Vallianz Holdings Limited
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REFINANCING EXERCISE
IN RAWABI VALLIANZ OFFSHORE SERVICES LIMITED

1. INTRODUCTION

The Board of Directors ("**Directors**") of Vallianz Holdings Limited ("**Company**", collectively with its subsidiaries, "**Group**") wishes to announce ("**Announcement**") that its subsidiary, Rawabi Vallianz Offshore Services Limited (formerly known as Rawabi Swiber Offshore Services Company Limited) ("**RVOS**") intends to enter into a refinancing exercise ("**Refinancing**") which will, *inter alia*, involve the refinancing of bulk of RVOS' bank loans ("**Loans**") amounting up to SAR1.1 billion (equivalent to approximately US$293.3 million) which are currently secured on RVOS' fleet of 20 vessels ("**Vessels**") comprising mainly anchor handlings tugs and platform support vessels with an aggregate net book value of approximately SAR1.52 billion (equivalent to approximately US$405 million).

2. INFORMATION ABOUT THE PARTIES INVOLVED IN THE REFINANCING

RVOS is a company incorporated in the Kingdom of Saudi Arabia which is engaged in the provision of offshore marine support services.

RVOS is 50% owned by the Company and 50% by Rawabi Company Holding Limited ("**RHL**"). As at the date of this Announcement, RHL also holds 672,000,000 ordinary shares of the Company ("**Shares**"), representing 20.1% of the total issued Shares.

RVOS is treated as a wholly-owned subsidiary of the Group as the Group has the practical ability to direct the relevant activities of RVOS and enjoys all of the economic benefits of RVOS.

To facilitate the Refinancing, the Company had, on 11 December 2015, announced the incorporation of Rawabi Vallianz International Company Limited ("**SPV**"), as a limited liability company incorporated in the Kingdom of Saudi Arabia, as a joint venture company equally owned by the Company and RHL. As at the date of this Announcement, the issued and paid-up capital of SPV is SAR500,000 comprising 500 shares. The principal activity of SPV is that of the provision of offshore marine services.

3. THE REFINANCING

The Refinancing will involve the following:

(a) the transfer by RVOS of the Vessels to SPV for an aggregate consideration of approximately US$410.0 million based mainly on the net book values of the Vessels and after taking into consideration the market valuation of the Vessels ("**Transfer**"). With the Transfer, ownership of the Vessels will be transferred from RVOS to SPV.

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Contemporaneous with the Transfer, RVOS will lease back the Vessels from SPV for a term of five (5) years ("**Lease**") and in return RVOS will pay to SPV quarterly charter rates sufficient to cover the financing obligations of SPV arising from the sukuk financing ("**Sukuk**") referred to in paragraph (b) below. To safeguard the interest of RVOS, the Lease terms will include, among other things, that subject to the full repayment of the Sukuk, RVOS will have a right, but not an obligation, to purchase any or all of the Vessels from SPV at a price to be agreed between the Group and RHL;

(b) the transfer of the Loans amounting up to SAR1.1billion (equivalent to approximately US$293.3 million, which are currently secured on the Vessels, from RVOS to SPV and it will refinance the Loans with a Saudi Riyal-denominated Sukuk of up to SAR1.1 billion (equivalent to approximately US$293.3 million).

The Group has appointed authorised banks in Saudi Arabia to jointly lead and manage the Sukuk Financing.

The Sukuk will be for a fixed term of five (5) years, with certain amortised principal repayment during the term and a bullet repayment of the remaining principal amount at the end of the 5 years. Similar to the Loans, the Sukuk will be secured on the Vessels and jointly guaranteed by the corporate guarantee from the Group and RHL. However, compared to the Loans, the finance cost and tenure of the Sukuk are more favourable. During the term of the Sukuk, SPV will not be permitted to dispose of the Vessels unless the Sukuk has been fully repaid and dissolved in accordance with the relevant terms. The terms of the Sukuk are subject to final documentation; and

(c) The difference between the value of the Vessels and the Loans represents the total investments by the Group and RHL in SPV, of which the Group will record half of the amount as its investment in SPV.

4. RATIONALE OF THE REFINANCING

The process of reviewing, re-evaluating and the refinancing of vessel loans is an integral part of the Group's normal commercial activities to ensure that optimal terms and structures are secured for the Group.

In accordance with international best practices, the Refinancing allows the Group to separate the ownership of the Vessels under SPV from the operation of the Vessels under RVOS, where RVOS is the operator of off-shore oil field services while SPV is in the business of acquiring and leasing ships to oil field service providers like RVOS.

The Refinancing will result in lower cost to the Group as the cost savings from the Loans and depreciation expense exceeds the cost of charter hire payable to the SPV. Further, as the Sukuk has a larger bullet repayment at the end of the tenure, as compared under the Loans, this will improve the cash flow of the Group.

Critically, the Sukuk opens new avenues of funding and allows the Group to tap the Islamic debt capital markets to fund its operations in the Middle East.

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Finally, the Refinancing allows the Group to reduce its gearing as the Loans will be substantially transferred to SPV which will be accounted for under the equity method in accordance with the accounting policies of the Group.

The Refinancing will have no impact on the existing operations of the Vessels as the Vessels which are currently being chartered out to RVOS' existing customers will continue in the ordinary course of business.

Net of estimated expenses, the Refinancing including the Sukuk is not expected to result in any significant gain or loss to the Group.

5. FINANCIAL EFFECTS OF THE REFINANCING

The financial effects in this Section are based on the unaudited consolidated financial statements of the Group for the 9-month period ended 30 September 2015 ("**9M2015**"). The *pro forma* financial effects of the Refinancing have been prepared assuming that the Refinancing was completed on 30 September 2015.

The *pro forma* financial effects of the Refinancing as set out below are for illustrative purposes only and do not reflect the future financial results or position of the Group after the completion of the Refinancing.

The objective of presenting the *pro forma* financial effects of the Refinancing as shown below is to illustrate what the historical financial information might have been had the Refinancing been completed at an earlier date. However, such financial information is not necessarily indicative of the results of the operations or the related effects in the financial position that would have been attained had the Refinancing been completed at the earlier date.

(a) Pro forma balance sheet as at 30 September 2015:

	Before Refinancing	Post- Refinancing
ASSETS	US$'000	US$'000
Current Assets:		
Cash and cash equivalents	11,562	11,562
Trade receivables	142,748	142,748
Other receivables	61,654	61,654
Inventories	1,050	1,050
Finance lease receivables	1,457	1,457
Construction work in progress	416	416
Available for sale investments	88	88
	218,975	**218,975**
Non-current assets:		
Deposits pledged with banks	5,114	5,114
Property, plant and equipment	646,069	226,069
Associate	16,081	16,081
Joint Venture	5,880	69,214
Available for sale investments	90,200	90,200
Goodwill	11,854	11,854
Deferred tax assets	–	–
	775,198	**418,532**
Total assets	**994,173**	**637,507**

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5. FINANCIAL EFFECTS OF THE REFINANCING (cont'd)

(a) Pro forma balance sheet as at 30 September 2015 (cont'd):

	Before Refinancing US$'000	Post- Refinancing US$'000
LIABILITIES AND EQUITY		
Current liabilities:		
Term loans	105,661	46,994
Trade payables	42,014	26,103
Other payables	55,154	55,154
Finance lease	2,650	2,650
Derivative financial instruments	10,674	10,674
Income tax payable	2,216	2,216
Notes payables	69,712	69,712
	288,081	**213,503**
Non-current liabilities:		
Term loans	336,896	102,230
Finance lease	703	703
Notes payables	41,636	41,636
Other payables	53,222	-
Retirement benefit obligation	670	670
Derivative financial instruments	7,114	7,114
Deferred tax liabilities	3,633	3,633
	443,874	**155,986**
Capital and reserves:		
Share capital	185,276	185,338
Preference shares	9,583	9,583
Perpetual capital securities	22,727	22,727
Foreign currency translation reserve	(1,407)	(1,407)
Share options reserve	2,036	2,036
Hedging reserve	(3,222)	(3,222)
Other reserve	(27)	(27)
Retained earnings	17,924	23,724
Equity attributable to owners of the Company and capital securities	**232,952**	**238,752**
Non-controlling interests	29,266	29,266
Total equity	**262,218**	**268,018**
Total liabilities and equity	**994,173**	**637,506**

Explanatory Notes:

(i) The Group will be transferring the Vessels and associated Loans to SPV, and the difference will be reflected as investment in SPV equally owned by the Group and RHL as RVOS is also equally owned by the Group and RHL;

(ii) The Group will continue with the operations of the Vessels under RVOS and recognize the full economic benefits of RVOS. SPV is a special purpose vehicle to own the Vessels and finance the Vessels; and

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(iii) The Refinancing is not a disposal to a third party although for accounting purposes, the Group will record a gain of approximately US$0.7 million on the transfer of the Vessels to SPV.

***(b)* Effects on EPS**

Assuming the Refinancing had taken place on 1 January 2015, the effects of the Refinancing on the Group's EPS unaudited consolidated earnings of the Group for 9M2015 would be as follows:

	Before Refinancing	**Post-Refinancing**
Profit attributable to shareholders of the Company for 9M2015 (US$'000)	13,389	19,189
Weighted average number of Shares ('000)	3,344,281	3,344,281
Fully diluted number of Shares ('000)	3,487,862	3,487,862
Basic EPS (US cents) for 9M2015	0.40	0.57
Diluted EPS (US cents) for 9M2015	0.38	0.55

The increase in profit attributable to shareholders of the Company and EPS for 9M2015 post-Refinancing is attributable mainly to the cost savings arising from the Refinancing as explained in Sections 3 and 4 of this announcement.

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***(c)* Effects on NTA per Share**

Assuming the Refinancing had been completed on 30 September 2015, the effect of the Refinancing on the Group's NTA per Share as at 30 September 2015 would be as follows:

	Before Refinancing	**Post-Refinancing**
NTA of the Group (US$'000)	262,218	268,018
Number of Shares ('000)	3,345,012	3,345,012
NTA per Share (US cents)	7.84	8.01

The slight increase in the NTA of the Group and NTA per Share as at 30 September 2015 is due mainly to the net effects of a combination of the following factors:

(i) the transfer of the Vessels from the Group to SPV of US$420.0 million;

(ii) the transfer of the Loans from the Group to SPV of US$293.3 million;

(iii) the savings from finance cost on the Loans and depreciation expense as an owner of the Vessels exceeds the cost of charter hire payable to the SPV;

(iv) the Group recording a US$63.3 million investment in SPV representing the Group's 50.0% share of the investment in SPV; and

(v) off-setting of amounts owing from the Group to RHL of US$63.3 million which represents RHL's 50.0% share of the investment in SPV.

6. 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 Refinancing other than in their respective capacities as directors and/or shareholders of the Company, RVOS and/or the SPV (as the case may be).

By order of the Board

Ling Yong Wah
Chief Executive Officer
15 December 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company's 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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