



Ezion Holdings Limited

(Company No.: 199904364E)

Second Quarter Financial Statement And Dividend Announcement For The Six Months Ended 30 June 2015

PART1- INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1 (a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (Second Quarter)		Incr/ (Decr)	Group (Year-To-Date)		Incr/ (Decr)
	3 months ended			6 months ended		
	30.06.2015	30.06.2014	%	30.06.2015	30.06.2014	%
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	90,054	92,635	(2.8)	180,173	187,069	(3.7)
Cost of sales and servicing	(58,658)	(45,258)	29.6	(107,270)	(92,404)	16.1
Gross profit	31,396	47,377	(33.7)	72,903	94,665	(23.0)
Other income, net	962	1,003	(4.1)	3,079	3,333	(7.6)
Administrative expenses	(4,803)	(4,254)	12.9	(9,318)	(8,400)	10.9
Other operating expenses	(1,652)	(2,078)	(20.5)	(2,981)	(4,568)	(34.7)
Results from operating activities	25,903	42,048	(38.4)	63,683	85,030	(25.1)
Finance income	1,149	1,626	(29.3)	2,268	3,172	(28.5)
Finance costs	(6,964)	(5,431)	28.2	(12,729)	(10,550)	20.7
Net finance costs	(5,815)	(3,805)	52.8	(10,461)	(7,378)	41.8
Share of results of associates and jointly controlled entities (net of tax)	9,251	7,946	16.4	17,412	14,173	22.9
Profit before income tax	29,339	46,189	(36.5)	70,634	91,825	(23.1)
Income tax expense	(381)	(800)	(52.4)	(666)	(1,229)	(45.8)
Profit after income tax	28,958	45,389	(36.2)	69,968	90,596	(22.8)
Non-controlling interests	-	90	N/M	-	128	N/M
Profit for the period	28,958	45,479	(36.3)	69,968	90,724	(22.9)

Profit for the period is arrived at after crediting/(charging) the following items:-

	Group (Second Quarter)		Incr/ (Decr)	Group (Year-To-Date)		Incr/ (Decr)
	3 months ended			6 months ended		
	30.06.2015	30.06.2014	%	30.06.2015	30.06.2014	%
	US\$'000	US\$'000		US\$'000	US\$'000	
Other income including interest income, net	2,111	2,629	(19.7)	5,347	6,505	(17.8)
Interest on borrowings	(6,964)	(5,431)	28.2	(12,729)	(10,550)	20.7
Depreciation of plant and equipment	(33,242)	(24,417)	36.1	(63,105)	(47,203)	33.7
Reversal of impairment losses on trade receivables	-	7	N/M	-	14	N/M
Foreign exchange (loss)/gain, net	(218)	(1,219)	(82.1)	476	(2,184)	N/M
Adjustment for underprovision of tax respect of prior year	-	-	N/M	-	(25)	N/M

N/M - not meaningful

See note 8 for more explanation on the income statement review

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.06.2015 US\$'000	31.12.2014 US\$'000	30.06.2015 US\$'000	31.12.2014 US\$'000
Non-current assets				
Plant and equipment	2,288,810	2,135,580	636	747
Subsidiaries	-	-	1,216,642	1,043,354
Joint ventures	118,447	104,109	51,494	51,518
Associates	66,576	68,805	71,139	74,232
Other assets	13,080	13,832	126	132
	2,486,913	2,322,326	1,340,037	1,169,983
Current assets				
Trade receivables	159,138	159,580	5,671	4,053
Other current assets	114,448	127,555	39,650	31,651
Asset held for sale	75,001	-	-	-
Cash and cash equivalents	339,945	371,510	233,316	316,992
	688,532	658,645	278,637	352,696
Total assets	3,175,445	2,980,971	1,618,674	1,522,679
Equity				
Share capital	536,284	535,654	536,284	535,654
Perpetual securities	211,874	211,874	211,874	211,874
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	(30,596)	(21,424)	(1,875)	(980)
Retained earnings	625,583	563,059	144,901	140,734
Equity attributable to owners of the Company	1,366,609	1,312,627	891,184	887,282
Non-controlling interests	-	(6)	-	-
Total equity	1,366,609	1,312,621	891,184	887,282
Non-current liabilities				
Financial liabilities	912,504	892,220	128,726	103,918
Notes payable	309,661	315,532	309,661	315,532
Other payables	38,776	33,453	48,093	21,598
Deferred tax liabilities	278	-	-	-
	1,261,219	1,241,205	486,480	441,048
Current liabilities				
Trade payables	81,501	69,886	146	40
Other payables	62,341	61,732	125,042	120,540
Liabilities due to asset held for sale	45,421	-	-	-
Financial liabilities	351,584	288,292	112,237	70,057
Provision for taxation	6,770	7,235	3,585	3,712
	547,617	427,145	241,010	194,349
Total liabilities	1,808,836	1,668,350	727,490	635,397
Total equity and liabilities	3,175,445	2,980,971	1,618,674	1,522,679

See note 8 for more explanation on the statement of financial position review

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30.06.2015		As at 31.12.2014	
Secured*	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
316,914	80,091	248,542	39,750

Amount repayable after one year

As at 30.06.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
912,504	309,661	892,220	315,532

* Included in the secured amount repayable in one year or less, or on demand are Liabilities Due To Asset Held For Sale secured with the Asset Held For Sale to be settled upon completion of the sale.

Details of any collateral

The Group's vessels are pledged to financial institutions as security for the term loans.

1(b)(iii) Statement of comprehensive income for three months ended 30 June 2015

	Group (Second Quarter)			Group (Year-To-Date)		
	3 months ended		Incr/	6 months ended		Incr/
	30.06.2015	30.06.2014	(Decr)	30.06.2015	30.06.2014	(Decr)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit after tax	28,958	45,389	(36.2)	69,968	90,596	(22.8)
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Translation differences relating to financial statements of foreign operations	(3,584)	(456)	N/M	(4,497)	(524)	N/M
Share of foreign currency translation differences of associates	(53)	-	N/M	508	-	N/M
Exchange differences on monetary items forming part of net investment in foreign operations	(629)	2,964	N/M	(4,338)	4,046	N/M
Effective portion of changes in fair value of cash flow hedges	429	(1,157)	N/M	(845)	(1,172)	(27.9)
Other comprehensive income for the period	(3,837)	1,351	N/M	(9,172)	2,350	N/M
Total comprehensive income for the period	25,121	46,740	(46.3)	60,796	92,946	(34.6)
Attributable to:						
Owners of the Company	25,121	46,830	(46.4)	60,796	93,074	(34.7)
Non-controlling interests	-	(90)	N/M	-	(128)	N/M
	25,121	46,740	(46.3)	60,796	92,946	(34.6)

Note :

There are no tax effects relating to each component of other comprehensive income for the period.

N/M - not meaningful

1(c) **Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group (Second Quarter)		Group (Year-To-Date)	
	3 months ended		6 months ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit after tax	28,958	45,389	69,968	90,596
Adjustments for:				
Income tax expense	381	800	666	1,229
Depreciation expense	33,242	24,417	63,105	47,203
Finance income	(1,149)	(1,626)	(2,268)	(3,172)
Finance costs	6,964	5,431	12,729	10,550
Financial guarantee income provided to joint ventures	(385)	(664)	(1,232)	(1,568)
Reversal of impairment loss on trade receivables	-	(7)	-	(14)
Equity-settled share-based payment transactions	623	595	1,114	1,035
Share of results of associates and jointly controlled entities	(9,251)	(7,946)	(17,412)	(14,173)
Operating cash flow before working capital changes	59,383	66,389	126,670	131,686
Changes in working capital:				
Trade receivables and other assets	4,766	(23,154)	10,959	(42,881)
Trade and other payables	11,942	(2,697)	13,370	(21,429)
Cash generated from operating activities	76,091	40,538	150,999	67,376
Income tax paid	(1,043)	(593)	(1,791)	(746)
Net cash from operating activities	75,048	39,945	149,208	66,630
Cash flows from investing activities				
Purchase of plant and equipment	(114,329)	(126,398)	(164,546)	(174,857)
Acquisition of subsidiary, net of cash acquired	-	(23,222)	-	(42,938)
Advance payments for purchase of plant and equipment	(56,858)	10,335	(120,240)	(22,578)
Investments in joint ventures	279	(2,163)	(79)	16,083
Investments in associate	-	(15,495)	-	(15,687)
Interest received	714	722	1,385	1,680
Net cash used in investing activities	(170,194)	(156,221)	(283,480)	(238,297)
Cash flows from financing activities				
Proceeds from borrowings	162,274	133,052	246,438	154,171
Repayment of borrowings	(65,694)	(43,038)	(113,499)	(67,103)
Proceeds from issuance of notes, net of transaction costs	-	115,228	-	198,147
Net proceeds from issuance of ordinary shares	565	157,514	630	157,514
Repayment of notes	-	(78,339)	-	(78,339)
Dividend paid	(1,193)	(959)	(1,193)	(959)
Interest paid	(10,198)	(5,104)	(19,522)	(12,456)
Net cash from financing activities	85,754	278,354	112,854	350,975
Net (decrease)/increase in cash and cash equivalents	(9,392)	162,078	(21,418)	179,308
Cash and cash equivalents at beginning of the period	344,983	185,358	371,510	165,978
Effect of exchange rate fluctuations	4,354	5,092	(10,147)	7,242
Cash and cash equivalents at end of the period	339,945	352,528	339,945	352,528

See note 8 for explanation on the statement of cash flows review

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During first quarter of 2015, 230,400 shares were issued under the Company's Employee Share Option Scheme. The newly issued shares rank pari passu in all respects with the previously issued shares.

During the second quarter of 2015, 1,489,560 shares were issued under the Company's Employee Share Option Scheme. The newly issued shares rank pari passu in all respects with the previously issued shares.

As at 30 June 2015, the share capital less treasury shares of the Company was 1,580,023,647 ordinary shares (1,580,707,647 issued ordinary shares less 684,000 treasury shares). As at 30 June 2014, the share capital less treasury shares of the Company was 1,315,113,044 ordinary shares (1,315,683,044 issued ordinary shares less 570,000 treasury shares).

As at 30 June 2015, there were 300 redeemable exchangeable preference shares in a subsidiary available for exchange to 19,787,830 ordinary shares of the Company and as at 30 June 2014, there were 300 redeemable exchangeable preference shares in a subsidiary available for exchange to 16,470,847 ordinary shares of the Company.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 30 June 2015, the issued and paid up share capital excluding treasury shares of the Company comprised 1,580,023,647 (31 December 2014: 1,578,303,687) ordinary shares.

As at 30 June 2015, subsidiary of the Company has 300 (31 December 2014: 300) redeemable exchangeable preference shares outstanding.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The movement of treasury shares are as follows:

As at 1 January 2015 = 684,000 shares

Purchase of treasury shares during the period = Nil

Transfer of treasury shares during the period = Nil

As at 30 June 2015 = 684,000 shares

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new and revised FRSs and Interpretation of FRS (INT FRS) that are effective for financial periods beginning 1 January 2015. The adoption of these new and revised FRS and INT FRSs did not have material effect on the financial performance or position of the Group.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group (Second Quarter) 3 months ended		Group (Year-To-Date) 6 months ended	
	30.06.2015	30.06.2014 Restated	30.06.2015	30.06.2014 Restated
(a) Based on weighted average number	1.83 cts	2.98 cts	4.43 cts	6.12 cts
(b) On a fully diluted basis	1.80 cts	2.93 cts	4.35 cts	6.02 cts

Note :

Weighted average ordinary shares for calculation of:

- Basic earnings per shares	1,578,724,000	1,521,139,000	1,578,620,000	1,480,765,000
- Diluted earnings per share	1,607,618,000	1,546,562,000	1,607,514,000	1,505,559,000

On 15 September 2014, the Company issued 263,136,643 ordinary shares pursuant to the bonus issue on the basis of one (1) bonus share for every five (5) existing ordinary shares. Following the issue of bonus shares, the aggregate number of issued shares increased from 1,315,683,044 shares to 1,578,819,687 shares. As a result, the number of ordinary shares used for the per share calculations has been adjusted for retrospectively as required by FRS 33.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the period reported on	86.49 cts	83.18 cts	56.4 cts	56.22 cts

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

2Q15 vs 2Q14

The Group's revenue for the three months ended 30 June 2015 ("2Q15") decreased by US\$2.6 million (2.8%) to US\$90.1 million as compared to the corresponding three months ended 30 June 2014 ("2Q14"). The decrease in revenue was mainly due to the absence of contribution from the marine and offshore logistic support services division as the projects in Queensland, Australia did not go into additional trains as originally planned.

The cost of sales and servicing for 2Q15 increased by US\$13.4 million (29.6%) to US\$58.7 million as compared to 2Q14. The increase was due to the deployment of additional multi-purpose self-propelled jack-up rigs and Jack-up Rigs (collectively called "Service Rigs").

As a result of the above, the Group's gross profit for 2Q15 decreased by US\$16.0 million (33.7%) to US\$31.4 million as compared to 2Q14.

The increase in administrative expenses in 2Q15 was mainly due to increase in staff strength in preparation for the expected increase in business activities.

The increase in finance costs in 2Q15 was mainly due to additional interest expense for the funding of newly delivered Service Rigs.

The higher share of associates and jointly controlled entities' results in 2Q15 as compared to 2Q14 was mainly due to higher contribution from a joint venture where its vessel utilisation in 2Q15 was higher as compared to 2Q14.

Profit before income tax decreased by US\$16.9 million (36.5%) to US\$29.3 million as a result of all the above.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore.

1H15 vs 1H14

The Group's revenue for the six months ended 30 June 2015 ("1H15") decreased by US\$6.9 million (3.7%) to US\$180.2 million as compared to the corresponding six months ended 30 June 2014 ("1H14"). The decrease in revenue was mainly due to the absence of contribution from the marine and offshore logistic support services division as the projects in Queensland, Australia did not go into additional trains as originally planned.

The cost of sales and servicing for 1H15 increased by US\$14.9 million (16.1%) to US\$107.3 million as compared to 1H14. The increase was due to the deployment of additional multi-purpose self-propelled jack-up rigs and Jack-up Rigs (collectively called "Service Rigs").

As a result of the above, the Group's gross profit for 1H15 decreased by US\$21.8 million (23.0%) to US\$72.9 million as compared to 1H14.

The increase in administrative expenses in 1H15 was mainly due to increase in staff strength in preparation for the expected increase in business activities.

The decrease in finance income in 1H15 was mainly due to lower interest income from loans to Joint Ventures.

The increase in finance costs in 1H15 was due mainly to additional interest expense for the funding of newly delivered Service Rigs.

The higher share of associates and jointly controlled entities' results in 1H15 as compared to 1H14 was mainly due to higher contribution from a joint venture where its vessel utilisation in 1H15 was higher as compared to 1H14.

Profit before income tax decreased by US\$21.2 million (23.1%) as a result of the above.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$0.7 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

STATEMENT OF FINANCIAL POSITION REVIEW

Non-current Assets

The Group's Non-current Assets amounted to US\$2,486.9 million as at 30 June 2015. The increase in Non-current Assets was mainly due to the construction and refurbishment of the Group's Service Rigs. The increase in Joint Ventures was attributable to the share of results of joint ventures, net of tax during the 6 months financial period ended 30 June 2015.

Current Assets

The Group's Current Assets amounted to US\$688.5 million as at 30 June 2015. The increase was mainly due to the reclassification of 1 unit of the Group's Service Rig to Asset Held For Sale. Included in the Other Current Assets were the advance payments and deposits made for the construction of Service Rigs. The decrease in Cash and Bank balances was mainly due to higher cash flow used in investing activities for construction and refurbishment of the Group's Service Rigs.

Total Liabilities

The Group's Total Liabilities amounted to US\$1,808.8 million as at 30 June 2015. The increase in Total Liabilities was due mainly to the additional drawdown of bank borrowings to finance the progress construction, conversion and refurbishment of the Group's Service Rigs. Included in Other Payables were the advance payments and performance deposits received.

Total Equity

The increase in Total Equity was attributable mainly to the profit derived in the period.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

The Group's net cash inflow from operating activities was US\$149.2 million. This was mainly due to the net cash generated by the operations of the Group.

Cash Flow from Investing Activities

The Group's net cash used in investing activities was US\$283.5 million. This was mainly due to the progress payments made and the deployment of funds towards the construction and refurbishment of the Group's Service Rigs.

Cash Flow from Financing Activities

The Group's net cash inflow from financing activities was US\$112.9 million. This was mainly due to the increase in bank borrowings to finance the Group's Service Rigs. This is partially offset by repayments of bank borrowings during the period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group has made long term strategic decisions to inter-change a few of its service rigs among its existing clients. The switch is necessary for better deployment of the Group's assets in the long term but will create gaps in the interim.

Extensive modification work and repairs on several of the Group's Service Rigs have resulted in the Group being able to renew some of its contracts for longer period. However, these have also resulted in extra cost being incurred and additional delay in their redeployment.

The above developments have impacted the performance of the Group in the current financial year and therefore, the Group may be unable to achieve stronger performance than in FY2014.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The operating environment in the Oil and Gas sector has remained challenging since the beginning of the year. The Group expects Oil Majors will continue to reduce capital expenditure on exploration and development and focus on extraction and production related activities. As the Group's key assets are designed mainly to provide offshore production support, it will be working closely with the clients to meet this new focus.

The Group is putting in additional resources and effort to ensure the Service Rigs that were not able to generate revenue in 1H15 due to repair and maintenance, dry docking inspection and additional modification work, so that they could be deployed as soon as possible in the second half of 2015 ("2H15"). Additional Service Rigs will also be deployed in 2H15.

The Group also raised S\$120 million via a five year bond issue with the support of DBS Bank earlier in the month. This allows Ezion to be in a better position to explore further opportunities to better support its clients in the coming months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There was no interested person transaction during the period under review.

BY ORDER OF THE BOARD

Lim Ka Bee
Company Secretary

14 August 2015

**Confirmation by the Board
Pursuant to SGX Listing Rule 705(5)**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the three months ended 30 June 2015 to be false or misleading in any material aspects.

On behalf of the Board of Directors

**Chew Thiam Keng
Executive Director & CEO**

**Lee Kian Soo
Chairman & Non-executive Director**

14 August 2015