



Ezion Holdings Limited

EZION HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199904364E)

- 1. PROPOSED SCHEME OF ARRANGEMENT; AND**
 - 2. PROPOSED AMENDMENT TO TERMS OF CREDIT FACILITIES**
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1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or the “**Directors**”) of Ezion Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the prior announcement made on 28 February 2020 in relation to the entry into the Transaction Agreements with the Subscriber and the entry into the Deposit Agreement with the Subscriber and the Major Secured Lenders (the “**Previous Announcement**”).

Unless otherwise defined, all capitalised terms and references used herein shall bear the meanings ascribed to them in the Previous Announcement.

The Subscriber’s Overall Investment Parameters

- 1.2. The Subscriber’s overall parameters for its investment in the Company are as follows (the “**Subscriber’s Investment Parameters**”):
 - (a) Total cash outlay for the overall investment at US\$170.0 million, to be utilised in the following manner:
 - (i) Approximately US\$103.0 million towards purchase of the Relevant Debt from the Major Secured Lenders;
 - (ii) US\$20.0 million in the form of Convertible Notes, which shall be utilised to repay the Interim Funding Arrangement, and are convertible into Shares at the Issue Price; and
 - (iii) Approximately US\$47.0 million to fulfil the Cash Consideration for the Proposed Subscription.
 - (b) The Subscriber shall be issued US\$150.0 million worth of options to acquire additional Shares at a 10% premium to the Issue Price;
 - (c) Total remaining financial liabilities of the Group after Transactions Completion shall be no more than approximately US\$403 million (which shall all be secured bank debt); and
 - (d) The Subscriber’s shareholding to be at least 63.46% after the Proposed Transactions, the Debt Assignment (including the transfer of any MSL Consideration Shares to the Major Secured Lenders or MSL Entities) and the proposed Scheme of Arrangement (including the issuance of any Scheme and Professional Fees Additional Shares) but before the exercise of any of the Options or conversion of the Convertible Notes.

Rationale for the Proposed Scheme of Arrangement

- 1.3. The Group's current level of financial liabilities amounting to a total sum of approximately US\$1.6 billion is unsustainable. The proposed Scheme of Arrangement allows the Group to reduce its financial liabilities to approximately US\$403 million to meet the Subscriber's Investment Parameters.

In addition, assuming that the Proposed Scheme of Arrangement and the Proposed Subscription were completed as at 31 December 2019, the Company's capital structure will be recapitalised from a net liability position to a net asset position. Please refer to paragraph 3 for more details on the expected capital structure post Transactions Completion.

Please refer to the Previous Announcement for further information on the Proposed Transactions.

- 1.4. **Shareholders should note that completion of the Proposed Transactions and the proposed Scheme of Arrangement are inter-conditional and shall take place simultaneously. Accordingly, if completion of any one (1) of the Proposed Transactions and/or the proposed Scheme of Arrangement does not proceed in accordance with the Transaction Agreements, none of the Proposed Transactions will proceed.**

2. THE PROPOSED SCHEME OF ARRANGEMENT

- 2.1. As mentioned in the Previous Announcement, as a condition to the Proposed Transactions, the Company will be required to, and will, apply to the High Court of the Republic of Singapore (the "**Court**") under Section 210(1) of the Companies Act (Cap. 50) for leave (the "**Leave Application**") to convene meetings between creditors of the Company's unsustainable debt (including all of its unsecured debt) (the "**Scheme Creditors**"). The meetings will be convened for the purposes of considering, and if thought fit, approving the Scheme of Arrangement to be proposed on the key terms below (the "**Proposed Scheme of Arrangement**") and to be made between the Company and its Scheme Creditors.

- 2.2. The key terms of the Proposed Scheme of Arrangement are as follows:

- (a) Each Scheme Creditor may elect to **either** Option A or Option B (as defined below) in compromise of the debt owing to them by the Company:

(i) **Option A:**

- I. Upfront cash payment of 8% of debt admitted into the Proposed Scheme of Arrangement, paid within fourteen (14) business days of Transactions Completion (the "**Upfront Cash Payment**");
- II. Deferred cash payment of 2% of debt admitted into the Proposed Scheme of Arrangement, paid within one (1) year from the date of payment of the Upfront Cash Payment; and

(in aggregate a total cash payment of 10% of debt admitted into the Proposed Scheme of Arrangement),

- III. Payments in the form of Shares to be issued and allotted to the Scheme Creditors for 20% of debt admitted into the Proposed Scheme of Arrangement, issued at S\$0.387 per share, within fourteen (14) business days of Transactions Completion.

(ii) **Option B:**

- I. Payments in the form of convertible perpetual securities to be issued and allotted to the Scheme Creditors for 100% of debt admitted into the Proposed Scheme of

Arrangement (the “**Scheme Convertible Perpetuals**”), within fourteen (14) business days of Transactions Completion.

II. The key terms of the Scheme Convertible Perpetuals are as follows:

1. Interest Rate: 0.25% p.a., payable semi-annually;
2. Interest Rate Step Up: 0.5% p.a. per year after the 10th anniversary of the date of issue of the Scheme Convertible Perpetuals (the “**Scheme Convertible Perpetual Issue Date**”);
3. Conversion Price: S\$0.139 per share (subject to standard adjustment events);
4. Conversion Period: Five (5) years from the Scheme Convertible Perpetual Issue Date; and
5. Call Option: The Company has the option to call the Scheme Convertible Perpetuals every anniversary (from the Scheme Convertible Perpetual Issue Date) starting from the 10th anniversary.

(b) Please refer to the Appendix for further illustration on the Proposed Scheme of Arrangement.

2.3. In arriving at the terms of the Proposed Scheme of Arrangement, careful consideration have been given by the Company to the following factors, *inter alia*, and specifically:

- (a) the Subscriber’s Investment Parameters;
- (b) the financial position of the Company and the Group;
- (c) the current and expected cash flow of the Company and the Group;
- (d) the capital expenditure and working capital requirements of the Group;
- (e) the Cash Consideration amount of approximately US\$47 million (which will be made available to fulfil the Company’s compromise with the Scheme Creditors); and
- (f) the terms and conditions of the Proposed Option to Purchase.

2.4. The Major Secured Lenders have undertaken to vote in favour of the Proposed Scheme of Arrangement, as part of the Proposed Transactions.

2.5. The Company believes that filing the application to the Court for the Proposed Scheme of Arrangement with the above terms is in the best interests of the Company, its lenders, its noteholders and its shareholders, allowing the Company to complete the Proposed Transactions.

3. **PROPOSED AMENDMENT TO TERMS OF CREDIT FACILITIES**

The Company has been informed that pursuant to the Debt Assignment Agreements, the lenders have agreed to the Subscriber’s condition that the existing terms of the relevant credit facilities extended to the relevant Group Companies shall be amended (subject to the completion of the Proposed Scheme of Arrangement and the Proposed Transactions) to allow for the Group to carry out its restructuring plan in accordance with that envisaged by the Proposed Scheme of Arrangement and the Proposed Transactions (the “**Proposed Amendment to Terms of Credit Facilities**”). These amendments include, *inter alia*, the following:

- (a) extension of the term of the credit facilities;
- (b) revision of the applicable interest rate;
- (c) removal of restrictive financial covenants;
- (d) cessation of monitoring accountants arrangement;
- (e) discharge of the pledge of the 100 million Shares provided by Mr. Chew Thiam Keng and his family in favour of the lenders pursuant to the earlier 2018 restructuring¹;
- (f) removal of springing lien, charge over central bank account and mortgage over unencumbered vessels and shares of listed associates;
- (g) removal of inter-creditors' agreements;
- (h) removal of other restrictive terms in relation to the operations of the Group; and
- (i) entry into bilateral release, waiver and discharge agreements for all indebtedness in respect of which the contingent claims under the corporate guarantees may be compromised due to the Proposed Scheme of Arrangement (except in relation to Teras Lyza Pte Ltd, which is involved in an insurance claim).

4. CAPITAL STRUCTURE UPON TRANSACTIONS COMPLETION

As at the date of this announcement, the issued share capital of the Company less treasury shares comprises 3,727,202,077 ordinary shares (3,730,386,077 issued ordinary shares less 3,184,000 treasury shares).

Assuming that the Proposed Transactions and Proposed Scheme of Arrangement completed as at 31 December 2019 and that all Scheme Creditors opt for Option A in the Proposed Scheme of Arrangement, the Company's net asset position will be approximately US\$310 million, and the Company will have an enlarged share capital comprising approximately 31,611,312,000 Shares. Correspondingly, the net tangible asset per share is estimated to be approximately US\$0.0098 per share.

Assuming that the Proposed Transactions and Proposed Scheme of Arrangement completed as at 31 December 2019 and that all Scheme Creditors opt for Option B in the Proposed Scheme of Arrangement, the Company's net asset position will be approximately US\$384 million, and the Company will have an enlarged share capital comprising approximately 26,770,020,000 Shares. Correspondingly, the net tangible asset per share is estimated to be approximately US\$0.0143 per share.

For the avoidance of doubt, these figures exclude any Professional Fees Additional Shares. Please refer to paragraph 1.12 of the Previous Announcement for further information on the Professional Fees Additional Shares.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, none of the Directors, the substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Scheme of Arrangement, the Proposed Amendment to Terms of Credit Facilities and/or the Proposed Transactions, other than through their respective directorships and/or shareholdings in the Company.

¹ Please refer to the announcement dated 7 February 2018 for more information.

6. REGULATORY AND SHAREHOLDER APPROVALS REQUIRED

- 6.1. The completion of Proposed Scheme of Arrangement (including the issuance of the Scheme Additional Shares) is also subject to the conditions precedent as set out in the Conditional Subscription Agreement and the Conditional Options and Convertible Notes Subscription Agreement and specifically the following:
- (a) the approval of the Court for an order to the Company to convene a meeting with the Scheme Creditors to consider and approve the Proposed Scheme of Arrangement (the “**Scheme Meeting**”);
 - (b) the approval of the Proposed Scheme of Arrangement by a majority of seventy-five percentum of the total value and majority in number of the Scheme Creditors present and voting in person or by proxy at the Scheme Meeting (the “**Scheme Approval**”);
 - (c) upon the Scheme Approval, the subsequent sanction of the Proposed Scheme of Arrangement by the Court under Section 210 of the Companies Act and the satisfaction (or, where applicable, waiver) of the conditions to be fulfilled under the Proposed Scheme of Arrangement;
 - (d) the receipt of the approval in-principle of the SGX-ST for the listing and quotation for the Scheme Shares, the Subscription Shares, the Option Shares (when exercised) and the Convertible Notes Shares (when converted) on the Mainboard of the SGX-ST;
 - (e) approval of Shareholders for, *inter alia*, the Proposed Transactions (including the transfer of controlling interest in the Company to the Subscriber) at the EGM to be convened; and
 - (f) the Whitewash Waiver granted by the SIC; and
 - (g) approval of the independent Shareholders for the Proposed Whitewash Resolution at the EGM to be convened.

7. ANNOUNCEMENTS

Further announcements on the the Proposed Scheme of Arrangement and the Proposed Transactions will be made in due course as and when appropriate.

8. DIRECTORS' RESPONSIBILITY STATEMENT

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 Scheme of Arrangement, the Proposed Amendment to Terms of Credit Facilities, the Proposed Transactions, 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. 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.

9. CAUTIONARY STATEMENTS

- 9.1. The Company's continued operations as a going concern status is dependent on the completion of the Proposed Scheme of Arrangement, the Proposed Amendment to Terms of Credit Facilities and the Proposed Transactions.

- 9.2. In view of the above and given the dynamic situation that the Company is in, the Company believes that the continued trading suspension will avoid any irregular movement in share price and prevent any irregular trading activities that may result from the leakage of any information which the Company has no control over. The continued trading suspension will allow for market certainty and avoid market confusion as the Company continues to focus on engaging its stakeholders with an intent on completing the Proposed Scheme of Arrangement, the Proposed Amendment to Terms of Credit Facilities and/or the Proposed Transactions to strengthen the Group's financial position, improve cash flow position of the Group and preserve value for its stakeholders.
- 9.3. Shareholders, noteholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and noteholders of the Company 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. The completion of the Proposed Transactions and Proposed Scheme of Arrangement is subject to numerous conditions. **THERE IS NO CERTAINTY OR ASSURANCE AS AT THE DATE OF THIS ANNOUNCEMENT THAT CONDITIONS TO THE PROPOSED SCHEME OF ARRANGEMENT, THE PROPOSED AMENDMENT TO TERMS OF CREDIT FACILITIES AND/OR THE PROPOSED TRANSACTIONS WILL BE MET OR THAT THE PROPOSED SCHEME OF ARRANGEMENT, THE PROPOSED AMENDMENT TO TERMS OF CREDIT FACILITIES AND/OR THE PROPOSED TRANSACTIONS WILL BE APPROVED AND/OR COMPLETED.** The Company will make the necessary announcements when there are further developments. Shareholders, noteholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisors they have any doubt about the actions they should take.

By Order of the Board

Goon Fook Wye Paul
Company Secretary
4 March 2020