Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Ezion Holdings Limited

Stock code: 5ME

Meeting details:
Date: 29 July 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. In the corporate profile, the company describes itself as a specialist in the development, ownership and chartering of strategic offshore assets to support the offshore energy markets. It claims to be the owner of one of the youngest, largest and most sophisticated fleet of liftboats in the world, and the only operator in Southeast Asia with a fleet of liftboats that can be used both in the offshore oil and gas industry as well as the offshore wind farm industry.

As shown in the financial highlights (page 4 of the annual report; extract shown below), the company continues to make losses and shareholders' funds have slipped further into the red to US$(1.38) billion from US$(867.4) million, due to losses from operations totaling US$(489.4) million in 2020.



(Source: company annual report)

Revenue has fallen to just US$24.7 million in FY2020 (shown below). Net asset value per share dropped by US$1 per share, from US 63.43 cents in FY2016 to US (36.82) cents in FY2021.

	2020 US$'000	2019 US$'000 (Restated)²	2018 US$'000	2017¹ US$'000	2016 US$'000
Revenue (continuing operations)	24,734	56,037	118,696	193,108	318,245
Loss Before Tax (continuing operations)	(488,928)	(275,420)	(341,847)	(320,201)	(30,924)
Net Loss (continuing operations)	(489,352)	(281,011)	N/A	N/A	N/A
Net Loss	(507,549)	(614,936)	(344,339)	(323,093)	(33,606)
Net Loss (discontinued operations)	(18,197)	(333,925)	N/A	N/A	N/A

(Source: company annual report)

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An strategic investment by an investor failed to materialise and the group undertook a restructuring plan in October 2020 to change its focus to vessel management (with the goal of disposing its vessels in an orderly manner), cut costs in view of lower demand and to seek out new strategic investors to recapitalise the group.

(i) **Can the independent directors help shareholders understand how they have demonstrated their entrepreneurial leadership and how they have provided effective guidance to management?** The three independent directors are Dr Wang Kai Yuen, Mr Tan Woon Hum and Mr Lim Thean Ee. They were first appointed to the board each on 28 July 2000, 21 March 2007 and 28 July 2000 respectively.

(ii) In addition, the CEO and executive director, Mr Chew Thiam Keng, was first appointed to the board on 1 March 2007. Mr Chew is responsible for the group's operations, strategic planning, corporate management and business development. **Has the board reviewed if the CEO and executive director is the right person to lead the group given that the group's focus is now on restructuring, cost cutting and recapitalisation? Is management agile enough to change their paradigm and not be held back by past decisions and old practices? Has the board considered the benefits of having a fresh management team with a proven track record, and no historical baggage, as the group restructures itself?**

(iii) The trading of the company's shares has been suspended since 1 March 2019. **What are the milestones needed for the resumption of trading?**

(iv) **Is the group "hopelessly insolvent"? With negative shareholders' funds of US$1.38 billion, what are the realistic options available to the board to recapitalise the group?**

(v) **Has the board considered judicial management?**

(vi) In addition, the CEO and executive director received "US$500,000 and below" with 86-87% attributable to "Salary & CPF" and 8% in "Bonus & CPF" in FY2018 and FY2019. In FY2020, he received "S$250,001 - S$500,000" with 92% as "Salary & CPF" and 8% in "Other benefits". **Can the board help shareholders understand if the level and structure of the remuneration of the CEO and executive director are appropriate and proportional to the performance, financial position and market capitalisation of the group?**

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Q2. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **What are the reasons to discontinue the Jack up rigs and Offshore support logistics services segments? On what basis did management choose to retain the liftboat segment?**

(ii) **Please provide details, including technical specifications and the carrying values, of the group's assets held for sale.** These would include two jack-up rigs, seven offshore support logistics vessels and seven liftboats.

(iii) As disclosed in Note 28 (pages 123 and 124 – Operating segments), segment results from the continuing operations of liftboats decreased from US$18.3 million in 2019 to a loss of US$(7.6) million in 2020. This was before depreciation expenses, impairment losses and finance costs. **Can management provide a breakdown (possibly using a waterfall chart) to show the year-on-year decline in its profitability in the liftboats segment? How does management ensure profitability of this segment (which will be the key driver for the group), going forward?**

(iv) **Similarly, what are the characteristics and specifications of the group's liftboats? What were the utilisation rates in 2020?**

(v) **What are the bright sparks, if any, in the liftboat segment in the next 18-24 months?**

(vi) **Can management identify the key value drivers in the liftboat segment?**

The group secured a wind turbine transportation & installation contract on 7th December 2020 for the Taipower Offshore Wind Project Phase II in Taiwan with a value of US$83.4 million (page 9). The project is expected to commence in September 2024. In addition, Teras Offshore Pte Ltd ("TOPL") also entered into a cooperation agreement to provide engineering expertise, consultancy services and overall project management and administration services pertaining to the procurement, transportation and installation of the subsea foundations, subsea cables and offshore substations to the Foundation Scope Contractor for the Taipower Offshore Wind Project Phase II. TOPL's projected revenue in the cooperation agreement is up to US$20 million. The project was supposed to commence from 1st July 2021 until 31st December 2025 but it has been delayed due to the resurgence of COVID-19 (page 9).

(vii) **When does management expect the cooperation agreement to commence?**

(viii) **Does the group have the necessary financial and technical resources to deliver on its scope?**

(ix) **What are the other opportunities in the near term?**

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Q3. At the annual general meeting to be held on 29 July 2021, two of the independent directors, Mr Lim Thean Ee and Mr Tan Woon Hum, are retiring pursuant to Regulation 107 of the company's constitution and would be seeking their re-election. Mr Tan Woon Hum and Mr Lim Thean Ee were first appointed on 21 March 2007 and 28 July 2000 respectively. They have served on the board for more than 14 years and 21 years respectively.

(i) **Can the two directors who are seeking their re-election help shareholders understand their effectiveness in setting strategies and in guiding management to create long-term value for shareholders?**

(ii) **How effective were the retiring directors at safeguarding shareholders' interests, especially in terms of risk management, internal controls and protecting the group from unacceptable level of risks? (Principle 9 of the Code of Corporate Governance 2018)**

In addition, shareholders are asked to approve directors' fees of $223,000.

(iii) **Have the directors considered delaying their fees or taking their fees in shares until the group successfully recapitalises itself?**

All three long-tenured non-executive directors, namely Dr Wang Kai Yuen, Mr Lim Thean Ee and Mr Tan Woon Hum, would be seeking a two-tier vote on their continued appointment as independent directors.

(iv) **With all three directors being on the board for a combined 56 years, along with a CEO and executive director who has been on the board for the past 14+ years, how does the board avoid group-think?**

(v) **Have the directors evaluated the decision-making of the board, especially all the critical decisions in the past that have cumulated in the current financial situation of the group?**

(vi) **What can the directors contribute to the group at this point of its restructuring?**

(vii) **As the independent chairman, would Dr Wang Kai Yuen be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)