

Vallianz Holdings Limited
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ASSIGNMENT OF ECONOMIC RIGHTS IN RAWABI VALLIANZ INTERNATIONAL COMPANY LIMITED

1. Introduction

The Board of Directors ("**Board**") of Vallianz Holdings Limited ("**Company**") and together with its subsidiaries, the ("**Group**") wishes to announce that Vallianz Investment Capital Pte Ltd ("**VIC**"), a wholly-owned subsidiary of the Company, had on 31 March 2020 agreed with Rawabi Holding Company LLC. ("**RHC**"), the Company's controlling shareholder, wherein RHC will assign its 50% economic rights in Rawabi Vallianz International Company Limited ("**RVIC**") to VIC with effect from 1 October 2019 ("**Assignment**").

RVIC is a joint venture company incorporated in the Kingdom of Saudi Arabia and equally owned by VIC and RHC. On 15 December 2015, the Company announced the refinancing exercise which enabled the Group to separate the ownership of vessels under RVIC from the operation of vessels under Rawabi Vallianz Offshore Services Limited ("**RVOS**"), where RVOS is the operator of off-shore oil field services while RVIC is in the business of acquiring and leasing ships to oil field service providers like RVOS.

RVOS is a company incorporated in the Kingdom of Saudi Arabia, previously jointly owned by RHC and Swiber Offshore Services Co. Ltd. ("**SOS**"). On 1 October 2013, the Group acquired 50% of the issued and paid-up capital of RVOS from SOS. Following the assignment by RHC of its 50% economic rights in RVOS to the Group with effect from 1 January 2014, the Group had consolidated RVOS as its wholly-owned subsidiary, as the Group has the ability to direct the business activities of RVOS and enjoys all the economic benefits of RVOS.

Since RVIC's incorporation, the Group had treated RVIC as a joint venture entity and equity accounted the financial results of RVIC. RVIC had raised bank financing to own the vessels which it then charters to RVOS for a fee. RVOS in turn charter these vessels to its customers at commercial charter rates.

Following the Assignment, the Group will be consolidating the financial results of RVIC as its wholly-owned subsidiary with effect from 1 October 2019.

2. Rationale for the Assignment

Under RVIC's present financing arrangement, RVOS pays fees to RVIC for the vessels that RVIC leases to RVOS which essentially cover the financing obligations of RVIC comprising principal and interest payments. The Group categorizes these fees payable to RVIC as cost of sales in its profit and loss statement.

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With the Assignment, the Group will consolidate the financial results of RVIC as its wholly-owned subsidiary. This will better reflect the operating gross margin of the Group's chartering business as a whole, where the cost of sales will reflect the depreciation of the Group's vessels instead of accounting for the financing obligations of RVIC as the Group's cost of sales.

Accordingly, following the Assignment, the interest cost on loans will be classified as financing expenses and the principal repayments will be classified under financing activities in the Group's Consolidated Statement of Cash Flows.

The net impact on the profit attributable to the owners of the Company is not expected to be material as the financial results of RVIC were insignificant. For the half year ended 30 September 2019 ("HY2020"), RVIC reported net profit of US\$268,000.

In addition, it is the intention of the Company for RVIC to eventually transfer all its vessels to RVOS to enable the Group to obtain new refinancing from its bankers. RVIC will thereafter become inactive.

3. Financial effects of the Assignment

The Assignment is not expected to have a material financial effect on the EPS and NTA of the Group.

For illustration purposes only, the pro forma financial effects of the Assignment based on the financial information of the Group for HY2020 are as follows:

(a) EPS

	Before Assignment	After Assignment
Profit attributable to the owners of the Company (US\$'000)	599	733
EPS (US cents) *	0.11	0.13

(b) NTA

	Before Assignment	After Assignment
NTA (US\$'000)	184,273	184,407
NTA per Share (US cents) *	32.94	32.97

* based on 559,352,000 Shares

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The NTA of RVIC as at 30 September 2019 was US\$131.2 million. Presently, our Group had equity accounted for our share of investment in RVIC of US\$65.6 million as at 30 September 2019. Following the Assignment, the Group will consolidate the assets and liabilities of RVIC, with RHC's share of equity loan in RVIC of US\$65.6 million as at 30 September 2019 classified as amount owing to Related Party. Hence, the net effect after Assignment on the Group is not expected to be material.

4. Interests of directors and controlling shareholders

Save as disclosed above, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Assignment other than in their respective capacities as directors and/or shareholders of the Company, RVOS and/or RVIC (as the case may be).

BY ORDER OF THE BOARD

Ling Yong Wah
Chief Executive Officer
16 April 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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