Ezion Holdings Limited

(Company No.: 199904364E)

Second Quarter Financial Statement And Dividend Announcement For The Six Months Ended 30 June 2017

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) 3 months ended		Incr/ (Decr)	Group (Year-To-Date) 6 months ended		Incr/ (Decr)
	30.06.2017 US$'000	30.06.2016 US$'000	%	30.06.2017 US$'000	30.06.2016 US$'000	%
Revenue	67,384	83,711	(19.5)	135,976	165,801	(18.0)
Cost of sales and servicing	(60,694)	(65,920)	(7.9)	(120,539)	(127,336)	(5.3)
Gross profit	**6,690**	**17,791**	**(62.4)**	**15,437**	**38,465**	**(59.9)**
Other income, net	10,639	15,321	(30.6)	10,854	29,176	(62.8)
Administrative expenses	(3,586)	(4,461)	(19.6)	(7,661)	(8,383)	(8.6)
Other operating expenses	(6,798)	(2,435)	N/M	(20,552)	(18,087)	13.6
Results from operating activities	**6,945**	**26,216**	**(73.5)**	**(1,922)**	**41,171**	**N/M**
Finance income	1,356	949	42.9	2,800	2,035	37.6
Finance costs	(8,695)	(7,492)	16.1	(16,674)	(16,187)	3.0
Net finance costs	(7,339)	(6,543)	12.2	(13,874)	(14,152)	(2.0)
Share of results of associates and jointly controlled entities (net of tax)	(1,599)	(10,587)	N/M	2,032	(2,370)	N/M
(Loss)/Profit before income tax	**(1,993)**	**9,086**	**N/M**	**(13,764)**	**24,649**	**N/M**
Income tax expense	(576)	(950)	(39.4)	(1,540)	(1,025)	50.2
(Loss)/Profit after income tax	**(2,569)**	**8,136**	**N/M**	**(15,304)**	**23,624**	**N/M**

(Loss)/Profit after tax is arrived at after crediting/(charging) the following items:-

	Group (Second Quarter) 3 months ended		Incr/ (Decr)	Group (Year-To-Date) 6 months ended		Incr/ (Decr)
	30.06.2017 US$'000	30.06.2016 US$'000	%	30.06.2017 US$'000	30.06.2016 US$'000	%
Other income[1]	11,995	16,270	(26.3)	13,654	31,211	(56.3)
Interest on borrowings	(8,695)	(7,492)	16.1	(16,674)	(16,187)	3.0
Depreciation of plant and equipment	(36,624)	(36,868)	(0.7)	(72,667)	(72,464)	0.3
Foreign exchange loss, net	(5,789)	(836)	N/M	(19,040)	(15,444)	23.3
Gain on disposal of subsidiaries, asset held for sale and plant and equipment	10,575	14,609	(27.6)	10,575	27,755	(61.9)

[1] *Includes interest income and gain on disposal of subsidiaries and assets held for sale*

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	
	30.06.2017	**31.12.2016**	**30.06.2017**	**31.12.2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current assets				
Plant and equipment	2,152,857	2,198,446	295	406
Subsidiaries	-	-	1,222,245	1,285,514
Joint ventures	136,230	171,584	64,089	52,232
Associates	89,900	78,801	55,710	60,153
Other assets	6,050	4,941	6,596	2,241
	2,385,037	**2,453,772**	**1,348,935**	**1,400,546**
Current assets				
Trade receivables	194,622	178,899	8,631	9,599
Other current assets	237,659	164,086	88,051	68,053
Cash and cash equivalents	93,457	204,953	79,634	149,497
	525,738	**547,938**	**176,316**	**227,149**
Total assets	**2,910,775**	**3,001,710**	**1,525,251**	**1,627,695**
Equity				
Share capital	648,940	648,940	648,940	648,940
Perpetual securities	116,499	116,499	116,499	116,499
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	(27,606)	(31,549)	(979)	(1,541)
Retained earnings	539,643	558,030	(28,499)	798
Total equity	**1,300,940**	**1,315,384**	**735,961**	**764,696**
Non-current liabilities				
Financial liabilities	718,121	788,067	110,271	141,817
Notes payable	391,147	372,040	391,147	372,040
Other payables	23,655	33,961	73,246	112,082
	1,132,923	**1,194,068**	**574,664**	**625,939**
Current liabilities				
Trade payables	86,702	112,074	143	198
Other payables	43,280	42,846	98,069	110,240
Financial liabilities	340,481	331,055	112,704	122,912
Provision for taxation	6,449	6,283	3,710	3,710
	476,912	**492,258**	**214,626**	**237,060**
Total liabilities	**1,609,835**	**1,686,326**	**789,290**	**862,999**
Total equity and liabilities	**2,910,775**	**3,001,710**	**1,525,251**	**1,627,695**

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 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
US$'000	US$'000	US$'000	US$'000
251,540	88,941	233,114	97,941

Amount repayable after one year

As at 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
US$'000	US$'000	US$'000	US$'000
705,461	403,807	775,407	384,700

Details of any collateral

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

Included in cash and cash equivalents an amount of US$89,673,000 being earmarked by the banks for various facilities granted.

1(b)(iii) Statement of comprehensive income for three months ended 30 June 2017

	Group (Second Quarter) 3 months ended		Incr/ (Decr)	Group (Year-To-Date) 6 months ended		Incr/ (Decr)
	30.06.2017 US$'000	**30.06.2016 US$'000**	**%**	**30.06.2017 US$'000**	**30.06.2016 US$'000**	**%**
(Loss)/Profit after tax	(2,569)	8,136	N/M	(15,304)	23,624	N/M
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Translation differences relating to financial statements of foreign operations	(1,079)	(2,114)	N/M	3,381	652	N/M
Share of foreign currency translation differences of associates	3,559	1,364	160.9	-	401	N/M
Exchange differences on monetary items forming part of net investment in foreign operations	-	(256)	N/M	-	1,346	N/M
Effective portion of changes in fair value of cash flow hedges	40	(21)	N/M	562	(1,181)	N/M
Other comprehensive income for the period	2,520	(1,027)	N/M	3,943	1,218	N/M
Total comprehensive income for the period	**(49)**	**7,109**	**N/M**	**(11,361)**	**24,842**	**N/M**
Attributable to:						
Owners of the Company	(49)	7,109	**N/M**	(11,361)	24,842	N/M

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) 3 months ended		Group (Year-To-Date) 6 months ended	
	30.06.2017 US$'000	**30.06.2016 US$'000**	**30.06.2017 US$'000**	**30.06.2016 US$'000**
Cash flows from operating activities				
(Loss)/Profit after tax	(2,569)	8,136	(15,304)	23,624
Adjustments for:				
Income tax expense	576	950	1,540	1,025
Depreciation expense	36,624	36,868	72,667	72,464
Gain on disposal of subsidiaries, assets held for sales and plant and equipment	(10,575)	(14,609)	(10,575)	(27,755)
Foreign exchange loss, net	5,789	836	19,040	(15,444)
Finance income	(1,356)	(949)	(2,800)	(2,035)
Finance costs	8,695	7,492	16,674	16,187
Financial guarantee income provided to joint ventures	-	(454)	(36)	(733)
Equity-settled share-based payment transactions	324	561	641	1,018
Share of results of associates and jointly controlled entities	1,599	10,587	(2,032)	2,370
Operating cash flow before working capital changes	39,107	49,418	79,815	70,721
Changes in working capital:				
Trade receivables and other assets	(10,393)	(16,679)	(19,391)	(22,244)
Trade and other payables	(30,503)	(3,575)	(35,393)	(4,576)
Cash generated from operating activities	(1,789)	29,164	25,031	43,901
Income tax paid	(564)	(915)	(1,374)	(1,056)
Net cash (used in)/generated from operating activities	(2,353)	28,249	23,657	42,845
Cash flows from investing activities				
Purchase of plant and equipment	(13,583)	(13,493)	(24,218)	(34,654)
Proceeds from disposal of assets held for sale	-	20,400	-	20,400
Advance payments for purchase of plant and equipment	(16,170)	(243)	(16,320)	(635)
Investments in joint ventures	-	(865)	(738)	(4,364)
Investments in associate	(11,447)	-	(14,653)	-
Interest received	887	404	1,550	928
Net cash (used in)/generated from investing activities	(40,313)	6,203	(54,379)	(18,325)
Cash flows from financing activities				
Proceeds from borrowings	14,300	-	35,752	31,766
Repayment of borrowings	(54,188)	(49,640)	(97,343)	(109,927)
Interest paid	(11,174)	(9,055)	(20,693)	(17,357)
Net cash used in financing activities	(51,062)	(58,695)	(82,284)	(95,518)
Net decrease in cash and cash equivalents	(93,728)	(24,243)	(113,006)	(70,998)
Cash and cash equivalents at beginning of the period	186,972	206,340	204,953	229,756
Effect of exchange rate fluctuations	213	(988)	1,510	22,351
Cash and cash equivalents at end of the period	93,457	181,109	93,457	181,109

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

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Perpetual securities	Redeemable exchangeable preference shares	Treasury shares	Foreign currency translation reserve	Hedging reserve	Statutory reserve	Retained earnings	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
<u>Group</u>									
At 1 January 2016	536,368	116,499	23,464	(1,480)	(29,333)	(1,504)	(6)	597,302	1,241,310
Total comprehensive income for the period	-	-	-	-	2,399	(1,181)	-	23,624	24,842
Translations with owners, recognised directly in equity									
Issue of shares	12,729	-	-	-	-	-	-	-	12,729
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(3,815)	(3,815)
Share-based payment transactions	-	-	-	-	-	-	-	1,018	1,018
At 30 June 2016	**549,097**	**116,499**	**23,464**	**(1,480)**	**(26,934)**	**(2,685)**	**(6)**	**618,129**	**1,276,084**
At 1 January 2017	648,940	116,499	23,464	(1,480)	(30,008)	(55)	(6)	558,030	1,315,384
Total comprehensive income for the period	-	-	-	-	3,381	562	-	(15,304)	(11,361)
Translations with owners, recognised directly in equity									
Issue of shares	-	-	-	-	-	-	-	-	-
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(3,724)	(3,724)
Share-based payment transactions	-	-	-	-	-	-	-	641	641
At 30 June 2017	**648,940**	**116,499**	**23,464**	**(1,480)**	**(26,627)**	**507**	**(6)**	**539,643**	**1,300,940**

	Share capital	Perpetual securities	Treasury shares	Hedging reserve	Statutory reserve	Retained earnings	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
<u>Company</u>							
At 1 January 2016	536,368	116,499	(1,480)	(1,429)	(6)	89,508	739,460
Total comprehensive income for the period	-	-	-	(1,229)	-	4,607	3,378
Translations with owners, recognised directly in equity							
Issue of shares	12,729	-	-	-	-	-	12,729
Accrued perpetual securities distributions	-	-	-	-	-	(3,815)	(3,815)
Share-based payment transactions	-	-	-	-	-	1,018	1,018
At 30 June 2016	**549,097**	**116,499**	**(1,480)**	**(2,658)**	**(6)**	**91,318**	**752,770**
At 1 January 2017	648,940	116,499	(1,480)	(55)	(6)	798	764,696
Total comprehensive income for the period	-	-	-	562	-	(26,214)	(25,652)
Translations with owners, recognised directly in equity							
Issue of shares	-	-	-	-	-	-	-
Accrued perpetual securities distributions	-	-	-	-	-	(3,724)	(3,724)
Share-based payment transactions	-	-	-	-	-	641	641
At 30 June 2017	**648,940**	**116,499**	**(1,480)**	**507**	**(6)**	**(28,499)**	**735,961**

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 and subsidiary holdings, if any, against the percentage of aggregate number of treasury shares and subsidiary holdings against the total number of issued shares outstanding in a class that is listed 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.

As at 30 June 2017, the share capital less treasury shares of the Company was 2,073,843,405 ordinary shares (2,077,027,405 issued ordinary shares less 3,184,000 treasury shares). As at 30 June 2016, the share capital less treasury shares of the Company was 1,595,254,740 ordinary shares (1,598,438,740 issued ordinary shares less 3,184,000 treasury shares).

As at 30 June 2017 and 30 June 2016, there were 300 redeemable exchangeable preference shares in a subsidiary available for exchange to 19,787,830 ordinary shares of the Company.

There were no subsidiary holdings as at 30 June 2017 and 30 June 2016.

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 2017, the issued and paid up share capital excluding treasury shares of the Company comprised 2,073,843,405 (31 December 2016: 2,073,843,405) ordinary shares.

As at 30 June 2017, subsidiary of the Company has 300 (31 December 2016: 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 2017 = 3,184,000 shares
Purchase of treasury shares during the period = Nil
Transfer of treasury shares during the period = Nil
As at 30 June 2017 = 3,184,000 shares

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 2016.

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 2017. 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	
	30.06.2017	30.06.2016 Restated	30.06.2017	30.06.2016 Restated
(a) Based on weighted average number of ordinary shares in issue	-0.30 cts	0.39 cts	-0.92 cts	1.22 cts
(b) On a fully diluted basis	-0.30 cts	0.38 cts	-0.91 cts	1.21 cts
Note :				
Weighted average ordinary shares for calculation of:				
- Basic earnings per share	2,073,843,000	1,619,365,000	2,073,843,000	1,619,365,000
- Diluted earnings per share*	2,095,876,000	1,643,164,000	2,095,876,000	1,643,164,000

On 8 August 2016, the Company issued 478,576,422 ordinary shares pursuant to the rights issue on the basis of three (3) right shares for every ten (10) existing ordinary shares. Following the issue of right shares, the aggregate number of issued shares increased from 1,598,438,740 shares to 2,077,015,162 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.

* As the six months ended 30 June 2017 is in a loss position, share options and warrants were not included in the computation of the diluted earnings per share because these potential ordinary shares were anti-dilutive.

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	
	30.06.2017	31.12.2016 Restated	30.06.2017	31.12.2016 Restated
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the period reported on	62.73 cts	63.43 cts	35.49 cts	36.87 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.

<u>INCOME STATEMENT REVIEW</u>

2Q17 vs 2Q16

The Group's revenue for the three months ended 30 June 2017 ("2Q17") decreased by US$16.3 million (19.5%) to US$67.4 million as compared to the corresponding three months ended 30 June 2016 ("2Q16"). The decrease in revenue was mainly due to:

(i) reduction in charter rates;

(ii) drop in utilisation rate of the Group's multi-purpose self-propelled jack-up rigs and Jack-up Rigs (collectively called "Service Rigs"); and

(iii) further depression in utilisation rate of the Group's Offshore Support Vessels.

The cost of sales and servicing for 2Q17 decreased by US$5.2 million (7.9%) to US$60.7 million as compared to 2Q16.

As a result of the above, the Group's gross profit for 2Q17 decreased by US$11.1 million (62.4%) to US$6.7 million as compared to 2Q16.

The decrease in other income in 2Q17 as compared to 2Q16 was mainly due to the lower gain on disposal of subsidiaries, as compared to the gain on disposal of asset held for sale in 2Q16.

The other operating expenses in 2Q17 includes unrealised foreign exchange losses which amounted to approximately US$5.8 million mainly due to the strengthening of the Singapore Dollar against the United States Dollar as at 30 June 2017 and this resulted in foreign exchange losses on the Group's Notes Payable.

The increase in finance costs in 2Q17 as compared to 2Q16 was mainly due to the additional interest expense for the funding of newly delivered Service Rigs.

The higher share of associates and jointly controlled entities' results in 2Q17 as compared to 2Q16 was mainly due to higher contributions from the Group's Joint Ventures and Associates.

The Group incurred loss before income tax of US$2.0 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. Current period income tax expense of US$0.6 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

1H2017 vs 1H2016

The Group's revenue for the six months ended 30 June 2017 ("1H17") decreased by US$29.8 million (18.0%) to US$136.0 million as compared to the corresponding six months ended 30 June 2016 ("1H16"). The decrease in revenue was mainly due to:

(i) reduction in charter rates;

(ii) drop in utilisation rate of the Group's multi-purpose self-propelled jack-up rigs and Jack-up Rigs (collectively called "Service Rigs"); and

(iii) further depression in utilisation rate of the Group's Offshore Support Vessels.

The cost of sales and servicing for 1H17 decreased by US$6.8 million (5.3%) to US$120.5 million as compared to 1H16.

As a result of the above, the Group's gross profit for 1H17 decreased by US$23.0 million (59.9%) to US$15.4 million as compared to 1H16.

The decrease in other income in 1H17 as compared to 1H16 was mainly due to lower gain arising from the disposal of subsidiaries as compared to the gain on assets held for sale in 1H16.

The decrease in administrative expenses in 1H17 as compared to 1H16 was mainly due to further cost cutting measures undertaken by the Group.

The other operating expenses in 1H17 includes unrealised foreign exchange losses which amounted to approximately US$19.0 million mainly due to the strengthening of the Singapore Dollar against the United States Dollar as at 30 June 2017 and this resulted in foreign exchange losses on the Group's Notes Payable.

The higher share of associates and jointly controlled entities' results in 1H17 as compared to 1H16 was mainly due to higher contributions from the Group's Joint Ventures and Associates.

As a result of the above, the loss before income tax for 1H17 stands at US$13.8 million.

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$1.5 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$2,385.0 million as at 30 June 2017. The decrease in Non-current Assets was mainly due to depreciation charges on Plant and Equipment during the period. The decrease in Joint Ventures was mainly due to the transactions in relation to the acquition and subsequent divestment of joint ventures as announced on 28 March 2017 and 31 March 2017. The decrease is offset by the increase in investment in associates.

Current Assets

The Group’s Current Assets amounted to US$525.7 million as at 30 June 2017. The decrease Current Assets was mainly due to the repayment of loans, interest cost, deployment of funds towards the Group's Service Rigs. The decrease is offset by the increase in Trade Receivables and Other Current Assets, mainly due to the increase in amount owing from joint ventures.

Total Liabilities

The Group’s Total Liabilities amounted to US$1,609.8 million as at 30 June 2017. The decrease in Total Liabilities was due mainly to repayment of loans due to banks offset by the increase in the Group's Notes Payable arising from the strenghtening of the Singapore Dollar against the United States Dollar as at 30 June 2017. Included in Other Payables were the advance payments, performance deposits received, deferred revenue and accrued expenses.

Total Equity

The decrease in Total Equity was attributable mainly due to the losses incurred in the period.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

The Group’s net cash inflow from operating activities was US$23.7 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$54.4 million. This was mainly due to the deployment of funds towards the Group's Service Rigs.

Cash Flow from Financing Activities

The Group's net cash used in financing activities was US$82.3 million. This was mainly due to repayment of bank borrowings and interest costs 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.

In line with the prospect statement made in 1Q17.

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.

Brent oil prices have dropped from about US$110 per barrel in June 2014 to below US$30 per barrel in January 2016 and although the oil price has recovered modestly since, it has however been predominantly hovering around US$52 per barrel range. It is noteworthy to highlight that an independent research report had forecasted that the "oil price deck *(or drop)* to a flat c.US$50 per barrel ($55-60 prior) for 2017-19…"[1] Consequently the Group does not expect any significant increase in the capital and operating expenditure of oil and gas companies over the next 12 months. Furthermore, it was reported that "languishing oil prices and a difficult outlook would hamper any recovery in Singapore's oil and gas sector"[2].

The Group thus has been affected by the above and has witnessed charter rates being significantly depressed for most of the Service Rigs as compared to the pre-2014 period, and the depressed charter rates look likely to continue for the next 12 months. Furthermore, collection of receivables continues to be slow. If the situation worsens, significant impairments may be needed.

The Group intends to continue to work hard to maintain its focus on reviewing all capital expenditure to conserve cashflow as well as embarking on further cost rationalization within the entire organization to reduce costs to a more prudent level without affecting the safe operations of its fleet. It is without doubt that there is demand for Self-Propelled Service Rigs ("Liftboats") services in Asia, Middle East and West Africa for production related activities in the offshore oil and gas industry as well as strong potential to support the growing offshore windfarm industry. Ezion, being the biggest operator of Liftboats in Asia that runs the most advanced fleet of Liftboats in the world, will continue to maintain its focus on maximizing the utilization rate for this class of assets. Notwithstanding the focus on these Service Rigs, Ezion is exploring various options to reorganize its offshore logistics vessels division, which comprises mainly towing tugs and barges, to enhance its currently low utilization rate in a very competitive space.

The Group is cognizant of the need to incur additional capital expenditure to upgrade, modify and mobilize the existing fleet of Service Rigs which have secured contracts. The Group is endeavoring to put at least 6 Service Rigs back to work by end 2017 / early 2018. However, the successful deployment of these Service Rigs could be badly disrupted due to the shortage of cashflows as a result of existing low charter rates and slow payments by clients. Hence, the Group has been in discussions with financial institutions to secure additional funding to deploy these Service Rigs, but some of the financial institutions appear to remain extremely cautious in providing additional funds for working capital and capital expenditure to this sector.

The Group may face even greater difficulty going forward if the situation does not significantly improve or a comprehensive solution to address the Group's cashflow requirements is not found. We will have to engage all our stakeholders such as our lenders for support and to our mutual advantage.

Source:

[1] Macquarie Research (21 June 2017)

[2] The Straits Times (17 June 2017)

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/recommended, 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. The Company has not obtained a general mandate from shareholders for interested person transaction.

14. Confirmation of undertakings from Directors and Executive Officers

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

BY ORDER OF THE BOARD

Lee Tiong Hock
Company Secretary

14 August 2017

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 2017 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Dr Wang Kai Yuen	**Chew Thiam Keng**
Chairman & Non-executive Director	**Executive Director & CEO**

14 August 2017