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

SUBSCRIPTION OF CONVERTIBLE PREFERENCE SHARES OF RI CAPITAL HOLDINGS PTE LTD, A WHOLLY OWNED SUBISIDIARY OF THE COMPANY CONVERTIBLE INTO SHARES IN THE CAPITAL OF THE COMPANY

1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Vallianz Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company and RI Capital Holdings Pte Ltd ("**RICH**"), its indirectly wholly-owned subsidiary, has entered into a subscription deed (the "**Subscription Deed**") dated 3 June 2015 with United Orient Capital Pte Ltd (the "**Subscriber**", collectively with the Company and RICH, the "**Parties**"), pursuant to which RICH shall issue:

(a) 1 ordinary share of RICH ("**RICH Share**") at the issue price of US$1 per RICH Share to the Subscriber; and

(b) 10,000,000 convertible preference shares of RICH ("**CPS**") at the issue price of US$1 per CPS ("**Issue Price**") for an aggregate principal amount of US$10,000,000 to the Subscriber (or its nominee), with such CPS convertible into ordinary shares in the capital of the Company ("**Conversion Shares**") at the option of the Subscriber or RICH,

subject to the terms and conditions of the Subscription Deed ("**Proposed Subscription**").

2. INFORMATION ON THE SUBSCRIBER

2.1 The Subscriber is a company incorporated in Singapore and is wholly-owned by United Orient Capital Fund, L.P. ("**UOC Fund**"), an investment holding limited partnership established in the Cayman Islands, which is managed by United Orient Capital GP Limited ("**UOC**"). UOC is jointly held by United Overseas Bank Limited and ORIX Corporation. The directors of the Subscriber are Mr. Yoshiaki Matsuoka, Mr. Shinji Yamana, Mr. Terence Ong and Mr. Bonar Silalahi.

2.2 The UOC Fund is a mezzanine fund that invests in mid-sized companies with mature operations, strong cash flow and good management teams, through the provision of loans or the purchase of bonds and preference shares. The investors in the UOC Fund are institutional investors based in Asia.

2.3 The ultimate beneficial owners of the Subscriber have confirmed that they are not persons prohibited under Rule 812(1) of the Section B of the Listing Manual: Rules of Catalist ("**Catalist Rules**"). The Subscriber has confirmed that it is not a person prohibited under Rule 812(1) of the Catalist Rules.

2.4 The Subscriber is independent of the Company, the Directors and the substantial shareholders of the Company. The Subscriber is subscribing for the CPS for the Subscriber's own investment purposes.

2.5 The Subscriber was procured by the placement agent appointed by the Company, Tata Capital Markets Pte. Ltd. ("**TCMPL**"). A commission of 3.5% of the Issue Price for each CPS subscribed is payable by the Company to TCMPL. No part of the commission will be shared with the Subscriber.

3. PRINCIPAL TERMS OF THE SUBSCRIPTION DEED

The principal terms of the Subscription Deed are as follows:

3.1 Consideration

The aggregate consideration for the Proposed Subscription ("**Consideration**") is US$10,000,001, which shall be payable in cash by the Subscriber to RICH on the date of completion of the Proposed Subscription.

3.2 Cumulative Preferential Dividends and Additional CPS

The Subscriber is entitled to receive a cumulative preferential dividend at the rate of 4% per CPS per annum for the first 4 years after the date of disbursement of US$10,000,000 ("**Disbursement Date**") by the Subscriber to RICH, with such dividend rate to be increased upward by 3% per annum every six (6) months thereafter. The directors of the Company are to, if they see fit in their sole and absolute discretion, make a declaration on the last business day of each 6 month period commencing from the Disbursement Date (each a "**Six Month Period**") of such cumulative preferential dividends that have accrued up to the end of such relevant Six Month Period.

In the event that such cumulative preferential dividends are not declared or paid by RICH to the Subscriber, the Company and the Subscriber may mutually agree to the Company issuing further CPS at US$1 per CPS to the Subscriber pursuant to which the Subscriber shall waive the obligation to declare such dividends and deem the obligation to pay such declared dividends discharged ("**Additional CPS Issue**").

In the event that :

(A) such cumulative preferential dividends are not declared or paid by RICH to the Subscriber; and

(B) no further CPS is issued to the Subscriber

during a Six Month Period ("Relevant Six Month Period"), the applicable cumulative preferential dividend rate for such Relevant Six Month Period shall be adjusted upwards from the prevailing cumulative preferential dividend rate by 2% per annum.

For the avoidance of doubt, this adjustment will only be in respect of such Relevant Six Month Period and will not affect other Six Month Periods in which conditions (A) and (B) are not triggered.

3.3 Conversion Price

The price for the conversion of a CPS into a Conversion Share is US$0.0519 (equivalent to approximately S$0.070) ("**Conversion Price**"), which represents a premium of approximately 16% to the volume weighted average price ("**VWAP**") of S$0.0604 for trades done on the Catalist board ("**Catalist**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 3 June 2015, being the full market day on which the Subscription Deed was signed.

The Conversion Price will be adjusted in certain circumstances, including consolidations, subdivisions and reclassification of Conversion Shares, capitalisation of profits or reserves and issuance of securities, other than specific excluded events.

3.4 Conversion and Redemption Rights

(a) Conversion into Conversion Shares at the option of the Subscriber

The Subscriber shall be entitled to exercise its right to convert the CPS (in whole or in parts) at any time, and upon the exercise of such right, RICH shall cancel the CPS which is to be converted, and the Company shall issue such number of Conversion Shares ("**L**") to be determined as follows :

$$L = \frac{1 \text{ x no. of CPS put up for conversion}}{\text{Conversion Price}}$$

The Subscriber's right of conversion under this Section 3.4(a) shall always take precedence over RICH's right of redemption under Section 3.4(b) and RICH's right of conversion under Section 3.4(c). The Conversion Price to be used for purposes of determining L shall the US$ denominated Conversion Price as stated in the Subscription Deed, being US$0.0519.

(b) Redemption at the option of RICH for cash

Subject to the Companies Act (Chapter 50) of Singapore ("**Companies Act**"), RICH has a right but not an obligation to redeem up to 50% of the total issued CPS from the date falling 3 years after the issue date of the CPS ("**Issue Date**"),

and up to 100% of the total issued CPS from the date falling 4 years after the Issue Date, both for cash at an internal rate of return of of 15% (to be computed based on US$10,000,000 and in accordance with the terms of the Subscription Deed).

(c) Conversion into Conversion Shares at the option of RICH

At any point between the Issue Date and 31 January 2016, if the 20-days VWAP of the Conversion Shares (rounded to 4 decimal places) is equivalent to or more than 130% of the Conversion Price (the "**RICH Conversion Event 1**"), subject to compliance with the Companies Act, RICH has a right but not an obligation to convert up to 50% of the number of the CPS held by the Subscriber as at the occurrence of the RICH Conversion Event 1. The number of Conversion Shares to be issued upon such conversion ("**N**") shall be determined as follows:

$$N = \frac{1 \text{ x no. of CPS put up for conversion}}{\text{Conversion Price}}$$

At any point from the date falling 2 years after the Issue Date, if the 20-days VWAP of the Conversion Shares (rounded to 4 decimal places) has increased to provide a 20% net internal rate of return from the Conversion Price (the "**RICH Conversion Event 2**"), subject to compliance with the Companies Act, for every subsequent 6-month period after the occurrence of the RICH Conversion Event 2, RICH has a right but not an obligation to convert up to 25% of the number of the CPS held by the Subscriber as at the occurrence of the RICH Conversion Event 2. The number of Conversion Shares to be issued upon such conversion shall be N. The Conversion Price to be used for purposes of determining N shall the US$ denominated Conversion Price as stated in the Subscription Deed, being US$0.0549.

3.5 Conversion Shares

Based on 10,000,000 CPS and the Conversion Price, an aggregate of up to 192,542,857 Conversion Shares may be issued, representing approximately 5.76% of the total number of ordinary shares in the capital of the Company ("**Shares**"), being 3,345,012,000 as at the date of this announcement and approximately 5.44% of the enlarged issued and paid up share capital of the Company, being 3,537,554,857 Shares, pursuant to the allotment and issuance of 192,542,857 Conversion Shares.

The Conversion Shares will be issued unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank *pari passu* in all respects with all other existing Shares.

3.6 Conditions Precedent

The subscription of the CPS by the Subscriber (or its nominee) is conditional upon the following conditions ("**Conditions Precedent**") having been fulfilled or, as the case may be, not being breached, or waived:

(a) on or prior to the date falling fifteen (15) business days after the date of the Subscription Deed or such other date as mutually agreed by the Parties in writing ("**Closing Date**") (unless otherwise specified), there shall have been delivered to the Subscriber certified true copies of the resolutions of the:

(i) board of directors of RICH, subject to approval of the Company being the sole shareholder of RICH approving the issue of the CPS;

(ii) shareholder of RICH, being the Company, approving the issue of the CPS and the amendment of the articles of association of RICH; and

(iii) board of directors of the Company approving the issue of Conversion Shares pursuant to the conversion or redemption of the CPS;

(b) on or prior to Closing Date (unless otherwise specified), there shall have been delivered to the Subscriber, in a form and substance satisfactory to the Subscriber, the specifications and valuations of the three (3) vessels ("**VM vessels**") to be acquired by RICH from a wholly-owned subsidiary of the Company, Vallianz Marine Pte. Ltd., with the aggregate valuations of the VM vessels to be a minimum of US$10,000,000;

(c) on or prior to Closing Date (unless otherwise specified), RICH shall set up a bank account, requiring the joint signatures of the authorized signatories from RICH and the Company;

(d) all the representations and warranties of RICH set out in the Subscription Deed shall be accurate and correct in all material respects at the date of the Subscription Deed and as at the Closing Date;

(e) there being no material adverse change (as determined by the Subscriber in its reasonable discretion) in the prospects, operations or financial conditions of RICH occurring on or before the Closing Date;

(f) the Subscriber having obtained all necessary approvals from its investment committee in respect of the subscription of the Share and CPS in accordance with the terms of the Subscription Deed;

(g) completion of business, legal, financial and tax due diligence to the reasonable satisfaction of the Subscriber;

(h) the delivery to the Subscriber of the Security Documents (as defined below), such Security Documents duly executed by the relevant parties to the Security Documents, in the form as set out in the Subscription Deed; and

(i) on or prior to Closing Date (unless otherwise specified), there shall have been delivered to the Subscriber, in a form and substance satisfactory to the Subscriber, a legal opinion from Panamanian legal counsel on the enforceability of the mortgage over the vessel owned by a wholly-owned subsidiary of the Company, Vallianz Engineering Limited ("**VE vessel**").

3.7 Security Documents

The obligations of the Company and RICH under the Subscription Deed and the CPS shall be secured by the following documents ("**Security Documents**"):

(a) first priority mortgage over the VE vessel together with a deed of covenants creating security over the insurances, charters and earnings relating to that vessel;

(b) first priority mortgage over each of the VM vessels, together with a deed of covenants creating security over the insurances, charters and earnings relating to those vessels; and

(c) corporate guarantee from the Company.

4. RATIONALE AND USE OF PROCEEDS

4.1 The Proposed Subscription will involve the raising of gross proceeds ("**Gross Proceeds**") of approximately US$10 million (equivalent to approximately S$13.5 million). The net proceeds from the Proposed Subscription (the "**Net Proceeds**"), after deducting expenses incurred in relation to the Proposed Subscription is estimated to be approximately US$9.5 million (equivalent to approximately S$12.8 million), comprising approximately 95% of the Gross Proceeds. The Net Proceeds are intended to be used as follows :

Use of Proceeds	**Percentage Allocation (%)**
Fleet expansion of the Group	Approximately 70% to 80%
General working capital of the Group, such as vessel operating expenses	Approximately 20% to 30%

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4.2 The Company will make periodic announcements on the use of the Net Proceeds as and when the Net Proceeds are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company's annual report. The Company will disclose a breakdown with specific details on the use of Net Proceeds for working capital in such announcements and annual reports.

4.3 The Directors are of the opinion that after taking into consideration the present bank facilities, the working capital available to the Group is sufficient to meet its present

requirements. The reason for the Proposed Subscription is to primarily fund the fleet expansion of the Group.

4.4 The Directors are of the opinion that after taking into consideration the present bank facilities and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

4.5 Pending the deployment of the net proceeds, such proceeds may be placed as deposits with financial institutions in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may, in their absolute discretion, deem fit.

5. ISSUANCE PURSUANT TO GENERAL MANDATE

5.1 Rule 805(1) of the Catalist Rules provides that an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from shareholders of the issuer.

5.2 The Conversion Shares will be issued pursuant to the general mandate ("**Share Issue Mandate**") approved by the shareholders of the Company ("**Shareholders**") at the annual general meeting held on 15 April 2015 ("**2015 AGM**").

5.3 The Share Issue Mandate authorises, inter alia, the Directors to allot or issue Shares and/or convertible securities of not more than 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of Shares and/or convertible securities to be issued other than on a *pro-rata* basis to existing Shareholders shall not be exceed 50% of the total number of issued Shares (excluding treasury shares).

5.4 As at the date of the 2015 AGM, the number of issued Shares was 3,343,512,000. No Shares were previously issued under the Share Issue Mandate prior to the Proposed Subscription and as such, the total number of Shares that may be issued pursuant to the Share Issue Mandate is 3,343,512,000, of which the maximum number of Shares to be issued other than on a *pro-rata* basis is 1,671,756,000.

5.5 Based on 10,000,000 CPS and the Conversion Price, an aggregate of up to 192,542,857 Conversion Shares may be issued, representing approximately 5.76% of the Company's total number of Shares, being 3,345,012,000 as at the date of this announcement. This would be within the limits of the Share Issue Mandate. Accordingly, specific approval from Shareholders for the issue and allotment of the Conversion Shares is not required.

6. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

6.1 Bases and Assumptions

The pro forma financial effects of the Proposed Subscription on the net tangible assets ("**NTA**") per Share and earnings per Share ("**EPS**") are set out below.

The pro forma financial effects for the Proposed Subscription have been prepared based on the audited financial statements of the Group for FY2014, which have been prepared on a going concern basis, and are purely for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group after completion of the Proposed Subscription.

For the purpose of illustrating the financial effects of the Proposed Subscription, the financial effects of the Proposed Subscription are computed based on, inter alia, the following assumptions:

(a) the financial effects on the Group's NTA attributable to the equity holders of the Company and the NTA per Share are computed assuming that Proposed Subscription was completed on 31 December 2014;

(b) the financial effects on the Group's earnings attributable to the equity holders of the Company and EPS are computed assuming that Proposed Subscription was completed on 1 January 2014; and

(c) assuming that 10,000,000 CPS have been fully converted.

6.2 NTA

	Before the Proposed Subscription	**After the Proposed Subscription**
NTA attributable to the equity holders of the Company (US$'000)	228,894	238,381
Number of Shares ('000)	3,183,512	3,376,055
Consolidated NTA per Share (US$ cents)	7.19	7.06

6.3 EPS

	Before the Proposed Subscription	**After the Proposed Subscription**
Profit attributable to the equity holders of the Company (US$'000)	18,577	18,577

	Before the Proposed Subscription	After the Proposed Subscription
Number of Shares ('000)	2,339,522	2,532,065
EPS (US$ cents)	0.79	0.73

7. LISTING AND QUOTATION APPLICATION TO THE SGX-ST

The Company will be making an application to the SGX-ST through its continuing sponsor, Stamford Corporate Services Pte. Ltd., for the listing and quotation of the Conversion Shares on the Catalist board of the SGX-ST. The Company will make the necessary announcements once the listing and quotation notice in respect of the Conversion Shares has been obtained.

8. NO PROSPECTUS OR OFFER INFORMATION STATEMENT

The Proposed Subscription (and the issue of the Conversion Shares) will be undertaken by way of a private placement pursuant to the exemption of Section 272B of the Securities and Futures Act (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

9. RULE 812 OF THE CATALIST RULES

The Conversion Shares will not be issued and allotted to persons who fall within the categories set out in Rule 812(1) of the Catalist Rules. The issuance of the Conversion Shares will also not result in a change of controlling interest in the Company.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Subscription Deed and the Security Documents are available for inspection during normal business hours at the Company's registered office at 12 International Business Park, #03-02 Swiber@IBP, Singapore 609920 for a period of three (3) months from the date of this announcement.

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Subscription, other than those through their shareholding in the Company.

12. DIRECTORS' RESPONSIBILITY STATEMENT

12.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes

full and true disclosure of all material facts about the Proposed Subscription, the Subscription Deed and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

12.2 Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

13. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Subscription as appropriate or when there are further developments on the same.

14. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this announcement that the Proposed Subscription will proceed to completion, as completion is subject to, inter alia, the fulfillment of all the Conditions Precedent. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

By Order of the Board

Ling Yong Wah
Chief Executive Officer
4 June 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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

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