



Ezion Holdings Limited

EZION HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199904364E)

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. INTRODUCTION

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the board of directors (“**Board**”) of Ezion Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) wish to advise that the independent auditors of the Company, KPMG LLP (“**Auditors**”), had included a disclaimer of opinion based on the use of going concern assumption on the consolidated financial statements of the Group and the Company’s statement of financial position and statement of changes in equity (the “**Disclaimer of Opinion**”) in their independent auditors’ report dated 14 July 2021 (the “**Independent Auditors’ Report**”) in relation to the consolidated financial statements of the Group for the financial year ended 31 December 2020 (the “**Audited Financial Statements**”).

2. DISCLAIMER OF OPINION

- 2.1. The basis for the Disclaimer of Opinion on the Group’s Audited Financial Statements are set out in more detail in the Independent Auditors’ Report. A copy of the Independent Auditors’ Report and the extract of Notes 2 to the Audited Financial Statements are attached to this announcement as Appendix I and Appendix II respectively.
- 2.2. The Group incurred a net loss of US\$507,549,000 for the year ended 31 December 2020. As at that date, the Group and the Company had net current liabilities of US\$1,471,339,000 and US\$1,678,151,000 respectively; and net liabilities of US\$1,381,337,000 and US\$1,438,595,000 respectively. Of the total liabilities recorded, loans and borrowings of US\$1,542,806,000 were classified as “current liabilities” due to breaches on certain financial covenants, which make such debt obligations immediately callable on demand. During the year, the contractual interest obligations from the outstanding loans and borrowings amounting to US\$33,935,000 were not settled. As at the date of this announcement, a notice of payment default from an unsecured lender for an outstanding obligation of US\$8,914,000 has been served onto the Company, but not from secured lenders.
- 2.3. The Group forecasts that the cash flows from continuing businesses are sufficient to meet working capital needs in the next 12 months, but not to meet the loan and interest obligations. In order to support the continuing use of the going concern assumption, the directors and management of the Company remain committed to seek third party investors to re-capitalise the Company, and to negotiate a debt restructuring plan with existing lenders. The financial statements of the Group and Company have therefore been prepared on a going concern basis assuming that such corporate and debt restructuring plans remain feasible to be undertaken to enable the Group and Company to operate as a going concern.

- 2.4. Notwithstanding the on-going restructuring plans being contemplated, there is uncertainty over the re-capitalisation of equity and debt restructuring plans, as these plans are subject to investment evaluation by prospective investors and agreement by individual and collective lenders to undertake a debt restructuring plan, and also voting by shareholders at general meetings to approve any scheme of arrangement.
- 2.5. If the financial statements were presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and the Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and Company may have to reclassify its non-current assets as current assets. No such adjustments have been made to these financial statements.
- 2.6. The Independent Auditors' Report and a complete set of the Audited Financial Statements will form part of the Company's annual report for FY2020 ("**FY2020 Annual Report**") which is expected to be released on SGXNET and the Company's website on 14 July 2021. Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report.

3. FURTHER ANNOUNCEMENTS

The Company will keep its stakeholders informed of any further developments on the above-mentioned matters and make the necessary announcements.

4. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and the other announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Goon Fook Wye Paul
Company Secretary
14 July 2021

Appendix I

Extracted from the Independent Auditors' Report to the Audited Financial Statements of Ezion Holdings Limited for the financial year ended 31 December 2020

Independent auditors' report

Members of the Company
Ezion Holdings Limited

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Ezion Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS50 to FS148.

We do not express an opinion on the accompanying consolidated financial statements of the Group or the statement of financial position of the Company. Because of the significance of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Use of the going concern assumption

We draw attention to Note 2 to the financial statements which indicates that the financial statements have been prepared by management on a going concern basis. We have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation by management. In this regard, we draw your attention to the following related matters:

- The deficiencies in net working capital and equity position recorded by the Group and the Company as at 31 December 2020;
- The breach of loan covenants, and cross default on debt securities that rendered loans and borrowings and financial guarantees totalling US\$1,542,806,000 in default. These amounts are callable on demand as at statement of financial position date and at the date of this report;
- The non-settlement of interest obligations for the outstanding loans and borrowings during the year;
- The issuance of notice of payment default from one unsecured lender; and
- The Group's and the Company's continued inability to settle the outstanding loans and interest obligations during the year ended 31 December 2020.

These matters give rise to material uncertainty over the ability of the Group and Company to continue as a going concern.

It is the intention of the Group and Company to continue as a going concern; and to address the matters by seeking third party investors to re-capitalise the Company, and thereafter, negotiate a debt restructuring plan with existing lenders, and have the entire corporate and debt restructuring plan drawn up to be approved by lenders and shareholders.

As at the date of this report, the corporate restructuring plan contemplated by the directors and management of the Company have not been met with firm offers of capital injection from any prospective investors, nor have there been any debt restructuring plans drawn up with existing lenders. As the outcome of the Group's plans to resolve its liquidity problems cannot be determined at this time, the ability of the Group to realise the assets at their carrying values and timing is inherently uncertain.

The carrying value of assets as recorded on the statement of financial position of the Group and Company as at 31 December 2020 has been determined based on the continuation as a going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the statement of financial position. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

The comparative financial statements were similarly disclaimed.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, because of the significance of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Yeo Lik Khim.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

14 July 2021

Appendix II

Extracted Note 2 to the Audited Financial Statements of Ezion Holdings Limited for the financial year ended 31 December 2020

2 Going concern

The Group incurred a net loss of US\$507,549,000 for the year ended 31 December 2020. As at that date, the Group and the Company had net current liabilities of US\$1,471,339,000 and US\$1,678,151,000 respectively; and net liabilities of US\$1,381,337,000 and US\$1,438,595,000 respectively. Of the total liabilities recorded, loans and borrowings of US\$1,542,806,000 were classified as “current liabilities” due to breaches on certain financial covenants, which make such debt obligations immediately callable on demand. During the year, the contractual interest obligations from the outstanding loans and borrowings amounting to US\$33,935,000 were not settled. As at the date of this report, a notice of payment default from an unsecured lender for an outstanding obligation of US\$8,914,000 has been served onto the Company, but not from secured lenders.

The Group forecasts that the cash flows from continuing businesses are sufficient to meet working capital needs in the next 12 months, but not to meet the loan and interest obligations.

In order to support the continuing use of the going concern assumption, the directors and management of the Company remain committed to seek third party investors to re-capitalise the Company, and to negotiate a debt restructuring plan with existing lenders. The financial statements of the Group and Company have therefore been prepared on a going concern basis assuming that such corporate and debt restructuring plans remain feasible to be undertaken to enable the Group and Company to operate as a going concern.

Notwithstanding the on-going restructuring plans being contemplated, there is uncertainty over the re-capitalisation of equity and debt restructuring plans, as these plans are subject to investment evaluation by prospective investors and agreement by individual and collective lenders to undertake a debt restructuring plan, and also voting by shareholders at general meetings to approve any scheme of arrangement.

If the financial statements were presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and the Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial positions. In addition, the Group and Company may have to reclassify its non-current assets as current assets. No such adjustments have been made to these financial statements.