

ANNOUNCEMENT

FULL YEAR FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

PART I - INFORMATION REQUIRED FOR FULL YEAR RESULTS ANNOUNCEMENTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 December 2015 ("FY2015") vs financial year ended 31 December 2014 ("FY2014")

	The Group		
	Unaudited FY2015 S\$'000	Unaudited * FY2014 S\$'000	Increase/ (Decrease) %
Continuing operations			
Revenue	68,881	109,108	(36.9)
Cost of sales	(55,964)	(78,813)	(29.0)
Gross profit	12,917	30,295	(57.4)
<i>Gross profit margin</i>	<i>18.8%</i>	<i>27.8%</i>	
Other income	3,098	3,183	(2.7)
Expenses			
- Distribution costs	(175)	(185)	(5.4)
- Administrative	(22,040)	(14,243)	54.7
- Finance	(3,428)	(1,478)	131.9
Share of results of associated companies	248	1,116	(77.8)
Loss/ Profit before income tax	(9,380)	18,688	(150.2)
Income tax expense	(797)	(3,296)	(75.8)
Net (loss)/ profit attributable to equity holders of the Company	(10,177)	15,392	(166.1)
Other comprehensive (loss)/ income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences			
- On translation of foreign operations	(536)	(146)	267.1
Available-for-sale financial assets			
- Gains arising during the year	42	43	(2.3)
- Deferred tax relating to component of other comprehensive income	(7)	(7)	-
- Gain transferred to income statement on disposal	-	15	(100)
	35	51	(31.4)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	The Group		
	Unaudited FY2015 S\$'000	Unaudited FY2014 S\$'000	Increase/ (Decrease) %
Share of other comprehensive income of associated companies			
- Fair value gain on available sale assets	4	-	n.m.
- Translation reserve	4	-	n.m.
- Revaluation surplus, net of deferred tax liabilities	124	415	(70.1)
	132	415	(68.2)
Items that will not be reclassified subsequently to profit or loss:			
- Gain on revaluation of property	2,825	-	n.m.
Other comprehensive income, net of tax	2,456	320	667.5
Total comprehensive (loss)/ income attributable to equity holders of the Company	(7,721)	15,712	(149.1)

Profit from operations is arrived at after (charging)/crediting the following items:

	The Group		
	Unaudited FY2015 S\$'000	Unaudited FY2014 S\$'000	Increase/ (Decrease) %
Depreciation of property, plant and equipment	(475)	(434)	9.4
Employee compensation	(12,374)	(12,184)	1.6
Fair value loss on available for sale assets	(319)	(46)	593.5
Gain on disposal of available-for-sales investment	-	15	n.m.
Allowance for impairment on goodwill	(1,800)	-	n.m.
Allowance for foreseeable losses	(914)	-	n.m.
Allowance for impairment of investment in associate company	(2,100)	-	n.m.
Foreign exchange gain	1,500	672	123.2
Professional fees	(2,676)	(646)	314.2
Interest income	47	7	571.4
Interest expense	(3,428)	(1,478)	131.9

Note: n.m. - not meaningful

- * On 4 May 2015, the Company entered into the Sale and Purchase Agreement on 4 May 2015 (“**Acquisition**”) with vendors, two individuals (collectively the “**Vendors**”) in relation to the Acquisition of the entire issued and paid up share capital of Windale Holdings Limited (WHL), an entity incorporated in British Virgin Islands for a purchase consideration of S\$150,000,000. The Company has completed the restructuring exercise on 26 October 2015 which involved acquisition of companies which are under common control, namely Windale Holdings Limited and its subsidiaries (“the Restructuring”). Pursuant to the Acquisition, the consolidated financial statements of the Group have been prepared in a manner similar to the “pooling-of-interest” method. The comparative financial information in its financial statements for the financial year ended 31 December 2015 have been restated to reflect that the common control existed as at 1 January 2014 and earlier. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 31 December 2014.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

STATEMENTS OF FINANCIAL POSITION

	The Group			The Company	
	As at	As at	As at	As at	As at
	31/12/2015	31/12/2014	1/1/2014	31/12/2015	31/12/2014
		Unaudited	Unaudited		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Current assets					
Cash and cash equivalents	8,105	31,723	21,300	19	63
Trade and other receivables	74,496	58,701	32,960	18,654	21,133
Prepayments	7,764	9,070	9,203	41	3
Inventories	686	146	133	-	-
	91,051	99,640	63,596	18,714	21,199
Non-current assets					
Property, plant and equipment	17,606	10,455	4,850	6,086	1,909
Investment properties	201	191	186	-	-
Investment in subsidiaries	-	-	-	129,251	9,251
Investment in associated company	6,057	7,994	6,623	-	-
Available-for-sale financial assets	9,732	9,627	1,096	-	-
Intangible assets	7,469	9,248	9,248	-	-
Deferred tax assets	125	120	299	-	-
	41,190	37,635	22,302	135,337	11,160
Total Assets	132,241	137,275	85,898	154,051	32,359
LIABILITIES					
Current liabilities					
Trade and other payables	62,405	54,371	31,044	36,460	1,260
Down payment from customers	9,783	27,057	44,114	-	-
Finance lease liabilities	3	16	15	-	-
Borrowings	27,849	19,163	7,821	-	-
Borrowings from third parties	10,470	-	-	-	-
Derivatives liabilities	1,020	-	-	-	-
Provision for warranties	252	463	1,056	-	-
Income tax payables	1,138	3,187	116	-	-
	112,920	104,257	84,166	36,460	1,260

STATEMENTS OF FINANCIAL POSITION (CONT'D)

	The Group			The Company	
	As at 31/12/2015	As at 31/12/2014	As at 1/1/2014	As at 31/12/2015	As at 31/12/2014
	S\$'000	Unaudited S\$'000	Unaudited S\$'000	S\$'000	S\$'000
Non-current liabilities					
Finance lease liabilities	-	3	18	-	-
Borrowings	-	1,968	215	-	-
Borrowings from third parties	5,218	8,574	-	-	-
Derivatives liabilities	1,892	701	-	-	-
Deferred tax liabilities	25	18	-	-	-
	<u>7,135</u>	<u>11,264</u>	<u>233</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>120,055</u>	<u>115,521</u>	<u>84,399</u>	<u>36,460</u>	<u>1,260</u>
NET ASSETS	<u>12,186</u>	<u>21,754</u>	<u>1,499</u>	<u>117,591</u>	<u>31,099</u>
NET CURRENT (LIABILITIES)/ ASSETS	(21,869)	(4,617)	(20,570)	(17,746)	19,939
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	167,711	47,050	32,458	167,711	47,050
Other reserves	(144,029)	(27,776)	(28,151)	80	55
(Accumulated losses)/ Retained earnings	(11,496)	2,480	(2,808)	(50,200)	(16,006)
Total Equity	<u>12,186</u>	<u>21,754</u>	<u>1,499</u>	<u>117,591</u>	<u>31,099</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/12/2015		As at 31/12/2014	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
38,319	-	19,163	-

Amount repayable after one year

As at 31/12/2015		As at 31/12/2014	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
5,218	-	215	-

Details of any collateral

	Repayable less than one year S\$'000	Repayable more than one year S\$'000	Total S\$'000
Bank Borrowings			
Term Loan 1	1,680	-	1,680
Term Loan 2	3,500	-	3,500
Term Loan 3	2,000	-	2,000
Term Loan 4	5,658	-	5,658
Term Loan 5	901	-	900
Term Loan 6	8,486	-	8,486
Term Loan 7	73	-	73
Term Loan 8	193	-	193
Bills payable	4,324	-	4,324
Bank overdrafts	1,034	-	1,034
	27,849	-	27,849
Borrowings from third parties			
Borrowings from third parties 9 ⁽¹⁾	10,470	-	10,470
Borrowings from third parties 10 ⁽²⁾	-	5,218	5,218
	10,470	5,218	15,688
Total borrowings	38,319	5,218	43,537

Details of any collateral (cont'd)

The bank borrowings are generally secured by short-terms deposits, mortgages over the Group's investment property and equipment, real estate owned by director of a subsidiary, assignment of contract and charge over project proceeds, pledge of insurance policies, corporate guarantees issued by the subsidiaries and/or the Company and joint and several guarantees of directors of the subsidiaries.

Borrowings from third parties

Note 1:

In FY2014, a subsidiary of the Group, entered into a put and call option deed with Philip Ventures Enterprise Fund 3 Ltd and Venstar Investments II Ltd (collectively the "**Investors**"). The Investors hold 100% of the shares in the capital of Overseas Drilling Holdings Ltd ("**ODH**"). ODH in turn acquired 10% stake of the share capital of PV Drilling Overseas Company Private Limited ("**PVDO**") for a purchase consideration of US\$4,196,000 (approximately S\$5,257,000). In addition to the purchase consideration, ODH has also made capital injections of US\$1,020,000 and US\$1,584,000 (approximately S\$3,255,000 in total) in November 2014 and March 2015 respectively. The purchase consideration and capital injection amounted to S\$8,512,000 ("investment Amount") is expected to be settled in Singapore Dollars.

Under the above arrangement,

- (a) The Investors has granted the subsidiary a call option to require the Investors to sell to the Company all the shares of ODH at 122.5% of the Investment Amounts ("**Call Option**");
- (b) The subsidiary has granted the Investors the option to require the subsidiary to purchase all of the shares of ODH held by the Investors at 122.5% of the Investment Amounts ("**Put Option**");
- (c) The Put Option and Call Option are exercisable 18 months from August 2014 and will expire 30 days thereafter.

The matching terms of the Call Option and the Put Option have effectively resulted in a bridging loan arrangement for the Company to acquire 10% interest in PVDO. The borrowings from the Investors is measured at amortised cost using the effective interest method after taking into account the fair value of Share warrants issued to the investors.

Note 2:

In June 2015, a subsidiary of the Group ("**Koastal**") entered into a subscription agreement with Venstar Investments III Ltd ("**Venstar III**") in relation to the issue and subscription of convertible notes with an aggregate principal value of US\$5.0 million (the "**Notes**"), convertible at the option of Venstar III into new ordinary shares in the capital of the Company (the "**Exchange Shares**"), subject to and in accordance with the terms and conditions of the Notes. The Notes has a maturity date of 36 months from the issue date of the Notes.

The terms of the conversion are:

- (a) 25.0% of the principal amount of the Notes may be converted in whole or in part at the time of the Listing (the "**First Tranche Exchanged Shares**");

Details of any collateral (cont'd)

- (b) 35.0% of the principal amount of the Notes, together with any balance principal amount not converted pursuant to paragraph (a) above may be converted in whole or in part at any time during the period commencing on the earlier of (i) the first anniversary of the Listing and (ii) the date falling six (6) months prior to the Maturity Date, and ending on the Maturity Date (the **"Second Tranche Exchanged Shares"**); and
- (c) the remaining principal amount of the Notes which has not been converted pursuant to paragraphs (a) and (b) above may be converted in whole or in part at any time during the period commencing on the earlier of (i) the second anniversary of the Listing and (ii) the date falling six (6) months prior to the Maturity Date, and ending on the Maturity Date (the **"Third Tranche Exchanged Shares"**).

The conversion price of the Notes (the **"Conversion Price"**) are as follows:

- (a) in respect of the First Tranche Exchanged Shares, the conversion price for each First Tranche Exchanged Share shall be S\$0.23; and
- (b) in respect of the Second Tranche Exchanged Shares and the Third Tranche Exchanged Shares, the conversion price for each such share shall be S\$0.345; and
- (c) in any other case:
 - (i) in respect of the First Tranche Exchanged Shares, the conversion price for each First Tranche Exchanged Share shall be equivalent to a 33.0% discount to the issue price of the consideration shares issued for the Acquisition; and
 - (ii) in respect of the Second Tranche Exchanged Shares and the Third Tranche Exchanged Shares, the conversion price for each such share shall be equivalent to the issue price of the consideration shares issued for the Acquisition.

The security granted to Venstar III comprises a personal guarantee executed by a director of the Company (the **"Director"**) in favour of Venstar III, as well as the corporate guarantee that Koastal and the Director are to procure to be executed by the Company in favour of Venstar III in accordance with the terms of the Convertible Notes Subscription Agreement and any and every other document (including all amendments, variations and/or modifications thereto) from time to time executed to secure the obligations of Koastal pursuant to and in connection with the Notes.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
Note	2015	2014
	\$'000	Unaudited \$'000
Operating activities		
(Loss)/ Profit before tax	(9,380)	18,688
Adjustments for:		
Allowance for foreseeable losses	914	-
Allowance for impairment of goodwill	1,800	-
Allowance for impairment of investment in associate company	2,100	-
Depreciation of investment properties	3	3
Depreciation of property, plant and equipment	472	434
Employee share option expenses	25	55
Fair value loss arising from derivative financial instruments	319	46
Fair value loss transferred from fair value reserve on disposal of financial assets, available for sale	-	15
Gain on disposal of plant and equipment	(15)	(5)
Life insurance premium expense	8	15
Gain on disposal of available-for-sale investments	-	(15)
Plant and equipment written off	-	14
Provision for warranties	78	(468)
Share of associate's results	(248)	(1,116)
Write-back of allowance for doubtful debts	(56)	-
Interest expense	3,428	1,478
Interest income	(47)	(7)
Unrealised exchange differences	(315)	184
Operating cash flows before movements in working capital	(914)	19,321
Inventories	(540)	(13)
Trade and other receivables	1,060	(7,859)
Prepayments	1,306	133
Trade and other payables	10,078	13,589
Down payment from customers	(17,274)	(17,057)
Provision for warranties	(289)	-
Amount due from contract customers	(17,712)	(12,373)
Amount due to contract customers	3,093	(829)
Cash used in from operations	(21,192)	(5,088)
Income taxes paid	(2,851)	(34)
Net cash used in operating activities	(24,043)	(5,122)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Group	
Note	2015	2014
		Unaudited
	\$'000	\$'000
Investing activities		
Interest received	47	7
Proceeds from disposal of plant and equipment	40	11
Proceeds from disposal of available-for-sale investments	-	70
Dividend received from associated company	217	160
Purchase of property, plant and equipment	(4,825)	(3,919)
Purchase of available-for-sale investments	-	-
Net cash used in investing activities	(4,521)	(3,671)
Financing activities		
Repayment to a director	(8,813)	(3,133)
Dividend paid	-	(4,173)
Decrease/ (Increase) in fixed deposits pledged	4,753	(8,105)
Interest paid	(1,130)	(760)
Proceeds from issuance of ordinary shares	2,024	14,807
Share issue expenses	(97)	(215)
Proceeds from bank borrowings	53,190	30,753
Proceeds from borrowings from third parties	6,708	-
Repayment of bank borrowings	(47,473)	(17,444)
Repayment of finance lease liabilities	(17)	(14)
Net cash generated from financing activities	9,145	11,716
Net change in cash and cash equivalents	(19,419)	2,923
Currency realignment on changes in cash and cash equivalents	315	-
Cash and cash equivalents at beginning of year	20,651	17,728
Cash and cash equivalents at end of year	(A) 1,547	20,651
Note A: Cash and cash equivalents comprised of:		
Cash and bank balances	8,105	31,723
Less: Bank overdrafts	(1,034)	(795)
Less: Bank deposits pledged	(5,524)	(10,277)
	1,547	20,651

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group – FY2015	Share Capital S\$'000	(Accumulated Losses)/ Retained earnings S\$'000	Capital Reserve S\$'000	Fair Value Reserves S\$'000	Foreign Currency Translation Reserve S\$'000	Revaluation Reserve S\$'000	Merger Reserve S\$'000	Share Options Reserve S\$'000	Total Attributable to Equity Holders of the Company S\$'000
Balance as at 01/01/2015	47,050	2,480	119,002	122	(1,531)	3,576	(149,000)	55	21,754
Issue of shares	2,024	-	-	-	-	-	-	-	2,024
Share issue expenses	(97)	-	-	-	-	-	-	-	(97)
Issue of shares pursuant to the acquisition	118,734	-	(118,734)	-	-	-	-	-	-
Dividends by Koastal Group	-	(3,799)	-	-	-	-	-	-	(3,799)
Employee share options expenses	-	-	-	-	-	-	-	25	25
Total comprehensive income/ (loss) for the year:									
Loss for the year	-	(10,177)	-	-	-	-	-	-	(10,177)
Other Comprehensive income/ (loss):									
Currency translation differences:									
On translation of foreign operations	-	-	-	-	(536)	-	-	-	(536)
Available-for-sale financial assets:									
Gain arising during the year	-	-	-	42	-	-	-	-	42
Deferred tax relating to component of other comprehensive income	-	-	-	(7)	-	-	-	-	(7)
Revaluation of leasehold property	-	-	-	-	-	2,825	-	-	2,825
Share of other comprehensive income of associated companies:									
Available-for-sale financial assets:									
Gain arising during the year	-	-	-	4	-	-	-	-	4
Currency translation differences:									
On translation of foreign operations	-	-	-	-	4	-	-	-	4
Revaluation surplus	-	-	-	-	-	124	-	-	124
Total other comprehensive income/ (loss) for the year, net of tax	-	-	-	39	(532)	2,949	-	-	2,456
Total comprehensive income/ (loss) for the year	-	(10,177)	-	39	(532)	2,949	-	-	(7,721)
Balance as at 31/12/2015	167,711	(11,496)	268	161	(2,063)	6,525	(149,000)	80	12,186

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Group – FY2014	Share Capital S\$'000	(Accumulated Losses)/ Retained earnings S\$'000	Capital Reserve S\$'000	Fair Value Reserves S\$'000	Foreign Currency Translation Reserve S\$'000	Revaluation Reserve S\$'000	Merger Reserve S\$'000	Share Options Reserve S\$'000	Total Attributable to Equity Holders of the Company S\$'000
Balance as at 01/01/2014	32,458	(13,575)	-	-	(331)	3,161	-	-	21,713
Adjustments pursuant to the Acquisition	-	10,767	119,002	71	(1,054)	-	(149,000)	-	(20,214)
Adjusted balance as at 01/01/2014	32,458	(2,808)	119,002	71	(1,385)	3,161	(149,000)	-	1,499
Issuance of Rights shares during the year	14,807	-	-	-	-	-	-	-	14,807
Share issue expenses	(215)	-	-	-	-	-	-	-	(215)
Dividends by Koastal Group	-	(10,104)	-	-	-	-	-	-	(10,104)
Employee share options expenses	-	-	-	-	-	-	-	55	55
Total comprehensive income/ (loss) for the year:									
Profit for the year	-	15,392	-	-	-	-	-	-	15,392
Other Comprehensive income/ (loss):									
Currency translation differences:									
On translation of foreign operations	-	-	-	-	(146)	-	-	-	(146)
Available-for-sale financial assets:									
Gain arising during the year	-	-	-	43	-	-	-	-	43
Deferred tax relating to component of other comprehensive income	-	-	-	(7)	-	-	-	-	(7)
Gain transfer to income statement on disposal	-	-	-	15	-	-	-	-	15
Share of other comprehensive income of associated companies:									
Revaluation surplus	-	-	-	-	-	415	-	-	415
Total other comprehensive income/ (loss) for the year, net of tax	-	-	-	51	(146)	415	-	-	320
Total comprehensive income/ (loss) for the year	-	15,392	-	51	(146)	415	-	-	15,712
Balance as at 31/12/2014	47,050	2,480	119,002	122	(1,531)	3,576	(149,000)	55	21,754

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. (cont'd)

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Accumulated Losses	Share Options Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Company – FY2015				
Balance at 01/01/2015	47,050	(16,006)	55	31,099
Issuance of placement shares during the year	2,024	-	-	2,024
Share issue expenses	(97)	-	-	(97)
Issue of shares pursuant to the Acquisition	118,734			118,734
Employees share option expenses			25	25
Total comprehensive loss for the year	-	(34,194)	-	(34,194)
Balance at 31/12/2015	167,711	(50,200)	80	117,591

	Share Capital	Accumulated Losses	Share Options Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Company – FY2014				
Balance at 01/01/2014	32,458	(14,603)	-	17,855
Issuance of Rights shares during the year	14,807	-	-	14,807
Share issue expenses	(215)	-	-	(215)
Employees share option expenses	-	-	55	55
Total comprehensive loss for the year	-	(1,403)	-	(1,403)
Balance at 31/12/2014	47,050	(16,006)	55	31,099

- 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 or 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 of the issuer, if any, against 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.

Details of changes in the Company's issued share capital:

Issuance of new ordinary shares during 1H2015:

In June 2015, the Company issued an aggregate of 88,000,000 placement shares at S\$0.023 per subscription share and raised S\$2.02 million in gross proceeds pursuant to the shareholders' approval obtained at the AGM the Company held on 11 Apr 2015. The net proceeds after deducting the share issues expenses of approximately S\$94,000 was approximately S\$1.93 million.

Consolidation of existing shares and issuance of new ordinary shares during 2H2015:

On 4 May 2015, the Company entered into the Sale and Purchase Agreement on 4 May 2015 ("**Acquisition**") with vendors, two individuals (collectively the "**Vendors**") in relation to the Acquisition of the entire issued and paid up share capital of Windale Holdings Limited (WHL), an entity incorporated in British Virgin Islands for a purchase consideration of S\$150,000,000 to be fully satisfied by;

- the payment of the cash consideration of approximately S\$31,266,380 to the Vendors (and/or their designated nominees) which shall be set off against the Disposal Consideration owing by the Vendors to Koastal Industries Pte Ltd, subsidiary of WHL pursuant to the Restructuring; and
- the balance amount of S\$118,733,620 shall be satisfied by the allotment and issuance by the Company of 344,155,420 Consideration Shares at the Issue Price of S\$0.345 (on a post-consolidation basis) per Consideration Share to the Vendors upon completion.

The Acquisition constituted a Very Substantial Acquisition ("VSA") as defined under Chapter 10 of the Listing Manual. Accordingly approval from SGX-ST was obtained and the approval from Shareholders was obtained at the EGM pursuant to Rule 1015 of the Listing Manual, held on 15 October 2015. The VSA also constituted an interested person transaction as defined under Chapter 9 of the Listing Manual and in this regard approval from the Shareholders was also obtained at the EGM (*pursuant to Rule 906 of the Listing Manual*) held on 15 October 2015.

Pursuant to the Acquisition, the Company undertook the followings share consolidation and new ordinary share issuance during 2H2015:

- (a) Share consolidation of every 15 existing shares into one (1) consolidated share; and
- (b) The acquisition of the entire issued and paid-up share capital of Windale Holdings Limited for a purchase consideration of S\$150 million to be partially satisfied by the allotment and issuance of 344,155,420 consideration shares (on consolidated basis).

Details of changes in the Company's issued share capital (cont'd):

	No. of ordinary shares	Share capital S\$'000
As at 01/01/2015	1,480,709,604	47,050
Placement shares issued during 1H2015	88,000,000	1,929
Share capital prior to the share consolidation	1,568,709,604	48,979
Share capital after the share consolidation	104,579,804	48,979
Shares issued pursuant to the acquisition of Windale Holdings Limited	344,155,420	118,734
As at 31/12/2015	448,735,224	167,713

Saved as disclosed, there was no other new issuance of new ordinary shares during FY2015.

(i) Outstanding Options under the EMS Energy Employee Share Option Scheme ("Share Options") dated 30 July 2009 (the "Scheme")

As at the latest date, the following share options still remained outstanding:

- (a) A total of 2,250,000 options granted to the Independent Directors of the Company as set out below:

Independent Directors	Number of Share Options Granted
Mr. Lim Siong Sheng	750,000
Mr. Lim Poh Boon	750,000
Mr. Ung Gim Sei	750,000

These options are exercisable from 23 February 2015 to 22 February 2020 at an exercise price of S\$0.027.

- (b) A total of 3,000,000 options granted to employees who are not Directors, Controlling Shareholders or their Associates, still remained outstanding. These options are exercisable from 23 February 2015 to 22 February 2025 at an exercise price of S\$0.027.
- (c) A total 10,500,000 options granted to Mr. Ting Teck Jin who, is the controlling shareholder of the Company, still remained outstanding and exercisable. These options are exercisable from 27 April 2015 to 26 April 2025 at an exercise price of S\$0.027.

There were no share options during FY2015.

(ii) Outstanding Warrants arising pursuant to the Acquisition

In FY2014, a subsidiary of the Group, entered into a put and call option deed with Philip Ventures Enterprise Fund 3 Ltd and Venstar Investments II Ltd (collectively the "Investors"). The Investors hold 100% of the shares in the capital of Overseas Drilling Holdings Ltd ("ODH"). ODH in turn acquired 10% stake of the share capital of PV Drilling Overseas Company Private Limited ("PVDO") for a purchase consideration of US\$4,196,000 (approximately S\$5,257,000). In addition to the purchase consideration, ODH has also made capital injections of US\$1,020,000 and US\$1,584,000 (approximately S\$3,255,000 in total) in November 2014 and March 2015 respectively. The purchase consideration and capital injection amounted to S\$8,512,000 ("investment Amount") is expected to be settled in Singapore Dollars.

(ii) **Outstanding Warrants arising pursuant to the Acquisition (cont'd)**

Under the above arrangement,

- (d) The Investors has granted the subsidiary a call option to require the Investors to sell to the Company all the shares of ODH at 122.5% of the Investment Amounts ("**Call Option**");
- (e) The subsidiary has granted the Investors the option to require the subsidiary to purchase all of the shares of ODH held by the Investors at 122.5% of the Investment Amounts ("**Put Option**");
- (f) The Put Option and Call Option are exercisable 18 months from August 2014 and will expire 30 days thereafter.

The matching terms of the Call Option and the Put Option have effectively resulted in a bridging loan arrangement for the Company to acquire 10% interest in PVDO. The borrowings from the Investors is measured at amortised cost using the effective interest method after taking into account the fair value of Share warrants issued to the investors.

(iii) **Outstanding Convertible Notes arising pursuant to the Acquisition**

In June 2015, a subsidiary of the Group ("**Koastal**") entered into a subscription agreement with Venstar Investments III Ltd ("**Venstar III**") in relation to the issue and subscription of convertible notes with an aggregate principal value of US\$5.0 million (the "**Notes**"), convertible at the option of Venstar III into new ordinary shares in the capital of the Company (the "**Exchange Shares**"), subject to and in accordance with the terms and conditions of the Notes. The Notes has a maturity date of 36 months from the issue date of the Notes.

The terms of the conversion are:

- (c) 25.0% of the principal amount of the Notes may be converted in whole or in part at the time of the Listing (the "**First Tranche Exchanged Shares**");
- (d) 35.0% of the principal amount of the Notes, together with any balance principal amount not converted pursuant to paragraph (a) above may be converted in whole or in part at any time during the period commencing on the earlier of (i) the first anniversary of the Listing and (ii) the date falling six (6) months prior to the Maturity Date, and ending on the Maturity Date (the "**Second Tranche Exchanged Shares**"); and
- (c) the remaining principal amount of the Notes which has not been converted pursuant to paragraphs (a) and (b) above may be converted in whole or in part at any time during the period commencing on the earlier of (i) the second anniversary of the Listing and (ii) the date falling six (6) months prior to the Maturity Date, and ending on the Maturity Date (the "**Third Tranche Exchanged Shares**").

The conversion price of the Notes (the "**Conversion Price**") are as follows:

- (a) in respect of the First Tranche Exchanged Shares, the conversion price for each First Tranche Exchanged Share shall be S\$0.23; and
- (b) in respect of the Second Tranche Exchanged Shares and the Third Tranche Exchanged Shares, the conversion price for each such share shall be S\$0.345; and
- (c) in any other case:
 - (i) in respect of the First Tranche Exchanged Shares, the conversion price for each First Tranche Exchanged Share shall be equivalent to a 33.0% discount to the issue price of the consideration shares issued for the Acquisition; and
 - (ii) in respect of the Second Tranche Exchanged Shares and the Third Tranche Exchanged Shares, the conversion price for each such share shall be equivalent to the issue price of the consideration shares issued for the Acquisition.

(iii) Outstanding Convertible Notes arising pursuant to the Acquisition (cont'd)

The security granted to Venstar III comprises a personal guarantee executed by a director of the Company (the "Director") in favour of Venstar III, as well as the corporate guarantee that Koastal and the Director are to procure to be executed by the Company in favour of Venstar III in accordance with the terms of the

Convertible Notes Subscription Agreement and any and every other document (including all amendments, variations and/or modifications thereto) from time to time executed to secure the obligations of Koastal pursuant to and in connection with the Notes.

Save for the aforementioned Share Options, Warrants and Convertible Notes, the Company does not have any other outstanding convertibles or treasury shares as at 31 December 2015.

The Company does not have any outstanding convertibles or treasury shares as at 31 December 2014.

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.

The total number of issued shares excluding treasury shares:

	No. of ordinary shares	S\$'000
As at 31 Dec 2015 (post-share consolidation)	448,735,224	167,713
As at 31 Dec 2014 (pre-share consolidation)	1,480,709,604	47,050

The Company has no treasury shares as at 31 Dec 2015 and 31 Dec 2014.

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.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

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 auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2014.

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 adoption of new/revised Financial Reporting Standards (FRSs) and Interpretations to FRSs (INT FRSs) effective for the current financial year have no material impact on the financial statements 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**

	The Group	
	31/12/2015	31/12/2014
Group's (loss)/ profit attributable to equity holders of the Company (S\$'000)	(10,177)	15,392
Weighted average nos. of shares in issue	445,063,542	403,928,383
Earnings per ordinary share	(2.29)	3.81
(a) Based on weighted average number of ordinary shares in issue (Singapore cents)		
(b) On a fully diluted basis (Singapore cents)	(2.29)	3.81

For the purpose of calculating the dilutive earnings per share, the weighted average numbers of ordinary shares outstanding are adjusted for the effects of all potential dilutive ordinary shares.

As at 31 December 2015, there were (i) 15,750,000 (31 December 2014: 18,750,000) share options ("**Share Options**") under the EMS Energy Employees' Share Options Scheme, (ii) 9,702,898 Warrants (31 December 2014: nil) and (iii) S\$6,708,000, being the Singapore Dollar equivalent of US\$5.0 million of Convertible Notes (31 December 2014: nil) convertible up to 21,873,912 Exchanged Shares. The Share Options, Warrants and Convertible Notes are deemed to be antidilutive as at 31 December 2015 and are not included in the weighted average number of ordinary shares for the purpose of computing the diluted earnings per share.

7. **Net asset value (for the issuer and group) per ordinary share based on 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**

	The Group		The Company	
	31/12/2015 (Singapore Cents)	31/12/2014 (Singapore Cents)	31/12/2015 (Singapore Cents)	31/12/2014 (Singapore Cents)
Net asset value per ordinary share	2.72	4.85	26.20	6.93

For comparison and illustrative purposes the calculation for the net asset value per share for the respective financial years is based on the post-acquisition share capital of 448,735,224 shares.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

(i) Commentary on the Group's Income Statement

Revenue

Group's revenue in FY2015 reduced by 36.9% or S\$40.23 million to S\$68.88 million in FY2015 from S\$109.11 million in FY2014 mainly due to the reduction in revenue from Engineering, Procurement and Construction Management – Marine and Offshore & Trading segment ("EPCM – Marine and Offshore & Trading"). The revenue of the EPCM – Marine and Offshore & Trading had reduced by S\$45.27 million or 44.2% mainly due to:

- i) the first Derrick Equipment Set ("DES") project that the Group had announced in September 2013 was close to completion, where majority of the revenue had been recognized in the previous financial periods;
- ii) the Group was still in the early stage of the progress of the second DES project that the Group had announced in February this year; and
- iii) absence of revenue recognised for sizeable project such as the Anchor Handling Tug Supply Vessel where the project had been completed and revenue fully recognised in the previous FY2014.

Revenue from the Engineering, Procurement and Construction Management – Water Treatment segment ("EPCM – Water Treatment") had, on the contrary, increased by S\$5.05 million or 76.5% as the Group had secured several new projects during FY2015.

Cost of sales & gross profit

The Group's cost of sales had reduced by 29.0% or S\$22.85 million to S\$55.96 million in FY2015 compared to S\$78.81 million in FY2014. Gross profit margin had reduced to 18.8% for FY2015 compared to 27.8% for FY2014, which was attributable to (i) an allowance for foreseeable losses in relation to certain construction contract of S\$0.91 million charged to the cost of sales, and (ii) costs overrun for certain of the smaller projects of the EPCM – Marine and Offshore & Trading segment.

Other income

Other income reduced marginally by 2.7% or S\$85,000 to S\$3.10 million in FY2015 compared to S\$3.18 million in FY2014.

Distribution expenses

Distribution expenses had reduced marginally by 5.4% to S\$0.18 million in FY2015 compared to S\$0.19 million in FY2014.

Administrative expenses

Administrative expenses increased by S\$7.80 million or 54.7% to S\$22.04 million in FY2015 compared to S\$14.24 million in FY2014 mainly due to an allowance for impairment of goodwill and allowance for impairment of investment in associated company of S\$1.80 million and S\$2.10 million respectively provided in the current FY2015. The allowance for impairment of goodwill of S\$1.80 million was arrived at having considered the current climate surrounding the offshore, marine and energy industry. The allowance for impairment of investment in associated company of S\$2.10 million was arrived at after determining the estimated recoverable amount of the associated company. Other than the foregoing, the Group's increase in professional fees by S\$2.03 million which was mainly due to the one-off professional fees incurred for the acquisition of the Koastal

Group, increased in staff costs by S\$0.19 million and increase in fair value loss of S\$0.32 million for certain available-for-sales assets.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on (cont'd).**

(i) Commentary on the Group's Income Statement (cont'd)

Finance costs

Finance costs increased by S\$1.95 million or 131.9% mainly due to the increased in both bank borrowings and borrowings from third parties.

Share of results of associated companies

Share of results of associated companies reduced by S\$0.87 million or 77.8% to S\$0.25 million in FY2015 from S\$1.12 million in FY2014.

Income tax expense

Income tax expense reduced by S\$2.50 million or 75.8% mainly due to lower profits achieved in FY2015 for certain of the operative subsidiaries.

Overall, the Group's net loss attributed to equity holders of the Company was S\$10.18 million in FY2015 compared to profit of S\$15.39 million for FY2014.

(ii) Commentary on the Statements of Financial Position

Current Assets

Cash and cash equivalents reduced by S\$23.62 million to S\$8.11 million as at end FY2015 from S\$31.72 million as at end FY2014 mainly due to:

- (i) the losses incurred by the Group in the current FY2015; and
- (ii) reduction in cash flow from financing – namely due to reduction in net proceeds from issuance of ordinary shares by S\$12.67 million, net repayment of bank borrowings which reduced by S\$7.59 million, repayment of loans to directors which increased by S\$5.68 million and interest payment which increased by S\$0.37 million, partially offset by increased in borrowings from third parties by S\$6.71 million, reduction in fixed deposits pledged for bank borrowings by S\$12.86 million and reduction in dividend paid by S\$4.17 million.

The reductions in cash and cash equivalents as mentioned above were partially offset by reduction in cash flow used in the financing of the Group's working capital – S\$9.1 million used in FY2015 compared to S\$11.7 million used in FY2014.

Trade and other receivables increased by 26.91% or S\$15.80 million to S\$74.50 million as at end FY2015 from S\$58.70 million as at end FY2014 mainly due to the increased in amount due from customers on construction contracts by S\$16.80 million and increased in non-trade receivables from non-related parties by S\$0.74 million, partially offset by reduction in trade receivable from non-related parties by S\$15.28 million and loan to director of a foreign subsidiary by S\$3.05 million. The amount due from customers on construction contracts comprised project work-in-progress for long-term projects where work had been performed and billings have yet to be issued due to milestone payment terms.

Prepayments, mainly for project costs, had also reduced by 14.4% or S\$1.31 million to S\$7.76 million as at end FY2015 from S\$9.07 million as at end FY2014.

(ii) **Commentary on the Statements of Financial Position (cont'd)**

Current Assets (cont'd)

Inventories increased 369.9% or S\$0.54 million to S\$0.69 million as at end FY2015 compared to S\$0.15 million as at end FY2014 mainly due to the increase in EPCM – Marine and Offshore & Trading segment. There was no stock obsolescence during the financial year.

The Group is in a net liabilities position of S\$21.9 million and S\$4.6 million as at 31 December 2015 and 31 December 2014 respectively.

Non-Current Assets

Property, plant and equipment increased by S\$7.15 million or 68.6% during FY2015 to S\$17.61 million as at end FY2015 from S\$10.46 million as at end FY2014 mainly due to S\$4.55 million incurred on acquisition of new equipment and construction costs for the Group's new waterfront facility and S\$2.85 million recognised on the revaluation of the Group's leasehold property.

Investment in an associated company reduced by S1.93 million or 24.23% to S\$6.06 million as at end FY2015 from S\$7.99 million as at end FY2014. The reduction was attributed to an allowance for impairment in the Group's investment in the associated company and dividend of S\$0.22 million received during FY2015, partially offset by the Group's share of profit and other comprehensive income of the associated company aggregating S\$0.38 million.

Available-for-sale financial assets increased by S\$0.11 million or 1.1% which was mainly attributed to fair value and foreign exchange gains. The available-for-sales assets for the Group comprised of investment in life insurance policies of S\$1.22 million and investment in unquoted securities of S\$8.51 million.

Intangible assets had also reduced by S\$1.78 million or 19.24% mainly due to an allowance for impairment in goodwill made in the current FY2015.

Current Liabilities

Trade and other payables increased by S\$7.64 million or 14.05% to S\$62.01 million as at end FY2015 compared to S\$54.37 million as at end FY2014 mainly due to the increase in trade payables to non-related parties by S\$5.04 million, increase in accrual for project costs by S\$10.42 million, increase in amount due to customers on construction contracts by S\$3.09 million and increase in accrual of operating expenses by S\$1.55 million, partially offset by reduction in amount due to directors by S\$11.20 million, reduction in trade payables to related parties by S\$0.55 million and reduction in non-trade payables to non-related parties by S\$0.57 million.

Down payment from customers reduced by S\$17.27 million or 63.8% as these payments received from customers in the previous FY2014 had been recognised as revenue for work performed in FY2015.

Bank borrowings had increased by S\$8.69 million or 45.3% to S\$27.85 million as at end FY2015 from S\$19.16 million as at end FY2014 and there were also new borrowings from third parties of S\$10.47 million recognised in the current liabilities as at end FY2015. Of the S\$10.47 million borrowings from third parties, S\$6.71 million were borrowings obtained in FY2015. The bank borrowings were obtained mainly for the financing of the

Group's projects and working capital while the borrowings from third parties were mainly used to finance the Group's investment in unquoted securities (classified as available-for-sales assets). The derivatives liabilities of S\$1.02 million recognised in the current FY2015 were related to the borrowing from third parties.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on (cont'd).**

(ii) **Commentary on the Statements of Financial Position (cont'd)**

Current Liabilities

The provision for warranties reduced by S\$0.21 million or 45.6% to S\$0.25 million as at end FY2015 from S\$0.46 million as at end FY2014 mainly due to the warranties utilised during FY2015 partially offset by additional provision of approximately S\$78,000 during FY2015. The provision for warranties represents management's best estimate of the present value of the future outflow of economic benefits that will be required under the Group's warranties on certain projects and undertakes to repair those that fail to perform satisfactorily. A provision is recognized at the end of financial year for expected warranty claims based on past experience of the level of repairs.

Income tax liabilities had reduced by S\$2.05 million or 64.3% to S\$1.14 million as at end FY2015 compared to S\$3.19 million as at end FY2014 mainly due to lower profits achieved for certain of the operative subsidiaries.

Non-Current Liabilities

The non-current bank borrowings had reduced by S\$1.97 million to nil as at end FY2015 as the bulk of the non-current bank borrowings have been reclassified to current bank borrowings. The borrowings from third parties had also reduced by S\$3.36 million or 39.1% to S\$5.22 million as at end FY2015 from S\$8.57 million as at end FY2014.

Overall, the Group's net current liabilities of S\$4.62 million as at end FY2014 has weakened to net current liabilities of S\$21.48 million as at end FY2015 mainly due to:

- (i) the cash of S\$4.55 million used in the financing the Group's acquisition of new equipment and construction costs for its new waterfront facility which were non-current assets; and
- (ii) The Group's short-term borrowings from third parties of S\$10.47 million, used to finance the Group's investment in unquoted securities (classified as non-current available-for-sales assets).

The net assets position of the Group has also weakened to S\$12.58 million as at end FY2015 compared to S\$21.75 million as at end FY2014.

(iii) **Commentary on the cash flows statement**

Net Cash from Operating Activities

Net cash used in operating activities had increased by S\$18.92 million, to S\$24.04 million in FY2015 compared to S\$5.12 million in FY2014. This was mainly due to the loss before tax of S\$9.38 million in FY2015 compared to profit of S\$18.69 million in FY2014, partially offset by more favorable changes in the Group's working capital, mainly, reduction in trade and other receivables by S\$8.92 million, reduction in prepayments by S\$1.17 million and increase in amount due to customers by S\$3.92 million, partially offset by reduction in amount due to customers on construction contracts by S\$5.34 million, reduction in trade and other payables by S\$3.51 million and increase in inventories by S\$0.52 million.

Net Cash from Investing Activities

Net cash used in investing activities had increased by S\$0.85 million, to S\$4.52 million in FY2015 compared to S\$3.67 million in FY2014 mainly attributed to the costs incurred for the Group's new waterfront facility.

(iii) **Commentary on the cash flows statement (cont'd)**

Net Cash from Financing Activities

Net cash used in investing activities had also increased by S\$2.57 million mainly due to reduction in net proceeds from issuance of ordinary shares by S\$12.67 million, net repayment of bank borrowings which reduced by S\$7.59 million, repayment of loans to directors which increased by S\$5.68 million and interest payment which increased by S\$0.37 million, partially offset by increased in borrowings from third parties by S\$6.71 million, reduction in fixed deposits pledged for bank borrowings by S\$12.86 million and reduction in dividend paid by S\$4.17 million.

Overall the cash and cash equivalent of the Group has weakened to S\$1.55 million as at end FY2015 compared to positive S\$20.65 million as at end FY2014.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement had previously been disclosed to shareholders. The Company refers to its view stated in paragraph 10 of its previous 1H2015 results announcement dated 11 August 2015, and its view remains unchanged as at the date of this announcement.

10. A commentary at the date of the announcement of the 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 offshore, marine and energy industry worldwide remained gloomy due to the continuing low world crude oil prices. Compounding to this situation, the restrictions to foreign workers have contributed to a labour shortage which has been felt particularly in the sector that the Group operates in. These factors have led to industry-wide project delays and pressure on margins.

Following completion of the Acquisition as mentioned in item 1d(ii) in the foregoing, the Enlarged Group will operate as a multi-tiered solutions provider for the marine and offshore oil and gas industry, offering EPCM services, trading services and offering higher-value engineering solutions to customers in Singapore and the wider Asia-Pacific region. The Board believes that the Proposed Acquisition and merger of the two groups of companies to combine the capabilities of the EMS Group and the Koastal Group to create a turnkey EPCM service provider with both manufacturing and fabrication capabilities will enhance the competitive edge of the Group.

At the same time, the Group is also planning to streamline its core operations, which include amongst other, cutting costs and manpower and building up its business such securing more after-market sales orders and long-term assets chartering contracts to ensure steady stream of recurring income.

As at the latest date, the testing facilities for Derrick Equipment Set ("DES") and winches for the Group's new waterfront facility at Tuas South have been completed while construction of the workshop and main building has been progressing well. The scheduled completion date still remained at around end of 1H2016.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Year 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

11. Dividend (*cont'd*)

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared / recommended by the Company for FY2015

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Segment Information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management consider business from mainly business segment perspective. The Group has three reportable segments as follows:

EPCM – Marine and Offshore & Trading

- Engineering, Procurement and Construction Management ("EPCM")
- Trading of equipments ("Trading")

EPCM – Water treatment

The EPCM – Marine and Offshore and trading segment are involved in providing engineering, procurement, construction and management, custom fabrication, maintenance and repair, trading of marine and offshore equipment to mainly the marine and offshore oil & gas companies.

The EPCM - water treatment segment is involved in environmental-related technical services for pollution management, water and waste.

"Other" segment includes the Group's investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

Segment Information (cont'd)

	<u>EPCM – Marine and Offshore & Trading</u>	<u>EPCM – Water Treatment</u>	<u>Others</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
2015				
Revenue				
Revenue from external customers	57,234	11,647	-	68,881
Profit/(loss) from operation	1,629	1,024	(3,295)	(642)
Interest income	46	1	-	47
Interest expenses	(1,141)	(5)	(2,282)	(3,428)
Other material non-cash items:				
Allowance for impairment on goodwill	(1,800)	-	-	(1,800)
Allowance for foreseeable losses	(914)	-	-	(914)
Allowance for impairment of investment in associate	-	-	(2,100)	(2,100)
Depreciation	(437)	(31)	(4)	(472)
Shares of profit of associates	-	-	248	248
Fair value loss from derivatives financial instruments	-	-	(319)	(319)
Profit/(loss) before income tax	(2,617)	989	(7,752)	(9,380)
Income tax expense	(670)	(127)	-	(797)
Profit/(loss) for the financial year	(3,287)	862	(7,752)	(10,177)
<u>Segment assets</u>				
Non-current assets	12,792	287	28,111	41,190
Current assets	82,553	7,719	779	91,051
Total assets	95,345	8,006	28,890	132,241
Investment in associates	-	-	6,057	6,057
Additions to non-current assets	644	-	4,181	4,825
<u>Segment liabilities</u>				
Non-current liabilities	25	-	7,110	7,135
Current liabilities	59,199	6,398	47,323	112,920
Total liabilities	59,224	6,398	54,433	120,055

Segment Information (cont'd)

	<u>EPCM – Marine and Offshore & Trading</u> \$'000	<u>EPCM – Water Treatment</u> \$'000	<u>Others</u> \$'000	<u>Total</u> \$'000
2014				
Unaudited				
Revenue				
Revenue from external customers	102,508	6,600	-	109,108
Profit/(loss) from operation	20,613	126	(1,231)	19,508
Interest income	6	1	-	7
Interest expenses	(1,477)	(1)	-	(1,478)
Other material non-cash items:				
Depreciation	(413)	(21)	-	(434)
Shares of profit of associates	1,116	-	-	1,116
Gain on disposal of available-for-sales investment	15	-	-	15
Fair value loss from derivatives financial instruments	(46)	-	-	(46)
Profit/(loss) before income tax	19,814	105	(1,231)	18,688
Income tax expense	(3,204)	(92)	-	(3,296)
Profit/(loss) for the financial year	16,610	13	(1,231)	15,392
<u>Segment assets</u>				
Non-current assets	28,814	306	8,515	37,635
Current assets	90,312	8,813	515	99,640
Total assets	119,126	9,119	9,030	137,275
Investment in associates	-	-	7,994	7,994
Additions to non-current assets	3,770	149	-	3,919
<u>Segment liabilities</u>				
Non-current liabilities	1,989	-	9,275	11,264
Current liabilities	86,256	5,672	12,329	104,257
Total liabilities	88,245	5,672	21,604	115,521

Segment Information (cont'd)

Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitor property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties attributable to each segment. All assets are allocated to the reportable segments except for certain assets included in "Others" not reported to the chief operating decision maker.

Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments.

Geographical segments

Segment revenue is based on the region where services are rendered and the region where the customers are located. Non-current assets are shown by geographical region where the assets are located.

Non-current assets consist of property, plant and equipment, investment property, intangible assets, investment in associates, and available-for-sale financial assets.

	2015	2014
	\$'000	\$'000
Revenue from external customers		
China	34,356	53,944
Vietnam	21,116	45,735
Singapore	5,027	1,814
Malaysia	102	6,880
Others	8,280	735
	68,881	109,108
Non-current assets		
Singapore	31,171	27,702
Vietnam	287	306

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments

Please refer to paragraph 8 above.

15. A breakdown of sales

Group	FY2015 S\$'000	FY2014 S\$'000	Increase/ (Decrease) %
Sales reported for first half year	39,765	35,238	12.8
Operating profit after tax reported for first half year	248	2,026	-87.8
Sales reported for second half year	29,116	73,870	-60.6
Operating losses after tax reported for second half year	(10,425)	13,366	-187.0

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

No dividend was declared by the Company for FY2015 and FY2014.

17. Interested Party Transaction

There were no related party transactions for the Group for FY2015 as the transactions that were previously considered as related party transactions will become part of the transactions of the Group pursuant to the Acquisition.

The Group has not obtained a general mandate from shareholders for interested person transactions.

18. Use of Proceeds

In June 2015, the Company issued an aggregate of 88,000,000 placement shares at S\$0.023 per subscription share and raised S\$2.02 mil in gross proceeds pursuant to the shareholders' approval obtained at the AGM the Company held on 11 Apr 2015. The net proceeds after deducting the share issues expenses of approximately S\$97,000 was approximately S\$1.39 million. During 1H2015, the Group announced the following use of the proceeds from the issuance of the placement shares were as follows:

Announced in 1H2015

Use of Gross Proceeds	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
To fund the order book of the Group	1,157 to 1,350	646	511 to 704
To fund the working capital of the Group namely the funding of the development of the new waterfront facility at Tuas South	579 to 772	250	329 to 522
Share Issue expenses	95	94	1
Total	2,024	990	1,034

18. Use of Proceeds (cont'd)

Use of Gross Proceeds	Amount allocated (S\$'000)	Amount utilised in 1H2015 (S\$'000)	Balance as at 1H2015 (S\$'000)	Amount utilised in 1H2015 (S\$'000)	Balance as at 2H2015 (S\$'000)
To fund the order book of the Group	1,157 to 1,350	(646)	511 to 704	(531)	-
To fund the working capital of the Group namely the funding of the development of the new waterfront facility at Tuas South	579 to 772	(250)	329 to 522	(500)	-
Share Issue expenses	95	(94)	1	(3)	-
Total	2,024	(990)	1,034	(1,034)	-

19. Confirmation by the issuer pursuant to Rule 720(1)

The Company has procured the undertakings from all its Directors and executive officers as required under Rule 720(1) of the Catalyst Rules.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or CEO or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Ting Teck Seh	55	Brother of Ting Teck Jin, Executive Chairman/CEO	*Director, EMS Offshore Pte Ltd, a wholly-owned subsidiary of the Company, since 13 March 2006	No change

* Mr Ting Teck Seh is not on the payroll of the Group.

BY ORDER OF THE BOARD

Gwendolyn Gn
Company Secretary
29 February 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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