



Ezion Holdings Limited

(Company No.: 199904364E)

First Quarter Financial Statement And Dividend Announcement For The Three Months Ended 31 March 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 (First Quarter) 3 months ended		Incr/ (Decr) %
	31.03.2017 US\$'000	31.03.2016 US\$'000	
Revenue	68,592	82,090	(16.4)
Cost of sales and servicing	(59,845)	(61,416)	(2.6)
Gross profit	8,747	20,674	(57.7)
Other income, net	215	13,855	(98.4)
Administrative expenses	(4,075)	(3,922)	3.9
Other operating expenses	(13,754)	(15,652)	(12.1)
Results from operating activities	(8,867)	14,955	N/M
Finance income	1,444	1,086	33.0
Finance costs	(7,979)	(8,695)	(8.2)
Net finance costs	(6,535)	(7,609)	(14.1)
Share of results of associates and jointly controlled entities (net of tax)	3,631	8,217	(55.8)
(Loss)/Profit before income tax	(11,771)	15,563	N/M
Income tax expense	(964)	(75)	N/M
(Loss)/Profit after income tax	(12,735)	15,488	N/M

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

	Group (First Quarter) 3 months ended		Incr/ (Decr) %
	31.03.2017 US\$'000	31.03.2016 US\$'000	
Other income ¹	1,659	14,941	(88.9)
Interest on borrowings	(7,979)	(8,695)	(8.2)
Depreciation of plant and equipment	(36,043)	(35,596)	1.3
Foreign exchange loss, net	(13,251)	(14,608)	(9.3)
Gain on disposal of asset held for sale and plant and equipment	-	13,146	N/M

¹ Includes interest income and gain on disposal of 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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Plant and equipment	2,173,802	2,198,446	352	406
Subsidiaries	-	-	1,188,880	1,285,514
Joint ventures	175,295	171,584	52,233	52,232
Associates	82,758	78,801	54,888	60,153
Other assets	5,790	4,941	2,238	2,241
	2,437,645	2,453,772	1,298,591	1,400,546
Current assets				
Trade receivables	185,537	178,899	9,604	9,599
Other current assets	166,893	164,086	71,663	68,053
Cash and cash equivalents	186,972	204,953	106,662	149,497
	539,402	547,938	187,929	227,149
Total assets	2,977,047	3,001,710	1,486,520	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	(30,126)	(31,549)	(1,019)	(1,541)
Retained earnings	543,772	558,030	(29,002)	798
Total equity	1,302,549	1,315,384	735,418	764,696
Non-current liabilities				
Financial liabilities	766,523	788,067	109,730	141,817
Notes payable	385,626	372,040	385,626	372,040
Other payables	23,655	33,961	69,148	112,082
	1,175,804	1,194,068	564,504	625,939
Current liabilities				
Trade payables	115,773	112,074	114	198
Other payables	44,708	42,846	65,567	110,240
Financial liabilities	331,776	331,055	117,207	122,912
Provision for taxation	6,437	6,283	3,710	3,710
	498,694	492,258	186,598	237,060
Total liabilities	1,674,498	1,686,326	751,102	862,999
Total equity and liabilities	2,977,047	3,001,710	1,486,520	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 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
238,335	93,441	233,114	97,941

Amount repayable after one year

As at 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
753,863	398,286	775,407	384,700

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 2017

	Group (First Quarter) 3 months ended		Incr/ (Decr)
	31.03.2017	31.03.2016	(Decr)
	US\$'000	US\$'000	%
(Loss)/Profit after tax	(12,735)	15,488	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	4,460	2,766	61.2
Share of foreign currency translation differences of associates	(3,559)	(963)	N/M
Exchange differences on monetary items forming part of net investment in foreign operations	-	1,602	N/M
Effective portion of changes in fair value of cash flow hedges	522	(1,160)	N/M
Other comprehensive income for the period	1,423	2,245	N/M
Total comprehensive income for the period	(11,312)	17,733	N/M
Attributable to:			
Owners of the Company	(11,312)	17,733	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 (First Quarter)	
	3 months ended	
	31.03.2017	31.03.2016
	US\$'000	US\$'000
Cash flows from operating activities		
(Loss)/Profit after tax	(12,735)	15,488
Adjustments for:		
Income tax expense	964	75
Depreciation expense	36,043	35,596
Gain on disposal of subsidiaries, assets held for sales and plant and equipment	-	(13,146)
Foreign exchange loss, net	13,251	14,608
Finance income	(1,444)	(1,086)
Finance costs	7,979	8,695
Financial guarantee income provided to joint ventures	(36)	(279)
Equity-settled share-based payment transactions	317	457
Share of results of associates and jointly controlled entities	(3,631)	(8,217)
Operating cash flow before working capital changes	40,708	52,191
Changes in working capital:		
Trade receivables and other assets	(8,998)	(5,565)
Trade and other payables	(4,890)	(1,001)
Cash generated from operating activities	26,820	45,625
Income tax paid	(810)	(141)
Net cash from operating activities	26,010	45,484
Cash flows from investing activities		
Purchase of plant and equipment	(10,635)	(21,161)
Advance payments for purchase of plant and equipment	(150)	(392)
Investments in joint ventures	(738)	(3,499)
Investments in associate	(3,206)	-
Interest received	663	524
Net cash used in investing activities	(14,066)	(24,528)
Cash flows from financing activities		
Proceeds from borrowings	21,452	31,766
Repayment of borrowings	(43,155)	(60,287)
Interest paid	(9,519)	(8,302)
Net cash used in financing activities	(31,222)	(36,823)
Net decrease in cash and cash equivalents	(19,278)	(15,867)
Cash and cash equivalents at beginning of the period	204,953	229,756
Effect of exchange rate fluctuations	1,297	(7,549)
Cash and cash equivalents at end of the period	186,972	206,340

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

	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	
Group										
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	-	-	-	-	3,405	(1,160)	-	15,488	17,733	
Translations with owners, recognised directly in equity										
Issue of shares	12,729	-	-	-	-	-	-	-	12,729	
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(1,877)	(1,877)	
Share-based payment transactions	-	-	-	-	-	-	-	457	457	
At 31 March 2016	549,097	116,499	23,464	(1,480)	(25,928)	(2,664)	(6)	611,370	1,270,352	
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	-	-	-	-	901	522	-	(12,735)	(11,312)	
Translations with owners, recognised directly in equity										
Issue of shares	-	-	-	-	-	-	-	-	-	
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(1,840)	(1,840)	
Share-based payment transactions	-	-	-	-	-	-	-	317	317	
At 31 March 2017	648,940	116,499	23,464	(1,480)	(29,107)	467	(6)	543,772	1,302,549	
				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
Company										
At 1 January 2016			536,368	116,499	(1,480)	(1,429)	(6)	89,508	739,460	
Total comprehensive income for the period			-	-	-	(1,180)	-	(239)	(1,419)	
Translations with owners, recognised directly in equity										
Issue of shares			12,729	-	-	-	-	-	12,729	
Accrued perpetual securities distributions			-	-	-	-	-	(1,877)	(1,877)	
Share-based payment transactions			-	-	-	-	-	457	457	
At 31 March 2016			549,097	116,499	(1,480)	(2,609)	(6)	87,849	749,350	
At 1 January 2017			648,940	116,499	(1,480)	(55)	(6)	798	764,696	
Total comprehensive income for the period			-	-	-	522	-	(28,277)	(27,755)	
Translations with owners, recognised directly in equity										
Issue of shares			-	-	-	-	-	-	-	
Accrued perpetual securities distributions			-	-	-	-	-	(1,840)	(1,840)	
Share-based payment transactions			-	-	-	-	-	317	317	
At 31 March 2017			648,940	116,499	(1,480)	467	(6)	(29,002)	735,418	

- 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 31 March 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 31 December 2016, 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 31 March 2017 and 31 March 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 31 March 2017 and 31 March 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 31 March 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 31 March 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 31 March 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 (First Quarter) 3 months ended	
	31.03.2017	31.03.2016 Restated
(a) Based on weighted average number of ordinary shares in issue	-0.70 cts	0.84 cts
(b) On a fully diluted basis	-0.70 cts	0.83 cts

Note :

Weighted average ordinary shares for calculation of:

- Basic earnings per share	2,073,843,000	1,617,998,305
- Diluted earnings per share*	2,095,876,000	1,641,797,637

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 three months ended 31 March 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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the period reported on	62.81 cts	63.43 cts	35.46 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.**

INCOME STATEMENT REVIEW

1Q17 vs 1Q16

The Group's revenue for the three months ended 31 March 2017 ("1Q17") decreased by US\$13.5 million (16.4%) to US\$68.6 million as compared to the corresponding three months ended 31 March 2016 ("1Q16"). 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") due to two units of Service Rigs undergoing Class Survey and repairs; and
- (iii) further depression in utilisation rate of the Group's Offshore Support Vessels resulted in minimal contribution to the Group.

The cost of sales and servicing for 1Q17 decreased by US\$1.6 million (2.6%) to US\$59.8 million as compared to 1Q16.

As a result of the above, the Group's gross profit for 1Q17 decreased by US\$11.9 million (57.7%) to US\$8.7 million as compared to 1Q16.

The decrease in other income in 1Q17 as compared to 1Q16 was mainly due to the absence of the gain on disposal of asset held for sale in 1Q16.

The other operating expenses in 1Q17 includes unrealised foreign exchange losses which amounted to approximately US\$13.3 million mainly due to the strengthening of the Singapore Dollar against the United States Dollar as at 31 March 2017 and this resulted in foreign exchange losses on the Group's Notes Payable.

The decrease in finance costs in 1Q17 as compared to 1Q16 was mainly due to the decrease in bank borrowings as at 1Q17 as compared to 1Q16.

The lower share of associates and jointly controlled entities' results in 1Q17 as compared to 1Q16 was mainly due to lower contributions from the Group's Joint Ventures and Associates.

The Group incurred a loss before income tax of US\$11.8 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\$1.0 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\$2,437.6 million as at 31 March 2017. The decrease in Non-current Assets was mainly due to depreciation charges on Plant and Equipment during the period. The decrease is offset by the increase in Joint Ventures and Associates, which was mainly due to the share of results of joint ventures and associates, net of tax during the period ended 31 March 2017.

Current Assets

The Group's Current Assets amounted to US\$549.7 million as at 31 March 2017. The increase was mainly due to the increase in Trade Receivables. The increase was offset by the decrease in Cash and Cash Equivalents, which was mainly due to the deployment of funds towards the refurbishment and modification of the Group's Service Rigs.

Total Liabilities

The Group's Total Liabilities amounted to US\$1,684.8 million as at 31 March 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 strengthening of the Singapore Dollar against the United States Dollar as at 31 March 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 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\$26.0 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\$14.1 million. This was mainly due to the deployment of funds towards the refurbishment and modifications of the Group's Service Rigs, and an additional investment in an associate.

Cash Flow from Financing Activities

The Group's net cash used in financing activities was US\$31.2 million. This was mainly due to repayment 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.

In line with the prospect statement made in 4Q16 and with the profit guidance announced on 8 May 2017.

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 marine and offshore oil and gas industry remains very challenging. The fossil fuel prices have again shown weaknesses in the recent weeks. In addition, despite clients' new requirement for the Group's asset and services, the rates remain depressed.

While not expecting the charter rates for its fleet of Service Rigs and Offshore Support Vessels to recover quickly, the management is working hard to improve the utilisation rate of its fleet in the second half of the year.

In the process of attempting to put more assets into work through modification and upgrading or through new Service Rigs, the Group will endeavour to match the capital expenditure to its cashflow. While plan of disposal of certain assets faces difficulties due to challenges faced by potential buyers in securing debt financing, the Group is working with potential partners on co-ownership of some of its assets to better deploy the assets and to strengthen the Group's balance sheet.

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. 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

12 May 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 31 March 2017 to be false or misleading in any material aspects.

On behalf of the Board of Directors

**Dr Wang Kai Yuen
Chairman & Non-executive Director**

**Chew Thiam Keng
Executive Director & CEO**

12 May 2017