

Vallianz Holdings Limited
Co Reg No. 199206945E

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RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON INTERESTED PERSON TRANSACTIONS

The Board of Directors (“**the Board**”) of Vallianz Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the annual report for the financial year ended 31 March 2019 (“**2019 Annual Report**”) released on 15 July 2019 and Interested Person Transactions (the “**IPTs**”) announcement on 24 July 2019 in relation to certain advances and corporate guarantees extended to its subsidiaries and joint venture companies which may be deemed as IPTs and which the Company had not disclosed or complied with under Chapter 9 of the Catalist Rules (the “**Relevant Rules**”).

The Company would like to provide the responses to queries raised by the SGX-ST on 31 July 2019 and 1 August 2019, in respect of the announcement:-

	SGX Queries	Responses
1.	HOL:	
	(a) Please confirm that for HOL’s bank facilities, only Vallianz provided the CG, and the 25% shareholder of HOL, SHL, did not provide any CG for the bank facilities.	SHL did not provide any CG for the bank facilities as the Company has full control of HOL’s operations and activities and the CG is given to support the business and operations of HOL which was in the interest of the Company since it holds effectively 75% of HOL.
	(b) What were the considerations by the company when such CG was provided in Feb 2016? Was it discussed at board meetings? Whom in the Company approved the provision of such CG?	The consideration is as above and the CG was provided pursuant to the request of the bank providing the bank facilities for HOL and entered into in March 2016 and approved through board resolutions in March 2016.
	(c) What were the controls in place for provision of CG and IPTs and were they adhered to?	The Company has an existing IPT policy which sets out approval procedures for compliance with regulatory disclosure requirements. The CGs were approved by the board at that time but were inadvertently not flagged as IPTs. The Company will be taking measures to comprehensively review the present IPT policy with a view to tighten measures to ensure that all future transactions will be analysed for possible IPTs prior to contract, for compliance with the relevant regulatory disclosure requirements. We will provide more details after we have completed our internal review (“Review”).

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2.	RPL: (a) Given that RPL and SHL had each given CG for the full amount of RPL's bank facilities on a joint and several basis, were there documentation of concerns over Company's exposure beyond its 51% shareholding? (b) What were the considerations by the company when such CG was provided in Jun 2011? Was it discussed at board meetings? Whom in the Company approved the provision of such CG? (c) What were the controls in place for provision of CG and IPTs and were they adhered to?	Management had at that time, deemed that it was for the commercial benefit of the Company to provide the CG for RPL's bank facilities. Notwithstanding the Company's 51% shareholding in RPL, it is common market practice for banks to require, among others, the provision of joint and several guarantee for the full amount of banking facilities granted. Moreover, SHL was a listed company with healthy financials and had likewise provided the same. The relevant information on the CG was provided to the board and unanimously approved through a board resolution in June 2011. See above response in 1(c).
3.	What are the net asset/liability positions and financial performance of HOL and RPL? What is Board's assessment of risk of CGs being called upon?	HOL – Net liability of US\$40.03 million as at 31 March 2019 and loss of US\$8.80 million for the financial year ended 31 March 2019. RPL – Net assets of US\$1.65 million as at 31 March 2019 and loss of US\$2.97m for the financial year ended 31 March 2019. The Board is of the view that the risk of CGs being called upon is low for the following reasons: <u>CG extended to HOL</u>

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		(a) The vessels of HOL are pledged to the banks for the facilities provided and the Company is currently in discussion with the banks for the restructuring of its facilities, including the Holmen facilities, and the Company is of the opinion that the restructuring will be successful and will be concluded by this year; <u>CG extended to RPL</u> (b) SeaSpan Corporation, a NYSE listed company, has announced its intention to invest into Swiber Holdings Ltd (“SHL”). Based on SHL’s Statement of Proposals dated 7 May 2019 (“SOP”) and the Creditors meeting held on 29 May, we understand the following in relation to the vessel Swiber Resolute: - As part of the investment by Seaspan Corporation into SHL, certain assets including Swiber Resolute, will be acquired by “New Swiber”. - New Swiber will issue US\$52m in Redeemable Convertible Bonds (“RCB”) to Old Swiber to acquire the asset. - We understand that Old Swiber will transfer the RCB to the lender to secure the asset ownership transfer. - Proposed terms of the RCB include (i) 5-year moratorium against any enforcement actions. - We understand from our discussions with the Judicial Managers of SHL that such enforcement measure includes the lender not taking any enforcement action against Vallianz’s CG. - SOP includes a timeline which shows the completion of the RCB in November 2019. (c) Swiber Resolute is pledged against the facilities provided by the lender to RPL. In the event the lender decides not to accept the RCB, the Company will actively work with the lender to assist in the arrest and auction of the vessel to satisfy the loan amount outstanding.
4.	Is the approval for (i) entry into loans and CGs, and (ii) IPTs scoped by IA in the past, and why?	The IA scope for the last 3 years cover IPTs of a trading nature. The Company will provide further details after the completion of its Review.

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5.	Are these (i) potential liabilities arising from the provision of CGs and (ii) IPTs disclosed in the annual reports in prior years? Please list the annual reports and reference the respective disclosures.	<u>FY2017 Annual Report</u> (i) CGs for HOL and RPL are reflected as part of the aggregate amount of financial guarantee contracts of US\$181.3 million provided to its subsidiary corporations as disclosed under Note 4(b)(iii) of the audited financial statements. However, there was no breakdown provided and these were not separately disclosed as IPTs. The CGs for RVOS and RVIC were not reflected in the aggregate figure and not disclosed in the annual report. <u>FY2018 Annual Report</u> (i) CGs for HOL and RPL are reflected as part of the aggregate amount of financial guarantee contracts of US\$192.7 million provided to its subsidiary corporations as disclosed under Note 4(b)(iii) of the audited financial statements. However, there was no breakdown provided and these were not separately disclosed as IPTs. The CGs for RVOS and RVIC were not reflected in the aggregate figure and not disclosed in the annual report. Other than the CGs above, the Company is still reviewing for any other IPTs that are not disclosed previously.
6.	It is stated that the company is undertaking a comprehensive review of its transactions which may be deemed as IPTs under the Relevant Rules. (a) Whom in the company is leading this review? Please provide SGX RegCo with the shortlisted list of reviewers. (b) What is the scope and period of the review of such transactions?	The CEO and Finance Director will be leading the Review. The Company is also in the process of evaluating and appointing an Internal Auditor for the purpose of identifying whether there was any other potential IPTs that may not be in compliance with the relevant rules and an IFA to give an opinion on these IPTs. All potential IPTs that may not be in compliance with the relevant rules for the last 3 financial years commencing 1 January 2016.

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	(c) What is the timeline of such review?	By 31 December 2019 as the Company changes its accounting software in 2016 and the review involves oversea subsidiaries and joint venture.
7.	What are the Company's current process and controls in place for the (i) provision of loans and CGs, and (ii) IPTs? Who are the approving authorities? Are there any interim measures in place to prevent a recurrence while the review is being conducted?	As mentioned in 1(c) above, the Company has an existing IPT policy where AC independently reviews any IPT brought to its attention. The Company will conduct its Review and will provide details thereafter. The Company has informed its subsidiaries and joint ventures to notify Management prior to entering into any further IPTs.
8.	In para 2(i) and (ii), it was mentioned that RVOS has been classified as a wholly owned subsidiary in the Group's consolidated financial statements even though the Group has only 50% ownership interest and voting rights as the directors of the Company are of the opinion that the Company has the practical ability to direct the relevant activities of RVOS. It was also mentioned that RVIC on the other hand, has been accounted for as a joint venture in the Group's consolidated financial statements as the Company is able to exercise joint control over RVIC. However, in para 4.2, it was mentioned that RVOS had extended the US\$92.7m RVIC Advance to RVIC, and as RVOS is jointly owned by the Company and RHC in equal proportion, the RVIC Advance is deemed to have been made in equal proportion by the Company and RHC to RVIC. How does this treatment gel with that above where RVOS is classified as a wholly owned subsidiary in the Group's consolidated financial	RVOS is owned by the Company and the balance 50% by RHC, the Controlling Shareholder of the Company. As the directors of the Company assessed that the Group has the practical ability to direct the relevant activities of RVOS and RVOS has been classified as a subsidiary and consolidated in the Group's financial statements even though the Group has 50% ownership and voting rights. The economic rights of RHC's 50% share in RVOS is assigned to the Group under an assignment agreement. However, the equity contribution and corporate guarantees of RVOS are contributed in proportion to the shareholdings of the Company and RHC. Thus, essentially the risk of RVOS is shared equally between the shareholders. The Company is still checking the with the auditor of their view and will update accordingly.

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	statements? Did the Company get the EA's agreement on the treatment both in the FS and on the RVIC Advance, and why?	
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BY ORDER OF THE BOARD

Ling Yong Wah
Chief Executive Officer
5 August 2019

*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 Catalist. 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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