EZION HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199904364E)

INDEPENDENT AUDITORS' COMMENTS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the board of directors ("**Board**") of Ezion Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the independent auditors of the Company, KPMG LLP ("**Auditors**"), had included an emphasis of matter on Material Uncertainty Related to the Going Concern in its report (the "**Independent Auditors' Report**") on the consolidated financial statements of the Group for the financial year ended 31 December 2018 (the "**Audited Financial Statements**"). A copy of the Independent Auditors' Report and the extract of Notes 2 and 34 to the Audited Financial Statements are attached to this announcement for information.

The opinion of the Auditors remains unqualified.

Notwithstanding the above, the Board is of the opinion that the Group can continue as a going concern for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which is premised on:

(i) The continuing support of the Group's lenders;

(ii) The expectation and ability of the Group to generate adequate cash flows and to repay its debt obligations as and when they fall due within the next twelve months; and

(iii) The successful completion of the Debt Assignment Agreements and Conditional Debt Conversion Agreement to capitalise up to US$916,000,000 of the Group's debt into share capital of the Company[1].

The Independent Auditors' Report and a complete set of the Audited Financial Statements will form part of the Company's annual report for FY2018 ("**FY2018 Annual Report**") which will be released on SGXNET and sent to the shareholders of the Company in due course. Shareholders of the Company are advised to read this announcement in conjunction with the FY2018 Annual Report.

By Order of the Board

Goon Fook Wye Paul
Company Secretary
11 April 2019

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[1] Shareholders, noteholders and potential investors of the Company are to refer to the announcement titled "*The proposed issue of up to approximately 22,573,570,909 new ordinary shares in the capital of Ezion Holdings Limited and the proposed grant of 3,360,495,867 options to subscribe for new ordinary shares in the capital of Ezion Holdings Limited*" dated 31 March 2019 for further information on the debt assignment agreements and the conditional debt conversion agreement (including but not limited to the conditions which the completion of the proposed transactions thereunder is subject to).

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ezion Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 194.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 to the financial statements which indicates that the Group incurred a net loss of US$344,339,000 for the year ended 31 December 2018 and, as of that date, the Group and the Company are in net liabilities position of US$254,752,000 and US$790,768,000 respectively. Additionally, the Company has net current liabilities of US$318,697,000 as at 31 December 2018.

Notwithstanding these financial circumstances, the financial statements have been prepared on a going concern basis, the validity of which is premised on:

(i) The continuing support of the Group's lenders;

(ii) The expectation and ability of the Group to generate adequate cash flows and to repay its debt obligations as and when they fall due within the next twelve months; and

(iii) The successful completion of the Debt Assignment Agreements and Conditional Debt Conversion Agreement to capitalise up to US$916,000,000 of the Group's debt into share capital of the Company.

If for any reason the above assumptions do not materialise, which may result in the Group and the Company not being able to continue as a going concern, it could have an impact on the classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the Group's liftboats, jack-up rigs and offshore support logistics vessels (Refer to Note 5 to the financial statements)

The key audit matter

As at 31 December 2018, the Group's liftboats, offshore support logistics vessels and jack-up rigs ("vessels and rigs") amounted to US$918.7 million, net of cumulative impairment losses of US$158.6 million.

As a result of the continuing challenging industry conditions, the Group recognised additional impairment losses of US$80.2 million on the vessels and rigs during the year. The impairment loss was calculated based on the recoverable amount of the vessels and rigs.

The recoverable amount was derived from their value in use by discounting the estimated future cash flows from operating the vessels and rigs or their fair value less costs of disposal. For impairment assessment purpose, each vessel and rig is a separate cash generating unit ("CGU").

The determination of the recoverable amounts is highly judgemental which requires management to forecast the charter rates and utilisation rates from the continuing use of the vessels and rigs, and to discount such forecast cash flows at the appropriate discount rates.

How the matter was addressed in our audit

We assessed the appropriateness of management's identification of the CGUs. We performed our assessment by making inquiry with management and based on our understanding of the Group's operations and its internal management reporting.

We obtained management's value in use calculations for the CGUs and inquired with management with regard to their plans on the deployment of the vessels and rigs.

We assessed the key assumptions relating to forecast charter rates and utilisation rates. This includes:

- back-testing the prior year forecasts to actual performance;
- comparing forecast charter rates to utilisation rates applied during the contract period with the terms in the secured contract agreements; and
- for periods where there is no secured contract, comparing the forecast charter rates and utilisation rates to those achieved in prior periods, taking into account market data and industry information.

We independently calculated the discount rates based on market inputs, and incorporating market, country and asset-specific risk premiums.

Where the fair value less costs of disposal method was adopted, we assessed the appropriateness of the key assumptions and methods used by management to determine the recoverable amount.

We also evaluated the adequacy of the disclosures in the financial statements in respect of the key assumptions and estimates together with the sensitivity analysis, applied in determining the possible range of recoverable amounts of the vessels and rigs.

Findings

Management's identification of CGU is consistent with our understanding of the Group's operations and its internal management reporting.

We found management's estimates and disclosures of the key assumptions used in the value in use and fair value less cost of disposal calculations to be balanced.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

Impact of adopting Singapore Financial Reporting Standards International ("SFRS(I)") in FY2018 (Refer to Note 35 to the financial statements)

The key audit matter

The Group adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018 and prepared its financial statements under SFRS(I) for the first time. In adopting SFRS(I), the Group applied all of the specific transition requirements in SFRS(I) 1 *First- time Adoption of Singapore Financial Reporting Standards (International)* at the date of transition on 1 January 2017.

As permitted by SFRS(I) 1, the Group elected to adopt the fair value of its vessels and rigs as at 1 January 2017 as the 'deemed cost' for accounting under SFRS(I) at the date of transaction.

For this purpose, an independent professional valuer was engaged to assess the valuation of the vessels and rigs using the income approach and/or market approach taking into consideration the industry conditions and the state of market demands as at 1 January 2017.

Additionally, management performed an independent assessment of the reasonableness of the key assumptions used by the independent professional valuer in deriving the fair value of the vessels and rigs.

The deemed cost election resulted in a one-off downward revision of US$1.1 billion to the carrying amounts of vessels and rigs, with a corresponding decrease in accumulated profits at the date of transition.

Consequently, depreciation expense and impairment loss for the financial year ended 31 December 2017 decreased by US$75.6 million and US$618.9 million respectively.

The determination of the fair value is highly judgemental which requires the valuer to forecast the charter rates and utilisation rates from the continuing use of the vessels and rigs, and to discount such forecast cash flows at the appropriate discount rates, taking into account the prevailing market conditions.

How the matter was addressed in our audit

We evaluated the competence and objectivity of the independent professional valuer taking into account their experience and professional qualifications and the lack of financial interest in the Group.

We held discussions with the independent professional valuer to understand the valuation methodology and assumptions used.

We assessed the appropriateness of the key assumptions and methods used by the independent professional valuer and management by reference to available industry data and taking into consideration factors that existed as at the date of transition.

We also considered the adequacy of the disclosures in the financial statements.

Findings

The independent external valuer is a member of generally-recognised body for valuers and have considered their independence in carrying out their work.

The valuation methodology used is in line with generally accepted market practices. The key assumptions used by the independent valuer and management are within range of available industry data.

We found the disclosures made by the Group to be adequate.

Recoverability of trade receivables
(Refer to Note 10 to the financial statements)

The key audit matter

As at 31 December 2018, the Group has trade receivables of US$69.3 million, net of accumulated allowance for impairment losses of US$189.6 million.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances for expected credit losses on financial assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial assets is credit-impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers.

How the matter was addressed in our audit

We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised for expected credit losses on trade receivables.

Our procedures included:

- analysing the payment history of the selected customers and the receipts subsequent to the year end;
- assessing management's expected credit losses model, by reviewing management's analysis of historical credit losses of its receivables, testing the completeness and accuracy of data inputs in the model, and evaluating the forward looking overlay applied;
- inquiring with management on any known disputes or adverse information about the customer's ability to repay the outstanding amounts; and
- where appropriate, inquiring about the status of on-going discussions between the Group and the customers.

We have also considered the adequacy of disclosures in the financial statements about the extent of estimation and judgement involved in determining the impairment loss allowances.

Findings

We found the estimates used to derive the impairment loss allowance on trade receivables as at 31 December 2018 to be balanced. We found the Group's disclosures in the financial statements with regard to allowance for impairment loss allowances to be appropriate.

Valuation of interests in joint ventures and associates
(Refer to Notes 7 and 8 to the financial statements)

The key audit matter

As at 31 December 2018, the Group's carrying value of investments in and loans to joint ventures and associates ("interests in joint ventures and associates") amounted to US$134.1 million, comprising US$31.9 million of listed interests and US$102.2 million of unlisted interests.

The recoverable amounts of interests in joint ventures and associates are assessed with reference to the fair value of the investments based on the investees' share prices and/or publicly available financial information of the investees.

Where the share price of the listed investment is below the Group's carrying value and for those unlisted interests, management applies judgement to determine whether the investment is supported by the investees' net assets.

The Group also provides financial guarantees to banks in respect of loans granted to joint ventures. Due to the continuing challenging industry conditions and the continued losses incurred by the joint ventures, the Group assessed that the joint ventures are unlikely to be in a position to repay the loans. Accordingly, the Group recognised loss allowances for expected credit losses on these financial guarantees of US$63.9 million as at 31 December 2018.

Determining the recoverable amount of interests in joint ventures and associates, and the provision for financial guarantees given on behalf of joint ventures is highly judgemental.

How the matter was addressed in our audit

We inquired with management about their future plans and intentions for the interests in joint ventures and associates.

For unlisted investments or where the share price of the listed investments is lower than the carrying value, we evaluated management's assessment by reading the latest available financial information of the investees to determine whether the Group's investment is supported by the investee's underlying net assets, taking into account relevant publicly available information that may affect the financial position of the investees.

For financial guarantees, we evaluated the Group's estimation process and assessed the key assumptions used in determining the amounts of loss allowance recognised for expected credit losses on financial guarantees. This includes reviewing the significant inputs used by management to estimate the expected credit losses, and considering the reasonableness of the inputs by reference to the credit review assessments performed on the joint ventures.

Findings

We found the assumptions taken by management to determine the recoverable amounts of the interests in joint ventures and associates and financial guarantees to be balanced.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lucas Tran.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
4 April 2019

EXTRACT OF NOTE 2 AND NOTE 34 TO THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. GOING CONCERN

The financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of US$344,339,000 for the year ended 31 December 2018, and as of that date, the Group and the Company are in net liabilities position of US$254,752,000 and US$790,768,000 respectively. As at that date, the Company also has net current liabilities of US$318,697,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

However, the management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

(i) During the financial year, the Group successfully completed the debt refinancing exercise involving the banks and noteholders. This deferred the Group's and the Company's repayment of loans beyond the next financial year. In addition, an aggregate amount of up to US$109,000,000 in revolving credit facilities was granted to the Group for general working capital purposes up to April 2023, of which US$51,000,000 has been drawn down as at 31 December 2018;

(ii) The Group expects that it will generate adequate cash flows to repay its debt obligations as and when they fall due within the next twelve months from the date of this report; and

(iii) The successful completion of the Debt Assignment Agreements between Yinson Eden Pte. Ltd. and the Group's lenders, and the Conditional Debt Conversion Agreement to capitalise debts of up to US$916,000,000 into share capital of the Company.

Having regard to the above, management has reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for at least the next twelve months from the reporting date.

34 SUBSEQUENT EVENTS

Subsequent to the year end, the Company has been informed by Yinson Eden Pte. Ltd. (the "Subscriber") that the Subscriber is in advanced stage discussions with certain lenders ("Designated Lenders") of the Group, where the Subscriber is desirous of acquiring the benefits and rights of such Designated Lenders in respect of up to US$916,000,000 of the existing loans extended to the Group under the relevant facility and/or credit agreements with such Designated Lenders (the "Relevant Debt"). The Relevant Debt, subject to the terms and conditions of the debt assignment agreements ("Debt Assignment Agreements") to be entered into subsequently between the Subscriber and the Designated Lenders, and is inter-conditional upon the completion of the Conditional Debt Conversion Agreement (as defined below), shall be assigned to the Subscriber and shall be owed by the relevant Group companies directly to the Subscriber upon the completion of such Debt Assignment Agreements (the "Debt Assignment").

The Company has on 31 March 2019 entered into:

(a) a conditional debt conversion agreement with the Subscriber (the "Conditional Debt Conversion Agreement") to capitalise all of the Relevant Debt (being an amount up to US$916,000,000, as may be so acquired by the Subscriber pursuant to the Debt Assignment Agreements to be entered into) owed by the Company and/or the relevant Group Company to the Subscriber via the allotment and issue of up to approximately 22,573,570,909 new ordinary shares in the capital of the Company (the "Shares") (the "Subscription Shares") to the Subscriber and/or to such other entities as the Subscriber may direct at an issue price of S$0.055 per Subscription Share, with fractional entitlements to be disregarded (the "Proposed Subscription"). Following the capitalisation of all of the Relevant Debt via the completion of the allotment and issue of such Subscription Shares by the Company to the Subscriber, the relevant Group Companies shall be deemed to have repaid all of the Relevant Debt to the Subscriber and the Subscriber shall fully release and discharge the relevant Group Companies from their payment obligations of such Relevant Debt; and

(b) a conditional option agreement with the Subscriber (the "Conditional Option Agreement") for the proposed grant by the Company of 3,360,495,867 non-listed and transferable share options (the "Options") to the Subscriber for S$1.00, with each Option carrying the right to subscribe for one (1) new Share (the "Option Shares") at the exercise price of S$0.0605 per Option Share on the terms and conditions of the Conditional Option Agreement (the "Proposed Grant of Options" and collectively with the Proposed Subscription, the "Proposed Transactions).

The completion of the Proposed Subscription, Proposed Grant of Options and Debt Assignment are inter-conditional and shall take place simultaneously. Accordingly, if completion of any one of the Proposed Subscription, Proposed Grant of Options and/or the Debt Assignment does not proceed, neither the Company nor the Subscriber shall be obliged to proceed with the other.

Upon completion of the Proposed Subscription, the Subscriber will hold up to approximately 22,573,570,909 Shares representing up to approximately 85.9% of the enlarged share capital of the Company as at 31 March 2019. Assuming full exercise of the Options, the Subscriber will hold up to approximately 25,934,066,776 Shares representing up to approximately 87.5% of the enlarged share capital of the Company as at 31 March 2019. This triggers the requirement for the Subscriber and its concert parties to make a mandatory offer to the holders of any class of share capital of the Company which carries votes, unless independent Shareholders approve at an Extraordinary General Meeting ("EGM") to be convened for, *inter alia*, the Proposed Whitewash Resolution ("Whitewash Resolution").

The Company will in due course submit an application to the Securities Industry Council ("SIC") to seek the Whitewash Waiver for the Subscriber and its concert parties to make a Mandatory Offer as a result of the Proposed Transactions, and will make the necessary announcements upon receipt of the Whitewash Waiver from the SIC.

The Proposed Transactions are subject to the conditions precedent as set out in the Conditional Debt Conversion Agreement and Conditional Option Agreement and specifically the following:

(a) the receipt of the approval in-principle of the SGX-ST for the listing and quotation for the Subscription Shares and Option Shares (when exercised) on the Mainboard of the SGX-ST;

(b) 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;

(c) the Whitewash Waiver granted by the SIC; and

(d) approval of the independent Shareholders for the Proposed Whitewash Resolution at the EGM to be convened.