
CESSATION OF ASSIGNMENT OF ECONOMIC RIGHTS IN RAWABI VALLIANZ OFFSHORE SERVICES LIMITED

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or “**Directors**”) of Vallianz Holdings Limited (the “**Company**”, and together with its subsidiaries and associated companies, the “**Group**”) refers to the announcement dated 31 March 2021 in relation to, *inter alia*, assignment by Rawabi Holding Company Limited (“**RHC**”) to Rawabi Energy Company (“**REC**”, collectively with RHC, the “**Rawabi Assignor Entities**”) of its shares in Rawabi Vallianz Offshore Services Limited (“**RVOS**”) and the proposed assignment of economic rights of RVOS to a wholly-owned subsidiary of the Company, Vallianz Investment Capital Pte Ltd (“**VIC**”).
- 1.2 As background, the Group, through Vallianz Capital Ltd, had entered into an assignment agreement dated 2 May 2014 with RHC, whereby the economic interests in RVOS held by RHC were assigned to the Group. Pursuant to a restructuring of the Group, shares in the capital of RVOS held by Vallianz Capital Ltd were transferred to Vallianz International Pte. Ltd. on 16 March 2015 and subsequently transferred from Vallianz International Pte. Ltd. to VIC on 31 December 2017. Pursuant to the transfer of shares to VIC, the Group, through VIC, had entered into an assignment agreement dated 8 January 2018 with RHC.

2. CESSATION OF ASSIGNMENT OF ECONOMIC RIGHTS BY THE RAWABI ASSIGNOR ENTITIES

- 2.1 The Board wishes to announce that the Rawabi Assignor Entities have issued a cessation letter dated 30 May 2021 (the “**Cessation Letter**”) such that the assignment agreement dated 8 January 2018 shall no longer be in force with effect from 31 December 2020 (the “**Cessation Date**”), whereby the agreement provides that in consideration of VIC providing financing and funding for vessels required for the business of RVOS and fleet management expertise to RVOS, RHC had assigned the economic interest in RVOS held by RHC to VIC (the “**Assignment**”).
- 2.2 With effect from the Cessation Date, the Assignment shall cease and therefore, all economic interest of all shares in the capital of RVOS as held by the Rawabi Assignor Entities shall cease to be assigned to VIC (the “**Cessation**”).
- 2.3 The Cessation is due to (a) the inability of the Group to continue providing financing and funding (including corporate guarantees) for the vessels of RVOS; and (b) given the size of RVOS’ fleet, complexity of RVOS’ operations and the high customer interface requirement, the fleet management expertise from the Group was replaced by RVOS’ local operations management team.
- 2.4 Notwithstanding the Cessation, it is to be noted that RVOS is still an “entity-at-risk” pursuant to Rule 904(2)(c) of Section B: Rules of Catalist of the listing manual of the Singapore Exchange Securities Trading Limited (the “**Catalist Rules**”) and an “interested person” under Chapter 9 of the Catalist Rules. Transactions between the Group and RVOS and between RVOS and RHC and its subsidiaries (the “**RHC Group**”) are “interested person transactions” under Chapter 9 of the Catalist Rules. The Company had recently obtained shareholders’ approval at the extraordinary general meeting held on

27 April 2021 under the Revised Rawabi IPT Mandate to cover ongoing interested person transactions between the Group and RHC Group. For further information on the Revised Rawabi IPT Mandate, please refer to the circular dated 12 April 2021.

3. FINANCIAL INFORMATION OF THE GROUP

3.1 Arising from the above, the results of RVOS were therefore accounted for in the financial statements of the Group for the year ended 31 March 2021 (“FY2021”), as announced on 30 May 2021, as follows:

- (a) For the first half year period from 1 April 2020 to 30 September 2020, the results of RVOS were consolidated as a wholly-owned subsidiary;
- (b) For the third quarter of FY2021 from 1 October 2020 to 31 December 2020, the results of RVOS were equity accounted on the basis of the Group having full economic interest in RVOS; and
- (c) For the fourth quarter of FY2021 from 1 January 2021 to 31 March 2021, the results of RVOS were equity accounted on the basis of the Group having 40.7% interest in RVOS, in line with the Group’s 40.7% shareholding interest in RVOS pursuant to the completion of the rights issue of RVOS in December 2020 which the Group did not participate in as announced by the Company on 31 March 2021.

Please refer to the Company’s announcement dated 30 May 2021 for further information relating to the unaudited financial statements of the Group for FY2021 (“**Actual FY2021 Results**”).

3.2 We have set out the Actual FY2021 Results in the table below and also provided an illustration of the pro forma financials of the Group for FY2021, on the assumption that the Cessation was effected on 1 April 2020 and the Group equity accounts for its direct 40.7% interest in RVOS since 1 April 2020 (“**Pro Forma**”).

Such pro forma financial statements of the Group are for illustrative purposes only and do not reflect the future financial results or position of the Group after the Cessation.

Statement of Financial Position

As at 31 March 2021	Actual FY2021 Results	Pro Forma	Variance
	US\$'000	US\$'000	
ASSETS			
Current Assets			
Cash and cash equivalents	6,713	6,713	-
Trade receivables	7,428	7,428	-
Other receivables	10,094	10,094	-
Inventories	725	725	-
Financial assets at fair value through other comprehensive income	31,729	31,729	-
Non-current assets			
Monies pledged with banks	699	699	-
Property, plant and equipment	68,233	68,233	-
Right-of-use	600	600	-
Investment in Associate	175,598	168,891	(4%)
Total assets	301,819	295,112	(2%)
LIABILITIES AND EQUITY			
Current liabilities			
Term loans	32,680	32,680	-

Trade payables	36,565	36,565	-
Other payables	38,900	38,900	-
Lease liability	225	225	-
Income tax payable	27	27	-
Non-current liabilities			
Term loans	142,545	142,545	-
Retirement benefit obligation	536	536	-
Lease liability	382	382	-
Deferred tax liabilities	1,780	1,780	-
Capital and reserves			
Share Capital	347,746	347,746	-
Perpetual capital securities	22,500	22,500	-
Foreign currency translation reserve	(46)	(46)	-
Other reserve	(607)	(248)	(59%)
Shareholders' advance	115,582	115,582	-
Retained earnings	(417,102)	(424,168)	2%
Equity attributable to owners of the Company and capital securities	68,073	61,366	(10%)
Non-controlling interests	(19,894)	(19,894)	-
Total equity	48,179	41,472	(14%)
Total liabilities and equity	301,819	295,112	(2%)

Consolidated Income Statement

FY2021	Actual FY2021 Results	Pro forma	Variance
	US\$'000	US\$'000	
Revenue	88,599	30,704	(65%)
Cost of sales	(86,293)	(39,756)	(54%)
Gross profit/(loss)	2,306	(9,052)	N.M
Other income	2,958	2,904	(2%)
Administrative expenses	(10,446)	(7,467)	(29%)
Other operating expenses	(2,106)	(2,107)	0%
Finance cost	(17,464)	(7,711)	(56%)
Share of results of associate	8,216	(169)	N.M
Exceptional item	(8,517)	(8,517)	-
Loss before tax	(25,053)	(32,119)	28%
Income tax expense	91	91	-
Loss for the period	(24,962)	(32,028)	28%

N.M. – Not meaningful

4. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

- 4.1 None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Cessation other than in their respective capacities as directors and/or shareholders of the Company and/or RVOS, RHC and REC (as the case may be).

5. TRADING CAUTION

- 5.1 Shareholders are advised to exercise caution when trading in the shares of the Company. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the action they should take.

BY ORDER OF THE BOARD

Ling Yong Wah
Chief Executive Officer
30 May 2021

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