Vallianz

VALLIANZ HOLDINGS LIMITED

Annual Report 2012

STRENGTH IN SOLUTIONS

CONTENTS

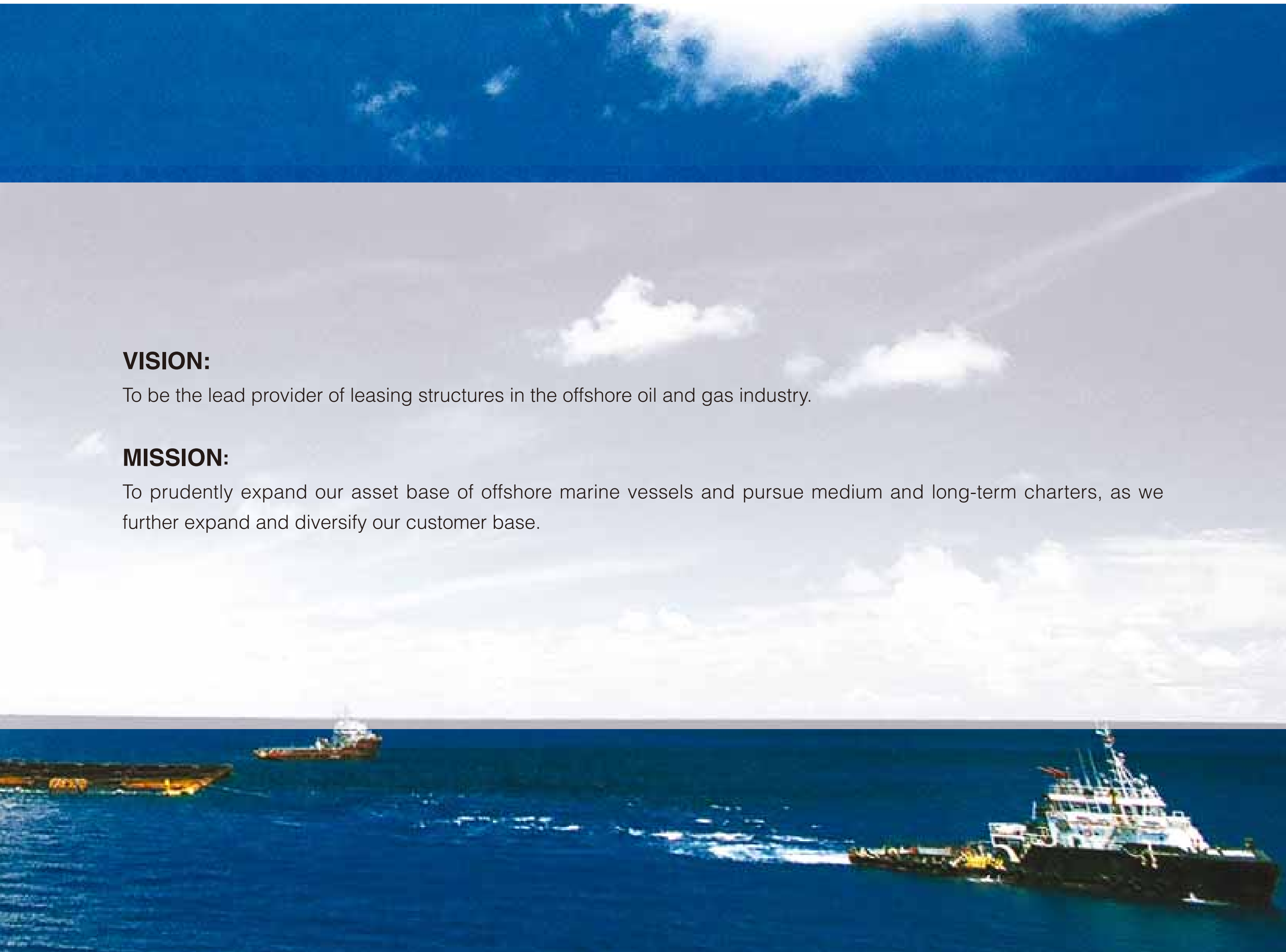
Vallianz is poised and driven to be a leading player in the dynamic and high-growth offshore oil & gas industry.

The specialised nature of our business, coupled with the commitment and dedication of our team, will continue to set us apart from competition, putting us in an advantageous position to seize growth opportunities in a burgeoning sector.

OUR CORPORATE PROFILE

Vallianz Holdings Limited ("Vallianz" or "the Company") is a vessel- and equipment-owning and leasing company listed on the SGX-Catalist, providing marine support services, primarily marine asset ownership, leasing and fleet corporate management. Headquartered in Singapore, Vallianz is in an advantageous position to seize growth opportunities in a burgeoning offshore exploration and production sector.

The specialised nature of Vallianz's business, coupled with the commitment and dedication of Vallianz's team, will continue to set us apart from competition. Since September 2010, Vallianz's vessel fleet has expanded rapidly from 1 anchor handling tug/supply vessel to a variety of 5 vessels. Vallianz demonstrates strength in solutions, and is primed to be a leading player in the dynamic and high-growth offshore oil and gas industry.



VISION:

To be the lead provider of leasing structures in the offshore oil and gas industry.

MISSION:

To prudently expand our asset base of offshore marine vessels and pursue medium and long-term charters, as we further expand and diversify our customer base.

OUR STRATEGIC DIRECTIONS

EXPANSION OF ASSET BASE

We will prudently expand our asset base by way of placement of new build orders and acquisition of new and modern second-hand vessels, ROV's, dive saturation systems, and other offshore equipment. Additionally, medium and long-term charter or lease arrangements will be secured to ensure long-term profitability of our assets and to lower the average age of our fleet.

FOCUS ON OFFSHORE MARINE VESSELS

Our team of dedicated professionals targets the best offshore marine support vessels for the oil and gas industry.

PURSUING LONG-TERM CHARTERS

Our customers typically employ long-term charters for dedicated oil field and offshore installations. Together with medium-term charters, which are also in demand, Vallianz is able to capitalise on the upside potential of the assets. Hence, we focus on assets that can enter into secure medium to long-term charters and provide stable future cash flows.

EXPAND AND DIVERSIFY OUR CUSTOMER BASE

With Singapore as our headquarters and strategic base, we are well-positioned to penetrate regional and global offshore oil and gas exploration markets. We will continue to expand our relationships with existing customers and build new relations with customers who utilise chartered-in assets to add capacity.

OUR PROSPECTS FOR GROWTH

The offshore oil and gas industry presents tremendous opportunities for Vallianz. With the rising demand for oil and energy, which is being sustained by major economies such as India and China, crude oil prices are expected to hold steady at a level of US$90 to US$100/bbl. At this level, Asia Pacific energy companies are encouraged to spend on capital intensive projects. In particular, annual capital expenditure is expected to rise 5% from US$21.4B in 2012 to US$22.4B in 2013. The increase in capital expenditure is expected to bring exuberant growth to offshore contracting and utilisation rates of offshore support vessels, leading to rising charter rates for vessels. These developments augur well for Vallianz.

- **Vessel Ownership:**

  Vallianz's young and growing fleet comprises of 5 young vessels - AHTS, AHT, Utility Vessel and Towing Tugs.

VALLIANZ HOPE
Vessel Type : AHTS
Description : 4,200BHP

Specifications
Length overall (metres) : 40.0m
Classification Society : BV
Year of Delivery : 2008

SWIBER BHANWAR
Vessel Type : AHT
Description : 4,750BHP

Specifications
Length overall (metres) : 48.0m
Classification Society : BV
Year of Delivery : 2009

SWIBER CARINA
Vessel Type : Utility Vessel
Description : 2,400BHP

Specifications
Length overall (metres) : 40.0m
Classification Society : BV
Year of Delivery : 2009

SWIBER RAVEN
Vessel Type : Towing Tug
Description : 3,200BHP

Specifications
Length overall (metres) : 31.1m
Classification Society : GL
Year of Delivery : 2009

SWIBER CHARLTON
Vessel Type : Towing Tug
Description : 3,200BHP

Specifications
Length overall (metres) : 33.2m
Classification Society : BV
Year of Delivery : 2010

- **Leasing**

  Vallianz provides leasing services that address customer requirements. With our asset base and network of brokers and owners, we are able to target vessels of the highest quality to match customer needs, shortening the time consumed in the vessel acquisition process.

- **Corporate Management Service**

  Vallianz provides a range of corporate management services for our customers, which includes creation and establishment of structured finance projects, arrangement of bank financing, brokering services, corporate administration and financial advisory services.

GROWTH from STRENGTH to STRENGTH

With our current marine asset base, we have experienced higher charter activities and reaped returns from our investments.

CHAIRMAN'S MESSAGE

"Vallianz has grown from strength to strength since our business transformation in September 2010."

Dear Shareholders,

On behalf of the Board and Management, I am pleased to present to you, Vallianz's Annual Report for the financial year ended 31 December 2012 ("FY2012").

ANOTHER YEAR OF GROWTH

Vallianz has grown from strength to strength since the business transformation in September 2010. Now in the third year of operation as a vessel- and equipment-owning company, we have built up our marine asset base mainly through acquisitions of subsidiaries with complementary businesses.

The Group's strong focus on servicing long-term charter contracts while taking minimal operational risks has been proven to be a step in the right direction. Notwithstanding macro-economic uncertainties, during the year under review, with vibrant Exploration and Production ("E & P") offshore spending in 2012, we experienced higher charter activities from our enlarged fleet of five vessels and reaped returns from our investment holdings in offshore support services and chartering companies.

In FY2012, net profit surged 274% to hit US$5.5 million from US$1.5 million in FY2011. The sterling performance was mainly due to the strong revenue growth, rising 96% to hit US$11.5 million from US$5.9 million over the same period. We are now seeing a full twelve-month topline contribution as compared to FY2011, where majority of the revenue was incurred in the second half of FY2011.

Notably, our 51% subsidiary, Vallianz Marine Pte. Ltd. ("Vallianz Marine"), which is principally involved in the ownership and chartering of vessels, completed its first full twelve months of operation under the Group. Vallianz Marine was acquired in line with our strategy to explore opportunities in the chartering business and to build up a fleet of vessels.

Separately, Resolute Pte. Ltd., our other 51% subsidiary, had also completed its first full twelve months of operation under the Group. The principal activity of Resolute Pte. Ltd. is investment holdings.

APPOINTMENT OF NEW CEO, RECONSTITUTION OF BOARD COMMITTEE

During the year, we also made a senior appointment. On behalf of the Board, I am pleased to welcome Mr. Darren Yeo as Vallianz's new CEO with effect from 1 December 2012. Vallianz will benefit from Darren's long and strong track record of over 20 years in offshore marine support services. Darren joined the Swiber Group over nine years ago and was instrumental in spearheading its offshore marine services. His strategic move to Vallianz will be an asset to the Company.

With his new appointment, Darren has been re-designated as Non-Executive Director of Swiber Holdings Limited. I will remain as the Non-Executive Chairman of Vallianz while Mr. Yeo Jeu Nam and Mr. Bote De Vries will continue to serve as Independent Directors. Vallianz will benefit from the continuity of an experienced Board and a good team, coupled with a solid strategy and asset base in place.

OUTLOOK

Looking ahead, internationally, E & P spending is forecast to reach US$460 billion, a 9% year-over-year increase

"We will continue to make investments with a view to acquiring long-term income producing assets…these investments not only provide stable and predictable income but also gives the Group a good asset base to which we can expand upon."

and shared judiciously across the globe. This is driven by continued high oil prices, sanctioning of major projects and the delivery of a large number of offshore rigs in 2012 and 2013. Latin America, Asia, and the Middle East are expected to push the upcycle in E & P spending growth with double-digit gains. This positive industry development bodes well for our investment holdings in offshore support services and chartering companies as well as our focus on offshore marine support vessels.

We will continue to make investments with a view to acquiring long-term income producing assets. There is a good demand for alternative finance structures to help support the growing need for offshore marine assets. Our customers typically employ long-term charters for their dedicated offshore oil field installations. Thus, we will acquire assets that can secure medium to long-term fixed-rate charters, which will provide us with stable future cash flows. We will also seek medium-term charters to capitalise on the upside potential of the asset.

These investments not only provide stable and predictable income but also gives the Group a good asset base to which we can expand upon.

PROPOSED DIVIDENDS

To reward our shareholders who have been loyally supporting us, the Board is recommending a first and final tax exempt dividend of 0.04 US cents per ordinary share for FY2012. This is subject to the approval of shareholders at the upcoming Annual General Meeting on 15 April 2013. As Vallianz is a growing company, we will continue to strike a balance between redeploying surplus funds into higher yielding business areas to enhance shareholder value, and rewarding our shareholders.

WORD OF THANKS

On behalf of the Board of Directors, I would like to thank our business partners, associates and shareholders for your unwavering support in the past year. FY2012 had been a year of continued preparations amidst challenging macro-economic conditions. It is with your support that Vallianz is now ready for greater growth ahead.

My appreciation also goes to my fellow Board members for their invaluable insights and guidance. At this point, on behalf of the Board, I would like to express our appreciation of our former CEO, Anders, for his contributions towards Vallianz and wish him all the best in his new endeavours.

Our management and staff have also played a vital role in ensuring smooth operations of our business and we would like to acknowledge the hard work, commitment and dedication they have delivered in Vallianz's growth path.

As we enter a brand new financial year, we continue to seek our stakeholders' support to stand with us as we strive for wider horizons ahead.

RAYMOND KIM GOH
Non-Executive Chairman
Vallianz Holdings Limited

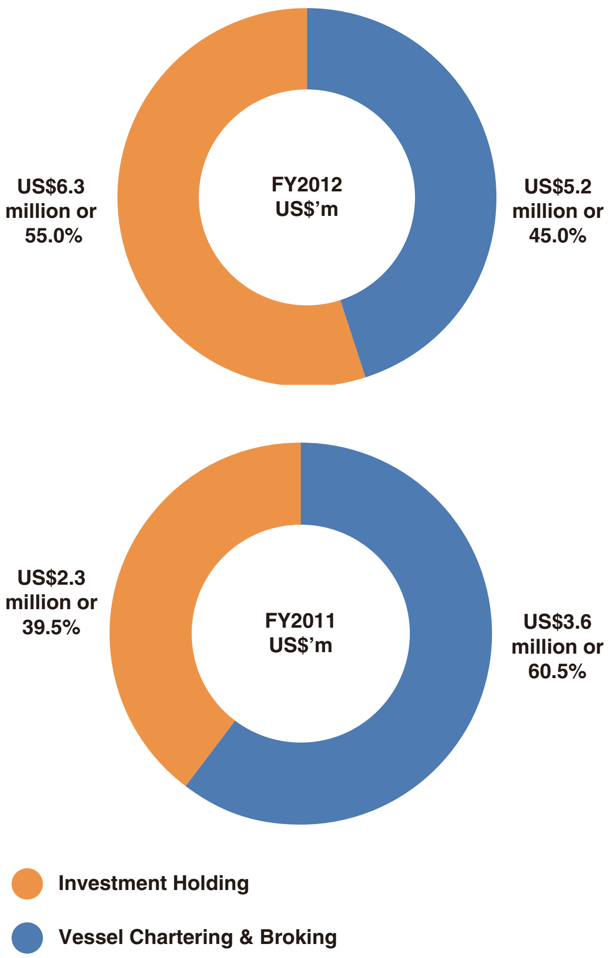
MESSAGE FROM THE CEO

"With a stronger financial flexibility, strategies in place, a fleet of young vessels and a strong Board and Management Team leading Vallianz, we are well-positioned to ride on this vibrant and buoyant E & P sector."

Dear Shareholders,

In the year under review, we are pleased that our two strategic segments, the Vessel Chartering and Broking segment as well as Investment Holding division, continue to perform better in FY2012 as compared to the previous corresponding year ("FY2011").

Revenue by Segments



Of the two segments, Vallianz recognised a higher topline contribution from Investment Holding in FY2012. Investment Holding contributed 55% to Group Revenue in FY2012, or USS$6.3 million, over 1.7 times higher as compared to our turnover in FY2011. The increase was largely due to larger dividends received on our investments made in FY2011.

Vessel Chartering & Broking business contributed the remaining 45% or US$5.2 million to Group Revenue. This segment's contribution to Group Revenue was 46% higher than in FY2011, largely due to higher charter revenue from our subsidiary Vallianz Marine Pte. Ltd.

Snapshot of Financial Performance in FY2012

US$ million	FY2011	FY2012	Change (%)
Revenue	5.9	11.5	95
Gross profit	4.5	9.8	118
Profit before tax	1.5	5.5	267
Profit after tax	1.5	5.5	267
EPS (US cents)	0.07	0.20	186
NAV per share (US cents)	2.7	3.0	11

Group Revenue surged 95% to US$11.5 million from US$5.9 million in FY2011. We saw a full twelve-month topline contribution for FY2012 as compared to FY2011, where majority of the revenue was incurred in the second half of FY2011. The higher revenue was attributable to higher charter activities and dividends from the Group's investment holdings.

Notwithstanding higher cost of sales of US$1.8 million in FY2012, which comprised largely of depreciation of various vessels, Gross Profit rose from US$4.5 million in FY2011 to US$9.8 million in FY2012, in line with the surge in Group Revenue. Gross Profit Margin also grew to 85.2% in FY2012 from 76.3% in FY2011.

"Vallianz envisions being the lead provider of lease structures in the offshore oil and gas industry and is intensifying our efforts and resources to deliver growth."

Other income increased by US$3.3 million to US$5.4 million in FY2012, mainly due to the reversal of various cost accruals raised in the previous years, and the gain on disposal of our disposal of investment in Atlantis Navigation AS.

With higher business activities in FY2012, we logged in administrative expenses of US$5.8 million. We also recorded higher finance expenses of US$3.8 million in FY2012, due to loan interest for the full twelve months in FY2012, as compared to FY2011, where interest expense was incurred only during the second half of the financial year, after the Group's acquisitions were completed.

Given the above, profit for the year continued its uptrend to US$5.5 million in FY2012 from a turnaround in the previous corresponding year.

STRENGTHENED BALANCE SHEET

On the back of better earnings in FY2012, earnings per share rose from 0.07 US cents in FY2011 to 0.20 US cents in FY2012.

The Group's net asset value per ordinary share rose to 3.00 US cents per share in FY2012, as compared to 2.73 US cents per share in FY2011.

Cash and cash equivalents dropped to US$3.4 million as at 31 December 2012. The Group had cash generated amounting to US$13.8 million in FY2012 due to sale proceeds from the disposal of Atlantis Navigation AS and dividends received from our available-for-sale investments as well as redemption of preference shares. This was offset by repayment of term loans and interests amounting to US$17.8 million.

The Group's net gearing* in FY2012 improved to 1.3x in FY2012 from 1.7x in FY2011. Vallianz made repayments on bank borrowings of US$14.1 million and interest payments of US$3.8 million in FY2012.

STRENGTH IN SOLUTIONS

Vallianz envisions being the lead provider of lease structures in the offshore oil and gas industry and is intensifying our efforts and resources to deliver growth.

** net gearing ratio equals total term loans divided by total equity*

The Group now comprises Vallianz Samson Pte. Ltd., Vallianz Marine Pte. Ltd., Resolute Pte. Ltd., CSOTL Offshore Limited and Vallianz 4000 Pte. Ltd. And Vallianz's fleet features five young vessels - Vallianz Hope, a 4,200 BHP anchor handling tug supply vessel that is 40 metres in length; Swiber Bhanwar, a 4,750 BHP anchor handling tug that is 48 metres in length; Swiber Carina, a 2,400 BHP utility vessel that is 40 metres in length; Swiber Charlton, a 3,200 BHP towing tug that is 33.2 metres in length and Swiber Raven, a 3,200 BHP towing tug that is 31.1 metres long.

Vallianz will continue to focus on the direct acquisition of vessels or via special purpose vehicles, and will pursue long-term fixed-rate charters. Besides expanding and diversifying our customer base, we will also continue to look for investments that will provide us with stable and predictable income as we execute upon our asset expansion strategies.

OUTLOOK

There is never a better time than now to be in the Vessel Chartering and Broking space. Worldwide time-charter rates for small-and mid-sized AHTS vessels are rising, signaling an upcycle in the offshore support vessels sector. At the same time, steady crude oil prices at levels between US$90 to US$100 per barrel will encourage continued spending on capital intensive projects by oil companies.

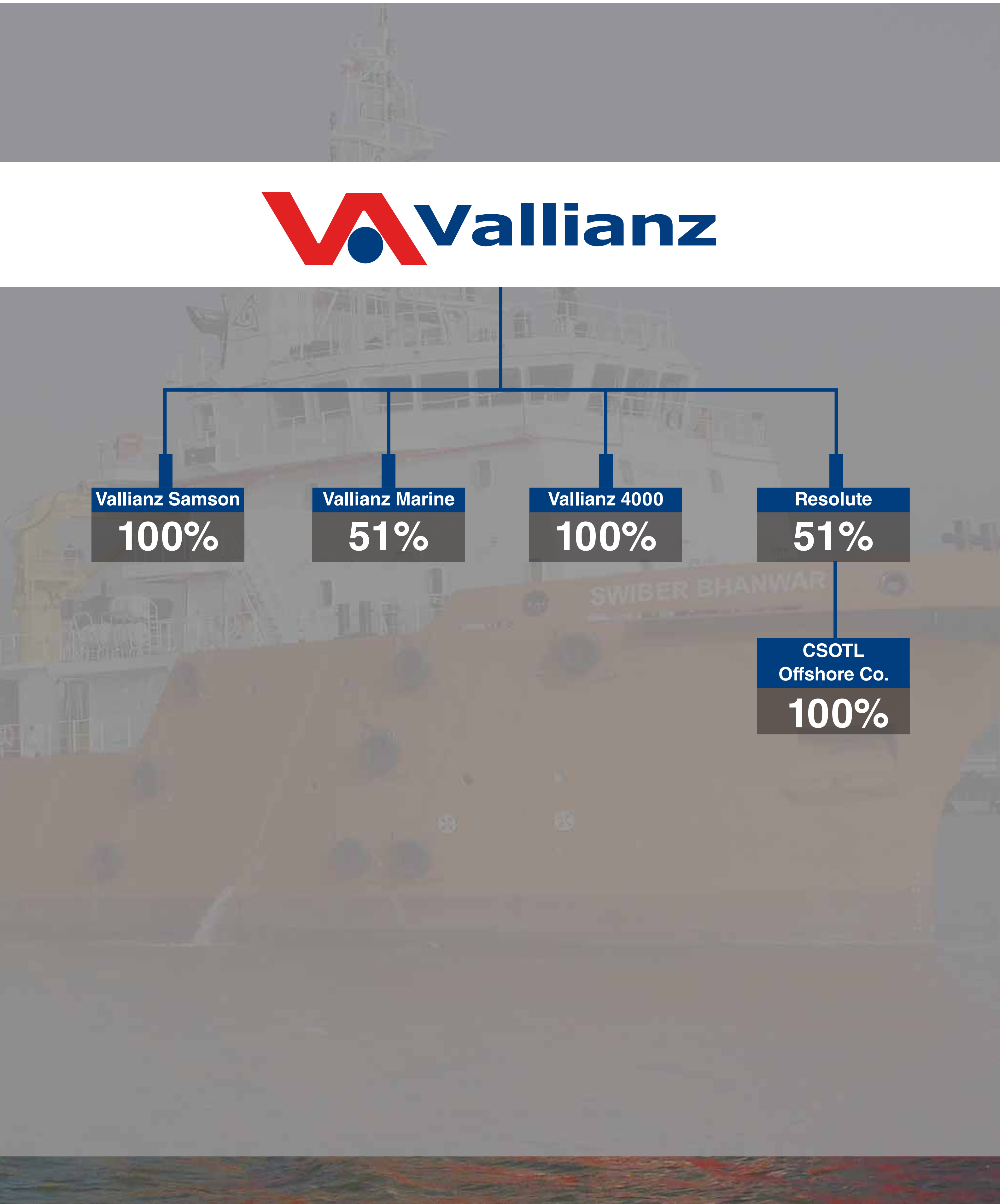
With a stronger financial flexibility, strategies in place, a fleet of young vessels and a strong Board and Management Team leading Vallianz, we are well-positioned to ride on this vibrant and buoyant E & P sector.

I look forward to working with our Board and Management, in taking Vallianz towards greater heights. Thank You.

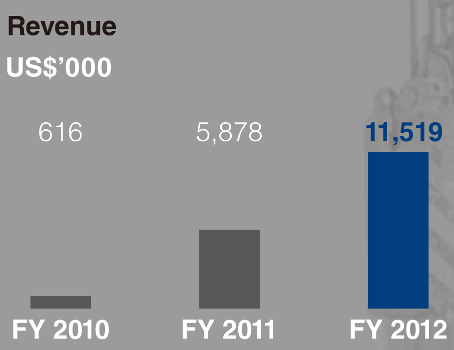
DARREN YEO

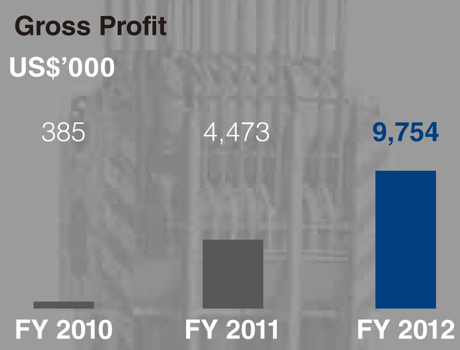
Chief Executive Officer
Vallianz Holdings Limited

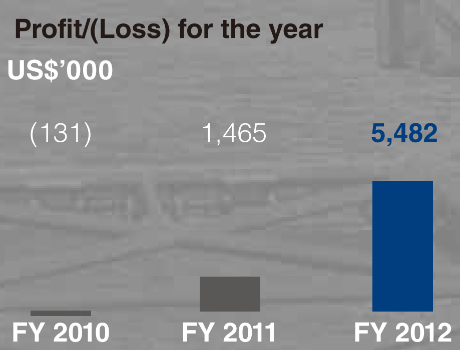
CORPORATE STRUCTURE

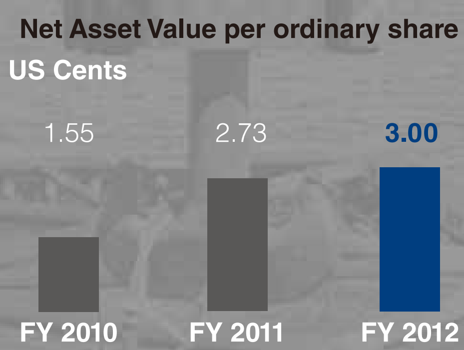


FINANCIAL HIGHLIGHTS









"WE ARE NOW SEEING A FULL TWELVE-MONTH TOPLINE CONTRIBUTION FOR FY2012 AS COMPARED TO FY2011, WHERE MAJORITY OF THE REVENUE WAS INCURRED IN THE SECOND HALF OF FY2011. THE HIGHER REVENUE IS ATTRIBUTABLE TO HIGHER CHARTER ACTIVITIES AND DIVIDENDS FROM THE GROUP'S INVESTMENT HOLDINGS."

– DARREN YEO

FOCUSED and CAPABLE

Vallianz's astute and experienced leadership creates and seizes opportunities in a vibrant and buoyant E & P sector

BOARD OF DIRECTORS

RAYMOND KIM GOH

Non-Executive Chairman

Mr. Raymond Kim Goh is the Non-Executive Chairman of Vallianz and was appointed on 6 September 2010. Mr. Goh is an industry veteran with close to two decades of experience in the offshore marine industry. As founder and Executive Chairman of the Swiber Group, Mr. Goh sets the long-term growth strategy and spearheads the expansion of Swiber. He also serves as the Non-Executive Chairman of Kreuz Holdings Limited. Mr. Goh is active in grassroot community activities, serving 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.

DARREN YEO

Executive Director and Chief Executive Officer

Mr. Darren Yeo was appointed to the Board as Executive Director and CEO on 1 December 2012. As Executive Director and CEO, Mr. Yeo plays a key role in charting Vallianz's corporate and strategic directions. Mr. Yeo brings with him over 2 decades of industry experience under his belt. He was the Executive Director of Swiber Holdings Limited since 2004 and had been re-designated as Non-Executive Director of Swiber Holdings Limited with effect from 1 December 2012. Mr. Yeo graduated from the National University of Singapore with a Bachelor of Engineering degree and also holds a diploma in Marketing from the Singapore Institute of Management.

YEO JEU NAM

Non-Executive and Independent Director

Mr. Yeo Jeu Nam has more than 30 years of consultancy experience and was appointed as Non-Executive Independent Director of the Company on 21 August 2008. Mr. Yeo sits on the board of Swiber Holdings Limited and Frecken Group Limited as an Independent Non-Executive Director. Before founding Radiance Consulting Pte Ltd, of which Mr. Yeo is currently its Managing Director, he was a Senior Consulting Partner with Ernst & Young Consultants Pte. Ltd. where he headed the Strategy and Transformation practice as well as the HR Consulting practice for more than 12 years. 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.

BOTE DE VRIES

Non-Executive and Independent Director

Mr. Bote de Vries was appointed to the Board of Directors on 6 September 2010 and brings to Vallianz over two decades of international asset finance experience in the shipping transport industry. He is now 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 on 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.

SENIOR MANAGEMENT

DARREN YEO

Executive Director and Chief Executive Officer

Mr. Darren Yeo was appointed to the Board as Executive Director and CEO on 1 December 2012. His profile can be found on Page 14.

ROY YAP

Chief Operating Officer

Mr. Roy Yap was appointed as Chief Operating Officer on 18 March 2013, and is responsible for the business, management and operations of Vallianz Holdings Limited. Prior to joining the Group, he had led operations and HSE units of other marine and offshore services company such as Newcruz Offshore Marine Pte Ltd, Kreuz Swiber Offshore Marine Pte Ltd and Svitzer Far East Pte Ltd, where he had successfully implemented operations and safety systems. A graduate in Nautical studies, Mr. Yap is also a qualified Internal Quality Auditor, Company Security Officer, and ISM Internal Auditor.

EDMUND LIM

Finance Manager

Mr. Edmund Lim was appointed as the Finance Manager of Vallianz Holdings Limited on 22 November 2010, and is responsible for overseeing the financial and accounting function of Vallianz. Mr. Lim brings with him over 6 years of expertise and specialism in audit, tax, accounting and business advisory services with one of the leading accounting firms, KPMG. Mr. Lim holds a Bachelor of Commerce degree from Curtin University and is a member of The Institute of Chartered Accountants in Australia, and the Institute of Certified Public Accountants of Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Raymond Kim Goh, Non-Executive Director (Chairman)
Darren Yeo Chee Neng (Executive Director and Chief Executive Officer)
Yeo Jeu Nam, Non-Executive and Independent Director
Bote de Vries, Non-Executive and Independent Director

COMPANY SECRETARY
Lee Bee Fong

AUDIT COMMITTEE
Yeo Jeu Nam, Non-Executive and Independent Director (Chairman)
Raymond Kim Goh, Non-Executive Chairman
Bote de Vries, Non-Executive and Independent Director

REMUNERATION COMMITTEE
Yeo Jeu Nam, Non-Executive and Independent Director (Chairman)
Raymond Kim Goh, Non-Executive Chairman
Bote de Vries, Non-Executive and Independent Director

NOMINATING COMMITTEE
Bote de Vries, Non-Executive and Independent Director (Chairman)
Raymond Kim Goh, Non-Executive Chairman
Yeo Jeu Nam, Non-Executive and Independent Director

REGISTERED OFFICE
12 International Business Park
Swiber@IBP #02-02
Singapore 609920
Tel: (65) 6505 0010
Fax: (65) 6505 0011

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
80 Robinson Road
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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 Certified Public Accountants
6 Shenton Way
#32-00 Tower Two
Singapore 068809
Partner-in-charge: Ernest Kan Yaw Kiong
(Since the financial year ended 31 December 2011)

EXTERNAL INVESTOR RELATIONS
Citigate Dewe Rogerson, i.MAGE
55 Market Street #02-01/02
Singapore 048941
Tel: (65) 6534 5122
Fax: (65) 6534 4171

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") is committed to maintaining a high standard of corporate governance within the Group and adopts practices based on the Code of Corporate Governance 2005 (the "Code 2005"). The Company recognises the importance of good governance for continued growth and investor confidence.

In line with the commitment by the Company to maintaining high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Code 2005 and the Listing Manual, Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Catalist Rules").

The Board is pleased to report compliance of the Company with the Code 2005 and Catalist Rules except where otherwise stated.

On 2 May 2012, the Monetary Authority of Singapore (the "MAS") issued a revised Code of Corporate Governance, which takes effect with respect to the Annual Reports of listed entities relating to the financial years commencing from 1 November 2012. The Code 2005 continues to apply for annual reports relating to financial years commencing before 1 November 2012.

BOARD MATTERS

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 success of the company. The Board works with Management to achieve this 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 announcement;
(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; and
(h) Issuance of policies and key business initiatives.

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.

CORPORATE GOVERNANCE STATEMENT

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	1	1
Directors / Members	**Number of meetings attended**			
Raymond Kim Goh	4	4	1	1
Yeo Jeu Nam	4	4	1	1
Anders Hagbarth Schau	3	0	0	0
Bote de Vries	4	4	1	1
Yeo Chee Neng	–	–	–	–

Notes:

1. Mr. Anders Hagbarth Schau ("Mr. Schau") resigned as an Executive Director and Chief Executive Officer with effect from 30 November 2012.
2. Mr. Yeo Chee Neng was appointed as an Executive Director and Chief Executive Officer on 1 December 2012 following Mr. Schau's resignation.

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.

Principle 2: Board Composition and Guidance

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

CORPORATE GOVERNANCE STATEMENT

The Board comprises four directors of whom one (1) is an Executive Director, one (1) is a Non-Independent Non-Executive Director and two (2) 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 Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. 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 independence of each Independent Non-Executive Director is reviewed annually by the NC. The NC adopts the Code 2005's definition of what constitutes an Independent Director in its review. The NC is of the view that the two Independent Non-Executive Directors (who represent one-half of the Board) are independent.

The criteria for independence are determined based on the definition provided in the Code 2005 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 of its related companies for the current or any of the past three 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 financial years, employed by the Company or of its related companies as a senior executive office 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 other than compensation for board service for the current or immediate past financial year;
   (iv) is not a substantial shareholder of or a partner in (with 5% 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.

(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".

CORPORATE GOVERNANCE STATEMENT

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 principle 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.

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

The profiles of each of the directors are set out on pages 14 to 15 of this Annual Report.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr. Raymond Kim Goh ("Mr. Goh") continues to serve as Non-Executive Chairman of the Group and Mr. Yeo Chee Neng ("Mr. Darren Yeo") was appointed as the Chief Executive Officer ("CEO"), assuming the role previously held by Mr. Schau. 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 is not related to the CEO.

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 AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

As the Company's CEO, Mr. Darren Yeo 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. Darren Yeo also includes scheduling and controlling the quality, quantity and timeliness of information supplied to the Board. Amongst other responsibilities, Mr. Goh will lead the Board, ensure effective communication with shareholders, encourage constructive relationships between the Board and Management, as well as between Board members, and promote high standards of corporate governance.

Mr. Darren Yeo's performance and remuneration will be reviewed annually by the NC and the RC, whose members also comprised 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.

CORPORATE GOVERNANCE STATEMENT

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.

NOMINATING COMMITTEE

Principle 4: Board Membership

There should be a formal and transparent process for the appointment of new directors to the Board.

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

The NC 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 Director;

(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; and

(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.

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.

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, the number nearest to but not greater than one third) and subject themselves to re-election by shareholders at every annual general meeting ("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 not be taken into account in determining the number of directors who are to retire by rotation at the AGM.

At the forthcoming AGM, Mr. de Vries and Mr. Darren Yeo 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.

CORPORATE GOVERNANCE STATEMENT

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.

Principle 5: Board Performance

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

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.

In accordance with the requirements of the Code 2005, the NC has reviewed the status of the Independent Non-Executive Directors and is of the view that they are in compliance with the Code 2005's definition on independence.

ACCESS TO INFORMATION

Principle 6: Access to Information

In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

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.

CORPORATE GOVERNANCE STATEMENT

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 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.

REMUNERATION MATTERS

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 and Mr. de Vries. Save for Mr. Goh, a Non-Independent Non-Executive Director of the Company, the other two 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 Directors; and

(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; and

(d) overseeing the administration of the Employees' Share Option Scheme (the "Scheme") and Performance Share Plan of the Company.

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 matters, if required.

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

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.

CORPORATE GOVERNANCE STATEMENT

Principle 8: Level and Mix of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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

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 for serving on the Board and Board committees. The directors' fees are recommended by the Board for approval at the AGM.

The Company had entered into a service agreement with the Executive Director of the Company, Mr. Darren Yeo for an initial period of 3 years (unless otherwise terminated by either party giving not less than six months' notice to the other). The service agreement covers the terms of employment and specifically, salaries 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.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, 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 executives, 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$500,000 and above					
Anders Hagbarth Schau(4)	90	–	–	10	100
S$250,000 and below					
Darren Yeo(5)	–	–	–	–	–
Raymond Kim Goh	–	–	100	–	100
Yeo Jeu Nam	–	–	100	–	100
Bote de Vries	–	–	100	–	100

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. Anders Hagbarth Schau ceased to be an Executive Director and Chief Executive Officer of the Company on 30 November 2012. He has received a total remuneration of US$636,000 for the financial year under review.

(5) Mr. Darren Yeo was appointed as an Executive Director and Chief Executive Officer of the Company on 1 December 2012. He has not received any remuneration for the financial year under review.

CORPORATE GOVERNANCE STATEMENT

The following shows the annual remuneration of the top executives of the Company 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 are not disclosed in this Annual Report:

One key executive received total remuneration of more than S$250,000 but less than S$449,999.

One key executive received total remuneration of less than S$250,000.

Notwithstanding Guidelines 9.1 of the Code 2005, the Company is disclosing the remuneration of only two key executives because the Company had only such a number of key executives (who were not also directors) during the financial year ended 31 December 2012.

The Company has no employees who are immediate family members of a Director or CEO and whose remuneration exceeded S$150,000 during the financial year ended 31 December 2012.

There were no share options/awards granted during the financial year under share options scheme and share plan.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

The Company provides the 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.

Principle 11: 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 and Mr. de Vries. Save for Mr. Goh, a Non-Independent Non-Executive Director of the Company, the other two 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) the quarterly and annual announcements as well as the related press releases on the results and financial position of the Company;

CORPORATE GOVERNANCE STATEMENT

(f) nominating the Company's external auditors for re-appointment;
(g) approving the Company's internal audit plans;
(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); and
(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.

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 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 for the audit services amounted to US$66,000. There were no non-audit services provided by the external auditors of the Company for the financial year ended 31 December 2012. 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 subsidiary. 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 Rule 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 are provided with all necessary information to enable them to make informed decisions.

CORPORATE GOVERNANCE STATEMENT

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 and internal 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.

INTERNAL CONTROLS AND AUDITS

Principle 12: Internal Controls

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

In view of the Group's scale of operations and in order to be more cost effective, the Group currently has no separate internal audit function.

Based on the internal controls established and maintained by the Company, and the reviews performed by the Management, the AC and the Board, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal controls that the Group has put in place to address financial, operational and compliance risks, are adequate as at 31 December 2012.

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

Principle 13: Internal Audit

The company should establish an internal audit function that is 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 auditor team is expected to meet the standards set by nationally or internationally recognised professional bodies including the Standards for the professional Practice of Internal Auditing of the Institute of Internal Auditors.

At present, the Company does not have in place an internal audit function as the Board is of the view that this is not necessary under current circumstances, considering the size and operation of the Group. However, the Board is looking into the possibility of appointing a qualified professional to perform the Company's internal audit function as and when is appropriate. Such qualified professionals when engaged, will report directly to the Chairman of the AC on audit matter and to the CEO on administrative functions.

CORPORATE GOVERNANCE STATEMENT

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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 Listing Manual of the SGX-ST, 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 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 the 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. A proxy form is sent with the notice of general meeting to all shareholders so that those shareholders who are unable to attend the general meeting in person can appoint a proxy or proxies to attend and vote on their behalf. The Company's Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote at all general meetings on his/her behalf.

CORPORATE GOVERNANCE STATEMENT

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 2012 which exceeds the stipulated threshold except as disclosed below:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $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 $100,000)
Newcruz Offshore Marine Pte Ltd	US$5,087,400[(1)]	Nil
Swiber Holdings Limited	Nil	US$308,160[(2)]

[(1)] Newcruz Offshore Marine Pte Ltd is a subsidiary of Swiber Holdings Limited, a major shareholder of the Company.

The transaction relates to chartering income for the year ended 31 December 2012. No shareholder approval was obtained because all terms of the charter party agreement entered into between Vallianz Marine Pte. Ltd. ("Vallianz Marine") and Newcruz Offshore Marine Pte Ltd were finalised and signed prior to the Company acquiring the 51% interest in Vallianz Marine and before Swiber Holdings Limited became an interested party as in Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalist).

[(2)] Swiber Holdings Limited is a major shareholder of the Company.

The transaction relates to the provision of corporate management services provided to the Group.

MATERIAL CONTRACTS

Save for the service agreement entered into between the Executive Director and the Company, there was no material contract entered into by the Company and its subsidiaries involving the interests of any director or controlling shareholders subsisting at the end of the financial year ended 31 December 2012.

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 one month before announcement of the Group's quarterly results and one 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 Company are advised not to deal in the Company's securities for short term consideration 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 CFO/Company Secretary before trading in the Company's securities and are to confirm annually that they have complied with and are not in breach of the Code 2005. The Board is kept informed when a Director trades in the Company's securities.

RISK MANAGEMENT POLICIES AND PROCESSES

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.

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 2012.

FINANCIAL CONTENTS

REPORT OF THE DIRECTORS

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 2012.

1 DIRECTORS

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

Raymond Kim Goh
Yeo Jeu Nam
Bote de Vries
Yeo Chee Neng (Appointed 1 December 2012)

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any 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, except for the options mentioned in paragraph 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	
	At beginning of the year	**At end of year**
Name of director and company in which interests are held		
The Company (Ordinary shares)		
Yeo Jeu Nam	500,000	500,000

The directors had no deemed interests in the share capital and debentures of the Company and related corporations.

The director's interests in the shares and options of the Company and its related corporations as at 21 January 2013 are the same as those as at 31 December 2012.

REPORT OF THE DIRECTORS

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

a) Terms of ESOS

(i) 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 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 options, to the extent unexercised, shall lapse upon the employee ceasing to be employed by the Company or its subsidiaries.

REPORT OF THE DIRECTORS

5 SHARE OPTIONS (CONT'D)

b) Unissued shares under option and options exercised

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.

As at 31 December 2012, no options were issued by the Company. The share options granted to Yeo Jeu Nam in the previous financial year amounting to 250,000 options were fully exercised as of 31 December 2011.

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. 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 are 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.

REPORT OF THE DIRECTORS

6 VALLIANZ PERFORMANCE SHARE PLAN ("PSP") (CONT'D)

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.

As at 31 December 2012 and 31 December 2011, no award was granted by the Remuneration Committee under the PSP.

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

(i) Yeo Jeu Nam (Chairman)
(ii) Raymond Kim Goh
(iii) Bote de Vries

7 AUDIT COMMITTEE

The Audit Committee comprises three 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)

During the financial year, the Audit Committee held four meetings.

The functions of the Audit Committee include the following:

a) review of the audit plans and reports and evaluation of co-operation given by the Company's officers to the external auditors;
b) 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;
c) 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;
d) nominate the external auditors of the Group for re-appointment; and
e) review the interested person transactions.

REPORT OF THE DIRECTORS

7 AUDIT COMMITTEE (CONT'D)

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.

As there are no non-audit services provided by the external auditors during the financial year, the Audit Committee is satisfied that the independence and objectivity of the external auditors is not prejudiced prior to recommending their re-appointment.

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. INTERNAL CONTROLS

The Board has set out its opinion on the internal controls of the Group in Principle 12 of the Corporate Governance Statement of the Annual Report 2012.

9 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Yeo Chee Neng

Raymond Kim Goh

21 March 2013

STATEMENT OF DIRECTORS

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 39 to 81 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 2012, 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

Yeo Chee Neng

Raymond Kim Goh

21 March 2013

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 2012, and the statement of 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 notes, as set out on pages 39 to 81.

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 2012 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
Certified Public Accountants
Singapore

21 March 2013

STATEMENTS OF FINANCIAL POSITION

31 December 2012

	Note	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	3,352	3,449	1,819	1,868
Trade receivables	7	432	2,294	–	91
Other receivables	8	3,282	7,030	8,035	5,443
Available-for-sale investments	9	86	86	86	86
Total current assets		7,152	12,859	9,940	7,488
Non-current assets					
Plant and equipment	10	25,995	27,448	65	10
Subsidiaries	11	–	–	24,798	24,798
Available-for-sale investments	9	115,650	124,440	–	690
Total non-current assets		141,645	151,888	24,863	25,498
Total assets		148,797	164,747	34,803	32,986
LIABILITIES AND EQUITY					
Current liabilities					
Term loans	12	14,169	14,084	–	–
Trade payables	13	–	2,434	–	–
Other payables	14	2,541	8,867	220	639
Total current liabilities		16,710	25,385	220	639
Non-current liability					
Term loans	12	69,055	83,224	–	–
Capital and reserves					
Share capital	15	54,647	54,647	54,647	54,647
Foreign currency translation reserve		98	(622)	–	–
Accumulated losses		(19,115)	(21,526)	(20,064)	(22,300)
Equity attributable to owners of the Company		35,630	32,499	34,583	32,347
Non-controlling interests		27,402	23,639	–	–
Total equity		63,032	56,138	34,583	32,347
Total liabilities and equity		148,797	164,747	34,803	32,986

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue	16	11,519	5,878
Cost of sales		(1,765)	(1,405)
Gross profit		9,754	4,473
Other income	17	5,350	2,087
Administrative expenses		(5,820)	(2,847)
Finance costs	18	(3,802)	(2,248)
Profit before tax		5,482	1,465
Income tax	19	–	–
Profit for the year	20	5,482	1,465
Other comprehensive income:			
Exchange differences on translation of foreign operations representing other comprehensive income for the year, net of tax		1,412	(1,405)
Total comprehensive income for the year		6,894	60
Profit for the year attributable to:			
Owners of the Company		2,411	794
Non-controlling interests		3,071	671
		5,482	1,465
Total comprehensive income attributable to:			
Owners of the Company		3,131	172
Non-controlling interests		3,763	(112)
		6,894	60
Earnings per share (US cents)			
Basic and diluted	21	0.20	0.07

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Share capital US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Group							
Balance at 1 January 2011		31,509	–	(22,320)	9,189	–	9,189
Total comprehensive income for the year		–	(622)	794	172	(112)	60
Issue of shares	15	23,138	–	–	23,138	–	23,138
Acquisition of a subsidiary		–	–	–	–	231	231
Acquisition of assets and liabilities		–	–	–	–	19,600	19,600
Non-controlling interest's share of preference shares in a subsidiary issued during the year		–	–	–	–	3,920	3,920
Balance at 31 December 2011		54,647	(622)	(21,526)	32,499	23,639	56,138
Total comprehensive income for the year		–	720	2,411	3,131	3,763	6,894
Balance at 31 December 2012		54,647	98	(19,115)	35,630	27,402	63,032

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Share capital US$'000	Accumulated losses US$'000	Total US$'000
Company				
Balance at 1 January 2011		31,509	(22,644)	8,865
Total comprehensive income for the year		–	344	344
Issue of shares	15	23,138	–	23,138
Balance at 31 December 2011		54,647	(22,300)	32,347
Total comprehensive income for the year		–	2,236	2,236
Balance at 31 December 2012		54,647	(20,064)	34,583

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	2012 US$'000	2011 US$'000
Operating activities		
Profit before tax	5,482	1,465
Adjustments for:		
Depreciation of plant and equipment	1,518	953
Dividend income from available-for-sale investments	(6,352)	(2,334)
Gain on disposal of available-for-sale investment	(323)	–
Gain on bargain purchase	–	(24)
Interest income	–	(1)
Finance costs	3,802	2,248
Loss on disposal of associate	–	16
Loss on disposal of plant and equipment	16	117
Unrealised exchange loss (gain)	1,412	(1,594)
Write-off of other receivables	1,134	–
Operating cash flows before working capital changes	6,689	846
Trade and other receivables	6,025	(1,600)
Trade and other payables	(8,787)	927
Net cash from operating activities	3,927	173
Investing activities		
Dividends received	4,803	1,858
Interest received		1
Investment in available-for-sale investment	–	(690)
Net cash outflows from acquisition of subsidiary (Note 23)	–	(186)
Net cash outflows from acquisition of assets and liabilities (Note A)	–	(39,109)
Purchase of plant and equipment	(82)	–
Proceeds on disposal of plant and equipment	1	20
Proceeds from disposal of an associate	–	933
Proceeds from disposal of available-for-sale investment	1,013	–
Proceeds from disposal of intangible assets	–	29
Net cash from (used in) investing activities	5,735	(37,144)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	2012 US$'000	2011 US$'000
Financing activities		
Interest paid	(3,775)	(2,248)
Investment in available-for-sale investment	–	(84,169)
Proceeds from redemption of preference shares	8,100	–
Proceeds from new bank loans raised	–	84,229
Proceeds from shares issue	–	23,170
Proceeds from non-controlling shareholders	–	19,600
Repayment of term loans	(14,084)	(4,163)
Transaction costs on issuance of shares	–	(32)
Net cash (used in) from financing activities	(9,759)	36,387
Net decrease in cash and cash equivalents	(97)	(584)
Cash and cash equivalents at beginning of the year	3,449	4,036
Net effect of exchange rate changes due to cash and cash equivalents	–	(3)
Cash and cash equivalents at end of year	3,352	3,449

Note A

On 30 June 2011, the Group acquired the following assets and liabilities from CSOTL Offshore Limited for a cash consideration of US$39,240,000.

	2011 US$'000
Plant and equipment	175
Trade and other receivables	74,574
Cash and cash equivalents	131
Term loans	(2,310)
Trade and other payables	(33,330)
Net assets acquired and liabilities assumed	39,240

Net cash outflow on acquisition of assets and liabilities

Consideration transferred	39,240
Less: cash and cash equivalents acquired	(131)
Net cash outflow on acquisition of assets and liabilities	39,109

Note B

In 2011, one of the subsidiaries issued non-cumulative preference shares to its non-controlling shareholder amounting to US$3,920,000 which was settled by way of offsetting a corresponding payable to a related company of the major shareholder.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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 #02-02, 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 are detailed in Note 11 to the financial statements.

During the current and prior periods, the Group has been engaged by various subsidiaries of its major shareholder to provide chartering 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$11,344,000 (2011: US$5,516,000). Accordingly, the Group remains reliant on its major shareholder for its business.

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 2012 were authorised for issue by the Board of Directors on 21 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are 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").

ADOPTION OF NEW AND REVISED STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2012. The adoption of these new/revised FRS and INT FRS 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.

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

- Amendments to FRS 1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*
- Amendments to FRS 32 *Financial Instruments: Presentation and FRS107 Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- *Annual Improvements to FRS 2012*

Consequential amendments were also made to various standards as a result of these new revised standards.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Amendments to FRS 1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of Other Comprehensive Income ("OCI")*

The amendment on Other Comprehensive Income ("OCI") presentation will require the group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g., those arising from cash flow hedging, foreign currency translation) and those items that would not be recycled (e.g. revaluation gains on property, plant and equipment under the revaluation model). The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after 1 July 2012, with full retrospective application.

FRS 110 *Consolidated Financial Statements and FRS 27 Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities.*

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after 1 January 2014, with retrospective application subject to transitional provisions.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. FRS 112 will take effect from financial years beginning on or after 1 January 2014.

FRS 113 *Fair Value Measurement*

FRS 113 is a single new standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 Leases, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other standards regarding which items should be measured or disclosed at fair value.

FRS 113 will be effective prospectively from annual periods beginning on or after 1 January 2013. Comparative information is not required for periods before initial application.

The Group is currently estimating the effects of the above FRSs and amendments to FRS in the period of initial adoption.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 107 require entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to FRS 107 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to FRS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

The management anticipates that the application of amendments to FRS 107 will result in more extensive disclosures on offsetting financial assets and financial liabilities.

Annual Improvements to FRS 2012

The Annual Improvements include a number of amendments to various FRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. The amendments include:

- Amendments to FRS 16 *Property, Plant and Equipment*; and
- Amendment to FRS 32 *Financial Instruments: Presentation*

Amendments to FRS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in FRS 16 and as inventory if otherwise. The management does not anticipate that the amendments to FRS 16 will have a significant effect on the financial statements.

Amendments to FRS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with FRS 12 *Income Taxes*. The management anticipates that the amendments will have no effect on the financial statements as the Group has already adopted this treatment.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders 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 (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control 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 subsidiary. 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, the profit or loss on disposal 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries and associates 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 investment 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. 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.

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. With the exception of equity available-for-sale instruments, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 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.

Derecognition of financial liabilities

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group as lessee

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.

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.

PLANT AND EQUIPMENT – 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 or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Vessels	–	18 years
Computers	–	3 years
Renovation	–	3 years
Office furniture and equipment	–	3 to 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.

The gain or loss arising on disposal or retirement of an item of 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. 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 equity-settled employee benefits 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 income

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Management fees income

Management fees incomes are recognised in the period in which the services are rendered.

Dividend income

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

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 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, and is accounted for using the balance sheet liability method. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash at banks and on fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimation uncertainties as disclosed in (ii) below.

(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.

<u>Impairment of available-for-sale investments</u>

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 9.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (cont'd)

Impairment of plant and equipment

As at 31 December 2012, the Group's carrying amount of plant and equipment is approximately US$25,995,000 (2011: US$27,448,000). The Group reviews the carrying amount of the plant and equipment to determine whether there are any indicators of impairment. If any such indication exists, the recoverable amount of the plant and equipment is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. The value in use calculation requires management to estimate the future cash flows expected to arise from the plant and equipment and a suitable discount rate in order to calculate present value. As the exercise is based on both prospective financial and non-financial information, it is highly subjective in nature. Accordingly, actual outcome is likely to be different from that forecasted since anticipated events frequently do not occur as expected and the variation may be material. A change in any of the key variables underlying the cash flow forecast could have a significant impact on the value in use calculation.

Useful lives and residual values of plant and equipment

The carrying amount of plant and equipment disclosed in Note 10 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 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 plant and equipment were to shorten or the residual values of the plant and equipment were to reduce due to the changes in market price of steel, the carrying amount of 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

The Company reviews the carrying amount of its investment in a subsidiary 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 is no indicator of impairment. The carrying amount of the investment in subsidiaries is approximately US$24,798,000 (2011: US$24,798,000) as disclosed in Note 11 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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**	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Financial assets				
Loans and receivables (including cash and cash equivalents)	7,045	12,753	9,833	7,390
Available-for-sale investments	115,736	124,526	86	776
	122,781	137,279	9,919	8,166
Financial liabilities				
Amortised cost	85,765	108,609	220	639

(b) Financial risk management policies and objectives

(i) 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, 100% (2011: 48.2%) of the Group's trade receivables are due from related parties.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

(ii) Foreign exchange risk management

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Singapore dollar against the United States dollar.

At the end the reporting period, the carrying amount of significant monetary assets and liabilities (including intercompany balances) denominated in currencies other than the respective group entities' functional currencies are as follows:

	The Group*				**The Company**			
	Liabilities		**Assets**		**Liabilities**		**Assets**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Singapore dollar	220	198	336	455	72	72	318	418
United States dollar	–	2,692	41,257	45,929	–	–	–	–
Norwegian kroner	–	107	–	–	–	107	–	–

** Figures include intercompany financial assets and liabilities denominated in currencies other than the respective group entities' functional currencies.*

The Group has an investment in a foreign subsidiary, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

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 by 5% against the functional currency of each group entity as at the year end, impact on profit before tax will increase by:

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollar	6	13	12	17
United States dollar	2,063	2,162	–	–

If the relevant foreign currency weakens by 5% against the functional currency of each group entity as at the year end, impact on profit before tax would decrease by the same amount.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

(iii) Interest rate risk management

The Group is exposed to interest rate risk mainly through its variable rate borrowings undertaken during the period.

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$389,000 (2011: US$232,000).

As the Company does not hold interest-bearing assets or liabilities, no sensitivity analysis has been presented.

(iv) Liquidity risk management

At the end of the reporting period, the Group's total current liabilities exceed its total current assets by US$9,558,000 (2011: US$12,526,000). Management is of the view that they 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.

If the Group is unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to reclassify non-current assets as current assets. No such adjustments have been made as at the date of this report.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

Liquidity and interest risk analyses

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.

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	After 5 years US$'000	Adjustment US$'000	Total US$'000
Group						
2012						
Non-interest-bearing		2,541	–	–	–	2,541
Variable interest rate instruments	4.06	15,471	59,193	12,402	(9,180)	77,886
Fixed interest rate instruments	11.24	1,760	4,058	–	(480)	5,338
		19,772	63,251	12,402	(9,660)	85,765
2011						
Non-interest-bearing	–	11,301	–	–	–	11,301
Variable interest rate instruments	4.08	16,132	61,328	26,242	(13,169)	90,533
Fixed interest rate instruments	11.24	1,755	5,818	–	(798)	6,775
		29,188	67,146	26,242	(13,967)	108,609

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$115,650,000 (2011: US$123,750,000) which is not expected to be realised within the next 12 months and are measured at fair value.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

Company

All financial assets and liabilities are due within one year from the end of the reporting period and are non-interest bearing except for available-for-sale investment amounting to US$Nil (2011: US$690,000).

The Company issued guarantees for bank loans and counter indemnities to the extent of US$101,117,000 (2011: US$101,117,000) to banks. The earliest period that the guarantee could be called is within 1 year (2011: 1 year) from the end of the reporting period. Management considers that it is more likely than not that no amount will be payable under these financial guarantee arrangements.

(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.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- unquoted equity investments (Note 9) are measured at cost less accumulated impairment loss because their fair value cannot be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At the end of the reporting period, the Group has available-for-sale investments ("AFS") amounting to US$115,650,000 (2011: US$123,750,000) and this has been measured at fair value based on Level 3. As at 31 December 2012 and 2011, the Group recorded its AFS at cost as it closely represents the fair value of the investments.

(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 structure of the Group consists of debt, which includes the borrowings disclosed in Note 12, and equity attributable to owners of the Company, comprising issued capital and reserves.

The Group's overall strategy remains unchanged from 2011.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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 transactions with related companies of its major shareholder:

	Group	
	2012	**2011**
	US$'000	**US$'000**
Charter hire and brokerage income	(5,013)	(3,192)
Dividend income	(6,331)	(2,324)
Management fees	308	347

Compensation of directors and key management personnel

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

	Group	
	2012	**2011**
	US$'000	**US$'000**
Short-term benefits	1,121	812
Post-retirement benefits	13	13
	1,134	825

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	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash at bank	3,352	3,449	1,819	1,868

Cash and cash equivalents mainly comprise cash held at bank. The carrying amounts of these assets approximate their fair values.

Significant cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollar	329	452	311	415

NOTES TO FINANCIAL STATEMENTS

31 December 2012

7 TRADE RECEIVABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Outside parties	–	1,188	–	91
Related party (Note 5)	432	1,106	–	–
Total	432	2,294	–	91

The credit period on services rendered is 30 days (2011: 30 days). No interest is charged on the outstanding balance.

Trade receivables amounting to US$431,000 (2011: US$1,096,000) are secured by a corporate guarantee from its major shareholder.

Allowance for trade receivables is provided for based on estimated irrecoverable amounts from services provided, determined by reference to past default experience. No allowances are made in current and prior periods as management is of the view that these receivables are recoverable.

As at 31 December 2012, included in the Group's trade receivables balance are debtors with a carrying amount of US$Nil (2011: US$1,772,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. In 2011, the average age of these receivables was 155 days.

Significant trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2012	**2011**
	US$'000	**US$'000**
United States dollar	–	1,053

NOTES TO FINANCIAL STATEMENTS

31 December 2012

8 OTHER RECEIVABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Subsidiaries	–	–	8,006	5,353
Related party (Note 5)	3,226	5,059	–	–
Outside parties	34	1,950	7	77
Prepayments	21	20	21	12
Deposits	1	1	1	1
Total	3,282	7,030	8,035	5,443

Amount due from subsidiaries is unsecured, interest-free and repayable in demand.

The group has written off other receivables amounting to US$1,134,000 (2011: US$Nil) during the year ended 31 December 2012 as management is of the view such receivables are no longer recoverable.

Significant other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollar	7	3	7	3
United States dollar	1,676	5,295	–	–

9 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Available-for-sale investments, at cost				
Unquoted equity shares (a)	86	776	86	776
Less: Presented as current asset	(86)	(86)	(86)	(86)
Presented as non-current asset	–	690	–	690
Available-for-sale investments, at fair value (Level 3)				
Unquoted preference shares (b)	115,650	123,750	–	–
Total	115,650	124,440	–	690

NOTES TO FINANCIAL STATEMENTS

31 December 2012

9 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 the Company's major shareholder, 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.

Subsequent to the conversion, ROPL redeemed US$8,100,000 (2011: US$31,250,000) of cumulative preference shares from the Group, resulting in a net balance of US$115,650,000 (2011: US$123,750,000) as at end of the reporting period. For the financial year ended 31 December 2012, US$8,100,000 was redeemed by cash. In 2011, the redemption did not result in any cash flow as it was settled by way of offsetting a corresponding payable to a related company of ROPL.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

10 PLANT AND EQUIPMENT

	Computers US$'000	Office furniture and equipment US$'000	Renovation US$'000	Vessels US$'000	Total US$'000
Group					
Cost:					
At 1 January 2011	18	10	–	7,500	7,528
Acquisition of subsidiaries (Note 23)	–	–	–	21,076	21,076
Additions	60	115	–	–	175
Disposals	(34)	(113)	–	–	(147)
At 31 December 2011	44	12	–	28,576	28,632
Additions	–	–	82	–	82
Disposals	(29)	(4)	–	–	(33)
At 31 December 2012	15	8	82	28,576	28,681
Accumulated depreciation:					
At 1 January 2011	4	6	–	231	241
Depreciation for the financial year	14	2	–	937	953
Disposals	(10)	–	–	–	(10)
At 31 December 2011	8	8	–	1,168	1,184
Depreciation for the financial year	19	1	20	1,478	1,518
Disposal	(14)	(2)	–	–	(16)
At 31 December 2012	13	7	20	2,646	2,686
Carrying amount:					
At 31 December 2012	2	1	62	25,930	25,995
At 31 December 2011	36	4	–	27,408	27,448

Certain of the Group's plant and equipment with a total carrying amount of US$25,930,000 (2011: US$27,408,000) were mortgaged to facilities institutions for facilities granted.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

10 PLANT AND EQUIPMENT (CONT'D)

	Computers US$'000	Office furniture and equipment US$'000	Renovation US$'000	Total US$'000
Company				
Cost:				
At 1 January 2011	18	10	–	28
Disposals	(4)	–	–	(4)
At 31 December 2011	14	10	–	24
Additions	–	–	82	82
Disposals	(3)	(2)	–	(5)
At 31 December 2012	11	8	82	101
Accumulated depreciation:				
At 1 January 2011	4	6	–	10
Depreciation for the financial year	5	1	–	6
Disposals	(2)	–	–	(2)
At 31 December 2011	7	7	–	14
Depreciation for the financial year	4	1	20	25
Disposals	(2)	(1)	–	(3)
At 31 December 2012	9	7	20	36
Carrying amount:				
At 31 December 2012	2	1	62	65
At 31 December 2011	7	3	–	10

NOTES TO FINANCIAL STATEMENTS

31 December 2012

11 SUBSIDIARIES

	Company	
	2012	**2011**
	US$'000	**US$'000**
Unquoted equity shares, at cost	20,718	20,718
Unquoted preference shares	4,080	4,080
	24,798	24,798

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.

Details of the subsidiaries are as follows:

Name of subsidiary	**Proportion of ownership interest/ voting power held 2012 %**	**2011 %**	**Principal activities/ Country of incorporation and operations**
Vallianz Samson Pte Ltd [(1)]	100	100	Vessel ownership and chartering/ Singapore
Vallianz Marine Pte Ltd [(1)] [(4)]	51	51	Vessel ownership and chartering/ Singapore
Vallianz 4000 Pte Ltd [(3)]	100	100	Dormant/Singapore
Resolute Pte Ltd [(1)]	51	51	Investment holding/Singapore
CSOTL Offshore Limited [(2)]	51	51	Dormant/Thailand

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

(2) *Audited by another firm of auditors, PYS Audit Company Limited.*

(3) *Exempted from audit by law in the country of incorporation.*

(4) *In 2011, the subsidiary was acquired during the year for a cash consideration of US$217,000 for 51% equity interest (Note 23).*

NOTES TO FINANCIAL STATEMENTS

31 December 2012

12 TERM LOANS

	Group	
	2012	2011
	US$'000	US$'000
Loans	83,224	97,308
Less: Amount due for settlement within 12 months (shown under current liabilities)	(14,169)	(14,084)
Amount due for settlement after 12 months	69,055	83,224

The Group has 6 (2011: 6) bank loans with repayment terms commencing from August 2010 to June 2018.

Loans amounting to approximately US$3,157,000 (2011: US$4,204,000) are subject to interest rates of 3.82% above the cost of funds while loan amounting to approximately US$1,500,000 (2011: US$2,100,000) carries interest at 3.75% above LIBOR per annum. Another loan amounting to approximately US$73,229,000 (2011: US$84,229,000) is subject to interest at 3.50% above LIBOR per annum. Accordingly, interest rates are subject to change according to prevailing market conditions and/or at bank's discretion. The carrying amount of these loans approximates the fair value as the interest rates approximate the prevailing market rates. The average effective interest rate of the loans is 4.06% (2011: 4.08%).

The remaining bank loans of US$5,338,000 (2011: US$6,775,000) are arranged at fixed interest rates. The average effective interest rate is 11.24% (2011: 11.24%). Management estimates the fair value of the Company's borrowings, by discounting their future cash flows at the market rate, to be US$4,889,000 (2011: US$6,090,000).

Term loans are denominated in the functional currency of the respective group entities.

The bank loans are secured by:

(i) first legal mortgage over the vessels of the Group (Note 10) 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) assignment of earnings/charter proceeds in respect of some of the vessels mentioned above; and/or
(iv) the unquoted cumulative preference shares held by the Group (Note 9).

NOTES TO FINANCIAL STATEMENTS

31 December 2012

13 TRADE PAYABLES

	Group	
	2012	**2011**
	US$'000	**US$'000**
Related parties (Note 5)	–	4
Outside parties	–	2,430
	–	2,434

The average credit period on trade payables was 30 days in 2011.

Significant trade payables that are not denominated in the functional currencies of the respective entities:

	Group	
	2012	**2011**
	US$'000	**US$'000**
United States dollar	–	2,340

14 OTHER PAYABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Related parties (Note 5)	2,287	2,740	148	–
Accruals	99	5,485	34	96
Other payables	155	642	38	543
	2,541	8,867	220	639

Significant other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollar	220	198	72	72
United States dollar	–	352	–	–
Norwegian kroner	–	107	–	107

NOTES TO FINANCIAL STATEMENTS

31 December 2012

15 SHARE CAPITAL

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares			
	'000	'000	US$'000	US$'000
At beginning of year	1,189,412	594,706	54,647	31,509
Issuance of shares pursuant to:				
Share placement exercise	–	594,706	–	23,170
Transaction costs	–	–	–	(32)
At the end of the year	1,189,412	1,189,412	54,647	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.

The newly issued ordinary shares in 2011 rank pari passu in all respects with the existing shares of the Company.

16 REVENUE

	Group	
	2012	2011
	US$'000	US$'000
Charter hire and brokerage income	5,013	3,554
Dividend income	6,331	2,324
Management fees income	175	–
	11,519	5,878

17 OTHER INCOME

	Group	
	2012	2011
	US$'000	US$'000
Gain on disposal of available-for-sale investment	323	–
Foreign exchange gain	–	1,987
Dividend income	21	10
Gain on bargain purchase	–	24
Interest income	–	1
Reversal of accruals(1)	5,000	–
Others	6	65
	5,350	2,087

(1) *Relates to reversal of costs for projects undertaken by one of its subsidiaries which management has assessed and is of the view that these accruals are no longer required.*

NOTES TO FINANCIAL STATEMENTS

31 December 2012

18 FINANCE COSTS

	Group	
	2012	**2011**
	US$'000	**US$'000**
Interest expense to outside parties	3,802	2,248

19 INCOME TAX

Domestic income tax is calculated at 17% (2011: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. 2 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.

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

	Group	
	2012	**2011**
	US$'000	**US$'000**
Profit before tax	5,482	1,465
Income tax expense calculated at 17% (2011: 17%)	932	249
Effect of expenses (income) that are not deductible (taxable)	141	(360)
Effect of income that are not subject to tax	(1,783)	(604)
Effect of different tax rates of subsidiaries operating in other jurisdictions	58	123
Tax losses not carried forward	550	304
Effect of deferred tax assets previously not recognised now utilised	(225)	–
Effect of unused tax losses not recognised as deferred tax assets	327	288
Total	–	–

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

	Group	
	2012	**2011**
	US$'000	**US$'000**
Amount at beginning of year	4,663	1,269
Adjustment during the year	1,611	1,876
Utilised in current year	(979)	–
Arising during current year	1,923	1,518
	7,218	4,663
Deferred tax benefit on above not recorded	1,279	823

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

20 PROFIT FOR THE YEAR

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

	Group	
	2012 US$'000	2011 US$'000
Audit fees to auditors of the Company	66	60
Depreciation of plant and equipment	1,518	953
Directors' remuneration (including directors' fees)	817	572
Employee benefits expense (including directors' remuneration)	1,187	908
Defined contribution benefits included in employee benefits expense	18	20
Foreign exchange loss (gain), net	844	(1,987)
Loss on disposal of plant and equipment	16	117
Loss on disposal of associate	–	16
Write-off of other receivables	1,134	–

21 EARNINGS PER SHARE

	2012 US$'000	2011 US$'000
Earnings		
Profit for the year attributable to owners of the Company	2,411	794

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,189,412	1,156,825

	2012 US cents	2011 US cents
Basic and diluted earnings per share	0.20	0.07

Basic and diluted earnings per share are the same as the Group did not have any dilutive potential ordinary shares outstanding as at the end of the reporting period.

22 DIVIDEND

In respect of current year, the directors propose a dividend of 0.04 US cents per share be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is US$500,000. No dividends were proposed for the year ended 31 December 2011.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

23 ACQUISITION OF SUBSIDIARY

2011

On 30 June 2011, the Group acquired 51% of the issued share capital of Vallianz Marine Pte Ltd for a cash consideration of US$217,000. This transaction was accounted for by the acquisition method of accounting and the fair values of assets and liabilities acquired have been disclosed below.

Vallianz Marine Pte Ltd ("VMPL") is an entity incorporated in the Republic of Singapore with its principal activity as a ship charterer. The Group acquired VMPL in order to expand its fleet of vessels.

	2011 US$'000
Plant and equipment	21,076
Trade and other receivables	3,388
Cash and cash equivalents	31
Term loans	(12,191)
Trade and other payables	(11,832)
Net assets acquired and liabilities assumed	472
Consideration transferred	217
Plus: Non-controlling interests	231
Less: Fair value of identifiable net assets acquired	(472)
Gain on bargain purchase	(24)

The gain on bargain purchase had been recorded in "other income" line item in the consolidated statement of comprehensive income during the year ended 31 December 2011.

Acquisition-related costs amounted to US$10,000 had been excluded from the consideration transferred and had been recognised as an expense in 2011, within the 'administrative expenses' line item in the consolidated statement of comprehensive income.

Non-controlling interests were measured at the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets.

	2011 US$'000
Net cash outflow on acquisition of subsidiary	
Consideration transferred	217
Less: cash and cash equivalents acquired	(31)
Net cash outflow on acquisition of subsidiary	186

Included in the profit for the year ended 31 December 2011 was US$300,000 attributable to the subsidiary acquired. Revenue for the same period from the subsidiary amounted to US$1,913,000.

Had the business combination during the year been effected at 1 January 2011, the revenue of the Group would have been US$7,458,000 and the profit for the year ended 31 December 2011 from continuing operations would have been US$1,750,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

24 OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group hires out its vessels under operating leases. Charter hire income of US$5,013,000 (2011: US$3,192,000) was earned.

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

	Group	
	2012	**2011**
	US$'000	**US$'000**
Future minimum lease receivable:		
Within 1 year	5,074	5,087
After 1 year but within 5 years	9,700	14,774
	14,774	19,861

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

25 COMMITMENT

The Company provided corporate guarantees of US$101,117,000 (2011: US$101,117,000) for loans taken by its subsidiaries and management is of the view that the fair value of the guarantees is not material.

26 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: leasing of owned vessels; and
(ii) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

26 SEGMENT INFORMATION (CONT'D)

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

	Vessel chartering and brokerage US$'000		**Investment holding US$'000**		**Group US$'000**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
REVENUE						
External sales	5,188	3,554	6,331	2,324	11,519	5,878
RESULTS						
Segment results	2,974	1,543	6,310	2,170	9,284	3,713
Finance costs	(586)	(618)	(3,216)	(1,630)	(3,802)	(2,248)
Profit before tax					5,482	1,465
Income tax					–	–
Profit for the year					5,482	1,465
Segment assets and segment liabilities						
Segment assets	31,478	39,524	117,319	125,223	148,797	164,747
Segment liabilities	11,661	23,507	74,104	85,102	85,765	108,609
Other information						
Depreciation of plant and equipment	1,518	953	–	–	1,518	953
Foreign exchange loss (gain), net	844	(1,980)	–	(7)	844	(1,987)
Write-off of other receivables	1,134	–	–	–	1,134	–
Loss on disposal of plant and equipment	16	117	–	–	16	117

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

26 SEGMENT INFORMATION (CONT'D)

Geographical information

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

Major customer information

During the year, the Group derived vessel chartering and brokerage revenue amounting to approximately of US$5,013,000 (2011: US$3,192,000) from related companies of its major shareholder.

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

27 EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Resolute Offshore Pte Ltd redeemed US$5,250,000 of preference shares from the Group, resulting in net balance of US$110,400,000 of unquoted preference shares in Resolute Offshore Pte Ltd.

SHAREHOLDINGS STATISTICS

As at 6 March 2013

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	14	0.58	524	0.00
1,000 – 10,000	347	14.27	1,849,388	0.16
10,001 – 1,000,000	1,967	80.91	333,628,000	28.05
1,000,001 AND ABOVE	103	4.24	853,934,210	71.79
TOTAL	**2,431**	**100.00**	**1,189,412,122**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	No. OF SHARES HELD	%
1	SWIBER HOLDINGS LIMITED	343,534,986	28.88
2	LARIX INTERNATIONAL LIMITED	47,130,026	3.96
3	TOH BOON KENG	45,350,000	3.81
4	ANG PANG CHEE	27,763,000	2.33
5	OCBC SECURITIES PRIVATE LIMITED	27,564,198	2.32
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	26,856,000	2.26
7	ANG KIAN KOK	23,803,000	2.00
8	SRI SUHARTI	18,500,000	1.56
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	17,019,000	1.43
10	PHILLIP SECURITIES PTE LTD	14,635,000	1.23
11	MAYBANK KIM ENG SECURITIES PTE LTD	13,240,000	1.11
12	GOH CHAI SIN	9,800,000	0.82
13	LIAU SAI LANG	9,756,000	0.82
14	DMG & PARTNERS SECURITIES PTE LTD	8,213,000	0.69
15	HO KENG TIONG	8,000,000	0.67
16	DBS NOMINEES PTE LTD	7,087,000	0.60
17	THAM KEANG CHUNG	6,430,000	0.54
18	OCBC NOMINEES SINGAPORE PTE LTD	6,081,000	0.51
19	BOO SONG HENG PETER	6,000,000	0.50
20	KONG PAU FOOK	5,850,000	0.49
	TOTAL	**672,612,210**	**56.53**

CLASS OF SHARES	NO. OF SHARES	%
ORDINARY	1,189,412,222	100.00
TREASURY	NIL	0.00
TOTAL ISSUED SHARES	1,189,412,122	100.00

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

SUBSTANTIAL SHAREHOLDER

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
SWIBER HOLDINGS LIMITED	343,534,986	28.88	NIL	0.00

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Based on information available to the Company as at 6 March 2013, 71.08% 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

VALLIANZ HOLDINGS LIMITED

(Company Registration No. 199206945E)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 12 International Business Park, #03-02 Swiber@IBP, Singapore 609920 on Monday, 15th day of April 2013 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 2012 and the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final (tax exempt one-tier) dividend of 0.04 US cents per share for the financial year ended 31 December 2012. **(Resolution 2)**

3. To re-elect Mr. Bote de Vries a Director who is retiring pursuant to Article 105 of the Company's Articles of Association. **(Resolution 3)**

   Mr. Bote de Vries shall, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration 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").

4. To re-elect Mr. Yeo Chee Neng a Director who is retiring pursuant to Article 109 of the Company's Articles of Association. **(Resolution 4)**

5. To approve Directors' fees of US$195,000 for the financial year ending 31 December 2013. **(Resolution 5)**

6. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting 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 Annual General Meeting.

AS SPECIAL BUSINESS

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

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

NOTICE OF ANNUAL GENERAL MEETING

(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 Annual General Meeting or such date by which the next Annual General Meeting 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 (a)] **(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 ("Shares") 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");

NOTICE OF ANNUAL GENERAL MEETING

(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 Annual General Meeting 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 Annual General Meeting was held and expiring on the date the next Annual General Meeting 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

NOTICE OF ANNUAL GENERAL MEETING

(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 (b)] **(Resolution 8)**

10. Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions

"That:

(1) approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules of the SGX-ST, 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 28 March 2013 (the "Letter to Shareholders") appended to the Annual Report, with any party 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 "Shareholders' Mandate");

(2) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting 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 Shareholders' Mandate and/or this Resolution."

[See Explanatory Note (c)] **(Resolution 9)**

11. Authority to grant options and to issue shares under the Vallianz Employee Share Option Scheme

"That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Vallianz Employee Share Option Scheme ("the Scheme"), and, pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme, when aggregated together with shares issued and/or issuable pursuant to any other existing share schemes or plans of the Company for the time being shall not exceed fifteen per cent (15%) of the total number of issued share capital of the Company excluding treasury shares from time to time."

[See Explanatory Note (d)] **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

12. Authority to grant awards and to issue shares under Vallianz Performance Share Plan

    "That authority be and is hereby given to the Directors of the Company to grant awards in accordance with the provisions of Vallianz Performance Share Plan ("Plan") and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of award provided always that the aggregate number of shares to be issued or issuable pursuant to the Plan when aggregated together with shares issued and/or issuable pursuant to any other existing share schemes or plans of the Company for the time being shall not exceed fifteen per cent. (15%) of the total number of issued share capital of the Company excluding treasury shares from time to time."

    [See Explanatory Note (e)] **(Resolution 11)**

BY ORDER OF THE BOARD

Lee Bee Fong (Ms)
Company Secretary
28 March 2013

Singapore

Explanatory Notes:

(a) 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 Annual General Meeting, or the date by which the next Annual General Meeting 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.

(b) 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 Annual General Meeting of the Company, or the date by which the next Annual General Meeting 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 28 March 2013 appended to the Annual Report for details.

(c) The Ordinary Resolution 9 above, if passed, allows the Company, and its subsidiaries and to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual Section B Rules of Catalist of the SGX-ST.

(d) The Ordinary Resolution 10 above, if passed, will empower the Directors of the Company to offer and grant options under the Vallianz Employee Share Option Scheme ("the scheme") and to allot and issue shares upon the exercise of such options in accordance with the Scheme provided that the maximum number of ordinary shares issued pursuant to the Scheme and the Plan shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time. The Company has changed the name of its Employee Share Option Scheme from Enzer Employee Share Option Scheme to Vallianz Employee Share Option Scheme via a Remuneration Committee's written resolution dated 18 March 2013.

(e) The Ordinary Resolution No. 11, if passed, will empower the Directors of the Company to grant awards and to allot and issue shares in accordance with the Vallianz Performance Share Plan ("the plan") provided that the maximum number of ordinary shares issued pursuant to the Plan and the Scheme shall not 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. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than 2 proxies to attend and vote in his stead.

2. A proxy need not be a member of the Company.

3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 12 International Business Park, #02-02 Swiber@IBP, Singapore 609920 not later than 48 hours before the time appointed for the Meeting.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Transfer Book and the Register of Members of the Company will be closed at 5.00 p.m. on 22 April 2013, for the purpose of determining members' entitlements to the first and final (tax exempt one-tier) dividend of 0.04 cents per share for the financial year ended 31 December 2012 (the "Proposed Dividend").

Duly completed registrable transfers received by the Company's Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) of 80 Robinson Road #02-00 Singapore 068898, up to 5.00 p.m. on 22 April 2013 will be registered to determine members' entitlements to the Proposed Dividend. The Proposed Dividend, if approved at the Annual General Meeting to be held on 15 April 2013, will be paid on 14 May 2013.
Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 22 April 2013 will be entitled to the Proposed Dividend.

BY ORDER OF THE BOARD

Lee Bee Fong (Ms)
Company Secretary
28 March 2013

Singapore

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VALLIANZ HOLDINGS LIMITED
(Company Registration No. 199206945E)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy VALLIANZ HOLDINGS LIMITED 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.

PROXY FORM

*I/We ______________________________ of ______________________________

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 2013 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.

No.	Ordinary Resolutions	For**	Against**
1.	Adoption of Directors' Report and Accounts for the financial year ended 31 December 2012		
2.	Declaration of first and final (tax exempt one-tier) dividend of 0.04 US cents per share for the financial year ended 31 December 2012		
3.	Re-election of Director pursuant to Article 105 – Mr. Bote de Vries		
4.	Re-election of Director pursuant to Article 109 – Mr. Yeo Chee Neng		
5.	Approval of the Directors' fees of US$195,000 for the financial year ending 31 December 2013		
6.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remunerations		
7.	Authority to allot and issue shares pursuant to the Share Issue Mandates		
8.	Proposed Renewal of Share Buyback Mandate		
9.	Proposed Renewal of Shareholders' Mandate for Interested Person Transactions		
10.	Authority to grant options and issue shares under the Vallianz Employee Share Option Scheme		
11.	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 ______________ 2013

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
*Signature(s) of Member(s)/Common Seal

IMPORTANT: Please read notes overleaf

AFFIX

STAMP

The Company Secretary
VALLIANZ HOLDINGS LIMITED
12 International Business Park
#02-02 Swiber@IBP
Singapore 609920

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, #02-02 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.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

VALLIANZ HOLDINGS LIMITED
Company Registration No. 199206945E

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