

Vallianz Holdings Limited
Co Reg No. 199206945E

3A, International Business Park, #01-13 Icon@IBP, Singapore 609935
Tel: +65 6911 6200 Fax: +65 6659 1292
www.vallianzhholdings.com

INTERESTED PERSON TRANSACTIONS - UPDATE

1. The Board of Directors (“**the Board**”) of Vallianz Holdings Limited (“**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s annual report for the financial year ended 31 March 2019 released on 15 July 2019, the announcements on 24 July 2019, 30 August 2019, 26 December 2019 and 3 February 2020 (“**IPT Announcement**”) in relation to certain IPTs which the Company had not disclosed or complied with under Chapter 9 of the Catalist Rules and the announcement on 5 August 2019 in relation to the Company’s responses to queries from SGX-ST on the IPTs.
2. The Company had on 16 August 2019 appointed Virtus Assure Pte Ltd (“**VA**”) as the internal auditor to conduct a review of its IPTs during the Review Period to determine the details of these transactions which are subject to the requirements of Chapter 9 of the Catalist Rules. VA had, on 2 March 2020, completed its review and issued its report (“**Review Report**”) to the Company’s Board and Audit Committee.
3. The executive summary of the Review Report are reproduced below:

1. Executive Summary

- 1.1 On 24 July 2019, the Board of Directors (“**the Board**”) of Vallianz Holdings Limited (“**the Company**” and together with its subsidiaries, associate and joint venture companies, “**the Group**”) announced that there were certain interested person transactions (“**IPTs**”) that were not disclosed or complied with under Chapter 9 of the Singapore Exchange Catalist Rules. In connection with this announcement, the Company had appointed Virtus Assure Pte Ltd (“**VA**”) to conduct an IPT Review.
- 1.2 The IPT Review covered IPTs undertaken by the Group in the last 3 financial years, namely 15 months ended 31 March 2017, 12 months ended 31 March 2018 and 12 months ended 31 March 2019 and up to 30 June 2019 (collectively the “**Review Period**”).
- 1.3 The IPT Review encompasses the following areas:
 - (I) Reviewing all IPTs carried out to determine which IPTs had not been reported by the Group during the Review Period (IPTs which had already been reported by the Group includes those disclosed in its annual reports and its announcement dated 24 July 2019);
 - (II) Reviewing the Group’s existing procedures for identifying, reviewing, approving, recording and reporting all IPTs; and
 - (III) Identifying any possible internal controls weaknesses in the Group’s IPT processes and provide recommendations, if any, to improve its existing procedures for IPTs.

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- 1.4 In the course of our review, we identified transactions between various Entities-at-Risk and Interested Persons amounting to US\$448.7 million that were not reported as IPTs. VA reviewed these transactions and are of the opinion that US\$411.7 million out of the US\$448.7 million are not trade-related and not conducted in the ordinary course of business and therefore should not be deemed as IPTs. These transactions are categorised as follows:
- (I) Sales/transfer of vessels between RVOS and RVIC mainly due to (i) a refinancing exercise undertaken in RVOS where RVIC had been created as a special purpose vehicle and (ii) requirements for vessel financing (US\$155.6m);
 - (II) Purchase of vessels by RVOS/RVIC from third party shipyards/vendors through Samson Engineering and Samson Marine ("**Samson Entities**"), subsidiaries of the Company, where the Samson Entities served as intermediaries (US\$101.2m);
 - (III) Payments made by RVIC to the shipyards using Samson Marine as a conduit (US\$9.5m);
 - (IV) Reimbursement transactions where payments were initially made by Entities-at-Risk on behalf of Interested Persons or by Interested Persons on behalf of Entities-at-Risk (US\$47.4m); and
 - (V) Chartering services between RVOS and RVIC where charter rates were just sufficient to cover the financial obligations arising from the refinancing exercise (US\$98.0m).
- 1.5 Hence, we established that the Group did not report approximately US\$37.0 million worth of IPTs during the Review Period of which US\$6.3 million are advances from RVOS to RVIC. Of the remaining US\$30.7 million worth of IPTs, the breakdown are as follows:
- Transactions made by various Entities-at-Risk with Holmen Heavylift Offshore and its subsidiaries as Interested Persons (US\$3.7 million);
 - Transactions made by PT Vallianz Offshore Maritim (Entity-at-Risk) with various Interested Persons (US\$9.4 million);
 - Transactions between various Entities-at-Risks with various Interested Persons primarily for rental of Swiber and Rawabi premises (US\$4.3 million);
 - Transactions where Samson Marine and Samson Engineering handled the purchase of vessels on behalf of RVOS/RVIC (US\$11.1 million);
 - Advance payments made by RVOS on behalf of RVIC for the modification of vessels (US\$2.2 million).
- 1.6 In reviewing the Group's stated procedures in the Rawabi IPT mandate, VA noted that the Group had not applied these procedures for the Group's mandated and non-mandated IPTs.

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VA observed that this was because procedures were not communicated effectively to staff and therefore the relevant procedures for IPTs had not been applied.

- 1.7 Arising from the IPT Review, VA observed that a key internal control weakness is the failure to implement procedures to properly identify potential transactions as IPTs before they are entered into to ensure that the IPTs are carried out on normal commercial basis and are not prejudicial to the interests of the Company and its minority stakeholders and to report these IPTs. Our recommendations to improve the Company's IPT controls are included in this report.

4. The Company did not deem Holmen Heavylift Offshore and its subsidiaries as Interested Persons until clarification was obtained from the SGX-ST in November 2019. Similarly, the Company did not deem PT Vallianz Offshore Maritim as an Entity-at-Risk until clarification was obtained in January 2020.
5. VA had provided its recommendations to improve the Company's existing procedures in the Review Report which we have extracted as follows:

- The Company should designate the responsibility to a staff at each EAR to (i) identify IPTs; (ii) inform the relevant personnel; (iii) ensure rules and procedures are adhered to; and (iv) obtain necessary approvals in accordance to authorisation limits before IPTs are carried out.

A copy of the IPT mandate should be distributed to relevant staff on a need to know basis at the EARs in order for the staff to be familiar with the procedures for identifying, recording and reporting IPTs set out in the mandate.

A process should also be established to ensure that the EARs inform the Company when they provide corporate guarantees, loans or advances to the IPs and they enter into any transactions with regard to the repayment of principal and interest of the loans.

- The Company should maintain a separate EAR list that list all the EARs for the Group and the list should be updated when there is addition or disposal of an EAR.
- The IP list should be revised to include the Group's directors and their associates, Rawabi Holding Company Limited, Rawabi Vallianz Offshore Services Company Limited, Holmen Arctic Pte Ltd, Holmen Atlantic Pte Ltd and Holmen Pacific LLC.

Procedures should be established that clearly state the officer(s) authorised to make changes to the IP List and the officer(s) authorised to approve these changes. In addition, the Company should maintain an audit trail of changes to the IP list.

The IP list should be reviewed by an authorised officer on a periodic basis (e.g. quarterly).

- A record of the director's associates should be maintained by the Group finance team.

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Procedures should be established that require the Company to seek confirmation from the directors and controllers shareholders on a quarterly basis and require the directors and controlling shareholders to inform the finance team when there is a change in their associates.

- The IPT register should be reviewed by the Finance Director on a monthly basis in line with the Rawabi IPT mandate.
- The IPTs should be reviewed by the Company's internal auditors on a half yearly basis.

6. The Company will be adopting the VA's recommendations and other actions the Company deems fit to improve the IPT controls and will be proposing the recommendations to the Audit Committee. The Company expects to issue a circular to provide its shareholders with further details on all relevant IPTs that were previously not disclosed and/or approved since 1 January 2016 and expects to hold the extraordinary general meeting by 30 April 2020 to seek shareholders' ratification and/or approval of such relevant IPTs.
7. Shareholders are advised to exercise caution when trading in the shares of the Company. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

BY ORDER OF THE BOARD

Ling Yong Wah
Chief Executive Officer
6 March 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 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.

The contact person for the Sponsor is Ms Wong Bee Eng, Chief Executive Officer, at 96 Robinson Road, #13-01, SIF Building, Singapore 068899.

Telephone: (65) 6227 1580 Email: wongbe@provenancecapital.com