



Ezion Holdings Limited

(Company No.: 199904364E)

First Quarter Financial Statement And Dividend Announcement For The Three Months Ended 31 March 2014

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 (First Quarter)		Incr/ (Decr) %
	31.03.2014 US\$'000	31.03.2013 US\$'000	
Revenue	94,434	54,800	72.3
Cost of sales and servicing	(47,146)	(30,197)	56.1
Gross profit	47,288	24,603	92.2
Other income, net	2,330	21,523	(89.2)
Administrative expenses	(4,146)	(3,657)	13.4
Other operating expenses	(2,490)	(811)	207.0
Results from operating activities	42,982	41,658	3.2
Finance income	1,546	949	62.9
Finance costs	(5,119)	(3,236)	58.2
Net finance costs	(3,573)	(2,287)	56.2
Share of results of associates and jointly controlled entities (net of tax)	6,227	7,683	(19.0)
Profit before income tax	45,636	47,054	(3.0)
Income tax expense	(429)	(902)	(52.4)
Profit after income tax	45,207	46,152	(2.0)
Non-controlling interest	38	-	N/M
Profit for the period	45,245	46,152	(2.0)

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

	Group (First Quarter)		Incr/ (Decr) %
	31.03.2014 US\$'000	31.03.2013 US\$'000	
Other income including interest income, net	3,876	22,472	(82.8)
Interest on borrowings	(5,119)	(3,236)	58.2
Depreciation of plant and equipment	(22,786)	(6,377)	257.3
Reversal of impairment loss on trade receivables	7	601	(98.8)
Foreign exchange (loss)/gain, net	(965)	1,412	N/M
Adjustment for overprovision of tax in respect of prior year	(25)	(11)	127.3
Gain on disposal of joint venture, assets held for sale, subsidiary and plant and equipment	-	17,765	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	
	31.03.2014 US\$'000	31.12.2013 US\$'000	31.03.2014 US\$'000	31.12.2013 US\$'000
Non-current assets				
Plant and equipment	1,672,353	1,463,967	618	688
Subsidiaries	-	-	851,178	742,353
Joint ventures	151,786	188,149	64,971	71,483
Associate	6,320	6,127	6,403	6,220
Other assets	5,166	5,173	140	143
	1,835,625	1,663,416	923,310	820,887
Current assets				
Trade receivables	144,322	107,142	5,555	5,297
Other current assets	129,473	106,542	18,651	19,456
Cash and cash equivalents	185,358	165,978	138,999	119,162
	459,153	379,662	163,205	143,915
Total assets	2,294,778	2,043,078	1,086,515	964,802
Equity				
Share capital	378,107	345,537	378,107	345,537
Perpetual securities	97,678	97,678	97,678	97,678
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	(12,274)	(13,273)	(108)	(108)
Retained earnings	390,727	346,936	97,772	94,521
Equity attributable to owners of the Company	877,702	800,342	573,449	537,628
Non-controlling interests	(113)	(94)	-	-
Total equity	877,589	800,248	573,449	537,628
Non-current liabilities				
Financial liabilities	719,206	652,030	85,435	88,522
Notes payable	294,566	210,786	294,566	210,786
Other payables	16,084	3,670	20,726	16,736
	1,029,856	866,486	400,727	316,044
Current liabilities				
Trade payables	61,811	69,104	257	252
Other payables	56,429	77,358	44,072	42,386
Financial liabilities	261,960	223,089	64,166	64,688
Provision for taxation	7,133	6,793	3,844	3,804
	387,333	376,344	112,339	111,130
Total liabilities	1,417,189	1,242,830	513,066	427,174
Total equity and liabilities	2,294,778	2,043,078	1,086,515	964,802

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 31.03.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
222,210	39,750	193,339	29,750

Amount repayable after one year

As at 31.03.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
742,723	271,049	652,030	210,786

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 31 March 2014

	Group (First Quarter)		
	3 months ended		Incr/
	31.03.2014	31.03.2013	(Decr)
	US\$'000	US\$'000	%
Profit after tax	45,207	46,152	(2.0)
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Translation differences relating to financial statements of foreign operations	(68)	(227)	(70.0)
Exchange differences on monetary items forming part of net investment in foreign operations	1,082	(180)	N/M
Effective portion of changes in fair value of cash flow hedges	(15)	-	N/M
Other comprehensive income for the period	999	(407)	N/M
Total comprehensive income for the period	46,206	45,745	1.0
Attributable to:			
Owners of the Company	46,244	45,745	1.1
Non-controlling interests	(38)	-	N/M
	46,206	45,745	1.0

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	
	3 months ended	
	31.03.2014	31.03.2013
	US\$'000	US\$'000
Cash flows from operating activities		
Profit after tax	45,207	46,152
Adjustments for:		
Income tax expense	429	902
Depreciation expense	22,786	6,377
Net gain on disposal of joint venture, assets held for sales and plant and equipment	-	(17,765)
Finance income	(1,546)	(949)
Finance costs	5,119	3,236
Financial guarantee income provided to joint ventures	(904)	(871)
Reversal of impairment loss on trade receivables	(7)	(601)
Equity-settled share-based payment transactions	440	379
Share of results of associates and jointly controlled entities	(6,227)	(7,683)
Operating cash flow before working capital changes	<u>65,297</u>	<u>29,177</u>
Changes in working capital:		
Trade receivables and other assets	(19,727)	(15,955)
Trade and other payables	(18,732)	16,765
Cash generated from operating activities	<u>26,838</u>	<u>29,987</u>
Income tax paid	(153)	(624)
Net cash from operating activities	<u>26,685</u>	<u>29,363</u>
Cash flows from investing activities		
Purchase of plant and equipment	(48,459)	(239,316)
Proceeds from disposal of plant and equipment	-	9,718
Proceeds from disposal of assets held for sale	-	2,350
Proceeds from disposal of joint venture	-	35,791
Acquisition of subsidiary, net of cash acquired	(19,716)	-
Advance payments for purchase of plant and equipment	(32,913)	(16,360)
Investments in joint ventures	18,246	(28,813)
Investments in associate	(192)	(1,211)
Interest received	958	141
Net cash used in investing activities	<u>(82,076)</u>	<u>(237,700)</u>
Cash flows from financing activities		
Proceeds from borrowings	21,119	164,995
Repayment of borrowings	(24,065)	(12,797)
Proceeds from issuance of notes, net of transaction costs	82,919	-
Net proceeds from issuance of ordinary shares	-	75,120
Release of deposits pledged	-	81
Interest paid	(7,352)	(2,619)
Net cash from financing activities	<u>72,621</u>	<u>224,780</u>
Net increase in cash and cash equivalents	17,230	16,443
Cash and cash equivalents at 1 January	165,978	133,497
Effect of exchange rate fluctuations	2,150	(1,380)
Cash and cash equivalents at end of the period	<u>185,358</u>	<u>148,560</u>
Breakdown of cash and cash equivalents at the end of period:-		
Cash and cash equivalents	185,358	149,893
Deposits pledged	-	(1,333)
	<u>185,358</u>	<u>148,560</u>

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 2014, the Company issued 18,392,046 new ordinary shares at an issue price of S\$2.2407 per share. The newly issued shares rank pari passu in all respects with the previously issued shares. The net proceeds from the placement shares which amounted to approximately US\$32.5 million (equivalent to S\$41,211,057) is to acquire the aggregate of 1,100,000 shares in the issued share capital of Teras Conquest 4 Pte Ltd, which representing 100% of the issued and paid-up share capital of the Teras Conquest 4 Pte Ltd.

As at 31 March 2014, the share capital less treasury shares of the Company was 1,203,221,982 ordinary shares (1,203,791,982 issued ordinary shares less 570,000 treasury shares). As at 31 March 2013, the share capital less treasury shares of the Company was 959,918,603 ordinary shares (960,488,603 issued ordinary shares less 570,000 treasury shares).

As at 31 March 2014, there were 300 redeemable exchangeable preference shares (31 March 2013: 15,900,000) in a subsidiary available for exchange to 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 31 March 2014, the issued and paid up share capital excluding treasury shares of the Company comprised 1,203,221,982 (31 December 2013: 1,184,829,936) ordinary shares.

As at 31 March 2014, subsidiary of the Company has 300 (31 December 2013: 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 2014 = 570,000 shares
Purchase of treasury shares during the period = Nil
Transfer of treasury shares during the period = Nil
As at 31 March 2014 = 570,000 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 2013.

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 the new and revised FRSs and Interpretation of FRS (INT FRS) that are effective for financial periods beginning 1 January 2014. 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	
	3 months ended	
	31.03.2014	31.03.2013
		Restated
(a) Based on weighted average number	3.77 cts	4.18 cts
(b) On a fully diluted basis	3.69 cts	4.02 cts

Note :

Weighted average ordinary shares for calculation of:

- Basic earnings per shares	1,199,952,000	1,103,233,000
- Diluted earnings per share	1,226,972,000	1,149,268,000

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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
		Restated		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	72.94 cts	67.55 cts	47.66 cts	45.38 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

The Group's revenue for the three months ended 31 March 2014 ("1Q14") increased by US\$39.6 million (72.3%) to US\$94.4 million as compared to the corresponding three months ended 31 March 2013 ("1Q13"). The increase in revenue was mainly due to the chartering contribution from the deployment of additional units of the Group's Service Rigs.

The cost of sales and servicing for 1Q14 increased by US\$16.9 million (56.1%) to US\$47.1 million as compared to 1Q13. The increase in cost of sales and servicing was due to the increased business activities.

As a result of the above, the Group's gross profit for 1Q14 improved by US\$22.7 million (92.2%) to US\$47.3 million as compared to 1Q13.

The higher administrative expenses and other operating expenses in 1Q14 corresponded to the increased business activities as well as increase in the staff strength.

The increase in finance costs in 1Q14 was due mainly to additional interest expense for the funding of newly acquired and delivered Service Rigs.

The lower share of associates and jointly controlled entities' results in 1Q14 as compared to 1Q13 were mainly due to acquisition of the remaining issued share capital of a jointly controlled entity and becoming a fully owned subsidiary of the Group, which is consolidated.

Despite the above, the profit after tax in 1Q14 decreased by US\$0.9 million (2%) as compared to 1Q 2013 due to the one-off gain from disposal of a jointly controlled entity recognised in 1Q13. Excluding the gain from the disposal, the profit after tax in 1Q14 increased by US\$17.4 million (62%).

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\$0.4 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\$1,835.6 million as at 31 March 2014. The increase in Non-current Assets was mainly due to the acquisition and refurbishment for the Group's Service Rigs. The decrease in Joint Ventures was attributable to the acquisition of the remaining issued share capital of a jointly controlled entity and becoming a fully owned subsidiary of the Group and repayments of loans provided to the jointly controlled entities during the financial period ended 31 March 2014.

Current Assets

The Group's Current Assets amounted to US\$459.2 million as at 31 March 2014. The increase was due to an increase in Trade Receivables from the deployment of additional units of the Group's Jack-up Rigs, Cash and Bank balances as a result of the cash flow generated from operations and proceeds from issuance of notes. Included in the Other Current Assets were the advance payments and deposits made for the construction of vessels and Service Rigs.

Total Liabilities

The Group's total liabilities amounted to US\$1,417.2 million as at 31 March 2014. The increase in non-current financial liabilities was due mainly to the issuance of notes and additional drawdown of bank borrowings to finance the progress construction, acquisition, 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 and issuance of new ordinary shares and redeemable exchangeable preference shares.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

The Group's net cash inflow from operating activities was US\$26.7 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\$82.1 million. This was mainly due to the progress payments made and the deployment of funds towards the purchase and refurbishment of the Group's Service Rigs. The net cash used in investing activities was partially offset by proceeds from repayments of loans to joint ventures.

Cash Flow from Financing Activities

The Group's net cash inflow from financing activities was US\$72.6 million. This was mainly due to the increase in bank borrowings to finance the Group's Service Rigs as well as the issuance notes.

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 4Q13.

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 management is witnessing increased focus on platform and well related work by the oil majors in Asia Pacific, Middle East and West Africa. As a result of this concentration, the Group will continue to focus on investment in Service Rigs to meet the strong demand. The Group will also explore new ways to restructure its Port and Marine Base business to enable it to concentrate on its current key business activities. Ezion expects more assets to be deployed in 2014. The Group also anticipates to taking on new additional Service Rigs projects in the financial year ending 31 December 2014.

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

7 May 2014

**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 31 March 2014 to be false or misleading in any material aspects.

On behalf of the Board of Directors

**Chew Thiam Keng
Executive Director & CEO**

**Captain Larry Glenn Johnson
Executive Director & COO**

7 May 2014