



Ezion Holdings Limited

(Company No.: 199904364E)

Third Quarter Financial Statement And Dividend Announcement For The Nine Months Ended 30 September 2016

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 (Third Quarter)			Incr/ (Decr)	Group (Year-To-Date)		
	3 months ended		%		9 months ended		Incr/ (Decr)
	30.09.2016	30.09.2015			30.09.2016	30.09.2015	
	US\$'000	US\$'000		US\$'000	US\$'000		
Revenue	79,811	86,219	(7.4)	245,612	266,392	(7.8)	
Cost of sales and servicing	(65,811)	(61,257)	7.4	(193,147)	(168,527)	14.6	
Gross profit	14,000	24,962	(43.9)	52,465	97,865	(46.4)	
Other income, net	4,163	8,482	(50.9)	33,339	11,561	N/M	
Administrative expenses	(4,726)	(4,185)	12.9	(13,109)	(13,503)	(2.9)	
Other operating expenses	(1,192)	(1,615)	(26.2)	(19,279)	(4,596)	N/M	
Results from operating activities	12,245	27,644	(55.7)	53,416	91,327	(41.5)	
Finance income	1,242	1,125	10.4	3,277	3,393	(3.4)	
Finance costs	(8,451)	(7,024)	20.3	(24,638)	(19,753)	24.7	
Net finance costs	(7,209)	(5,899)	22.2	(21,361)	(16,360)	30.6	
Share of results of associates and jointly controlled entities (net of tax)	5,317	9,031	(41.1)	2,947	26,443	(88.9)	
Profit before income tax	10,353	30,776	(66.4)	35,002	101,410	(65.5)	
Income tax expense	(975)	(441)	N/M	(2,000)	(1,107)	80.7	
Profit after income tax	9,378	30,335	(69.1)	33,002	100,303	(67.1)	

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

	Group (Third Quarter)			Incr/ (Decr)	Group (Year-To-Date)		
	3 months ended		%		9 months ended		Incr/ (Decr)
	30.09.2016	30.09.2015			30.09.2016	30.09.2015	
	US\$'000	US\$'000		US\$'000	US\$'000		
Other income ¹	5,405	9,607	(43.7)	36,616	14,954	N/M	
Interest on borrowings	(8,451)	(7,024)	20.3	(24,638)	(19,753)	24.7	
Depreciation of plant and equipment	(38,095)	(36,461)	4.5	(110,559)	(99,566)	11.0	
Foreign exchange gain/(loss), net	3,487	7,495	(53.5)	(11,957)	7,971	N/M	
Gain on disposal of assets held for sale	-	-	N/M	27,755	-	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	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Plant and equipment	2,279,548	2,284,117	456	567
Subsidiaries	-	-	1,359,355	1,227,226
Joint ventures	171,448	131,354	52,041	51,759
Associates	76,070	72,621	71,153	53,982
Other assets	2,812	11,566	112	121
	2,529,878	2,499,658	1,483,117	1,333,655
Current assets				
Trade receivables	219,962	193,247	10,748	8,077
Other current assets	130,154	80,188	63,409	48,861
Assets held for sale	-	105,553	-	-
Cash and cash equivalents	255,398	229,756	180,840	188,382
	605,514	608,744	254,997	245,320
Total assets	3,135,392	3,108,402	1,738,114	1,578,975
Equity				
Share capital	649,027	536,368	649,027	536,368
Perpetual securities	116,499	116,499	116,499	116,499
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	(31,727)	(32,323)	(3,342)	(2,915)
Retained earnings	626,086	597,302	96,796	89,508
Total equity	1,383,349	1,241,310	858,980	739,460
Non-current liabilities				
Financial liabilities	796,352	851,101	121,413	137,312
Notes payable	393,706	378,691	393,706	378,691
Other payables	34,095	35,954	136,819	90,185
Deferred tax liabilities	-	449	-	-
	1,224,153	1,266,195	651,938	606,188
Current liabilities				
Trade payables	123,781	126,165	129	40
Other payables	44,605	50,091	89,577	93,896
Liabilities due to assets held for sale	-	42,658	-	-
Financial liabilities	352,928	375,254	133,780	135,689
Provision for taxation	6,576	6,729	3,710	3,702
	527,890	600,897	227,196	233,327
Total liabilities	1,752,043	1,867,092	879,134	839,515
Total equity and liabilities	3,135,392	3,108,402	1,738,114	1,578,975

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 30.09.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
245,837	107,091	309,821	108,091

Amount repayable after one year

As at 30.09.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
796,352	393,706	849,832	379,960

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 30 September 2016

	Group (Third Quarter)			Group (Year-To-Date)		
	3 months ended	3 months ended	Incr/	9 months ended	9 months ended	Incr/
	30.09.2016	30.09.2015	(Decr)	30.09.2016	30.09.2015	(Decr)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit after tax	9,378	30,335	(69.1)	33,002	100,303	(67.1)
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Translation differences relating to financial statements of foreign operations	(544)	(3,417)	N/M	108	(7,914)	N/M
Share of foreign currency translation differences of associates	-	2,151	N/M	401	2,659	(84.9)
Exchange differences on monetary items forming part of net investment in foreign operations	(880)	(2,281)	(61.4)	466	(6,619)	N/M
Effective portion of changes in fair value of cash flow hedges	802	(965)	N/M	(379)	(1,810)	(79.1)
Other comprehensive income for the period	(622)	(4,512)	(86.2)	596	(13,684)	N/M
Total comprehensive income for the period	8,756	25,823	(66.1)	33,598	86,619	(61.2)
Attributable to:						
Owners of the Company	8,756	25,823	(66.1)	33,598	86,619	(61.2)

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 (Third Quarter)		Group (Year-To-Date)	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit after tax	9,378	30,335	33,002	100,303
Income tax expense	975	441	2,000	1,107
Depreciation expense	38,095	36,461	110,559	99,566
Gain on disposal of assets held for sale	-	-	(27,755)	-
Foreign exchange (gain)/loss, net	(3,487)	(7,495)	11,957	(7,971)
Finance income	(1,242)	(1,125)	(3,277)	(3,393)
Finance costs	8,451	7,024	24,638	19,753
Financial guarantee income provided to joint ventures	(279)	(464)	(1,012)	(1,696)
Equity-settled share-based payment transactions	527	502	1,545	1,616
Share of results of associates and jointly controlled entities	(5,317)	(9,031)	(2,947)	(26,443)
Operating cash flow before working capital changes	47,101	56,648	148,710	182,842
Changes in working capital:				
Trade receivables and other assets	(3,183)	(57,088)	(25,427)	(46,129)
Trade and other payables	3,069	20,708	(1,507)	34,078
Cash generated from operating activities	46,987	20,268	121,776	170,791
Income tax paid	(874)	(1,213)	(1,930)	(3,004)
Net cash from operating activities	46,113	19,055	119,846	167,787
Cash flows from investing activities				
Purchase of plant and equipment	(10,207)	(53,605)	(44,861)	(218,151)
Proceeds from disposal of assets held for sale	-	-	20,400	-
Advance payments for purchase of plant and equipment	(119)	(1,185)	(754)	(121,425)
Investments in joint ventures	(6,578)	(237)	(10,942)	(316)
Investments in associate	(4,331)	(4,489)	(4,331)	(4,489)
Interest received	689	5,022	1,617	6,407
Net cash used in investing activities	(20,546)	(54,494)	(38,871)	(337,974)
Cash flows from financing activities				
Proceeds from borrowings	-	23,383	31,766	269,821
Repayment of borrowings	(39,933)	(58,926)	(149,860)	(172,425)
Proceeds from issuance of notes, net of transaction costs	-	87,413	-	87,413
Net proceeds from issuance of ordinary shares	99,930	84	99,930	714
Redemption of perpetual securities	-	(86,312)	-	(86,312)
Repurchase of own shares	-	(1,378)	-	(1,378)
Dividend paid	-	-	-	(1,193)
Interest paid	(9,448)	(9,676)	(26,805)	(29,198)
Net cash from/(used in) financing activities	50,549	(45,412)	(44,969)	67,442
Net increase in cash and cash equivalents	76,116	(80,851)	36,006	(102,745)
Cash and cash equivalents at beginning of the period	181,109	339,945	229,756	371,510
Effect of exchange rate fluctuations	(1,827)	(13,613)	(10,364)	(23,284)
Cash and cash equivalents at end of the period	255,398	245,481	255,398	245,481

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 immediately preceding financial year.

	Share capital	Perpetual securities	Redeemable exchangeable preference shares	Treasury shares	Foreign currency translation reserve	Hedging reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group											
At 1 January 2015	535,654	211,874	23,464	(102)	(20,218)	(1,098)	(6)	563,059	1,312,627	(6)	1,312,621
Total comprehensive income for the period	-	-	-	-	(11,874)	(1,810)	-	100,303	86,619	-	86,619
Translations with owners, recognised directly in equity											
Dividends	-	-	-	-	-	-	-	(1,193)	(1,193)	-	(1,193)
Issue of shares	714	-	-	-	-	-	-	-	714	-	714
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(10,640)	(10,640)	-	(10,640)
Redemption of perpetual securities	-	(95,375)	-	-	-	-	-	9,063	(86,312)	-	(86,312)
Repurchase of own shares	-	-	-	(1,378)	-	-	-	-	(1,378)	-	(1,378)
Share-based payment transactions	-	-	-	-	-	-	-	1,616	1,616	-	1,616
Changes in ownership interests in subsidiaries											
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	(12)	(12)	6	(6)
At 30 September 2015	536,368	116,499	23,464	(1,480)	(32,092)	(2,908)	(6)	662,196	1,302,041	-	1,302,041
At 1 January 2016	536,368	116,499	23,464	(1,480)	(29,333)	(1,504)	(6)	597,302	1,241,310	-	1,241,310
Total comprehensive income for the period	-	-	-	-	975	(379)	-	33,002	33,598	-	33,598
Translations with owners, recognised directly in equity											
Issue of shares	112,659	-	-	-	-	-	-	-	112,659	-	112,659
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(5,763)	(5,763)	-	(5,763)
Share-based payment transactions	-	-	-	-	-	-	-	1,545	1,545	-	1,545
At 30 September 2016	649,027	116,499	23,464	(1,480)	(28,358)	(1,883)	(6)	626,086	1,383,349	-	1,383,349

	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 2015				535,654	211,874	(102)	(872)	(6)	140,734	887,282
Total comprehensive income for the period				-	-	-	(1,890)	-	26,875	24,985
Translations with owners, recognised directly in equity										
Dividends				-	-	-	-	-	(1,193)	(1,193)
Issue of shares				714	-	-	-	-	-	714
Accrued perpetual securities distributions				-	-	-	-	-	(10,640)	(10,640)
Redemption of perpetual securities				-	(95,375)	-	-	-	9,063	(86,312)
Repurchase of own shares				-	-	(1,378)	-	-	-	(1,378)
Share-based payment transactions				-	-	-	-	-	1,616	1,616
At 30 September 2015				536,368	116,499	(1,480)	(2,762)	(6)	166,455	815,074
At 1 January 2016				536,368	116,499	(1,480)	(1,429)	(6)	89,508	739,460
Total comprehensive income for the period				-	-	-	(427)	-	11,506	11,079
Translations with owners, recognised directly in equity										
Issue of shares				112,659	-	-	-	-	-	112,659
Accrued perpetual securities distributions				-	-	-	-	-	(5,763)	(5,763)
Share-based payment transactions				-	-	-	-	-	1,545	1,545
At 30 September 2016				649,027	116,499	(1,480)	(1,856)	(6)	96,796	858,980

- 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 2016, the Company issued 17,497,813 new ordinary shares at an issue price of S\$1.0287 per share. The newly issued shares rank pari passu in all respects with the previously issued shares. The net proceeds from the placement of the shares which amounted to approximately US\$12.8 million was used to acquire the aggregate of 321,429 shares in the issued share capital of Rotating Offshore Solutions Pte Ltd, which represented 30% of the enlarged issued and paid-up share capital of Rotating Offshore Solutions Pte Ltd.

During the third quarter of 2016, the Company has undertaken a renounceable underwritten rights issue of 478,576,422 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S\$0.29 for each Rights Share on the basis of three (3) Rights Shares for every ten (10) existing ordinary shares in the capital of the Company. The Rights Shares has been issued on 8 August 2016, and listed for quotation on the Main Board of the SGX-ST on 8 August 2016.

As at 30 September 2016, the share capital less treasury shares of the Company was 2,073,831,162 ordinary shares (2,077,015,162 issued ordinary shares less 3,184,000 treasury shares). As at 30 September 2015, the share capital less treasury shares of the Company was 1,577,756,927 ordinary shares (1,580,940,927 issued ordinary shares less 3,184,000 treasury shares).

As at 30 September 2016 and 30 September 2015, there were 300 redeemable exchangeable preference shares in a subsidiary available for exchange to 19,787,830 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 30 September 2016, the issued and paid up share capital excluding treasury shares of the Company comprised 2,073,831,162 (31 December 2015: 1,577,756,927) ordinary shares.

As at 30 September 2016, subsidiary of the Company has 300 (31 December 2015: 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 2016 = 3,184,000 shares

Purchase of treasury shares during the period = Nil

Transfer of treasury shares during the period = Nil

As at 30 September 2016 = 3,184,000 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 2015.

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.

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.

The Group has adopted the new and revised FRSs and Interpretation of FRS (INT FRS) that are effective for financial periods beginning 1 January 2016. 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 (Third Quarter) 3 months ended		Group (Year-To-Date) 9 months ended	
	30.09.2016	30.09.2015 Restated	30.09.2016	30.09.2015 Restated
(a) Based on weighted average number	0.39 cts	1.69 cts	1.61 cts	6.92 cts
(b) On a fully diluted basis	0.39 cts	1.66 cts	1.59 cts	6.76 cts

Note :

Weighted average ordinary shares for calculation of:

- Basic earnings per share	1,891,764,040	1,603,300,479	1,694,365,660	1,296,026,683
- Diluted earnings per share	1,915,209,040	1,629,930,962	1,717,810,660	1,326,777,511

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	
	30.09.2016	31.12.2015 Restated	30.09.2016	31.12.2015 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	66.7 cts	77.5 cts	41.42 cts	46.17 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

3Q16 vs 3Q15

The Group's revenue for the three months ended 30 September 2016 ("3Q16") decreased by US\$6.4 million (7.4%) to US\$79.8 million as compared to the corresponding three months ended 30 September 2015 ("3Q15"). The decrease in revenue was mainly due to:

- (i) modifications and routine class surveys on a few multi-purpose self-propelled jack-up rigs and Jack-up Rigs (collectively called "Service Rigs");
- (ii) reduction in charter rates; and
- (iii) postponement of the commencement of customer's project which resulted in the delay of the deployment of several of the Group's Service Rigs.

The cost of sales and servicing for 3Q16 increased by US\$4.6 million (7.4%) to US\$65.8 million as compared to 3Q15. The increase was due to the deployment of additional Service Rigs.

As a result of the above, the Group's gross profit for 3Q16 decreased by US\$11.0 million (43.9%) to US\$14.0 million as compared to 3Q15.

The decrease in other income in 3Q16 as compared to 3Q15 was mainly due to the lower unrealised foreign exchange gains on the Group's Notes Payable.

The decrease in other operating expenses in 3Q16 as compared to 3Q15 was mainly due to lower sundry expenses incurred.

The increase in finance costs in 3Q16 as compared to 3Q15 was due mainly to additional interest expense for the funding of newly delivered Service Rigs.

The lower share of associates and jointly controlled entities' results in 3Q16 as compared to 3Q15 was mainly due to lower contributions from the Group's Joint Ventures and Associates.

Profit before income tax decreased by US\$20.4 million (66.4%) to US\$10.4 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.

9M16 vs 9M15

The Group's revenue for the nine months ended 30 September 2016 ("9M16") decreased by US\$20.8 million (7.8%) to US\$245.6 million as compared to the corresponding nine months ended 30 September 2015 ("9M15"). The decrease in revenue was mainly due to:

- (i) the absence of contribution from the projects in Queensland, Australia that did not go into additional trains as originally planned;
- (ii) modifications and routine class surveys on a few Service Rigs;
- (iii) reduction in charter rates; and

(iv) postponement of the commencement of customer's project which resulted in the delay of the deployment of several of the Group's Service Rigs.

The cost of sales and servicing for 9M16 increased by US\$24.6 million (14.6%) to US\$193.1 million as compared to 9M15. The increase was due to the deployment of additional Service Rigs.

As a result of the above, the Group's gross profit for 9M16 decreased by US\$45.4 million (46.4%) to US\$52.5 million as compared to 9M15.

The increase in other income in 9M16 as compared to 9M15 was mainly due to gain arising from the completion of the sale of assets held for sale during the first half of 2016.

The increase in other operating expenses in 9M16 as compared to 9M15 was mainly due to the strengthening of the Singapore Dollar against the United States Dollar during the 9 months ended 30 September 2016 and this resulted in unrealised foreign exchange losses on the Group's Notes Payable.

The increase in finance costs in 9M16 as compared to 9M15 was due mainly to additional interest expense for the funding of newly delivered Service Rigs.

The lower share of associates and jointly controlled entities' results in 9M16 as compared to 9M15 was mainly due to share of loss from an associated company of the Group which recognised impairment losses and lower contributions from the Group's Joint Ventures and Associates.

As a result of the above, the profit before income tax for 9M16 stands at US\$35.0 million.

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\$2.0 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\$2,529.9 million as at 30 September 2016. The increase in Non-current Assets was mainly due to an investment in a joint venture and the share of results of joint ventures, net of tax during the nine months ended 30 September 2016. The increase in Associates was due to the Group's investment in Rotating Offshore Solutions Pte Ltd, which amounted to US\$12.8 million in January 2016, offset by share of loss of associates, net of tax during the nine months ended 30 September 2016.

Current Assets

The Group's Current Assets amounted to US\$605.5 million as at 30 September 2016. The increase was mainly due to amount receivable following the completion of the sale of assets held for sale and the advance payments and deposits made for the construction of Service Rigs.

Total Liabilities

The Group's Total Liabilities amounted to US\$1,752.0 million as at 30 September 2016. The decrease in Total Liabilities was due mainly to repayment of loans due to banks and the completion of the sale of assets held for sale. Included in Other Payables were the advance payments and performance deposits received.

Total Equity

The increase in Total Equity was attributable mainly due to the rights issue of ordinary shares and the profit 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\$119.8 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\$38.9 million. This was mainly due to the deployment of funds towards the refurbishment and modifications of the Group's Service Rigs, an investment in a joint venture and an additional investment in an associate.

Cash Flow from Financing Activities

The Group's net cash used in financing activities was US\$45.0 million. This was mainly due to repayment of bank borrowings during the period, offset by net proceeds received from the rights issue of ordinary shares and additional loan drawdown.

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 2Q16.

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 Company expects the current challenges facing the Marine and Offshore Oil and Gas Industry (the "Offshore Industry") to continue at least into 2017.

Some of Ezion's customers in the Offshore Industry are very much focused on production and extraction activities, and at current oil prices we are seeing pockets of renewed optimism that is translating into enquiries and requirements for additional Service Rigs. Some of the Company's other customers in the offshore windfarm segment are similarly pushing ahead on various field developments, and will therefore also require supporting Service Rigs. Ezion is working very hard on meeting the operating requirements of these clients for 2017 and beyond. These will involve modifying a few more of its existing Service Rigs and also taking delivery of up to two or three new units before the end of 2017. To manage the Group's gearing and cash flow while supporting these projects, the Group will be working on:

- a) possible disposal of at least another existing Service Rig;
- b) mutual agreements with a few of its various stakeholders on the possible delay or cancellation of a few of its past committed projects that no longer make economic sense to enable the Group to avoid unnecessarily increase its gearing; and
- c) inviting potential joint venture partners to co-own some of the Group's assets whenever it is necessary.

The Company is also aware of the severe financial difficulties faced by its partners as a result of the very adverse current market conditions and is deeply sympathetic with their problems. While the Group is doing all it can to assist in the joint ventures' operations, the Group has in place contingency plans to deal with the possibly worsening situation and do not expect to be materially affected.

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/recommended, 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

10 November 2016

**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 30 September 2016 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**

10 November 2016