



Ezion Holdings Limited

EZION HOLDINGS LIMITED

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

RESPONSE TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S ("SGX-ST") QUERIES ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors of Ezion Holdings Limited (the "**Company**") refers to its annual report for the financial year ended 31 December 2019, which was announced on 10 June 2020 (the "**1Q2020 Results**") and wishes to provide the following additional information in response to the queries raised by the SGX-ST on 18 June 2020 and 19 June 2020:

Question 1: We refer to page 43 of the Annual Report in relation to Disclosure Remuneration, which states, "Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the directors, in bands with a breakdown of the components in percentage... The Board has, taking note of the competitive pressures in the talent market, decided not to disclose the names of the Group's top eleven key management personnel (who is not a director or CEO of the Company) as such confidential and sensitive information could be exploited by the competitors."

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response:

With regard to Provision 8.1 of the Code in relation to the amounts and breakdown of remuneration of each individual director and the CEO, the Company had disclosed on page 57 of its Annual Report 2019 the reasons for deviating from Provision 8.1, as follows:

"The Board has, taking note of the competitive pressures in the talent market, decided not to disclose the names of the Group's top eleven key management personnel (who is not a director or CEO of the Company) as such confidential and sensitive information could be exploited by the competitors."

The Board would like to further elaborate on the reason for the variation that the Company also took into consideration on the confidential and prevention of upward pressure on remuneration due to the market competition of remuneration matters. The Company is of the view that the disclosure of the indicative range of the Directors' remuneration provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the Directors. The fees to the Independent Directors are put forward to shareholders for approval on an annual basis at the Company's annual general meeting.

Further information on the remuneration of the key management personnel (who is not a director of CEO of the Company) is as follows:

Remuneration bands	Number of key management personnel
Between US\$151,000 to US\$300,000	6
Below US\$150,000	5

The Company had also disclosed on page 42 of its Annual Report 2019 that an annual review of remuneration is carried out by the Remuneration Committee to ensure that the remuneration of the Executive Directors and key management personnels commensurate with their performance and that of the Company, having regard to the pay and employment conditions within the industry and local practices. The Remuneration Committee reviews the terms of compensation and employment for Executive Directors and key management personnel at the time of their respective employment or renewal (where applicable) including considering the Company's obligations in the event of termination of services to ensure such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The Board has determined that the practices that the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Question 2: We refer to page 51 of the Annual Report on the description of the use of proceeds.

LR1207(20) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including, if applicable, a status report on the use of IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the prospectus or the announcement of the issuer. Where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such deviation.

Please disclose the information as required under LR1207(20).

Company's Response:

The Company did not utilise the proceeds since its last announcement made on 6 August 2018.

Question 3: We refer to the Cash Flows Statement in the Annual Report. Please explain the variances when compared against the Company's unaudited financial statements for the financial year ended 31 December 2019 announced on 2 March 2020.

Company's Response:

	Per results announcement announced on 2 March 2020 US\$'000	Per Annual Report US\$'000	Variance US\$'000	Note
Net cash generated from operating activities	29,382	27,664	(1,718)	A
Net cash used in investing activities	(5,991)	(4,079)	1,912	B
Net cash used in financing activities	(27,796)	(28,017)	(221)	C

Note:

- A. The decrease in net cash generated from operating activities was mainly due to advance payments made to suppliers for purchase of plant and equipment and is reclassified to net cash used in investing activities. In addition, repayment of lease liabilities of US\$203,000 has been reclassified to net cash used in financing activities.
- B. The decrease in net cash used in investing activities was mainly due to Note A above.
- C. The increase in net cash used in financing activities was mainly due to the inclusion of repayment of lease liabilities of US\$203,000 which was previously classified under net cash generated from operating activities. The remaining difference of US\$18,000 was due to foreign currency differences identified for interest paid.

Question 4: On the disclaimer of opinion relating to the financial statements prepared by management on a going concern basis, please provide:-

a) the Board of Directors' assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment;

Company's Response:

Please refer to Note 2 of the financial statements on page 69 to 70 of the Company's 2019 Annual Report where the directors and management has provided their assessment and the bases for the said assessment on the Group's ability to continue as a going concern.

b) the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3); and

Company's Response:

With reference to Note 2 of the financial statements on page 69 to 70 of the Company's 2019 Annual Report, the Group continues to negotiate the terms of the Proposed Transactions and Proposed Scheme of Arrangement with the lenders and the prospective investor with a view to strengthen the Group's financial position, improve the cash flow position of the Group and preserve value for its stakeholders. In the best interest of the shareholders of the Company, the Board is of the opinion that pending the completion of the Proposed Transactions and Proposed Scheme of Arrangement, the trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3)(c).

c) the Board of Directors' confirmation as to whether all material disclosures have been provided for trading of the Company's shares to continue in an orderly manner; and the bases for its views.

Company's Response:

The Board confirms that all material disclosures have been provided through the Company's announcements to date.

BY ORDER OF THE BOARD

Goon Fook Wye Paul
Company Secretary
22 June 2020