided not to disclose the actual remuneration in dollar terms paid to the Directors and the upper limit of the remuneration band, having regard to the highly competitive environment in the chartering, oil and gas industry and the nature of directors remuneration matters, so as to ensure the Company's competitive advantage in the retention of its Board of Directors.

Notes

(1) Salary is inclusive of allowances, CPF and other emoluments.

(2) Performance incentives refer to long term cash incentive plan and long term performance driven award.

(3) Bonus is short term cash incentive plan and is a sum of money or given in addition to usual compensation, normally for outstanding performance and service for certain period.

(4) Mr. Wong was appointed as an Independent Non-Executive Director of the Company on 13 January 2015. He has not received any remuneration for the financial year under review.

To maintain confidentiality of staff remuneration matters and for competitive reason the names of the key executives of the Group, the aggregate total remuneration paid and the upper limit of the remuneration band of top five (5) key management personnel are not disclosed in this Annual Report. The following shows the annual remuneration of the 13 key executives of the Company (who are not directors or the CEO) for the financial year under review:

Key Management Personnel

Remuneration Band	No. of Executives	Base/ Fixed Salary	Variables or Bonuses	Benefits in Kind	Share-Based	Total
		%	%	%	%	%
S$250,001 and above	5	55	4	4	37	100
Up to S$250,000	8	73	9	–	18	100

CORPORATE GOVERNANCE STATEMENT

The Company has no employees who are immediate family members of a Director or CEO and whose remuneration exceeded S$50,000 during the financial year ended 31 December 2014.

Share Option Scheme and Performance Share Plan

The Company has a share option scheme (the "**Scheme**") and a performance share plan (the "**Plan**") in place. The Scheme and the Plan are currently administered by the RC in accordance with the rules of the Scheme and the Plan respectively.

Information on the Scheme and the Plan are disclosed in the Directors' Report on pages 47 to 50.

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company provides shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. The Board is provided with appropriately detailed management reports on a quarterly basis. The Company will provide monthly management reports to the Board upon receipt of their request.

In line with the Catalist Rules, the Board provides confirmation to shareholders in respect of the truthfulness of the interim financial results of the Company. For the full-year financial statements, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, are adequate. This is based on the internal controls established and maintained by the Company and the Group, and reviews performed by Management, various Board Committees and the Board.

The Board ensures that all the relevant regulatory compliances and updates will be highlighted from time to time to ensure adequate compliances with the regulatory and relevant government authorities.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board annually reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

The Company does not have a Risk Management Committee. The senior management assumes the responsibility of the risk management function. The senior management regularly assesses and reviews the Group's business and operational environment in order to identify areas of significant business and financial risks, such as credit risks, foreign exchange risks, liquidity risks and interest rate risks, as well as appropriate measures to control and mitigate these risks. The Company will continue to foster risk awareness across the organisation to address and help mitigate these risks.

In addition, the external auditors will highlight and report to the AC at the AC meetings, of any material internal control weaknesses which have come to their attention in the course of their statutory audit. All audit findings and recommendations made by the external auditors are reported to the AC. The senior management will follow up on these recommendations to ensure that Management has implemented them on a timely and appropriate manner and reports to the AC every quarter.

Financial, operational, compliance and information technology checklists were also prepared by the Management, CEO, and respective heads of divisions, in order to assist the AC and Board to review the adequacy of the risk management and internal control systems, which include all the operational matters, regulatory compliances and guidance and financial risk. The checklists have been reviewed and confirmed by the Board.

CORPORATE GOVERNANCE STATEMENT

With the presence of the Management who meets regularly, the Board is able to receive the feedback and response on the risk and legal issues which will affect the Company in terms of operational risk, on timely basis. Assurance from the CEO and CFO were also obtained to confirm that the financial records of the Company were properly maintained, the financial statements of the Company give a true and fair view of the Company's operations and finances of the Company's risk management and internal control systems are effective.

Based on the internal controls established by and maintained by the Company, and the reviews performed by the Management, AC and the Board, the Board, with the concurrence with the AC, is of the opinion that the risk management and internal controls that the Group has put in place to address financial, operational, compliance and information technology risks, are adequate as at 31 December 2014.

Moreover, the Company is consistently improving the Group's internal controls, and adopts recommendations which are highlighted by the internal and external auditors and Sponsor to safeguard the shareholders' investments and the Group's assets and to comply with the requirements under the Catalist Rules.

The Group has appointed Baker Tilly TFW LLP as internal auditors and their role includes the following:
1. assess and evaluate the adequacy of applicable operational internal controls;
2. assess and evaluate the efficiency of business process;
3. evaluate compliance with applicable policies and procedures, as well as regulatory requirements;
4. identify possible opportunities for process and internal control improvement; and
5. compile a report on findings and recommendations to highlight controls deficiencies and compliance gaps.

With the assistance of internal auditors, the Group trusts that its internal control system will be consistently improving and will adopt recommendations which are highlighted by the internal and external auditors and Sponsor to safeguard the shareholders' investments and the Group's assets and to comply with the requirements under the Catalist Rules.

Principle 12: Audit Committee
The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises Mr. Yeo, Mr. Goh, Mr. de Vries and Mr. Wong. Save for Mr. Goh, a Non-Independent Non-Executive Director of the Company, the other three (3) members of the AC are Independent Non-Executive Directors. Mr. Yeo is the Chairman of the AC.

The AC is responsible for:

(a) reviewing the audit plans of the Company's external auditors;
(b) reviewing the reports of the Company's external auditors;
(c) reviewing the co-operation given by the Company's officers to the external auditors;
(d) reviewing the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the Board;
(e) reviewing and recommending the quarterly and annual announcements as well as the related press releases on the results and financial position of the Company;
(f) nominating the Company's external auditors for re-appointment;
(g) approving the Company's internal audit plans and reviewing internal audit report;
(h) reviewing interested person transaction (if any);
(i) reviewing and considering transactions in which there may be potential conflicts of interests between the Company and its interested persons and recommending whether those who are in a position of conflict should abstain from participating in any discussion or deliberations of the Board or voting on resolutions of the Board or the shareholders in relation to such transactions;
(j) reviewing and approving procedures to hedge the exposure to foreign currency fluctuations (if any);

(k) reviewing the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's results of operation and/or financial position;

(l) reviewing the Group's risk management structure and any oversight of the risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board; and

(m) reviewing the Group's key financial risk areas, with a view to provide an independent oversight on the Group's financial reporting. Where findings are material, announcements will be made immediately via SGXNET.

The AC has the express power to conduct or authorise investigations into any matters within its terms of reference and has full access to and co-operation by Management. The AC has full discretion to invite any other directors or Executive Directors to attend its meetings and to ensure that adequate resources are available to enable the AC to discharge its function properly. As at the date of this Annual Report, the AC has met with the external auditors separately without the presence of Management to review any area of audit concern. Ad-hoc AC meetings may be carried out from time to time, as circumstances require.

The Company has implemented a whistle blowing policy which will provide well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group. The AC will review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

During the financial year under review, the AC has reviewed the independence of the Company's external auditors and is satisfied with the independence and objectivity of the external auditors. The aggregate amount of fees paid to the external auditors of the Company for the audit services amounted to S$150,000 and S$19,200 for tax compliance services the non-audit services provided by the external auditors of the Company for the financial year ended 31 December 2014. The AC has recommended the re-appointment of Deloitte & Touche LLP as external auditors of the Company at the forthcoming AGM.

The Group has appointed different auditors for its overseas subsidiaries during the financial year under review.

The Board and the AC have reviewed that the appointment of different auditors for its subsidiary and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. The Company is in compliance with Rules 712, 715 and 716 of the Catalist Rules in relation to its independent auditors.

In order to ensure that the AC is able to fulfill its responsibilities, Management provides the Board members with management reports. In addition, all relevant information on material events and transactions are circulated to AC as and when they arise. Whenever necessary, senior management staff will be invited to attend the Board/AC meetings to answer queries and provide detailed insights into their areas of operations. The AC are kept informed by Management on the status of on-going activities between Board meetings. Where a decision has to be made before a Board meeting, a directors' resolution is done in accordance with the Articles of Association of the Company and the AC is provided with all necessary information to enable it to make informed decisions.

The AC has full access to and co-operation by the Management and has been given resources to enable the AC to discharge its functions properly. The external auditors have unrestricted access to the AC.

The AC has been provided with the phone numbers and email particulars of the Company's senior management and Company Secretary to facilitate access.

As at the date of this Annual Report, none of the former partners or directors of the Company's existing auditing firm has been appointed as a member of the AC.

CORPORATE GOVERNANCE STATEMENT

Principle 13: Internal Audit
The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board supports the need of an internal audit function where its primary objective is to maintain a system of internal controls and processes to safeguard shareholders' investment and the Group's assets. The internal audit team is expected to meet the standards set by nationally or internationally recognized professional bodied including the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The Company has appointed Baker Tilly TFW LLP as internal auditors on 23 December 2013. On an annual basis, the Company's internal auditors will prepare an audit plan, so as to review the adequacy and effectiveness of the system of internal controls of the Group. These include operational, financial and compliance controls. The internal auditors will follow up these recommendations to ensure that Management has implemented them on a timely and appropriate manner and reports to the AC periodically. All audit findings and recommendations made by the internal auditors are reported to the AC.

Principle 14: Shareholder Rights
Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangement.

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of developments in the Group in accordance with the Catalist Rules.

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting in accordance to the nature of the business to be transacted at the meeting. The Company's articles also allow any shareholder to appoint not more than two (2) proxies during his absence, to attend and vote on his behalf at the general meetings. In addition, shareholders who hold shares through custodial institutions may attend the general meetings as observers.

Principle 15: Communication with Shareholders
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Board is mindful of its obligations to provide its shareholders with timely disclosure of material information presented in a fair and objective manner.

The Company does not practice selective disclosure. In line with the continuing obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all shareholders would be equally informed of all major developments and/or transactions impacting the Group.

Quarterly results of the Company will be published through the SGXNET, news releases and the Company's website. All information on the Company's new initiatives will be first disseminated via SGXNET followed by a news release, which will also be available on the website. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the period prescribed by the SGX-ST and are available on the Company's website.

The Company has an investor relations team and supported by external consultant firm in promoting communication with shareholders and analysts. Contact information of the internal and external investor relations teams are made available on the Company's website.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the annual report of the Company and notice of AGM. At the AGM, shareholders will be given opportunity to voice their views and to direct questions regarding the Group to the Directors. The Chairman of the AC, NC and RC would be present at the AGMs to answer any question relating to the work of these committees.

Shareholders are given the right to vote on the resolutions at general meetings. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Each distinct issue will be carried in a separate resolution. For the time being, the resolutions of the Company are carried out by show of hands and voting by poll will only carried out when it is demanded by the Chairman or the shareholders in accordance with the provisions of the Company's Articles of Association. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company will not implement voting in absentia by mail, email or fax. Minutes of the general meetings which include substantial and relevant comments and queries from shareholders relating to the agenda of the general meetings together with the responses from the Board and management are prepared and confirmed as true record of the proceedings of the general meetings. The minutes of the general meetings are made available to the shareholders upon request.

In line with the new Rule 730A(2) introduced by the SGX-ST on 31 July 2013 (which comes into effect from August 2015), to promote greater transparency in general meetings and support listed companies in enhancing their shareholders engagement, all resolutions at general meeting in year 2015 will be voted by poll where shareholders are accorded right proportionate to the shareholding and all votes are counted.

For greater transparency in the voting process, the Company will, in due course, consider conducting electronic poll voting for all resolutions passed at the AGMs and EGMs and incorporate the information on the total number of votes cast for or against the resolution into the announcement released to the SGX-ST after each meeting.

As at the date of this report, the Company does not have a formal dividend policy in place, however, the Company, in determining the form, frequency and amount of future dividends on the Company's shares in any particular year, will take into account, among other things, the level of cash and retained earnings, the result of operations, the capital expenditure requirements, the expansion and/or investment plans and other factors that the Company's Directors may deem appropriate.

In considering dividend payments for the future financial years, the Directors will take into account the current desire to maintain and potentially increase dividend level subject to the objective of maximizing shareholder value over longer term and the factors stated in the paragraph above.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis.

In compliance with Rule 907 of the SGX-ST Catalist Rules, there were no transactions with interested persons for the financial year ended 31 December 2014 which exceeds the stipulated threshold except as disclosed below:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Chartering		
Swiber and its subsidiaries	US$5,450,180[1]	US$4,115,067
Swiber and its subsidiaries	US$1,278,900	Nil
Corporate services		
Swiber and its subsidiaries	Nil	US$288,000
Rawabi Holdings Co Ltd	US$414,141[2]	Nil
Marine brokerage services		
Swiber and its subsidiaries	Nil	US$1,300,654
Ship management services		
Swiber and its subsidiaries	Nil	US$13,103,067
Shipyard, Engineering, Fabrication Services and Facilities services		
Swiber and its subsidiaries	Nil	US$459,938
Others		
Swiber and its subsidiaries	US$2,270,000	US$9,456,000
Rawabi Holdings Co Ltd	US$1,515,937[3]	Nil

Notes:

(1) The transaction relates to chartering income for the financial year ended 31 December 2014. No shareholder approval was obtained because all terms of the charter party agreement entered into between Samson Marine Pte Ltd ("**SMPL**"), Vallianz Marine Pte Ltd ("**VMPL**") and Newcruz Offshore Marine Pte Ltd were finalized and signed prior to the Company acquiring the 51% interest in VMPL and SMPL, and before Swiber Holdings Limited became an interested party as in Chapter 9 of the Catalist Rules.

(2) The transaction relates to holding support fee charged by Rawabi Holdings Company Limited ("**Rawabi**") for the year ended 31 December 2014. No shareholder approval was obtained because all terms of the agreement entered into between Rawabi Swiber Offshore Services Company Limited ("**RSOS**") and Rawabi were finalized and signed prior to Rawabi became an interested party as in Chapter 9 of the Catalist Rules.

(3) The transaction relates to construction cost of a camp facility in Kingdom of Saudi Arabia by Rawabi for the year ended 31 December 2014. No shareholder approval was obtained because all terms of the agreement entered into between RSOS and Rawabi were finalized and signed prior to Rawabi became an interested party as in Chapter 9 of the Catalist Rules.

MATERIAL CONTRACTS

Save for the service agreement and employment contract entered into between the Executive Directors and the Company respectively, there was no material contract between the Company and its subsidiaries involving the interests of any director or controlling shareholders which are either still subsisting at the end of the financial year ended 31 December 2014 or, if not then subsisting, entered into since the end of previous financial year.

USE OF PROCEEDS

Issue and allotment of new shares

On 25 June 2014, the Company issued and allotted 400,000,000 new shares in the capital of the Company at issue price of S$0.13545. The net proceeds from the issuance of new shares were approximately US$41,800,000. As announced by the Company on 12 September 2014 and 22 December 2014, the proceeds raised from the issuance of new shares were utilized for the following purposes:

Intended use	Amount allocated US$'000	Amount utilised US$'000	Balance amount US$'000
Acquisition of new vessels	29,260 – 33,440	29,700	–
General working capital	8,360 – 12,540	12,100	–
Total net proceeds	41,800	41,800	–

The use of proceeds is in accordance with the intended use and percentage allocation of the proceeds raised from issue of new shares.

Issue of option shares

On 2 October 2013, the Company has entered into an option agreement with Swiber Holdings Limited ("**Swiber**") pursuant to which the Company shall issue to Swiber an aggregate of 500,000,000 non-transferable share options (the "Options", and each an "**Option**"), with each Option carrying the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.055 per Option.

The net proceeds from the issuance of the Options were approximately US$22,000,000. As announced by the Company on 9 June 2014 and 10 March 2015, the proceeds were utilised for the following purposes:

i. approximately US$17,700,000 for acquisition of new vessels; and
ii. approximately US$4,300,000 for general working capital purposes (including vessels operating expense).

The use of proceeds is in accordance with the intended use.

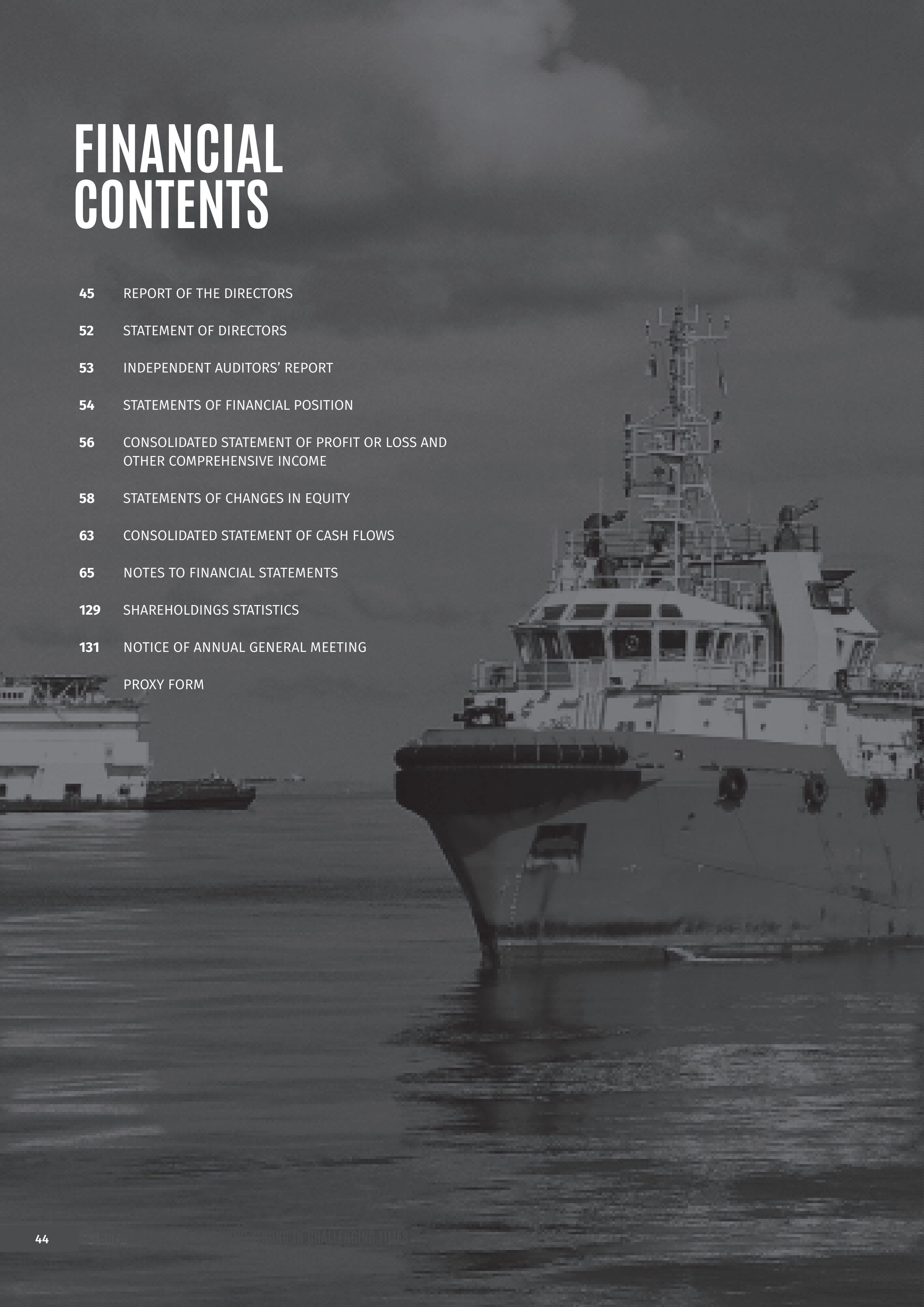
CORPORATE GOVERNANCE STATEMENT

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities. Directors, Senior Management and employees (collectively "**Officers**") of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two (2) weeks before announcement of the Group's quarterly results and one (1) month before the announcement of the Group's yearly results and ending on the date of announcement of such result, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Officers of the Group are advised not to deal in the Company's securities for a short term considerations and are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods. Officers are to consult with the Financial Controller/Company Secretary before trading in Company's securities and are to confirm annually that they have complied with and are not in breach of the Code. The Board is kept informed when a Director trades in the Company's securities.

NON-SPONSORSHIP FEES

Pursuant to Rule 1204(21) of the Catalist Rules, the Company wishes to disclose that there was no non-sponsorship fee paid to the Company's sponsor, Stamford Corporate Services Pte. Ltd. for the year ended 31 December 2014.



FINANCIAL CONTENTS

REPORT OF THE DIRECTORS
31 DECEMBER 2014

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Raymond Kim Goh
Yeo Chee Neng
Ling Yong Wah (Appointed on 17 March 2014)
Yeo Jeu Nam
Bote de Vries
Wong Leong Jeam (Appointed on 13 January 2015)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

No arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate subsisted at the end of the financial year or at any time during the financial year, except for the options mentioned in paragraphs 3 and 5 of the Report of the Directors.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in name of director	
Name of directors and company in which interests are held	**At beginning of year/date of appointment**	**At end of year**
<u>The Company</u>		
(Ordinary shares)		
Yeo Chee Neng	–	20,000,000
Ling Yong Wah	–	1,000,000
Yeo Jeu Nam	500,000	2,300,000
Bote de Vries	–	100,000

3 **DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)**

Name of directors and company in which interests are held	Deemed interests At beginning of year/date of appointment	At end of year
The Company		
(Ordinary shares)		
Raymond Kim Goh [1]	–	23,000,000

[1] A discretionary trustee of which the beneficiaries include the wife and children of Mr Raymond Kim Goh. Mr Raymond Kim Goh himself is not a beneficiary.

Name of directors and company in which interests are held	Shareholdings registered in name of director At beginning of year	At end of year
The Company		
(Share options)		
Raymond Kim Goh	5,000,000	25,000,000
Yeo Jeu Nam	3,000,000	3,000,000
Bote de Vries	1,000,000	1,000,000
The Company		
(Share awards)		
Yeo Chee Neng	3,000,000	2,000,000

The director's interests in the shares and options of the Company and its related corporations as at 21 January 2015 are the same as those as at 31 December 2014.

4 **DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS**

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

The Vallianz Employee Share Option Scheme ("ESOS")

The Company implemented the ESOS in the financial year ended 31 March 2009 in accordance with the scheme approved by the shareholders on 11 April 2001. The purpose of the ESOS is to provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS shall continue for a maximum period of 10 years commencing from the first date of grant but accelerated in the event of mergers, take-overs or reverse take-over (i.e. the options fully vest and become exercisable). The ESOS may continue beyond 10 years with the approval of the shareholders by ordinary resolution in a general meeting.

The ESOS is administered by the Remuneration Committee whose members are:

(i) Yeo Jeu Nam (Chairman)
(ii) Raymond Kim Goh
(iii) Bote de Vries
(iv) Wong Leong Jeam

a) Terms of ESOS

(i) A one (1) year vesting period is required commencing from the first date of grant if offer price is not at a discount; a two (2) year vesting period is required commencing from the first date of grant if offer price is at a discount.

(ii) The subscription price is based on the price equal to the average of the last dealt prices of an ordinary share in the capital of the Company for the three (3) consecutive trading days immediately preceding the date of grant of the option, rounded up to the nearest whole cent in the event of fractional prices.

(iii) The options may be exercised in whole or in part at any time by a participant after the first anniversary from the date of grant. Such option shall be exercised before the tenth anniversary of the date of grant, or such earlier date as may be determined by the Committee.

(iv) The unvested options, shall lapse upon the employee ceasing to be employed by the Company or its subsidiaries.

5 SHARE OPTIONS (cont'd)

b) Unissued shares under option and options exercised

The number of options granted to the directors of the Company under the ESOS is as follows:

Options participants	Options granted during the financial year	Aggregate options granted since commencement of plan to the end of the financial year	Aggregate options exercised since commencement of plan to the end of the financial year	Aggregate options outstanding as at end of the financial year
Raymond Kim Goh	20,000,000	25,000,000	–	25,000,000
Yeo Jeu Nam	–	3,250,000	(250,000)	3,000,000
Bote de Vries	–	1,000,000	–	1,000,000
Total	20,000,000	29,250,000	(250,000)	29,000,000

On 7 May 2014, options to subscribe for 20,000,000 ordinary shares of the Company at an exercise price of S$0.145 per ordinary share were granted pursuant to the ESOS. The options have a one (1) year vesting period and are exercisable from 7 May 2015 and expire on 6 May 2024. As at 31 December 2014, the options remained non-exercisable.

Particulars of the options granted in year 2011 and 2013 under the scheme were set out in the Report of the Directors for the financial year ended 31 December 2011 and 31 December 2013 respectively.

The directors did not participate in any deliberation or decision in respect of the options granted to them.

Since the commencement of the employee share option plan till the end of the reporting period:

(i) No options have been granted to the controlling shareholders of the Company and their associates.

(ii) No participant to whom the option has been granted has any right to participate by virtue of the option in any share issue of any other company.

(iii) No options have been granted at a discount.

(iv) No options amounting to 5% or more of the total number of options available under the scheme has been granted to any participant.

There are no other unissued shares of the Company or its subsidiaries under option at the end of the year except as disclosed above.

6 VALLIANZ PERFORMANCE SHARE PLAN ("PSP")

In 2010, the Company implemented the PSP in accordance with the performance share scheme approved by the shareholders on 23 August 2010. The PSP has been implemented in order to:

(i) foster an ownership culture within the Group which aligns the interests of the participants with the interests of shareholders;

(ii) motivate the participants to achieve key financial and operational goals of the Group and/or their respective business units;

(iii) make total employee remuneration sufficiently competitive to recruit and retain staff having skills that commensurate with the Group's ambition to become a world class company; and

(iv) to instil loyalty and a stronger sense of identification by the participants with the long term prosperity of the Group.

An executive or non-executive director of any member of the Group or a full-time employee of any member of the Group ("Eligible Person") who is selected by the Remuneration Committee is eligible to participate in the PSP. The awards represent the right of an Eligible Person to receive fully paid shares free of charge, upon the participant satisfying the criteria set out in the PSP and upon satisfying such conditions as may be imposed. The number of shares to be granted to an Eligible Person shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account criteria such as his rank, job performance and potential for future development, his contribution to the success and development of the Group and the extent of effort with which the performance conditions as determined by the Remuneration Committee may be achieved within the performance period.

Each award to be granted to an Eligible Person who is a non-executive director of any member of the Group shall not exceed 10% of the total number of shares available for grant of awards under the PSP. The total number of shares which may be issued and/or issuable pursuant to awards granted under the PSP on any date shall not exceed 15% of the issued shares of the Company (excluding any shares held in treasury) from time to time. The PSP shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of 10 years, commencing from adoption date, provided always that the PSP may continue beyond the stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Date of grant	Balance at 1 January 2014	Granted	Vested	Cancelled	Balance at 31 December 2014
14 May 2013	6,000,000	–	1,666,667	1,000,000	3,333,333
7 May 2014	–	7,500,000	7,500,000	–	–
	6,000,000	7,500,000	9,166,667	1,000,000	3,333,333

6 VALLIANZ PERFORMANCE SHARE PLAN ("PSP") (cont'd)

The number of share awards granted to the directors of the Company under the PSP is as follows:

Share awards participants	Share awards granted during the financial year	Aggregate share awards granted since commencement of plan to the end of the financial year	Aggregate share awards exercised since commencement of plan to the end of the financial year	Aggregate share awards outstanding as at end of the financial year
Yeo Chee Neng	5,000,000	8,000,000	(6,000,000)	2,000,000
Yeo Jeu Nam	1,000,000	1,000,000	(1,000,000)	–
Bote de Vries	100,000	100,000	(100,000)	–
	6,100,000	9,100,000	(7,100,000)	2,000,000

The PSP is administered by the Remuneration Committee whose members are:

(i) Yeo Jeu Nam (Chairman)
(ii) Raymond Kim Goh
(iii) Bote de Vries
(iv) Wong Leong Jeam

7 AUDIT COMMITTEE

The Audit Committee comprises four (4) Non-Executive Directors. The members of the committee are:

Yeo Jeu Nam (Chairman and Independent Director)
Bote de Vries (Independent Non-Executive Director)
Raymond Kim Goh (Non-Executive Director)
Wong Leong Jeam (Independent Non-Executive Director)

During the financial year, the Audit Committee held four (4) meetings.

The functions of the Audit Committee include the following:

a) review of the internal audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) review of the external audit plans and reports and evaluation of co-operation given by the Company's officers to the external auditors;

c) review of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and external auditors' report on those financial statements;

7 AUDIT COMMITTEE (cont'd)

d) review of the quarterly and annual announcements as well as the related press releases on the results and financial position of the Group and Company;

e) nomination of the external auditors of the Group for re-appointment; and

f) review of the interested person transactions.

The Audit Committee has full access to and the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

8 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Ling Yong Wah

Yeo Chee Neng

23 March 2015

STATEMENT OF DIRECTORS
31 DECEMBER 2014

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 54 to 128 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Ling Yong Wah

Yeo Chee Neng

23 March 2015

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF VALLIANZ HOLDINGS LIMITED

Report on the Financial Statements
We have audited the accompanying financial statements of Vallianz Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 128.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements
In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

23 March 2015

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2014

	Note	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**20,754**	1,812	**3,322**	65
Trade receivables	7	**99,219**	5,662	**899**	–
Other receivables	8	**55,978**	5,335	**291,549**	13,368
Inventories	9	**1,009**	–	**–**	–
Construction work-in-progress	10	**1,779**	–	**–**	–
Available-for-sale investments	11	**99**	86	**86**	86
Total current assets		**178,838**	12,895	**295,856**	13,519
Non-current assets					
Deposits pledged with banks	6	**4,163**	–	**–**	–
Available-for-sale investments	11	**99,700**	104,900	**–**	–
Property, plant and equipment	12	**661,358**	25,166	**188**	198
Subsidiaries	13	**–**	–	**32,008**	24,798
Joint venture	14	**–**	3,071	**–**	–
Associate	15	**15,539**	–	**–**	–
Goodwill	16	**11,854**	–	**–**	–
Deferred tax assets	17	**262**	–	**–**	–
Total non-current assets		**792,876**	133,137	**32,196**	24,996
Total assets		**971,714**	146,032	**328,052**	38,515

STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2014

	Note	Group		Company	
		2014	2013	**2014**	2013
		US$'000	US$'000	US$'000	US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Term loans	18	**102,421**	15,258	**–**	–
Trade payables	19	**48,942**	2,559	**–**	–
Other payables	20	**37,834**	1,549	**12,364**	2,714
Finance lease	21	**16,305**	23	**18**	23
Income tax payable		**1,406**	728	**–**	–
Total current liabilities		**206,908**	20,117	**12,382**	2,737
Non-current liabilities					
Term loans	18	**306,697**	53,797	**–**	–
Notes payable	22	**118,528**	–	**118,528**	–
Retirement benefit obligation		**507**	–	**–**	–
Other payables	20	**85,001**	–	**–**	–
Finance lease	21	**153**	19	**–**	19
Derivative financial instruments	23	**8,195**	–	**8,195**	–
Deferred tax liabilities	17	**4,977**	–	**–**	–
Total non-current liabilities		**524,058**	53,816	**126,723**	19
Capital and reserves					
Share capital	24	**185,276**	54,647	**185,276**	54,647
Perpetual capital securities	25	**22,500**	–	**22,500**	–
Foreign currency translation reserve	26	**(268)**	–	**–**	–
Hedging reserve	27	**(2,141)**	–	**(2,141)**	–
Share options reserve	28	**1,156**	181	**1,156**	181
Other reserve		**24**	–	**24**	–
Accumulated profits (losses)		**6,262**	(12,098)	**(17,868)**	(19,069)
Equity attributable to owners of the Company and capital securities holders		**212,809**	42,730	**188,947**	35,759
Non-controlling interests		**27,939**	29,369	**–**	–
Total equity		**240,748**	72,099	**188,947**	35,759
Total liabilities and equity		**971,714**	146,032	**328,052**	38,515

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		US$'000	US$'000
Revenue	29	**153,680**	19,985
Cost of sales		**(98,498)**	(4,958)
Gross profit		**55,182**	15,027
Other income	30	**7,117**	1,219
Administrative expenses		**(16,785)**	(3,504)
Other operating expenses		**(1,653)**	(230)
Finance costs	31	**(22,258)**	(3,092)
Share of profit of joint venture	14	**–**	1,621
Profit before tax		**21,603**	11,041
Income tax expense	32	**(1,173)**	(728)
Profit for the year	33	**20,430**	10,313
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(268)**	252
Gains reclassified to profit or loss upon liquidation of a subsidiary		**–**	(350)
Cash flow hedges		**(2,141)**	–
		(2,409)	(98)
Total comprehensive income for the year		**18,021**	10,215

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		US$'000	US$'000
Profit for the year attributable to:			
Owners of the Company		**18,577**	7,493
Non-controlling interests		**1,853**	2,820
		20,430	10,313
Total comprehensive income attributable to:			
Owners of the Company		**16,168**	7,395
Non-controlling interests		**1,853**	2,820
		18,021	10,215
Earnings per share (US cents)			
Basic	34	**0.79**	0.63
Diluted	34	**0.79**	0.63

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

	Note	Share capital	Foreign currency transaction reserve	Hedging reserve	Share options reserve	Other reserve
		US$'000	US$'000	US$'000	US$'000	US$'000
Group						
At 1 January 2014		54,647	–	–	181	–
Total comprehensive income for the year						
Profit for the year		–	–	–	–	–
Other comprehensive income for the year		–	(268)	(2,141)	–	–
Total		–	(268)	(2,141)	–	–
Transactions with owners, recognised directly in equity						
Acquisition of subsidiaries	36	–	–	–	–	–
Issue of redeemable convertible capital securities		–	–	–	–	–
Conversion of redeemable convertible capital securities to ordinary shares		35,200	–	–	–	–
Distribution paid		–	–	–	–	–
Dividends	35	–	–	–	–	–
Issue of share capital, net of transaction costs		63,608	–	–	–	–
Issue of consideration shares, net of transaction costs		30,892	–	–	–	–
Issue of perpetual capital securities		–	–	–	–	–
Non-controlling interests arising from increase in control of investment	13	–	–	–	–	–
Performance shares awarded		929	–	–	(929)	–
Recognition of share-based payments	28	–	–	–	1,928	–
Redemption of preference shares issued by a subsidiary		–	–	–	–	–
Forfeiture of performance shares awarded		–	–	–	(24)	24
Total		130,629	–	–	975	24
At 31 December 2014		**185,276**	**(268)**	**(2,141)**	**1,156**	**24**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

Accumulated (losses) profits	Equity attributable to owners of the Company	Redeemable convertible capital securities	Perpetual capital securities	Equity attributable to owners of the Company and capital securities holders	Non-controlling interests	Total
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
(12,098)	42,730	–	–	42,730	29,369	72,099
18,577	18,577	–	–	18,577	1,853	20,430
–	(2,409)	–	–	(2,409)	–	(2,409)
18,577	16,168	–	–	16,168	1,853	18,021
–	–	–	–	–	3,607	3,607
–	–	35,200	–	35,200	–	35,200
–	35,200	(35,200)	–	–	–	–
(66)	(66)	–	–	(66)	–	(66)
(846)	(846)	–	–	(846)	–	(846)
–	63,608	–	–	63,608	–	63,608
–	30,892	–	–	30,892	–	30,892
–	–	–	22,500	22,500	–	22,500
695	695	–	–	695	(2,970)	(2,275)
–	–	–	–	–	–	–
–	1,928	–	–	1,928	–	1,928
–	–	–	–	–	(3,920)	(3,920)
–	–	–	–	–	–	–
(217)	131,411	–	22,500	153,911	(3,283)	150,628
6,262	**190,309**	**–**	**22,500**	**212,809**	**27,939**	**240,748**

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

	Note	Share capital	Share options reserve	Foreign currency translation reserve	Accumulated (losses) profits	Equity attributable to owners of the Company	Non-controlling interests	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
At 1 January 2013		54,647	–	98	(19,115)	35,630	27,402	63,032
Total comprehensive income for the year								
Profit for the year		–	–	–	7,493	7,493	2,820	10,313
Other comprehensive income for the year		–	–	(98)	–	(98)	–	(98)
Total		–	–	(98)	7,493	7,395	2,820	10,215
Transactions with owners, recognised directly in equity								
Dividends	35	–	–	–	(476)	(476)	–	(476)
Recognition of share-based payments	28	–	181	–	–	181	–	181
Liquidation of subsidiary		–	–	–	–	–	(853)	(853)
Total		–	181	–	(476)	(295)	(853)	(1,148)
At 31 December 2013		**54,647**	**181**	**–**	**(12,098)**	**42,730**	**29,369**	**72,099**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2014

	Note	Share capital	Hedging reserve	Share options reserve	Other reserve	Accumulated (losses) profits	Redeemable convertible capital securities	Perpetual capital securities	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Company									
At 1 January 2014		54,647	–	181	–	(19,069)	–	–	35,759
Total comprehensive income for the year									
Profit for the year		–	–	–	–	2,113	–	–	2,113
Other comprehensive income for the year		–	(2,141)	–	–	–	–	–	(2,141)
Total		–	(2,141)	–	–	2,113	–	–	(28)
Transactions with owners, recognised directly in equity									
Issue of redeemable convertible capital securities		–	–	–	–	–	35,200	–	35,200
Conversion of redeemable convertible capital securities to ordinary shares		35,200	–	–	–	–	(35,200)	–	–
Distribution paid		–	–	–	–	(66)	–	–	(66)
Dividends	35	–	–	–	–	(846)	–	–	(846)
Issue of share capital, net of transaction costs		63,608	–	–	–	–	–	–	63,608
Issued of consideration shares, net of transaction costs		30,892	–	–	–	–	–	–	30,892
Issue of perpetual capital securities		–	–	–	–	–	–	22,500	22,500
Performance shares awarded		929	–	(929)	–	–	–	–	–
Recognition of share–based payments	28	–	–	1,928	–	–	–	–	1,928
Forfeiture of performance shares awarded		–	–	(24)	24	–	–	–	–
Total		130,629	–	975	24	(912)	–	22,500	153,216
At 31 December 2014		**185,276**	**(2,141)**	**1,156**	**24**	**(17,868)**	**–**	**22,500**	**188,947**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

	Note	Share capital	Share options reserve	Accumulated (losses) Profits	Total
		US$'000	US$'000	US$'000	US$'000
Company					
At 1 January 2013		54,647	–	(20,064)	34,583
Profit for the year, representing total comprehensive income for the year		–	–	1,471	1,471
Transactions with owners, recognised directly in equity					
Dividends	35	–	–	(476)	(476)
Recognition of share-based payments	28	–	181	–	181
Total		–	181	(476)	(295)
At 31 December 2013		**54,647**	**181**	**(19,069)**	**35,759**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Note	2014 US$'000	2013 US$'000
Operating activities			
Profit before tax		**21,603**	11,041
Adjustments for:			
Allowances for impairment of receivables		**1,653**	–
Depreciation of property, plant and equipment		**17,606**	1,545
Dividend income from available-for-sale investments		**(5,286)**	(5,707)
Bargain purchase		**(5,862)**	–
Gain on liquidation of subsidiary		**–**	(1,203)
Provision of employee benefits		**143**	–
Finance costs		**22,258**	3,092
(Gain) Loss on disposal of plant and equipment		**(7)**	1
Unrealised exchange loss		**172**	252
Share-based payment expense		**1,928**	181
Share of profit of joint venture		**–**	(1,621)
Operating cash flows before working capital changes		**54,208**	7,581
Trade and other receivables		**(11,038)**	(7,442)
Trade and other payables		**(93,691)**	1,552
Inventories		**133**	–
Construction contracts work-in-progress		**6,512**	–
Net cash (used in) from operations		**(43,876)**	1,691
Income tax paid		**(376)**	–
Net cash (used in) from operating activities		**(44,252)**	1,691
Investing activities			
Dividends received		**3,970**	5,866
Purchase of property, plant and equipment (Note)		**(290,122)**	(713)
Proceeds on disposal of plant and equipment		**59**	56
Proceeds from redemption of preference shares	13	**5,200**	10,750
Acquisition of subsidiaries and associate	36	**6,806**	–
Acquisition of investment in joint venture		**–**	(1,450)
Net cash (used in) from investing activities		**(274,087)**	14,509

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2014

	Note	2014 US$'000	2013 US$'000
Financing activities			
Interest paid		**(19,226)**	(3,077)
Pledged deposit		**(4,163)**	–
Dividends paid		**(912)**	(476)
Proceeds from new bank loans raised		**247,060**	–
Proceeds from new shares issue		**63,608**	–
Proceeds from issuance of redeemable convertible capital securities		**35,200**	–
Proceeds from issuance of notes		**123,318**	–
Repayment of term loans		**(101,295)**	(14,169)
Repayment of obligations under finance lease		**(114)**	(18)
Acquisition of remaining interest from non-controlling shareholders		**(2,275)**	–
Redemption of preference shares issued by a subsidiary		**(3,920)**	–
Net cash from (used in) financing activities		**337,281**	(17,740)
Net increase (decrease) in cash and cash equivalents		**18,942**	(1,540)
Cash and cash equivalents at beginning of the year		**1,812**	3,352
Cash and cash equivalents at end of the year	6	**20,754**	1,812

Note

During the financial year, property, plant and equipment were acquired through the following ways:

	2014 US$'000	2013 US$'000
Property, plant and equipment acquired (Note 12)	**305,244**	773
Settled by way of:		
Finance lease arrangements	**(14,072)**	(60)
Cash payments	**(290,122)**	(713)
Amount unsettled as at end of year	**1,050**	–

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 199206945E) is incorporated in the Republic of Singapore with its principal place of business and registered office at 12 International Business Park #03-02, Swiber@IBP, Singapore 609920. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in United States Dollars.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associate are detailed in Notes 13 and 15 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue by the Board of Directors on 23 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these standards.

In the current year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

FRS 112 *Disclosure of Interests in Other Entities* is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 13 and 15 for further disclosures).

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- Improvements to Financial Reporting Standards (January 2014)
- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative
- Amendments to FRS 16 Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following which management is still evaluating the impact on the financial statements of the Group and the Company on initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 102 Share Based Payments	Definition of vesting condition	Amended definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. Amendments apply prospectively to share-based payment transactions with a grant date on or after 1 July 2014, with earlier application permitted.
FRS 103 Business Combinations	Accounting for contingent consideration in a business combination	Clarified that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss.
FRS 108 Operating Segments	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets	Revaluation method: proportionate restatement of accumulated depreciation/amortisation	Removed perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
FRS 24 Related Party Disclosures	Key Management Personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Amendments to FRS 1 *Presentation of Financial Instruments: Disclosure Initiative*

The following amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010. The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

Available-for-sale financial assets

Preference shares held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income. Certain unquoted equity investments held by the Group are classified as being available-for-sale and are stated at cost less any accumulated impairment losses.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when the recognition of interest would be immaterial.

Interest-bearing bank loans and notes payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING - The Group enters into a derivative financial instrument to manage its exposure to foreign exchange rate risk which includes cross currency swap. Further details of derivative financial instruments are disclosed in Note 23 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

CONSTRUCTION CONTRACTS AND RELATED REVENUE RECOGNITION - Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts due to construction contracts customers.

Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Charter hire income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost less residual values over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold building	–	over the estimated term of the lease
Vessels	–	12 – 25 years
Computers	–	3 years
Renovation	–	3 years
Office furniture and equipment	–	2 – 5 years
Motor vehicles	–	3 – 7 years
Plant and machineries	–	3 – 5 years
Dry–docking	–	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

ASSOCIATE AND JOINT VENTURE - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Where a Group entity transacts with an associate or joint venture, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Charter hire and brokerage income

Revenue generated from charter hire and brokerage income is recognised on a straight-line basis over the period of the relevant leases.

Management fees income and crew management income

These incomes are recognised in the period in which the services are rendered.

Vessel management income

Vessel management incomes are recognised on a straight-line basis over the terms of the service agreements.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in United States Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies that have the most significant effects on the amounts recognised in the financial statements.

Rawabi Swiber Offshore Services Company Limited ("RSOS")

On 1 October 2013, the Group acquired 50% of the issued share capital of RSOS, an entity incorporated in the Kingdom of Saudi Arabia. Management had assessed that the Group exercised joint control over RSOS as the strategic financial and operating policy decisions relating to RSOS's activities required the unanimous consent of both of RSOS' shareholders. Accordingly, for the year ended 31 December 2013, RSOS has been accounted for as a joint venture as disclosed in Note 14.

In 2014, the directors of the Company assessed that it has practical ability to direct the relevant activities of RSOS and Note 13 describes that RSOS is a subsidiary of the Group even though the Group has 50% ownership interest and voting rights. As at 31 December 2014, the purchase price allocation exercise by an external valuer for the acquisition was completed and no material adjustment was made and the fair value deemed purchase consideration materially equated to the additional rights acquired.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

As at 31 December 2014, the Group's carrying amount of property, plant and equipment is approximately US$661,358,000 (2013 : US$25,166,000). The Group reviews the carrying amount of the property, plant and equipment to determine whether there are any indicators of impairment. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss (if any). Management is of the view that no impairment loss is required in the current year as there are no indicators of impairment.

Useful lives and residual values of property, plant and equipment

The carrying amount of property, plant and equipment disclosed in Note 12 has been determined after charging depreciation on a straight-line basis over the estimated useful life of these assets and after taking into consideration the residual values of the property, plant and equipment.

Management reviews the estimated useful lives and residual values of these assets at the end of each reporting period and determined that these estimates remain reasonable. If the useful lives of the property, plant and equipment were to shorten or the residual values of the property, plant and equipment were to reduce due to the changes in market price of steel, the carrying amount of property, plant and equipment may be impacted.

Recoverability of trade and other receivables

Management regularly reviews trade and other receivables and estimates the ultimate realisable amounts for each receivable, based on creditworthiness and the past collection history of each customer. Management is of the view that the carrying amounts of the trade and other receivables as disclosed in Notes 7 and 8 are recoverable.

Impairment of investments in subsidiaries and associate

The Company reviews the carrying amount of its investments in subsidiaries and associate to determine whether there are any indications that those assets have suffered an impairment loss. In performing its review, the Company considers the management budget and economic outlooks relating to those assets, unless stated otherwise. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment, if any. On the above basis, the Company has assessed and is of the view that there are no indicators of impairment. The carrying amount of the investments in subsidiaries and associate is approximately US$32,008,000 and US$15,539,000 (2013 : US$24,798,000 and US$Nil) as disclosed in Notes 13 and 15 respectively.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty

Impairment of available-for-sale investments

Management assesses whether there is any objective evidence that available-for-sale investments are impaired, as evidenced by the occurrence of one or more loss events. Management has taken into consideration, among other factors, the financial health and long-term business outlook of the investments, including factors such as changes in overall industry and sector performance and related market risks as well as the valuation of the underlying asset owned by the investee. Based on their assessment, management is of the view that no impairment is required for the available-for-sale investments.

The carrying amount of available-for-sale investments is disclosed in Note 11.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was US$11,854,000 (2013: US$Nil) that was recognised during the financial year. Details are provided in Note 16 to the financial statements.

Acquisitions and provisional purchase price allocation

The Group accounts for the acquired business/companies using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their fair values. As part of this process, it is also necessary to identify and recognise certain assets and liabilities which are not included on the acquiree's statement of financial position. Significant judgement is required in determining whether the intangibles have indefinite or finite useful lives and in determining the useful lives for finite intangibles. The judgements made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, the Group obtains assistance from independent valuation specialists. These independent valuation specialists used highly subjective assumptions and estimates to determine the valuation of the identified net assets of the acquired companies. These assumptions and estimates involve inherent uncertainties and the application of judgements. As a result, if factors change and these independent valuation specialists use different assumptions and estimates, the fair value of the identified net assets could be materially different. The valuations are based on information available at the acquisition date. Details are provided in Note 36 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**160,196**	12,275	**295,742**	13,407
Available-for-sale investments	**99,799**	104,986	**86**	86
	259,995	117,261	**295,828**	13,493
Financial liabilities				
Amortised cost	**716,388**	73,205	**130,910**	2,756
Derivative financial instrument in designated hedge accounting relationship	**8,195**	–	**8,195**	–
	724,583	73,205	**139,105**	2,756

(b) Financial risk management policies and objectives

(i) Foreign exchange risk management

The Group assesses and monitors its current and projected foreign currency cash flows and insofar as possible, reduces the exposure of the net position in each currency by borrowing in those foreign currencies and utilises foreign currency forward contracts and cross currency swaps to manage the volatility of future cash flows caused by fluctuation in foreign currency exchange rates. The Group does not hold or issue derivative financial instruments for speculative purpose.

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Singapore Dollar, Euro, Indonesian Rupiah, Mexican Peso and Saudi Arabian Riyal against the United States Dollar.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management *(cont'd)*

At the end the reporting period, significant carrying amounts of monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies, excluding note payables (Note 22) which are hedged with cross currency swaps (Note 23) are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	**28,392**	1,049	**39,133**	333	**1,999**	44	**991**	52
Euro	**618**	–	**–**	–	**–**	–	**–**	–
Indonesian Rupiah	**776**	–	**75**	–	**–**	–	**–**	–
Mexican Peso	**2,510**	–	**2,155**	–	**–**	–	**–**	–
Saudi Arabian Riyal	**381,537**	–	**46,411**	–	**–**	–	**–**	–

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If the relevant foreign currency strengthens/weakens by 5% against the functional currency of each group entity as at the year end, profit before tax will decrease/increase by:

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	**(537)**	36	**50**	–
Euro	**31**	–	**–**	–
Indonesian Rupiah	**35**	–	**–**	–
Mexican Peso	**18**	–	**–**	–
Saudi Arabian Riyal	**16,756**	–	**–**	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management

The Group is exposed to interest rate risk mainly through its variable rate borrowings undertaken during the year. Further details of the cross currency interest rate swaps can be found in Note 23 to the financial statements.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower during the period and all other variables were held constant, the Group's profit before tax would decrease or increase approximately US$2,022,000 (2013 : US$327,000).

(iii) Credit risk management

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties. Cash is held with creditworthy financial institutions.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

At the end of the reporting period, 44% (2013 : 70%) of the Group's trade and other receivables are due from related parties, associates and its joint venture. As at 31 December 2014, another 18.5% (2013 : Nil%) of trade receivables are due from a single customer in Kingdom of Saudi Arabia.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 respectively.

(iv) Liquidity risk management

During the current and prior periods, the Group has been engaged by various subsidiaries of its major shareholder to provide chartering and vessel management services. The dividend income received by the Group is also derived from the cumulative preference shares issued by a related company of its major shareholder. The revenue from the related companies of the major shareholder amounted to approximately US$29,835,000 (2013 : US$17,732,000).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

In addition, at the end of the reporting period, the Group's total current liabilities exceeded its total current assets by US$28,070,000 (2013 : US$7,222,000). Management is of the view that the Group will be able to generate sufficient cash inflows from its operations in order to satisfy its obligations, notwithstanding that the loans are secured against the vessels of the Group as well as the vessels owned by a related company of its major shareholder.

Management monitors its cash flow forecasts on a monthly basis to ensure the utilisation of current facilities is optimised. The Group's longer term strategy for managing liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due, including shareholder distribution.

Liquidity and interest risk analyses

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted gross outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	On demand or within 1 year	**Within 2 to 5 years**	**Total**
	US$'000	US$'000	US$'000
Group and Company			
As at 31 December 2014			
Gross settled:			
Cross currency swaps	–	(8,195)	(8,195)

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The table below has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the statement of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
2014						
Non-interest bearing		86,776	85,508	–	–	172,284
Finance lease liabilities (fixed rate)	3.16	16,361	158	–	(61)	16,458
Variable interest rate instruments	4.14	103,928	296,399	20,828	(16,754)	404,401
Notes payable (fixed rate)	7.36	–	127,248	–	(8,720)	118,528
Fixed interest rate instruments	5.01	2,759	2,194	–	(236)	4,717
		209,824	511,507	20,828	(25,771)	716,388
2013						
Non-interest bearing		4,108	–	–	–	4,108
Finance lease liabilities (fixed rate)	4.41	24	20	–	(2)	42
Variable interest rate instruments	3.79	15,903	55,502	–	(6,168)	65,237
Fixed interest rate instruments	5.15	1,765	2,292	–	(239)	3,818
		21,800	57,814	–	(6,409)	73,205

All financial assets are due within one year from the end of the reporting period and are non-interest bearing except for available-for-sale investments amounting to US$99,700,000 (2013 : US$104,900,000) and deposits pledged with banks amounting to US$4,163,000 (2013 : US$Nil).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other receivables and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

Other than certain available-for-sale investments and derivative financial instrument as disclosed in Notes 11 and 23, the Group has no financial assets and financial liabilities that are measured at fair value on a recurring basis.

Financial assets/ financial liabilities	Fair value as at 31 December 2014 (US$'000)		Fair value hierarchy	Valuation technique(s) and key input(s)
	Assets	Liabilities		
Derivative financial instruments				
Cross currency swaps	–	8,195	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital and reserves and term loans.

The Group monitors the financial ratios of its debt covenants stated in the agreements on the financial institutions providing the facilities to the Group. The Group is in compliance with externally imposed capital requirements for the financial year ended 31 December 2014. The Group's overall strategy remains unchanged from 2013.

5 RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances due to and from related parties are with the related companies of its major shareholder and such balances are unsecured, interest free and repayable on demand unless otherwise stated.

During the financial year, the Group entered into the following significant related party transactions:

	Group	
	2014	2013
	US$'000	US$'000
Related companies of the major shareholders		
Charter hire and brokerage income	**(10,198)**	(8,668)
Dividend income	**(5,286)**	(5,698)
Vessel management income	**(4,423)**	(3,366)
Manpower supply income	**(9,928)**	–
Charter hire expense	**8,937**	–
Management fee expense	**728**	293
Rental expense	**702**	437
Joint venture		
Vessel management income	**–**	(567)

In addition, as at 31 December 2014, the Group also acquired 100% equity interests in two subsidiaries and 49% equity interest in an associate from one of the major shareholders. Please see further disclosures in Note 36 to the financial statements. The Group has also acquired the remaining 49% equity interest in one of the subsidiaries from one of the major shareholders as disclosed in Note 13.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Group	
	2014	2013
	US$'000	US$'000
Short-term benefits	**2,168**	1,010
Post-retirement benefits	**92**	32
Share-based payments	**1,927**	181
	4,187	1,223

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Cash at bank	**24,826**	1,812	**3,322**	65
Cash on hand	**86**	–	**–**	–
Short-term deposits	**5**	–	**–**	–
	24,917	1,812	**3,322**	65
Less: Deposits pledged with banks – non-current (Note 18)	**(4,163)**	–	**–**	–
Cash and cash equivalents	**20,754**	1,812	**3,322**	65

Short term deposits bear interest of 0.25% (2013 : Nil%) per annum and for a tenure of 365 days (2013 : Nil). These deposits can be withdrawn before due date if required without having to incur significant costs, and therefore, the carrying amounts approximate their fair values.

7 TRADE RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Associate (Note 15)	**10,820**	–	**–**	–
Outside parties	**46,025**	1,703	**–**	–
Subsidiaries (Note 13)	**–**	–	**899**	–
Joint venture (Note 14)	**–**	567	**–**	–
Related parties (Note 5)	**44,027**	3,392	**–**	–
	100,872	5,662	**899**	–
Less: allowance for impairment of receivables – outside parties	**(1,653)**	–	**–**	–
Total	**99,219**	5,662	**899**	–
Movement in allowance for impairment of receivables:				
Charged to profit or loss and balance at the end of the year	**1,653**	–	**–**	–

The credit period on services rendered is 30 days (2013 : 30 days). No interest is charged on the outstanding balance.

Trade receivables amounting to US$2,103,000 (2013 : US$848,000) are secured by a corporate guarantee from a major shareholder.

7 TRADE RECEIVABLES (cont'd)

As at 31 December 2014, included in the Group's trade receivables balance are debtors with a carrying amount of US$50,104,000 (2013 : US$3,896,000) which are past due from credit period granted at the end of the reporting period. Allowance for doubtful debts of US$1,653,000 are recognised against trade receivables that are under dispute with customers. The impairment charge is determined based on estimated irrecoverable amounts from the services rendered, determined by reference to past default experience.

The remaining amounts of US$50,768,000 (2013 : US$1,766,000) are not past due and not impaired and management considers receivables to be of good credit quality and therefore, can be recoverable.

The carrying value of the balance due from subsidiaries as of the end of reporting period to the Company is not past due or impaired.

8 OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Associate (Note 15)	**1,008**	–	**–**	–
Subsidiaries (Note 13)	**–**	–	**291,413**	12,234
Joint venture (Note 14)	**–**	1,090	**–**	1,000
Related parties (Note 5)	**12,505**	2,596	**7**	108
Outside parties	**3,613**	224	**76**	–
Prepayments	**19,918**	534	**28**	26
Deposits	**18,934**	891	**25**	–
Total	**55,978**	5,335	**291,549**	13,368

Amounts due from associate, subsidiaries, joint venture and related parties are unsecured, interest-free and repayable on demand. There has not been a significant change in credit quality and therefore, management is of the view that the amounts can be recoverable.

Included in other receivables-outside parties balance are debtors with a carrying amount of US$795,000 (2013 : US$Nil) which are past due for more than 1 month at the end of the reporting period. The remaining balance of US$2,818,000 (2013 : US$224,000) is not past due.

The credit period on these receivables is 30 days (2013 : 30 days) and management regularly reviews its other receivables-outside parties for impairment, considering the creditworthiness and past collection history of each debtor.

No allowance for impairment of other receivables-outside parties was made in the current and prior years as management is of the view that these receivables are recoverable.

9 INVENTORIES

	Group	
	2014	2013
	US$'000	US$'000
Consumables and spares	**1,009**	–

The cost of inventory recognised as an expense and included in "cost of sales" amount to US$598,000 (2013 : US$Nil).

10 CONSTRUCTION WORK-IN-PROGRESS

	Group	
	2014	2013
	US$'000	US$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	**10,321**	–
Less: progress payments received and receivables to date	**(8,542)**	–
Net amount due from contract customers at end of the year	**1,779**	–

11 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Available-for-sale investments, at cost				
Unquoted equity shares (a)	**86**	86	**86**	86
Quoted equity shares	**13**	–	**–**	–
Total	**99**	86	**86**	86
Less : Presented as current asset	**(99)**	(86)	**(86)**	(86)
Presented as non-current asset	**–**	–	**–**	–
Available-for-sale investments, at fair value (Level 3)				
Unquoted preference shares, presented as non-current asset (b)	**99,700**	104,900	**–**	–
Total	**99,700**	104,900	**–**	–

11 AVAILABLE-FOR-SALE INVESTMENTS (cont'd)

(a) Unquoted equity shares

The unquoted equity shares are stated at cost as it is not practicable to determine with sufficient reliability the fair value of the unquoted investments as there are no quoted market prices for the investments nor are there other methods to reasonably estimate the fair values.

(b) Unquoted preference shares

In 2011, the Group acquired the assets and liabilities from an unrelated party, CSOTL Offshore Limited ("CSOTL"). In the transaction, the vessel owned by CSOTL was transferred to an unrelated party, Resolute Offshore Pte Ltd ("ROPL"), in exchange for US$155,000,000 of convertible bonds to be held by the Group. ROPL was subsequently disposed by its original shareholders to one of the Company's major shareholders, Swiber Holdings Limited. Pursuant to the change in shareholders, the convertible bonds were converted to cumulative preference shares issued by ROPL amounting to US$155,000,000.

During the year, ROPL redeemed a total of US$5,200,000 (2013 : US$10,750,000) of cumulative preference shares from the Group by cash, resulting in a net balance of US$99,700,000 (2013 : US$104,900,000) as at the end of the reporting period.

The unquoted preference shares have been accounted for as an unquoted equity instrument in accordance with FRS 39 *Financial Instruments : Recognition and Measurement*. The terms and conditions of the unquoted cumulative preference shares are set out below:

(i) Non-convertible;

(ii) Non-voting;

(iii) Dividend rate of 5.2% per annum payable semi-annually at the discretion of issuer. No dividend will be paid on the ordinary shares if payment is not made on the preference share dividends; and

(iv) Right to redeem the preference shares lies with the issuer. Redemption amount comprises of unpaid principal.

11 AVAILABLE-FOR-SALE INVESTMENTS (cont'd)

(b) Unquoted preference shares (cont'd)

The fair value of the unquoted preference shares has been determined using the adjusted net asset method. This involves deriving the fair value of the preference shares by reference to the fair value of its issuer's assets and liabilities. The following table gives information about significant unobservable input used for the years ended 31 December 2014 and 31 December 2013:

Significant unobservable input	**Relationship of unobservable input to fair value**
Fair value of vessel held by the issuer. The fair value of the vessel is determined by reference to transacted prices for similar vessels, adjusted for comparability. The adjustments take into account management's experience and knowledge of the market for such vessels. As the adjustments constitute significant unobservable input, accordingly the entire measurement of the vessel is categorised as an unobservable Level 3 input.	The lower the fair value of the vessel, the lower the fair value of the unquoted preference shares.

Reconciliation of fair value measurement of the unquoted preference shares:

	Group	
	2014	2013
	US$'000	US$'000
Opening balance	**104,900**	115,650
Redemptions during the year	**(5,200)**	(10,750)
Closing balance	**99,700**	104,900

As the preference shares can be redeemed by the issuer based on the unpaid principal, the fair value of the unquoted preference shares is capped at the unpaid principal as at the end of the reporting period.

There were no fair value gains or losses recognised in other comprehensive income, impairment losses recognised in profit or loss, sales, purchases, or transfers out of Level 3 for the financial years ended 31 December 2014 and 31 December 2013.

12 PROPERTY, PLANT AND EQUIPMENT

	Computers	Office furniture and equipment	Renovation	Motor vehicles
	US$'000	US$'000	US$'000	US$'000
Group				
Cost:				
At 1 January 2013	15	8	82	–
Additions	64	5	83	128
Disposals	(5)	–	(82)	–
At 31 December 2013	74	13	83	128
Additions	304	728	48	141
Arising from acquisition of subsidiaries (Note 36)	119	1,372	94	346
Disposals	(20)	(101)	–	(87)
Transfers	–	–	–	–
Exchange differences	(3)	(1)	–	(5)
At 31 December 2014	474	2,011	225	523
Accumulated depreciation:				
At 1 January 2013	13	7	20	–
Depreciation for the year	14	1	13	13
Disposals	(4)	–	(26)	–
At 31 December 2013	23	8	7	13
Depreciation for the year	58	149	43	99
Disposals	(12)	(107)	–	(37)
At 31 December 2014	69	50	50	75
Carrying amount:				
At 31 December 2013	51	5	76	115
At 31 December 2014	**405**	**1,961**	**175**	**448**

Certain of the Group's property, plant and equipment with a total carrying amount of US$505,992,000 (2013 : US$24,451,000) were mortgaged to financial institutions for facilities granted. The carrying amount of the Group's property, plant and equipment includes an amount of US$5,366,000 (2013 : US$115,000) secured in respect of an asset held under finance lease (Note 21). The leasehold building is located in Batam, Indonesia.

	Vessels	Dry-docking	Plant and machineries	Leasehold building	Construction – in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	28,576	–	–	–	–	28,681
	–	493	–	–	–	773
	–	–	–	–	–	(87)
	28,576	493	–	–	–	29,367
	302,831	2,664	–	175	(1,647)	305,244
	226,382	2,153	18,116	15,203	85,259	349,044
	–	–	(15)	–	–	(223)
	47,128	–	–	–	(47,128)	–
	(68)	(74)	(39)	(202)	(46)	(438)
	604,849	5,236	18,062	15,176	36,438	682,994
	2,646	–	–	–	–	2,686
	1,479	25	–	–	–	1,545
	–	–	–	–	–	(30)
	4,125	25	–	–	–	4,201
	15,393	518	1,199	147	–	17,606
	–	–	(15)	–	–	(171)
	19,518	543	1,184	147	–	21,636
	24,451	468	–	–	–	25,166
	585,331	**4,693**	**16,878**	**15,029**	**36,438**	**661,358**

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Computers	Office furniture and equipment	Motor vehicle	Renovation	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Company					
Cost:					
At 1 January 2013	11	8	–	82	101
Additions	5	5	128	83	221
Disposals	–	–	–	(82)	(82)
At 31 December 2013	16	13	128	83	240
Additions	5	1	–	47	53
Disposals	–	(7)	–	–	(7)
At 31 December 2014	21	7	128	130	286
Accumulated depreciation:					
At 1 January 2013	9	7	–	20	36
Depreciation for the financial year	5	1	13	13	32
Disposals	–	–	–	(26)	(26)
At 31 December 2013	14	8	13	7	42
Depreciation for the financial year	3	3	18	39	63
Disposals	–	(7)	–	–	(7)
At 31 December 2014	17	4	31	46	98
Carrying amount:					
At 31 December 2013	2	5	115	76	198
At 31 December 2014	**4**	**3**	**97**	**84**	**188**

13 SUBSIDIARIES

	Company	
	2014	2013
	US$'000	US$'000
Unquoted equity shares, at cost	**32,008**	20,718
Unquoted preference shares	**–**	4,080
	32,008	24,798

13 SUBSIDIARIES (cont'd)

The unquoted non-cumulative preference shares issued by one of its subsidiaries have been accounted for as investment in subsidiary. The terms and conditions of the unquoted non-cumulative preference shares are set out below:

(i) Non-convertible;
(ii) Non-voting;
(iii) Dividend rate of 15% per annum at the discretion of the issuer; and
(iv) Right to redeem the preference shares lies with the issuer.

In 2014, these preference shares were fully redeemed for a consideration of US$4,080,000.

Details of the key subsidiaries are as follows:

Name of subsidiary	**Country of incorporation and operation**	**Proportion of ownership interest and voting power held**		**Principal activity**
		2014	2013	
		%	%	
Vallianz Samson Pte Ltd (1)	Singapore	**100**	100	Vessel ownership and chartering
Vallianz Marine Pte Ltd (1)	Singapore	**100**	51	Vessel ownership and chartering
Vallianz Offshore Marine Pte Ltd (1)	Singapore	**100**	100	Vessel management and chartering
Resolute Pte Ltd (1)	Singapore	**51**	51	Investment holding
Vallianz Corporate Services Pte Ltd (1)	Singapore	**100**	100	Provision of corporate services
Vallianz Shipbuilding & Engineering Pte Ltd (1)	Singapore	**100**	100	Provision of shipyard and engineering services
Vallianz International Pte Ltd (1) (8)	Singapore	**100**	–	Investment holding
Newcruz Shipbuilding & Engineering Pte Ltd (2) (9)	Singapore	**100**	–	Provision of shipyard and engineering services

13 SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activity
		2014	2013	
		%	%	
Newcruz International Pte Ltd [2] [9]	Singapore	**100**	–	Investment holding
Jetlee Shipbuilding & Engineering Pte Ltd [3] [9]	Singapore	**100**	–	Provision of shipyard and engineering services
PT United Sindo Perkasa [4] [9]	Indonesia	**99**	–	Provision of shipyard and engineering services
Rawabi Swiber Offshore Services Company Limited [5] [10]	Kingdom of Saudi Arabia	**50**	–	Provision of offshore marine support services
Offshore Engineering Resources Pte Ltd [6] [9]	Singapore	**100**	–	Crewing management
Vallianz Capital Ltd [7]	Labuan, Malaysia	**100**	100	Investment holding
Vallianz Engineering Limited [7]	Labuan, Malaysia	**100**	100	Provision of shipbuilding and engineering services

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by PricewaterhouseCoopers LLP, Singapore.

(3) Audited by RSM Chio Lim, Singapore.

(4) Reviewed by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purpose. Audited by Drs. Sayuti Gazali, Indonesia for statutory purpose.

(5) Audited by KPMG, Kingdom of Saudi Arabia.

(6) Audited by RT LLP, Singapore.

(7) Not required to be audited by law in the country of incorporation and not material to the Group's results and financial position.

(8) Incorporated during the year.

(9) During the year, the entities were acquired by the Group (Note 36).

(10) The Group has acquired all of the economic benefits of Rawabi Swiber Offshore Services Company Limited ("RSOS") with effect from 1 January 2014. Accordingly, the Group has consolidated the results of RSOS and there is no profit or loss allocated to non-controlling shareholders. The non-controlling interest remains at the same amount as at the date of acquistion (Note 36).

13 SUBSIDIARIES (cont'd)

The following schedule shows the effect of changes in the Group's ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owners of the parent:

	Group	
	2014	2013
	US$'000	US$'000
Amounts paid on changes in ownership interest in subsidiary	**2,275**	–
Non-controlling interests acquired	**(2,970)**	–
Difference recognised in equity	**(695)**	–

Information about the material subsidiaries of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned material subsidiaries	
		2014	2013
Vessel ownership and chartering	Singapore	**2**	1
Vessel management and chartering	Singapore	**1**	1
Investment holding	Singapore	**2**	–
Provision of corporate services	Singapore	**1**	1
Provision of shipbuilding/shipyard and engineering services	Singapore	**3**	1
Crewing management	Singapore	**1**	–
		10	4

13 SUBSIDIARIES (cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group are as disclosed below.

Name of subsidiary	Place of incorporate and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				US$'000	US$'000	US$'000	US$'000
Resolute Pte Ltd	Singapore	**49%**	49%	**1,501**	1,686	**24,363**	22,861
Vallianz Marine Pte Ltd	Singapore	(1)	49%	**383**	1,134	(1)	6,507
Rawabi Swiber Offshore Services Company Limited (Note 36)	Kingdom of Saudi Arabia	(2)	–	**–**	–	**3,718**	–

(1) The Group acquired the remaining 49% non-controlling interest in 2014.

(2) The Group has acquired all of the economic benefits of Rawabi Swiber Offshore Services Company Limited ("RSOS") with effect from 1 January 2014. Accordingly, the Group has consolidated the results of RSOS and there is no profit or loss allocated to non-controlling shareholders. The non-controlling interest remains at the same amount as at the date of acquistion (Note 36).

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Resolute Pte Ltd		Vallianz Marine Pte Ltd	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Current assets	**1,386**	2,709	**–**	1,055
Non-current assets	**99,700**	104,900	**–**	18,370
Current liabilities	**(22,453)**	(12,040)	**–**	(4,101)
Non-current liabilities	**(38,229)**	(50,229)	**–**	(3,268)
Equity attributable to owners of the Company	**16,041**	22,479	**–**	5,549
Non-controlling interests	**24,363**	22,861	**–**	6,507
Revenue	**5,286**	5,698	**3,796**	3,796
Expenses	**(2,222)**	(1,492)	**(1,392)**	(1,482)
Profit for the year	**3,064**	4,206	**2,404**	2,314
Profit attributable to owners of the Company	**1,563**	2,520	**2,021**	1,180
Profit attributable to the non-controlling interests	**1,501**	1,686	**383**	1,134
Profit for the year	**3,064**	4,206	**2,404**	2,314

13 SUBSIDIARIES (cont'd)

	Resolute Pte Ltd		Vallianz Marine Pte Ltd	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Net cash inflow (outflow) from operating activities	**3,134**	(2)	**–**	3,456
Net cash inflow from investing activities	**5,360**	5,858	**–**	–
Net cash outflow from financing activities	**(9,007)**	(5,392)	**–**	(3,714)
Net cash (outflow) inflow	**(513)**	464	**–**	(258)

14 JOINT VENTURE

	Group	
	2014	2013
	US$'000	US$'000
Beginning of the year	**3,071**	–
Addition	**–**	1,450
Disposal	**(3,071)**	–
Share of post-acquisition profits, net of dividends received	**–**	1,621
End of the year	**–**	3,071

The Group's joint venture was acquired on 1 October 2013 from a related company of its major shareholder for cash consideration of US$1,450,000. In 2014, the Group has practical ability to direct the relevant activities of the joint venture and began accounting for it as a subsidiary (Notes 13 and 36).

14 JOINT VENTURE (cont'd)

Details of the joint venture are follows:

Name of joint venture	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activity
		2014	2013	
		%	%	
Rawabi Swiber Offshore Services Company Limited [1]	Kingdom of Saudi Arabia	-	50	Provision of offshore marine support services

[1] Audited by Talal Abu-Ghazaleh & Co, Kingdom of Saudi Arabia in 2013.

Summarised financial information in respect of the joint venture is set out below:

	Group	
	2014	2013
	US$'000	US$'000
Total assets	–	335,946
Total liabilities	–	(329,804)
Net assets	–	6,142
Group's share of net assets	–	3,071
Revenue [1]	–	20,162
Profit for the period [1]	–	3,242
Group's share of profit for the period [1]	–	1,621

[1] The financial information was in respect of the period from 1 October 2013 (date of acquisition) till 31 December 2013.

15 ASSOCIATE

	Group 2014 US$'000	Group 2013 US$'000
Cost of investment in associate	**15,539**	–
Share of post-acquisition profits [1]	**–**	–
	15,539	–

[1] The Group acquired the associate on 31 December 2014 and accordingly, there is no share of post-acquisition profits for the year.

Name of associate	Country of incorporation and operation	Proportion of ownership interest and voting power held 2014 %	Proportion of ownership interest and voting power held 2013 %	Principal activity
PT Vallianz Offshore Maritim (formerly known as PT Swiber Berjaya) [1]	Indonesia	**49**	–	Provision of offshore marine support services

[1] Acquired in 2014 and audited by Ernst & Young, Indonesia.

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRS (adjusted by the Group for equity accounting purposes).

	2014 US$'000
Current assets	**50,549**
Non-current assets	**161,125**
Current liabilities	**48,954**
Non-current liabilities	**147,192**
Revenue	**157,545**
Profit for the period	**10,532**

15 ASSOCIATE (cont'd)

Reconciliation of the above summarised financial information to the carrying amount in the interest in PT Vallianz Offshore Maritim recognised in the consolidated financial statements:

	2014
	US$'000
Net assets of the associate	**15,528**
Proportion of the Group's ownership interest in PT Vallianz Offshore Maritim	**49%**
Goodwill (provisional) [1]	**7,930**
Carrying amount of the Group's interest	**15,539**

[1] The initial accounting for the acquisitions has only been provisionally determined as the acquisition occurred close to the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculations for the items listed above had not been finalised and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

16 GOODWILL

	Group	
	2014	2013
	US$'000	US$'000
Balance at beginning of the year	**–**	–
Arising on acquisition of a subsidiary	**11,854**	–
Balance at end of the year	**11,854**	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGU") that are expected to benefit from that business combination.

The carrying amount of goodwill arose solely from the acquisition of Offshore Engineering Resources Group, a single CGU in the vessel management segment.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined based on value in use. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

16 GOODWILL (cont'd)

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period were extrapolated using an estimated growth rate of 5% per annum. The growth rate did not exceed the long-term average growth rate in which the CGU operates. The rate used to discount the forecast cash flows is 10% per annum.

As at 31 December 2014, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU. There is no impairment charge recognised for the financial year ended 31 December 2014.

17 DEFERRED TAX

	Group	
	2014	2013
	US$'000	US$'000
Deferred tax assets	**262**	–
Deferred tax liabilities	**(4,977)**	–
	(4,715)	–

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US$7,375,000 (2013 : US$8,034,000) at the end of the reporting period which can be carried forward and used to offset against future taxable income subject to meet certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

The movement in deferred tax assets and liabilities for the year ended 31 December 2014 is as follows:

Deferred tax (assets) liabilities

	Group			
	Others	**Accelerated tax depreciation**	**Fair value adjustment**	**Total**
	US$'000	US$'000	US$'000	US$'000
Beginning of the year	–	–	–	–
Acquisition of subsidiaries and associate (Note 36)	(234)	943	3,465	4,174
(Credited) Charged to profit or loss	(38)	764	(195)	531
Currency translation difference	10	–	–	10
End of the year	(262)	1,707	3,270	4,715

Temporary differences arising in connection with interests in associate are insignificant.

18 TERM LOANS

	Group	
	2014	2013
	US$'000	US$'000
Loans	**409,118**	69,055
Less: Amount due for settlement within 12 months		
(shown under current liabilities)	**(102,421)**	(15,258)
Amount due for settlement after 12 months	**306,697**	53,797
Amount due for settlement after 12 months are as follows:		
– within 2 to 5 years	**298,126**	53,797
– after 5 years	**8,571**	–
	306,697	53,797

The Group has 38 (2013 : 6) bank loans with repayment terms commencing from August 2010 to September 2021.

The carrying amount of floating rate loans amounting to US$404,401,000 (2013 : US$65,237,000) approximates the fair value as the interest rates approximate the prevailing market rates. Management estimates the fair value of the Company's fixed rate borrowings with carrying amount of US$4,717,000 (2013 : US$3,818,000), by discounting their future cash flows at the market rate, to be US$4,556,000 (2013 : US$3,578,000). This fair value measurement is categorised as Level 2 within the fair value hierarchy.

The bank loans are secured by:

(i) first legal mortgage over the property, vessels and equipment of the Group (Note 12) and a vessel held by a related company of its major shareholder;

(ii) assignment of marine insurances in respect of some of the vessels mentioned above;

(iii) deposits pledged (Note 6);

(iv) assignment of earnings/charter proceeds in respect of some of the vessels mentioned above; and/or

(v) the unquoted cumulative preference shares held by the Group (Note 11).

19 TRADE PAYABLES

	Group	
	2014	2013
	US$'000	US$'000
Associate (Note 15)	**2,986**	–
Related parties (Note 5)	**6,772**	517
Outside parties	**39,184**	2,042
	48,942	2,559

The average credit period on trade payables was 30 days in 2014 (2013 : 30 days).

20 OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Subsidiaries (Note 13)	**–**	–	**975**	2,002
Related parties (Note 5)	**95,086**	429	**609**	395
Contingent consideration (Note a)	**8,700**	–	**8,700**	–
Accruals	**12,545**	574	**1,876**	58
Outside parties	**6,504**	546	**204**	259
	122,835	1,549	**12,364**	2,714
Less: Related parties shown under non-current portion	**(85,001)**	–	**–**	–
Current portion	**37,834**	1,549	**12,364**	2,714

Amounts due to subsidiaries and related parties-current are unsecured, interest-free and repayable on demand. The average credit period on other payables to outside parties was 30 days in 2014 (2013 : 30 days).

The non-current portion of other payables comprise amount due to a non-controlling shareholder of a subsidiary and amount due to related companies of major shareholder. The amount is unsecured, interest-free and repayable in 2016. Management expects the carrying value to approximate fair value at the end of the reporting period.

Note a: On the acquisition of Offshore Engineering Resources Pte Ltd and its subsidiaries ("OER Group") (Note 36), the Group recognised a contingent consideration payable with acquisition fair values of US$9,010,000. At the end of the reporting period, there have been no changes to the amounts recognised arising from change in range of outcomes on valuation techniques applied. As at 31 December 2014, the fair value of the contingent consideration was estimated to have changed by US$310,000 due to exchange differences.

21 FINANCE LEASE PAYABLES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Amounts payable under finance leases:				
Within one year	**16,361**	27	**16,305**	23
In the second to fifth years inclusive	**158**	22	**153**	19
	16,519	49	**16,458**	42
Less: future finance charges	**(61)**	(7)	**N/A**	N/A
Present value of lease obligations	**16,458**	42	**16,458**	42
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(16,305)**	(23)
Amount due for settlement after 12 months			**153**	19

	Company			
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000
Amounts payable under finance leases:				
Within one year	**22**	27	**18**	23
In the second to fifth years inclusive	**–**	22	**–**	19
	22	49	**18**	42
Less: future finance charges	**(4)**	(7)	**N/A**	N/A
Present value of lease obligations	**18**	42	**18**	42
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(18)**	(23)
Amount due for settlement after 12 months			**–**	19

It is the Group's policy to lease certain of its plant and equipment and motor vehicles under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of lease terms. During the year, terms within one of the leases were amended such that the Group has the right to exercise the option within the next 12 months at an agreed upon consideration. Accordingly, the lease has been classified as finance lease.

The lease term ranges from 1 to 4 years. The average effective borrowing rate was 3.16% as at 31 December 2014 (2013 : 4.41%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2014

22 NOTES PAYABLE

On 20 March 2014, the Group established a Multicurrency Debt Issuance Programme to issue up to S$500,000,000 fixed or floating rate notes. As at the end of the reporting period, the Company has two series of notes with principal of S$100 million at 7.20% per annum, payable semi-annually in arrears maturing in April 2016 and principal of S$60 million 7.25% per annum, payable semi-annually in arrears maturing in November 2016.

The fair value of non-current notes payable as at 31 December 2014 is amounting to US$109,393,000 (2013 : US$Nil). The notes are denominated in Singapore Dollar.

23 DERIVATIVE FINANCIAL INSTRUMENTS

Cross currency swap

In 2014, the Company entered into two cross currency swap, for the purpose of hedging the foreign currency risk on the Notes Payable (Note 22) which are denominated in Singapore Dollar as the Group's cash flows are mainly denominated in United States Dollar.

The cross currency swap is being used to hedge the foreign currency risk of the firm commitment. Cross currency swap is a contractual agreement to exchange the currencies of two different countries at a specified rate of exchange in the future.

The Group documented all relationships between the hedging instruments and the hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions. The Group linked all hedges that were designated as cash flow hedges to forecasted transactions. The Group also assessed, both at the inception of the hedge and on an ongoing basis, whether the derivatives that were used in hedging transactions were highly effective in offsetting changes in cash flows of hedged items. When it was determined that a derivative was not highly effective as a hedge, the Group discontinued hedge accounting on a prospective basis.

At 31 December 2014, the total notional amount of outstanding cross currency swap to which the Group is committed to sell is US$127,714,000 for S$160,000,000 at a future date.

In 2014, the fair value loss of the cross currency swap that are designated and effective as cash flow hedges amounting to US$8,195,000 was deferred in hedging reserve. The amount reclassified to profit or loss from hedging reserves is US$6,054,000.

24 SHARE CAPITAL

	Group and Company			
	2014	2013	**2014**	2013
	'000	'000	US$'000	US$'000
	Number of ordinary shares			
Issued and paid up:				
At the beginning of the year	**1,189,412**	1,189,412	**54,647**	54,647
Conversion of redeemable convertible capital securities (Note 25)	**816,600**	–	**35,200**	–
Issued for cash	**900,000**	–	**63,608**	–
Acquisition of subsidiaries and associate (Note 36)	**268,333**	–	**30,892**	–
Performance shares awarded (Note 28)	**9,167**	–	**929**	–
At the end of year	**3,183,512**	1,189,412	**185,276**	54,647

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

25 PERPETUAL CAPITAL SECURITIES

In 2014, the Company issued perpetual capital securities of an aggregate amount of US$57,700,000 (2013 : US$Nil). Within the year, US$35,200,000 redeemable convertible capital securities were converted to ordinary shares by a holder of the securities (Note 24). The remaining perpetual capital securities are non-convertible to ordinary shares of the Company.

Holders of the US$22,500,000 of perpetual capital securities are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.0% per annum, subject to a step-up rate of 7% from 30 December 2017. The Company has a right to defer this distribution under certain conditions.

The perpetual capital securities have no fixed maturity and are redeemable in whole, or in part, at the Company's option on or after 30 December 2017 at their principal amount together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company, will not declare, pay dividends or make similar periodic payments in respects of, or repurchase, redeem or otherwise acquire any securities of lower rank.

26 FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into United States Dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them is a separate component of equity under the header of foreign currency translation reserve.

Movement in translation reserve is as follows:

	Group	
	2014	2013
	US$'000	US$'000
Beginning of the year	**–**	–
Net currency translation differences of financial statements of foreign subsidiaries	**268**	–
At end of the year	**268**	–

27 HEDGING RESERVE

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated in hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss.

Movement in hedging reserve is as follows:

	Group	
	2014	2013
	US$'000	US$'000
Beginning of the year	**–**	–
Changes during the year in other comprehensive income	**8,195**	–
Reclassification to profit or loss on cash flow hedge	**(6,054)**	–
At end of the year	**2,141**	–

28 SHARE OPTIONS RESERVE

The share options reserve arises on the grant of share options and share awards to directors and employees under the following share-based payment arrangements:

28 SHARE OPTIONS RESERVE (cont'd)

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Company. The scheme is administered by the Remuneration Committee.

Options are exercisable at a price based on the average of the last dealt prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the three consecutive trading days preceding the date of grant. A one year vesting period is required commencing from the first date of grant if offer price is not at a discount; a two years vesting period is required if the offer price is at a discount. The options shall be exercised before the tenth anniversary of the date of grant, or such earlier date as may be determined by the Committee. The options, to the extent unexercised, shall lapse upon the employee ceasing to be employed by the Company or its subsidiaries.

Details of the share options outstanding during the year are as follows:

	Group and Company			
	Number of share options		Weighted average exercise price	
	2014	2013	**2014**	2013
			S$	S$
Outstanding at the beginning of the year	**9,000,000**	–	**0.053**	–
Granted during the year	**20,000,000**	9,000,000	**0.145**	0.053
Outstanding at the end of the year	**29,000,000**	9,000,000		

On 14 May 2013, options to subscribe for 9,000,000 ordinary shares of the Company at an exercise price of S$0.053 per ordinary share were granted pursuant to the scheme. The options have a one year vesting period and are exercisable from 14 May 2014 and expire on 13 May 2018.

The estimated fair value of the options granted on 14 May 2013, determined using the Black-Scholes pricing model, was US$0.015 per option. The significant inputs into the model were as follows:

	2013
Weighted average share price	S$0.052
Weighted average exercise price	S$0.053
Expected volatility	69.67%
Expected life	2 years
Risk-free rate	0.25%

28 SHARE OPTIONS RESERVE (cont'd)

On 7 May 2014, options to subscribe for 20,000,000 ordinary shares of the Company at an exercise price of S$0.145 per ordinary share were granted pursuant to the ESOS. The options have a one year vesting period and are exercisable from 7 May 2015 and expire on 6 May 2024. As at 31 December 2014, the options remained non-exercisable.

The estimated fair value of the options granted on 7 May 2014, determined using the Black-Scholes pricing model, was US$0.089 per option. The significant inputs into the model were as follows:

	2014
Weighted average share price	**S$0.144**
Weighted average exercise price	**S$0.145**
Expected volatility	**59.56%**
Expected life	**9 years**
Risk-free rate	**0.25%**

Expected volatility for both financial years was determined by reference to the historical volatility of the Company's share price over the past two years.

The Group and Company recognised total expenses of US$977,000 (2013 : US$86,000) related to the equity-settled share option scheme during the year.

Share awards

Share awards may be granted to directors and employees of the Group under the Vallianz Performance Share Plan.

The movement of the share awards is as follows:

Date of grant	**Balance at 1 January 2014**	**Granted**	**Vested**	**Cancelled**	**Balance at 31 December 2014**
14 May 2013	6,000,000	–	1,666,667	1,000,000	3,333,333
7 May 2014	–	7,500,000	7,500,000	–	–
	6,000,000	7,500,000	9,166,667	1,000,000	3,333,333

On 7 May 2014, 7,500,000 ordinary shares of the Company were granted pursuant to the plan. These share awards were vested on 14 May 2014.

The fair value of these share awards was determined based on the share price of S$0.144 (2013 : S$0.052) at the grant date.

The Group and Company recognised total expenses of US$951,000 (2013 : US$95,000) related to the equity-settled share plan during the year.

29 REVENUE

	Group 2014 US$'000	Group 2013 US$'000
Charter hire and brokerage income	**119,168**	8,668
Dividend income	**5,286**	5,698
Vessel management income	**29,226**	5,619
	153,680	19,985

30 OTHER INCOME

	Group 2014 US$'000	Group 2013 US$'000
Bargain purchase (Note 36)	**5,862**	–
Gain on liquidation of subsidiary	**–**	1,203
Dividend income	**–**	9
Net foreign exchange gain	**1,004**	–
Others	**251**	7
	7,117	1,219

31 FINANCE COSTS

These comprise interest on loans and interest on obligations under finance leases paid to outside parties.

32 INCOME TAX EXPENSE

	Group 2014 US$'000	Group 2013 US$'000
Current income tax	**575**	728
Deferred income tax:		
– charged to profit or loss	**(211)**	–
– underprovision in prior years	**809**	400
Total	**1,173**	728

Domestic income tax is calculated at 17% (2013 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Three of its subsidiaries earned shipping income from the charter of ships and are exempted from tax under Section 13A of the Singapore Income Tax Act.

32 INCOME TAX EXPENSE (cont'd)

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2014	2013
	US$'000	US$'000
Profit before tax	**21,603**	11,041
Income tax expense calculated at 17% (2013 : 17%)	**3,672**	1,877
Effect of expenses that are not deductible	**2,249**	2
Effect of income that are not subject to tax	**(6,826)**	(1,805)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**428**	–
Tax losses not carried forward	**380**	254
Effect of revaluation of assets	**(195)**	–
Effect of unused tax losses not recognised as deferred tax assets	**703**	400
Underprovision of deferred tax in prior year	**809**	–
Others	**(47)**	–
Total	**1,173**	728

Subject to agreement with the relevant tax authorities, the Group has estimated tax loss carry forwards which are available for offsetting against future taxable income as follows:

	Group	
	2014	2013
	US$'000	US$'000
Amount at beginning of year	**8,034**	7,218
Adjustment during the year	**(4,262)**	(668)
Liquidation of subsidiary	**–**	(867)
Arising during current year	**3,603**	2,351
	7,375	8,034
Deferred tax benefit on above not recorded	**1,345**	1,366

No deferred tax asset has been recognised due to the unpredictability of future profit streams. At the end of the reporting period, the aggregate amount of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$20,500,000 (2013 : US$Nil). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

33 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2014	2013
	US$'000	US$'000
Audit fees to auditors of the Company	**114**	110
Non-audit fees to auditors of the Company	**15**	–
Allowance for impairment of receivables	**1,653**	–
Depreciation of property, plant and equipment	**17,606**	1,545
Directors' remuneration (including directors' fees)	**227**	575
Employee benefits expense (including directors' remuneration)	**15,443**	2,630
Defined contribution benefits included in employee benefits expense	**780**	209
Share-based payment expense included in employee benefits expense	**1,928**	181
Foreign exchange (gain) loss, net	**(1,004)**	5
(Gain) Loss on disposal of plant and equipment	**(7)**	1
Bargain purchase	**(5,862)**	–
Gain on liquidation of subsidiary	**–**	(1,203)

34 EARNINGS PER SHARE

	Group	
	2014	2013
	US$'000	US$'000
Earnings		
Profit for the year attributable to owners of the Company	**18,511**	7,493

	Group	
	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,339,522**	1,189,412
Effect of dilutive potential ordinary shares:		
Share options and awards	**9,734**	2,825
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,349,256**	1,192,237

34 EARNINGS PER SHARE (cont'd)

	Group	
	2014	2013
	US cents	US cents
Basic earnings per share	**0.79**	0.63
Diluted earnings per share	**0.79**	0.63

35 DIVIDENDS

In 2014, the Company paid one-tier, tax exempt interim dividends of 0.04 US cents per share totalling US$846,000 in respect of the financial year ended 31 December 2013.

In respect of the financial year ended 31 December 2014, the directors propose final dividends of 0.05 US cents per share be paid to shareholders. The total estimated dividend to be paid is US$1,672,000.

36 ACQUISITION OF SUBSIDIARIES AND ASSOCIATE

During the financial year, the acquisitions made by the Group are as follows:

a) Rawabi Swiber Offshore Services Company Limited ("RSOS")

On 1 October 2013, the Group acquired 50% of the issued share capital of RSOS, an entity incorporated in the Kingdom of Saudi Arabia. Management had assessed that the Group exercised joint control over RSOS as the strategic financial and operating policy decisions relating to RSOS's activities required the unanimous consent of both of RSOS' shareholders. Accordingly, for the year ended 31 December 2013, RSOS has been accounted for as a joint venture as disclosed in Note 14.

In 2014, the directors of the Company assessed that it has practical ability to direct the relevant activities of RSOS unilaterally and Note 13 describes that RSOS is a subsidiary of the Group even though the Group has 50% ownership interest and voting rights. As at 31 December 2014, the purchase price allocation exercise by an external valuer for the acquisition was completed and no material adjustment was made and the fair value deemed purchase consideration materially equated to the additional rights acquired.

b) Jetlee Group

On 30 September 2014, the Group acquired Jetlee Shipbuilding & Engineering Pte. Ltd. and its subsidiary ("Jetlee") to establish its own marine base. The consideration was financed by the issuance of approximately 143.33 million ordinary shares in the capital of the Company at an issue price of S$0.138 each. This transaction has been accounted for by the acquisition method of accounting.

c) OER Group

On 31 October 2014, the Group acquired OER Holdings Pte. Ltd. and its subsidiaries ("OER") to generate higher efficiency through management of crew personnel. In addition, the acquisition also enables the Group to expand its customer base, geographical footprint and enhance its service capabilities to customers. The acquisition consideration was financed by the issuance of 250 million ordinary shares in the capital of the Company at an issue price of S$0.14 each in two tranches. This transaction has been accounted for by the acquisition method of accounting.

36 ACQUISITION OF SUBSIDIARIES AND ASSOCIATE (cont'd)

d) Newcruz Group and PTSB Group

On 31 December 2014, the Group acquired Newcruz International Pte. Ltd. and its subsidiary ("Newcruz"), and PTSB Holdings Pte. Ltd. and its 49% owned associate ("PTSB") to provide additional shipyard facilities and increase geographical diversity of its earnings base. The acquisition consideration was financed by the issuance of 160 million ordinary shares in the capital of the Company at an issue price of S$0.11 each and issuance of US$22,500,000 of perpetual capital securities (Note 25). This transaction has been accounted for by the acquisition method of accounting.

Consideration transferred (at acquisition date fair value):

	<------------ Subsidiaries			------------>	Associate	
	RSOS	**Jetlee**	**OER**	**Newcruz**	**PTSB**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash	–	–	–	–	–	–
Share consideration	–	12,530	9,010	5,027	4,429	30,996
Issuance of perpetual capital securities	–	–	–	11,590	10,910	22,500
Contingent consideration	–	–	9,010	–	–	9,010
Fair value remeasurement	3,071	–	–	–	–	3,071
Consideration transferred	3,071	12,530	18,020	16,617	15,339	65,577

The contingent consideration requires the Group to pay the previous shareholders of OER Group an additional US$9,010,000 if OER Group's profit before interest, tax, depreciation and amortisation ('EBITDA") from 1 November 2014 to 31 December 2015 exceeds US$7,000,000. Based on performance of OER for the two months ended 31 December 2014 and forecasted performance in 2015, the directors are of the view that it is probable that this payment will be required. Accordingly, full provision has been made at the date of acquisition, and based on the directors' assessment at the end of the reporting period, there has not been any changes to their estimates.

Acquisition-related costs amounting to US$510,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within other operating expenses' line item in the statement of profit or loss and other comprehensive income.

Assets acquired and liabilities assumed at the date of acquisition:

	<------------ Subsidiaries			------------>	Associate	
	RSOS	**Jetlee**	**OER**	**Newcruz**	**PTSB**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current assets						
Cash and cash equivalents	833	3,765	516	1,796	–	6,910
Trade and other receivables	26,523	5,125	61,332	34,111	–	127,091
Inventories	638	376	–	128	–	1,142
Construction work-in-progress	–	7,648	–	643	–	8,291
Available held-for-sale investments	–	13	–	–	–	13

36 ACQUISITION OF SUBSIDIARIES AND ASSOCIATE (cont'd)

	Subsidiaries				Associate	
	RSOS	Jetlee	OER	Newcruz	PTSB	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current assets						
Property, plant and equipment	308,985	23,106	1,326	15,627	–	349,044
Investment in associate	–	–	–	–	15,539	15,539
Deferred tax assets	–	233	–	–	–	233
Current liabilities						
Term loans	(42,223)	(3,281)	–	(7,000)	–	(52,504)
Trade and other payables	(127,810)	(13,430)	(57,119)	(23,909)	–	(222,268)
Finance leases	–	(265)	–	(1,987)	–	(2,252)
Income tax liabilities	–	(414)	–	(8)	–	(422)
Non-current liabilities						
Term loans	(159,792)	(2,656)	–	–	–	(162,448)
Finance leases	–	(206)	–	–	–	(206)
Retirement benefit obligations	(236)	(128)	–	–	–	(364)
Deferred tax liabilities	(129)	(2,697)	–	(1,581)	–	(4,407)
Net assets acquired and liabilities assumed	6,789	17,189	6,055	17,820	15,539	63,392

Goodwill/bargain purchase arising on acquisition:

Goodwill /bargain purchase arising on acquisition						
Consideration transferred	3,071	12,530	18,020	16,617	15,539	65,777
Plus: Non-controlling interests	3,718	–	(111)	–	–	3,607
Less: fair value of identifiable net assets acquired	(6,789)	(17,189)	(6,055)	(17,820)	(7,609)	(55,462)
	–	(4,659)	11,854	(1,203)	7,930	13,922
Goodwill (provisional amounts)	–	–	11,854	–	7,930	19,784
Bargain purchase (provisional amounts)	–	(4,659)	–	(1,203)	–	(5,862)

Goodwill or bargain purchase arose from these acquisitions due to the considerations paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

36 ACQUISITION OF SUBSIDIARY (cont'd)

None of the goodwill or arising on these acquisitions is expected to be deductible for tax purposes.

The bargain purchase resulted from a negotiation agreed by two willing parties.

	<———— Subsidiaries			————>	Associate	
	RSOS	**Jetlee**	**OER**	**Newcruz**	**PTSB**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Consideration paid in cash	–	–	–	–	–	–
Less: other directly attributable costs	–	(32)	–	–	–	(32)
Less: cash and cash equivalent balances acquired	833	3,765	516	1,796	–	6,910
Net cash inflow	833	3,733	516	1,796	–	6,878

Except for RSOS, the initial accounting for the acquisitions has only been provisionally determined as the acquisition occurred close to the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculations for the items listed above had not been finalised and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

Impact of acquisition on the results of the Group:

	<———— Subsidiaries			————>	Associate	
	RSOS	**Jetlee**	**OER**	**Newcruz**	**PTSB**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	99,097	4,700	13,629	–	–	117,426
Profit (loss) for the year	16,432	(2,081)	2,750	–	–	17,101

Had the acquisitions during the year been effected at 1 January 2014, the revenue of the Group would have been approximately US$233,969,000, and the profit for the year would have been approximately US$27,932,000.

37 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2014	2013
	US$'000	US$'000
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	**11,840**	867

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2014	2013
	US$'000	US$'000
Within 1 year	**19,648**	522
After 1 year but within 5 years	**2,264**	–
	21,912	522

Operating lease payments represent rentals payable by the Group for vessels. Leases are negotiated for an average term of one year and charter rates are fixed throughout the duration of the lease.

The Group as lessor

The Group hires out its vessels under operating leases. Charter hire income of US$118,280,000 (2013 : US$6,895,000) was earned.

At the end of the reporting period, the Group has contracted with charterers for the following future minimum lease receivable:

	Group	
	2014	2013
	US$'000	US$'000
Future minimum lease receivable:		
Within 1 year	**79,867**	6,534
After 1 year but within 5 years	**33,196**	6,089
	113,063	12,623

Operating lease receivables represent charter hire income receivable by the Group. Leases were negotiated for an average term of one to five years.

38 COMMITMENTS

As at 31 December 2014, the Group had capital commitments amounting to US$324,069,000 (2013 : US$41,500,000) for the acquisition of plant and equipment.

39 SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the executive director of the Group, who reviews the consolidated results prepared in the following reportable segments when making decisions about allocating resources and assessing performance of the Group:

(i) Vessel chartering and brokerage : chartering of owned vessels and brokering of vessels;

(ii) Vessel management and services : provision of crew, consultancy and logistics and marine yard services; and

(iii) Investment holding: holding available-for-sale investments for long-term purposes.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment. All assets and liabilities are allocated to reportable segments, except for income tax payable, deferred tax assets and deferred tax liabilities.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Information regarding the operations of each reportable segment is included below.

	Vessel chartering and brokerage		**Vessel management and services**		**Investment holding**		**Group**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
REVENUE								
External sales	**119,168**	8,668	**29,226**	5,619	**5,286**	5,698	**153,680**	19,985
RESULTS								
Segment results	**32,707**	7,170	**5,911**	3,637	**4,994**	3,326	**43,612**	14,133
Finance costs	**(12,389)**	(423)	**(54)**	–	**(9,815)**	(2,669)	**(22,258)**	(3,092)
Unallocated income							**249**	–
Profit before tax							**21,603**	11,041
Income tax expense							**(1,173)**	(728)
Profit for the year							**20,430**	10,313

39 SEGMENT INFORMATION (cont'd)

	Vessel chartering and brokerage		Vessel management		Investment holding		Group	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment assets and segment liabilities								
Segment assets	**683,516**	31,873	**154,930**	4,285	**133,006**	109,874	**971,452**	146,032
Deferred tax assets							**262**	–
Total assets							**971,714**	146,032
Segment liabilities	**465,736**	8,292	**69,409**	1,367	**189,438**	63,546	**724,583**	73,205
Income tax payable							**1,406**	728
Deferred tax liabilities							**4,977**	–
Total liabilities							**730,966**	73,933
Other information								
Allowance for impairment of receivables	**1,600**	–	**53**	–	**–**	–	**1,653**	–
Depreciation of property, plant and equipment	**15,973**	1,503	**1,567**	8	**66**	34	**17,606**	1,545
Foreign exchange (gain) loss, net	**(39)**	(7)	**(228)**	2	**(737)**	10	**(1,004)**	5
(Gain) Loss on disposal of plant and equipment	**12**	–	**(19)**	–	**–**	1	**(7)**	1
Gain on liquidation of subsidiary	**–**	–	**–**	–	**–**	(1,203)	**–**	(1,203)
Bargain purchase	**–**	–	**(5,862)**	–	**–**	–	**(5,862)**	–
Goodwill	**–**	–	**–**	–	**11,854**	–	**11,854**	–
Associate	**–**	–	**–**	–	**15,539**	–	**15,539**	–
Additions to property, plant and equipment arising from acquisition of subsidiaries	**308,985**	–	**40,059**	–	**–**	–	**349,044**	–
Additions to non-current assets	**286,153**	493	**19,036**	48	**55**	232	**305,244**	773

39 SEGMENT INFORMATION (cont'd)

There is no intersegment elimination as disclosed above as the Group does not transact between the segments.

Geographical information

The Group operates in Singapore and international waters accordingly, no presentation of geographical information has been included in the financial statements.

Major customer information

During the year, the Group derived charter hire and brokerage and vessel management income amounting to approximately of US$99,097,000 (2013 : US$Nil) from a third party and US$24,549,000 (2013 : US$12,034,000) from related parties of its major shareholder respectively.

In addition, revenue from the investment holding segment is derived from a related company of its major shareholder.

40 EVENTS AFTER THE REPORTING PERIOD

Resolute Offshore Pte Ltd redeemed US$4,500,000 of preference shares from the Group, resulting in net balance of US$95,200,000 of unquoted preference shares in Resolute Offshore Pte Ltd.

SHAREHOLDINGS STATISTICS
AS AT 16 MARCH 2015

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.32	242	0.00
100 – 1,000	68	1.97	66,003	0.00
1,001 – 10,000	314	9.10	2,297,200	0.07
10,001 – 1,000,000	2,908	84.24	478,751,474	14.32
1,000,001 AND ABOVE	151	4.37	2,862,397,203	85.61
TOTAL	**3,452**	**100.00**	**3,343,512,122**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	No. OF SHARES HELD	%
1	SWIBER HOLDINGS LIMITED	903,534,986	27.02
2	DBS VICKERS SECURITIES SINGAPORE PTE LTD	715,594,200	21.40
3	DBS NOMINEES PTE LTD	185,200,712	5.54
4	RAFFLES NOMINEES (PTE) LTD	139,193,088	4.16
5	UOB KAY HIAN PTE LTD	79,375,000	2.37
6	NG & SONS INVESTMENT PTE LTD	57,333,622	1.71
7	LARIX INTERNATIONAL LIMITED	47,130,026	1.41
8	TAN DAH CHING (CHEN DAQING)	45,600,000	1.36
9	CHAN KWAN BIAN	43,000,165	1.29
10	TOH BOON KENG	39,191,000	1.17
11	CITIBANK NOMINEES SINGAPORE PTE LTD	32,422,000	0.97
12	OCBC SECURITIES PRIVATE LTD	31,307,198	0.94
13	PHILLIP SECURITIES PTE LTD	30,547,200	0.91
14	ANG PANG CHEE	28,688,000	0.86
15	XU YUAN HOLDINGS PTE LTD	28,666,398	0.86
16	ABN AMRO NOMINEES SINGAPORE PTE LTD	22,300,000	0.67
17	MAYBANK NOMINEES SINGAPORE PTE LTD	21,348,000	0.64
18	MAYBANK KIM ENG SECURITIES PTE LTD	19,180,000	0.57
19	SRI SUHARTI	18,500,000	0.55
20	CIMB SECURITIES (SINGAPORE) PTE LTD	15,442,260	0.46
	TOTAL	**2,503,553,855**	**74.86**

SHAREHOLDINGS STATISTICS
AS AT 16 MARCH 2015

CLASS OF SHARES	NO. OF SHARES	%
ORDINARY	3,343,512,122	100.00
TREASURY	–	–
TOTAL ISSUED SHARES	3,343,512,122	100.00

VOTING RIGHTS	ON SHOW OF HANDS	:	ONE (1) VOTE FOR EACH MEMBER
	ON A POLL	:	ONE (1) VOTE FOR ORDINARY SHARE

SUBSTANTIAL SHAREHOLDER

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
SWIBER HOLDINGS LIMITED	903,534,986	27.02	–	–
RAWABI COMPANY HOLDING LIMITED	672,000,000	20.10	–	–
ABDUL AZIZ ALI ALTURKI	–	–	672,000,000(1)	20.10

(1) By Virtue of Section 4 of the Securities and Futures Act, Cao, 289, Mr. Abdul Aziz Ali Alturki is deemed to be interested in 672,000,000 shares held by Rawabi Company Holding Limited.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Based on information available to the Company as at 16 March 2015, 45.46% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, the Company has compiled with the Rule 723 of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the Company will be held at 12 International Business Park, #03-02 Swiber@IBP, Singapore 609920 on Wednesday, 15th day of April 2015 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final (tax exempt one-tier) dividend of US$0.0005 per share for the financial year ended 31 December 2014. **(Resolution 2)**

3. To re-elect Mr. Yeo Jeu Nam, a director who is retiring pursuant to Article 105 of the Company's Articles of Association.

   Mr. Yeo shall, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee of the Company, and shall be considered independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Listing Manual Section B: Rules of Catalist ("Rules of Catalist").

   [See Explanatory Note (a)] **(Resolution 3)**

4. To re-elect Mr. Wong Leong Jeam, a director who is retiring pursuant to Article 109 of the Company's Articles of Association.

   Mr. Wong shall, upon re-election as Director of the Company, remain as a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Company, and shall be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

   [See Explanatory Note (b)] **(Resolution 4)**

5. To approve Directors' fees of US$325,000 for the financial year ending 31 December 2015. **(Resolution 5)**

6. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company to hold office until the conclusion of the next AGM of the Company, and to authorise the Directors to fix the remuneration of Messrs Deloitte & Touche LLP. **(Resolution 6)**

7. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:-

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to allot and issue shares (the "Share Issue Mandate")**

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Rules of Catalist, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to allot and issue:-

(i) shares in the capital of the Company whether by way of bonus, rights or otherwise; or

(ii) convertible securities; or

(iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or otherwise; or

(iv) shares arising from the conversion of convertible securities in (ii) and (iii) above,

provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed one hundred per cent. (100%) of the total number of issued shares excluding treasury shares or such other limit as may be prescribed by the SGX-ST as at the date of this Resolution, of which the aggregate number of shares and convertible securities in the Company to be issued other than on a *pro-rata* basis to the then existing shareholders of the Company shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares or such other limit as may be prescribed by the SGX-ST as at the date of this Resolution, and unless revoked or varied by the Company in a general meeting, such authority shall continue in full force until the conclusion of the next AGM or such date by which the next AGM is required by law to be held, whichever is earlier. For the purposes of this Resolution and Rule 806(3) of the Rules of Catalist, the percentage of the total number of issued shares and excluding treasury shares at the date of this Resolution after adjusting for:-

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from the exercising share options outstanding or subsisting at the time of passing this Resolution, provided the options were granted in compliance with the Rules of Catalist; and

(c) any subsequent bonus issue, consolidation or subdivision of shares."

[See Explanatory Note (c)] **(Resolution 7)**

9. **Proposed Renewal of the Share Buyback Mandate**

"That:

(1) for the purposes of the Rules of Catalist and the Companies Act, the Directors be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:

(a) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(b) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Rules of Catalist as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(2) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next AGM is held or required by law to be held;

(b) the date on which the purchases or acquisitions of shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked.

(3) in this Resolution:

"**Maximum Limit**" means that number of issued shares representing ten per cent. (10%) of the total number of issued shares as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of shares shall be taken to be the total number of issued shares as altered (excluding any treasury shares that may be held by the Company from time to time). Any shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit;

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchase or acquisition of shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

[See Explanatory Note (d)] **(Resolution 8)**

10. **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with the Swiber Group**

"That:

(1) approval be and is hereby given for the purposes of Chapter 9 of the Rules of Catalist, for the Company, its subsidiaries and associated companies (the "**Group**") or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix A of the Letter to Shareholders dated 31 March 2015 (the "**Letter to Shareholders**") appended to the Annual Report, with Swiber Group who is of the class of Interested Persons described in the Letter to Shareholders, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the review procedures for Interested Person Transactions as set out in the Letter to Shareholders (the **"Swiber IPT Mandate"**);

(2) the Swiber IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company; and

(3) the Directors of the Company and each of them be and are hereby authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the Swiber IPT Mandate and/or this Resolution."

[See Explanatory Note (e)] **(Resolution 9)**

11. **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with the Rawabi Group**

"That:

(1) approval be and is hereby given for the purposes of Chapter 9 of the Rules of Catalist, for the Company, its subsidiaries and associated companies (the "**Group**") or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix A of the Letter to Shareholders dated 31 March 2015 (the "**Letter to Shareholders**") appended to the Annual Report, with the Rawabi Group who is of the class of Interested Persons described in the Letter to Shareholders, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the review procedures for Interested Person Transactions as set out in the Letter to Shareholders (the **"Rawabi IPT Mandate"**);

(2) the Rawabi IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company; and

(3) the Directors of the Company and each of them be and are hereby authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the Rawabi IPT Mandate and/or this Resolution."

[See Explanatory Note (f)] **(Resolution 10)**

12. **Authority to grant options and to issue shares under the Vallianz Employee Share Option Scheme**

"That, pursuant to Section 161 of the Companies Act, Cap.50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Vallianz Employee Share Option Scheme (the "**Scheme**") and to issue such shares as may be required to be issued pursuant to the exercise of the options granted or to be granted under the Scheme provided always that the aggregate number of shares issued and issuable in respect of all options granted or to be granted under the Scheme, all awards granted or to be granted under the Vallianz Performance Share Plan and all shares, options or awards granted or to be granted under any other share option schemes or share plans of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."

[See Explanatory Note (g)] **(Resolution 11)**

13. **Authority to grant awards and to issue shares under the Vallianz Performance Share Plan**

"That, pursuant to Section 161 of the Companies Act, Cap.50, the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Vallianz Performance Share Plan (the "**Plan**") and to allot and issue from time to time such shares as may be required to be issued pursuant to the Plan provided always that the aggregate number of shares to be issued pursuant to the Plan, when added to the number of shares issued and issuable or existing shares delivered and deliverable in respect of all awards granted or to be granted under the Plan, all options granted or to be granted under the Scheme and all shares, options or awards granted under any other share scheme of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."

[See Explanatory Note (h)] **(Resolution 12)**

BY ORDER OF THE BOARD

Lee Bee Fong (Ms)
Company Secretary
31 March 2015

Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

(a) In relation to resolution 3 proposed above, Mr. Yeo Jeu Nam is a Director of Swiber Holdings Limited, a substantial shareholder of the Company. Apart from that, there is no relationship (including immediate family relationships) between Mr. Yeo Jeu Nam and the other Directors and the Company and the detailed information on Mr. Yeo Jeu Nam is set out in the section entitled "Board Membership" in the Corporate Governance Report of the Company's 2014 Annual Report.

(b) In relation to resolution 4 proposed above, there is no relationship (including immediate family relationships) between Mr. Wong Leong Jeam and the other Directors, the Company or its 10% shareholders and the detailed information on Mr. Wong Leong Jeam is set out in the section entitled "Board Membership" in the Corporate Governance Report of the Company's 2014 Annual Report.

(c) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the date of the next AGM, or the date by which the next AGM is required by law to held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares and convertible securities in the Company up to an amount not exceeding in total, one hundred per cent. (100%) of the issued shares excluding treasury shares at the time of passing of this resolution, of which up to fifty per cent. (50%) may be issued other than on a pro-rata basis to shareholders.

(d) The Ordinary Resolution 8, if passed, renews the Share Buyback Mandate and will authorise the Directors of the Company from the date of the above Meeting until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to purchase up to ten per cent. (10%) of the total number of issued shares in the capital of the Company. Please refer to the Letter to Shareholders dated 31 March 2015 appended to the Annual Report for details.

(e) The Ordinary Resolution 9 above, if passed, allows the Company, and its subsidiaries to enter into transactions with the Swiber Group, and class of interested person as defined in Chapter 9 of the Rules of Catalist.

(f) The Ordinary Resolution 10 above, if passed, allows the Company, and its subsidiaries to enter into transactions with interested persons with the Rawabi Group, and class of interested person as defined in Chapter 9 of the Rules of Catalist.

(g) The Ordinary Resolution 11 above, if passed, will empower the Directors to grant options to allot and issue shares upon the exercise of such options granted or to be granted in accordance with the Scheme provided that the number of shares which the Directors may allot and issue under this Resolution, together with any shares issued and issuable in respect of all options granted or to be granted under the Scheme, pursuant to the vesting of any awards granted under the Plan and any shares, options or awards granted or to be granted under any other share schemes of the Company, shall not, in aggregate, exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.

(h) The Ordinary Resolution 12 above, if passed, will empower the Directors to vest awards and to allot and issue shares pursuant to the vesting of such awards in accordance with the Plan provided that the number of shares which the Directors may allot and issue under this Resolution, together with any shares issued and issuable in respect of all awards granted under the Plan and all options granted or to be granted under the Scheme and any shares, options or awards granted or to be granted under any other share schemes of the Company, shall not, in aggregate, exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The Chairman of the AGM will be exercising his right under Article 71 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members of the Company at the AGM and at any adjournment thereof. Accordingly, each resolution at the AGM will be voted on by way of a poll.

2. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than 2 proxies to attend and vote in his stead.

3. A proxy need not be a member of the Company.

4. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 12 International Business Park, #03-02 Swiber@IBP, Singapore 609920 not later than 48 hours before the time appointed for the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and the Register of Members of the Company will be closed on 22 May 2015 for the purpose of determining shareholders' entitlements to the final (tax exempt one-tier) dividend of US$0.0005 per share for the financial year ended 31 December 2014 (the "**Proposed Dividend**").

Duly completed registrable transfers in respect of ordinary shares in the capital of the Company (the "**Shares**") received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road #02-00 Singapore 068898 up to 5.00 p.m. on 21 May 2015 will be registered to determine shareholders' entitlement to the Proposed Dividend. The Proposed Dividend, if approved at the Annual General Meeting to be held on 15 April 2015, will be paid on 15 June 2015.

Shareholders whose securities accounts with the Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 21 May 2015 will be entitled to the Proposed Dividend.

BY ORDER OF THE BOARD
Lee Bee Fong (Ms)
Company Secretary
Singapore, 31 March 2015

VALLIANZ HOLDINGS LIMITED

(Company Registration No. 199206945E)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy VALLIANZ HOLDINGS LIMITED'S shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 March 2015.

*I/We ______________________ (Name) *NRIC/Passport No. ______________ of ______________________

being *a member/members of **VALLIANZ HOLDINGS LIMITED** (the "**Company**"), hereby appoint:-

Name	Address	NRIC/ Passport No	Proportion of shareholdings to be represented by proxy (%)

*and/or (delete as appropriate)

Name	Address	NRIC/ Passport No	Proportion of shareholdings to be represented by proxy (%)

or failing which, the Chairman of the Annual General Meeting of the Company (the "**AGM**"), as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the AGM to be held at 12 International Business Park, #03-02 Swiber@IBP, Singapore 609920 on 15 April 2015 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the *proxy /proxies will vote or abstain from voting at *his/their discretion, as he/she/they will on any other matter arising at the AGM.

NOTE: The Chairman of the AGM will be exercising his right under Article 71 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members of the Company at the AGM and at any adjournment thereof. Accordingly, each resolution at the AGM will be voted on by way of a poll.

No.	Ordinary Resolutions	For**	Against**
1.	Adoption of Directors' Report and Accounts for the financial year ended 31 December 2014		
2.	Declaration of first and final (tax exempt one-tier) dividend of US$0.0005 per share for the financial year ended 31 December 2014		
3.	Re-election of Director pursuant to Article 105 - Mr. Yeo Jeu Nam		
4.	Re-election of Director pursuant to Article 109 - Mr. Wong Leong Jeam		
5.	Approval of the Directors' fees of US$325,000 for the financial year ending 31 December 2015		
6.	Re-appointment of Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue shares pursuant to the Share Issue Mandate		
8.	Renewal of Share Buyback Mandate		
9.	Renewal of Shareholders' Mandate for Interested Person Transactions with the Swiber Group		
10.	Renewal of Shareholders' Mandate for Interested Person Transactions with the Rawabi Group		
11.	Authority to grant options and issue shares under the Employee Share Option Scheme		
12.	Authority to grant awards and to issue shares under the Vallianz Performance Share Plan		

Notes:
* Please delete accordingly
** Please indicate your vote "For" or "Against" with an "X" within the box provided

Dated this ______________ day of ______________ 2015

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
*Signature(s) of Member(s)/ Common Seal of Corporate shareholder

IMPORTANT: Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 12 International Business Park, #03-02 Swiber@IBP, Singapore 609920 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 March 2015.

AFFIX
STAMP

The Company Secretary
VALLIANZ HOLDINGS LIMITED
12 International Business Park
#03-02 Swiber@IBP
Singapore 609920

VALLIANZ HOLDINGS LIMITED
Company Registration No. 199206945E

12 International Business Park #03-02 Swiber@IBP
Singapore 609920
Tel : (65) 6505 0600
Fax: (65) 6505 0601
www.vallianzholdings.com