



# EMS Energy Limited

## Sustainability Report FY2018

This report has been prepared by EMS Energy Limited (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 Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this report.

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

The contact person for the Sponsor is Mr. Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

## **Board Statement**

We have been going through a major transformation since 2017. Once again, we have demonstrated our determination to stand by our customers, using our strength to support them in good times and bad. While we continue to seek for opportunities in the marine and offshore engineering industry, we also see the challenges as oil prices continue with their modest recovery.

On 31 December 2018, we entered into a binding memorandum of understanding with NVS Holdings Pte. Ltd. and Son Truong Co Ltd (the “Vendors”) in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company (“Nosco”).

Nosco is incorporated in Vietnam and is in possession of a 100 hectares industrial land in Vietnam with a 50-year lease, of which 50 hectares are currently used in the business of ships repairing, ships and other marine assets construction and recycling. The remaining 50 hectares of land is currently vacant and is authorised for expansion and other projects to support industrial development. The aggregate consideration for the proposed acquisition is S\$16.6 million and is expected to be satisfied by the allotment and issuance of approximately 11 billion new shares in the Company to the Vendors.

We believe that this proposed acquisition would allow the Company and its subsidiaries, (collectively the “Group”), to acquire a new business which could potentially resolve its financial and business viability issues. We look forward to a smooth and successful progression of this plan. In addition, with the progress made in our restructuring exercise and business revitalization plan, we look forward to an improvement of our financial position and operational performance.

We believe that creating sustainable development and value for the Group is integral to its strategy and operations, seeking continuous improvement in identifying, understanding and responding to evolving economic, environmental, social and governance (“EESG”) challenges that the Group is facing in order to assist us in striving to move in a sustainable direction so that all our stakeholders benefit. The Board having considered sustainability issues as part of its strategic formulation oversaw the identification, management and monitoring of material sustainability topics by management with reference to the GRI Standards and SGX-ST requirements in this sustainability report.

To strengthen and achieve results that go beyond, we place great emphasis on good corporate governance as the core belief of our business. The belief in good corporate governance enables us to achieve our sustainability goals.

On behalf of the Board of Directors,

Ting Teck Jin  
Executive Chairman and CEO

## **About This Sustainability Report**

This sustainability report presents the sustainability performance of the Group, for the financial year from 1 January 2018 to 31 December 2018. The information in this report is organised and presented in accordance with the GRI Standards: Core option, established by the widely recognised Global Reporting Initiative (“GRI”). All data and information reported are with respect to the timeframe above unless stated otherwise.

This report aims to discuss our EESG factors that are considered most material to our Group’s stakeholders, which include shareholders, suppliers, customers, management and employees. The objective of preparing this report is to inform our stakeholders of the initiatives and strategies related to sustainability that we are currently embarking on.

This report is the second sustainability report issued and it provides an update of the performance on sustainability as set out in the inaugural report for the previous financial year (“FY2017”), which was published on the SGX-ST website on 21 December 2018.

On 28 September 2016, the Company along with its two subsidiaries, EMS Energy Solutions Pte Ltd (“EES”) and Koastal Industries Pte Ltd (“KIPL”), applied to High Court for schemes of arrangement (“SOA”). The SOA of KIPL and EES were sanctioned by the High Court on 8 September 2017 and 31 July 2018 respectively. As at the date of this report, the implementation of the SOA of the Company and EES is currently still ongoing.

KIPL was placed under creditors’ voluntary liquidation on 24 October 2017, and the accounts of KIPL and its subsidiaries (namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte Ltd and Koastal Eco Industries Co., Ltd) were deconsolidated from the Group’s results in the previous financial year.

As such, there have been minimal operating activities for FY2018 as the Group’s revenue was only S\$0.5 million due to reduction in project billings by subsidiary, Koastal International Pte Ltd (“Koastal International”) for the projects in Vietnam which was transferred from KIPL following the cessation of KIPL operations in September 2016.

The Group has been actively seeking new business opportunities and are cautiously optimistic on the Group’s revival barring any unforeseen circumstances, with its proposed acquisition of 52.76% of the issued and paid-up capital of Nosco.

As such, this report will only cover the remaining operations in Singapore. No targets were set due to the minimal operating activities of the Group. The Company will relook into its material EESG topics after the proposed acquisition of Nosco has been completed.

The content of this report is defined by the 4 Content Reporting Principles established by GRI as follows:



This report is also prepared in accordance with SGX-ST Listing Rules 711A and 711B and the relevant SGX Practice Notes on Sustainability Reporting Guide. Our data is reported in good faith and to the best of our knowledge. Currently, there is no external assurance for this report.

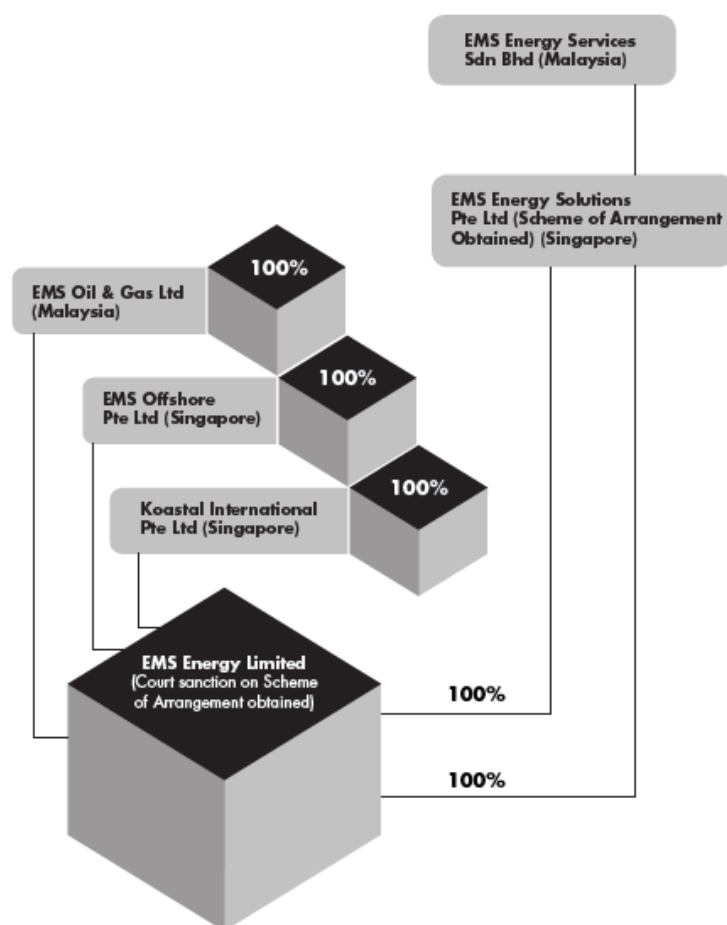
No hard copies of this Sustainability Report have been printed as part of our efforts to promote environmental conservation. The Sustainability Report is available for download from the SGXNet.

### **Feedback**

We welcome feedback as it enables continual improvement in the Group's sustainability policies, processes and performance. Please send your comments and suggestions to [anna.liau@koastal.com](mailto:anna.liau@koastal.com) or at the following address:

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 Singapore 609916  
 (65) 6261 5755

## **Corporate Structure**



## **About the Group**

EMS is a limited liability company incorporated in Singapore and listed on the Catalist Board of the SGX-ST since 2003. As at 18 March 2019, 20.16% of the issued ordinary shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

The principal activities of the Group are as follows:

1. Investment holding;
2. Design and installation of engineering solution for oil & gas and offshore marine industries; and
3. Import and export of marine equipment and spare parts, engineering, procurement and construction management, installation and commissioning.

The Group's customer base (for its export of marine equipment and spare parts business) spans across Asia Pacific in the marine and offshore and other various industries.

The Group is fully committed to deliver products and services to customers that are of the highest quality. Therefore, the Group follows strict procedures of identifying, selecting and monitoring vendors supplying the marine equipment and spare parts to assess their performance and capabilities.

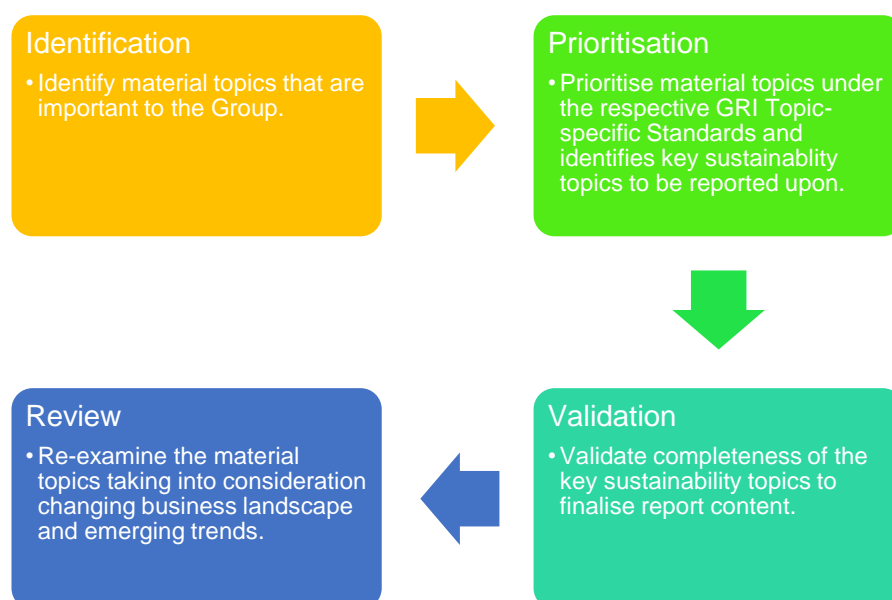
### **Stakeholder Engagement & Materiality Assessment**

The Company engaged an external consultant to work with the management to conduct a materiality assessment to identify the relevant EESG topics of which the Group considered important to stakeholders. Stakeholders include shareholders, suppliers, customers, management and employees. The Group engages shareholders through annual general meetings, customers and suppliers through industry forums and employees through regular internal meetings.

The EESG topics were evaluated for its potential impact on the environment and society, its influence on the stakeholders and impact on the Group's operations.

The management aims to conduct an annual review of the Group's EESG topics and to monitor the performance of the topics as part of the sustainability strategy.

A four-step process was adopted to define the EESG topics:



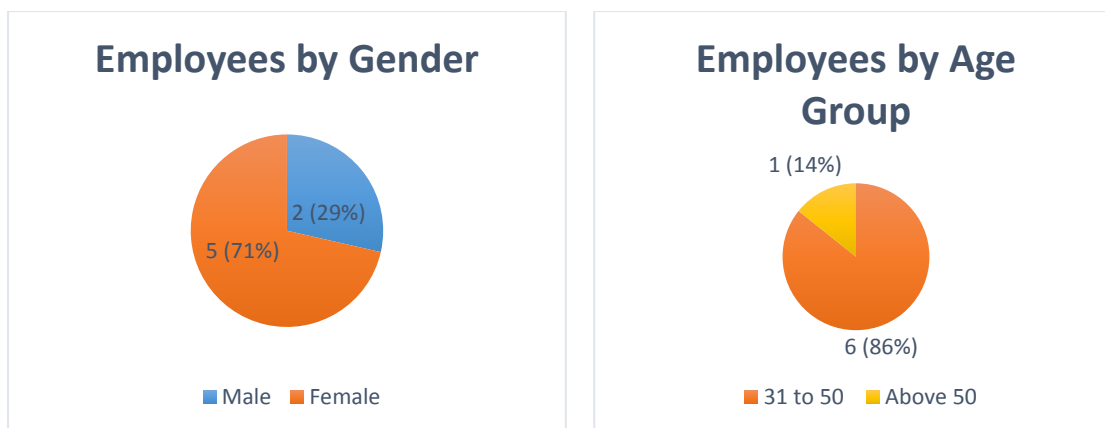
### **EESG Topics and Boundaries**

The materiality assessment process was conducted based on the current situation of the Company to identify the material EESG topics. As the Company currently has minimal operations such as administration and only seven employees, management is of the opinion that there were no material EESG topics as per the GRI framework. The Company will relook into its material EESG topics after the proposed acquisition of Nosco has been completed.

As such, this report will discuss the general EESG topics as follows:

### **Human Resources of the Group**

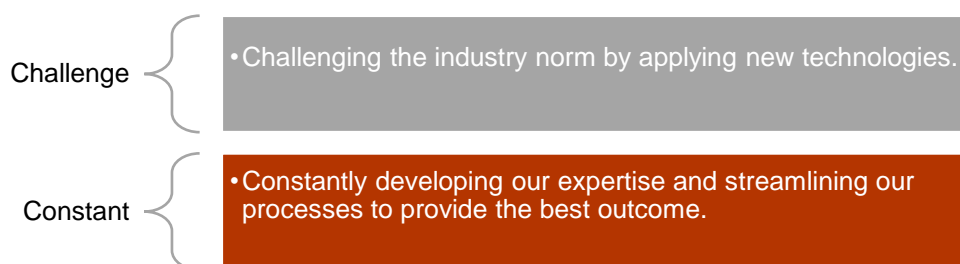
The Group has seven employees in the Singapore office who fall under the following categories:



### **Mission and Vision**

We visualise to be the choice provider of environmental and waste solutions as we seek to enhance the values for our customers and stakeholders. Customer satisfaction is our main concern. We always attempt to offer better solutions and the best products with the most reasonable price to our customers. Aided by a group of highly experienced employees, every product or service is delivered with performance and precision.

We can fulfil our vision by adopting the following '2 Cs':



### **Corporate Governance**

The Board is committed to upholding high standards of corporate governance practices throughout the Group that are in line with the Code of Corporate Governance 2012. The Board will ensure that there is compliance with the other relevant regulations, notices, circulars, and guidelines that may be issued by the Monetary Authority of Singapore ("MAS") and the SGX-ST. Explanations will be provided should there be any deviations. The Board noted the revised Code of Corporate Governance issued on 6 August 2018 ("Revised Code"), which is only effective from the financial year commencing 1 January 2019, and will endeavour to comply with the Revised Code once it is effective.

The Board manages potential risks through the review and approval of policies and procedures. The Management then ensures that the identified risks are relevant to the business environment and hence ensuring controls or mitigating topics are in place. The audit committee of the Company provides independent oversight of the effectiveness of the risk management process.

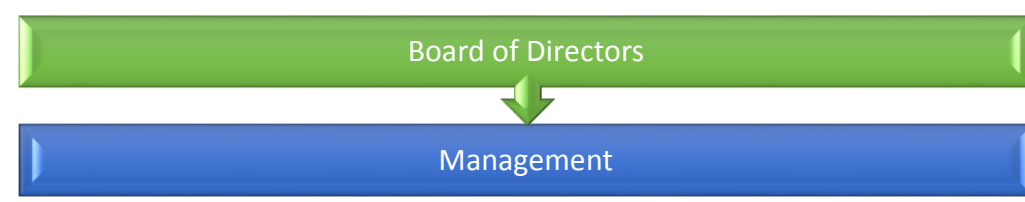
The Board comprises Directors who provide core competencies in accounting and finance, business experience, industry knowledge, strategic planning, legal knowledge and customer-based experience and knowledge. Where appropriate, the Directors receive relevant briefings from time to time on new updates in relation to regulatory changes to accounting standards, listing rules, corporate governance and other regulations or statutory requirements.

The independent and non-executive directors of the Company constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Meetings are held regularly to discuss any matters without the presence of Management as and when circumstances require.

Each key executive at the Group's leadership is highly experienced in this industry and collectively as a whole, are able to competently handle all operational matters of the Group.

### **Sustainability Governance**

The Sustainability Governance structure of the Group is as follows:



Management identifies possible material topics and reports progress for delivering targets and plans to the Board of Directors on the sustainability management performance of the Group and key material issues identified by stakeholders. The Board will then review and endorse the targets and plans accordingly.

### **Anti-Corruption Practices**

In ensuring that all laws and regulations including those related to anti-corruption practices, are complied with, the Company has a whistle-blowing policy in place for all employees of the Group.

This is to encourage employees to voice out issues that are not in line with the best interest of the Group to the Audit Committee and Directors as it is the desire and aim of the Company to maintain high ethical standards of corporate governance within the Group and protect its reputation against any allegations of bribery and corruption. There were no whistle blowing reports received in FY2018.

### **Restructuring of the Group's Business Activities**

Subsidiary KIPL was placed under creditors' voluntary liquidation on 24 October 2017, and the accounts of KIPL and its subsidiaries (namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte Ltd and Koastal Eco Industries Co., Ltd) were



deconsolidated from the Group's results for the previous financial year. In addition, a SOA for second-tier subsidiary EES was sanctioned by the High Court of Singapore on 31 July 2018.

As such, there have been minimum operating activities for the year as the Group's revenue was only S\$0.5 million due to reduction in project billings by subsidiary, Koastal International for the project in Vietnam which commenced prior to the cessation of KIPL's operations in September 2016. Due to the cessation of operations, the project agreements previously signed under KIPL were novated to Koastal International and revenue from these novation agreements has been recognized under the Group.

The Group is actively seeking new business opportunities during the year, as mentioned in our Board Statement, and are cautiously optimistic on the Group's revival barring any unforeseen circumstances, with its proposed acquisition of 52.76% of the issued and paid-up capital of Nosco.

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