

ANNOUNCEMENT

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE 3 MONTHS ENDED 30 JUNE 2017

Cautionary Note:

Since 1 August 2016 and up to the date of this announcement, announcements have been made by the Company in relation to the scheme of arrangement (“SOA”) of the Company, and its subsidiary, EMS Energy Solutions Pte Ltd (“EES”) as well as the liquidation of Koastal Industries Pte Ltd (“KIPL”). For latest details on the aforementioned, please refer to the Company’s announcement dated 5 Dec 2017.

Given the uncertainties arising from the on-going SOA, the Company would like to remind Shareholders that there are high degree of uncertainties as to the full implications and impact of the aforesaid SOA on the results announcement for the 3 months ended 30 Jun 2017 (“2Q2017”).

The Company also wishes to highlight that the Group had incurred a net loss of S\$2.0 million and S\$2.9 million in 2Q2017 and the 6 months ended 30 Jun 2017 (“1H2017”), respectively. As at 30 Jun 2017, the Group’s current liabilities exceeded its current assets by S\$126.1 million and the Group was in a net liability position of S\$112.6 million.

The unaudited results announcement for 2Q2017 has been prepared on the assumption that the Group is able to continue as a going concern to the best of knowledge and belief of the Directors, and having made all reasonable enquiries to the management on the abovementioned. As at the date of this announcement, the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. The unaudited results announcement for 2Q2017 did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the unaudited financial statements for 2Q2017 are prepared, is based on the following management’s assessment:

- (a) Upon the successful completion of the Company’s SOA, the Group’s financial position will be substantially improved with the debt to equity conversion.
- (b) The Group would no longer require to consolidate the accounts of KIPL following the placement of KIPL under creditors’ voluntary liquidation with effect from 24 Oct 2017, thus eliminating a considerable KIPL’s liabilities within the Group’s financials.
- (c) The Company is exploring fundraising exercise to strengthen its cash position.

Due to the foregoing, shareholders are cautioned against placing undue reliance on the unaudited results announcement for 2Q2017. Shareholders should also consult their stockbroker, bank manager, solicitor or other professional adviser if they have any doubt about the actions that they should take. The Company will make the necessary announcements as and when there are further developments.

PART I - INFORMATION REQUIRED FOR QUARTERLY RESULTS ANNOUNCEMENTS

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months period ended 30 Jun 2017 (“2Q2017”) vs three months period ended 30 Jun 2016 (“2Q2016”)

Six months period ended 30 Jun 2017 (“1H2017”) vs six months period ended 30 Jun 2016 (“1H2016”)

| | Group | | | Group | | |
|--|----------------|----------------|-------------------------|----------------|----------------|-------------------------|
| | 2Q2017 | 2Q2016 | Increase/ (Decrease) | 1H2017 | 1H2016 | Increase/ (Decrease) |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| Continuing operations | | | | | | |
| Revenue | 3,271 | 2,998 | 9.1 | 5,908 | 15,970 | (63.0) |
| Cost of sales | (3,107) | (4,182) | (25.7) | (5,127) | (11,231) | (54.3) |
| Gross profit | 164 | (1,184) | 113.8 | 781 | 4,739 | (83.5) |
| <i>Gross profit margin</i> | <i>5.0%</i> | <i>-39.5%</i> | | <i>13.2%</i> | <i>29.7%</i> | |
| Other income | 63 | 117 | (46.1) | 404 | 1,178 | (65.7) |
| Expenses | | | | | | |
| - Administrative | (1,475) | (2,702) | (45.4) | (2,890) | (5,963) | (51.5) |
| - Distribution | (16) | (4) | n.m. | (37) | (61) | (39.3) |
| - Other expenses | (15) | (15) | - | (30) | (30) | - |
| - Finance | (740) | (1,014) | (27.0) | (991) | (1,988) | (50.2) |
| Share of results of associated company | - | (204) | n.m. | - | (169) | n.m. |
| Loss in disposal of associated company | - | - | n.m. | (108) | - | n.m. |
| Loss before income tax | (2,019) | (5,006) | n.m. | (2,871) | (2,294) | n.m. |
| Income tax expense | - | (556) | n.m. | - | (559) | n.m. |
| Total loss for the period attributable to equity of the Company | (2,019) | (5,562) | n.m. | (2,871) | (2,853) | n.m. |

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

| | Group | | | Group | | |
|---|-------------------|-------------------|------------------------------|-------------------|-------------------|------------------------------|
| | 2Q2017 S\$'000 | 2Q2016 S\$'000 | Increase/ (Decrease) % | 1H2017 S\$'000 | 1H2016 S\$'000 | Increase/ (Decrease) % |
| Other comprehensive income : | | | | | | |
| Items that may be reclassified subsequently to profit or loss : | | | | | | |
| Currency translation differences | | | | | | |
| - On translation of foreign operations | 87 | 332 | (74.0) | 2,642 | (908) | n.m. |
| | 87 | 332 | (74.0) | 2,642 | (908) | n.m. |
| Available-for-sale financial assets | | | | | | |
| - Fair value loss transferred from fair value reserve on disposal of financial assets | - | (81) | n.m. | - | (69) | n.m. |
| | - | (81) | n.m. | - | (69) | n.m. |
| Share of other comprehensive income of associated company | | | | | | |
| - Currency translation differences | - | (8) | n.m. | (1) | (10) | (90.0) |
| - Fair value (loss)/gain | - | (9) | n.m. | 5 | (9) | n.m. |
| | - | (17) | n.m. | 4 | (19) | n.m. |
| Items that will not be reclassified subsequently to profit or loss : | | | | | | |
| Gain on revaluation of property | - | 662 | n.m. | - | - | n.m. |
| Share of other comprehensive income of associated company | | | | | | |
| - Revaluation (deficit)/surplus | - | - | n.m. | (1,862) | - | n.m. |
| Other comprehensive income for the period, net of tax | 87 | 896 | (90.0) | 784 | (996) | n.m. |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (1,932) | (4,666) | (59.0) | (2,087) | (3,849) | (45.8) |

Note: n.m. - not meaningful

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

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

| | 2Q2017 | 2Q2016 | Increase/ (Decrease) | 1H2017 | 1H2016 | Increase/ (Decrease) |
|---|---------|---------|-------------------------|---------|---------|-------------------------|
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| Depreciation of property, plant and equipment (PPE) | (156) | (178) | (13.3) | (192) | (359) | (46.5) |
| Depreciation of investment properties | - | 1 | n.m. | - | 2 | n.m. |
| Gain on sale of property, plant and equipment | 5 | - | - | 5 | - | n.m. |
| Fair value loss arising from derivative financial instruments | (15) | (15) | - | (30) | (30) | - |
| Foreign exchange (losses)/gain | 8 | (78) | n.m. | 346 | 627 | (44.8) |
| Employee compensation | (814) | (1,769) | (54.0) | (1,835) | (4,152) | (55.8) |
| Employee share option expenses | - | (6) | n.m. | - | (13) | n.m. |
| Professional fees | (90) | (200) | (55.0) | (462) | (413) | n.m. |
| Interest income | - | 5 | n.m. | - | 8 | n.m. |
| Interest expenses | (740) | (1,014) | (27.0) | (991) | (1,988) | (50.2) |

Note: n.m. - not meaningful

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

STATEMENT OF FINANCIAL POSITION

| | Group | | Company | |
|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | As at 30 Jun 2017 S\$'000 | As at 31 Dec 2016 S\$'000 | As at 30 Jun 2017 S\$'000 | As at 31 Dec 2016 S\$'000 |
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, plant and equipment | 9,350 | 9,544 | 8,995 | 8,996 |
| Available-for-sale financial assets | 3,986 | 3,986 | - | - |
| Deferred tax assets | 120 | 125 | - | - |
| Total non-current assets | 13,456 | 13,655 | 8,995 | 8,996 |
| Current Assets | | | | |
| Inventories | 3,691 | 648 | - | - |
| Trade & other receivables | 6,131 | 9,639 | 537 | 671 |
| Amount due from customers | 3,999 | 3,868 | - | - |
| Prepayments | 103 | 12 | 12 | 12 |
| Tax recoverable | - | 43 | - | - |
| Fixed deposits | 321 | - | - | - |
| Cash & cash equivalents | 649 | 433 | 19 | 1 |
| | 14,894 | 14,643 | 568 | 684 |
| Assets held for sale | | | | |
| - Investments in associated company | - | 2,978 | - | - |
| - Leasehold land & building | 5,600 | 5,600 | - | - |
| Total current assets | 20,494 | 23,221 | 568 | 684 |
| Total Assets | 33,950 | 36,876 | 9,563 | 9,680 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 167,711 | 167,711 | 167,711 | 167,711 |
| Other reserves | (147,668) | (148,453) | 85 | 85 |
| Accumulated losses | (132,648) | (131,635) | (198,264) | (197,574) |
| Total Equity | (112,605) | (112,377) | (30,468) | (29,778) |

STATEMENT OF FINANCIAL POSITION (CONT'D)

| | Group | | Company | |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | As at 30 Jun 2017 S\$'000 | As at 31 Dec 2016 S\$'000 | As at 30 Jun 2017 S\$'000 | As at 31 Dec 2016 S\$'000 |
| Current Liabilities | | | | |
| Trade & other payables | 41,435 | 42,604 | 40,031 | 39,458 |
| Advances from contract customers | 2,832 | 2,080 | - | - |
| Amount due to customers | 57,163 | 59,957 | - | - |
| Bank borrowings | 22,893 | 22,670 | - | - |
| Borrowings from third parties | 12,718 | 12,360 | - | - |
| Convertible loan | 5,942 | 5,942 | - | - |
| Financial derivative liabilities | 3,002 | 2,972 | - | - |
| Provision for warranty | - | 33 | - | - |
| Current income tax liabilities | 570 | 635 | - | - |
| Total current liabilities | 146,555 | 149,253 | 40,031 | 39,458 |
| Total Liabilities | 146,555 | 149,253 | 40,031 | 39,458 |
| Net Liabilities | (112,605) | (112,377) | (30,468) | (29,778) |
| Net Current Liabilities | (126,061) | (126,030) | (39,463) | (38,774) |

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 Jun 2017 | | As at 31 Dec 2016 | |
|-------------------|-----------|-------------------|-----------|
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Secured | Unsecured | Secured | Unsecured |
| 41,553 | - | 40,972 | - |

Amount repayable after one year

| As at 30 Jun 2017 | | As at 31 Dec 2016 | |
|-------------------|-----------|-------------------|-----------|
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Secured | Unsecured | Secured | Unsecured |
| - | - | - | - |

Details of any collateral as at 30 Jun 2017

The management has confirmed that no creditors have exercised their rights on any of the collateral given by the Company and no cross-default clauses have been triggered as at the date of this announcement.

| | 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 | 2,157 | - | 2,157 |
| Term Loan 3 | 887 | - | 887 |
| Term Loan 4 | 2,515 | - | 2,515 |
| Term Loan 5 | 2,309 | - | 2,309 |
| Term Loan 6 | 8,402 | - | 8,402 |
| Term Loan 7 | 106 | - | 106 |
| Term Loan 8 | 1,247 | - | 1,247 |
| Bills payable | 3,482 | - | 3,482 |
| Bank overdrafts | 108 | - | 108 |
| | <u>22,893</u> | <u>-</u> | <u>22,893</u> |
| Borrowings from third parties / | | | |
| Convertible loan | | | |
| Borrowings from third parties ⁽¹⁾ | 12,718 | - | 12,718 |
| Convertible loan ⁽²⁾ | 5,942 | - | 5,942 |
| | <u>18,660</u> | <u>-</u> | <u>18,660</u> |
| Total borrowings | <u>41,553</u> | <u>-</u> | <u>41,553</u> |

The bank borrowings are generally secured by short-terms deposits, mortgages over the Group's properties, 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.

Details of any collateral as at 30 Jun 2017 (Cont'd)

As announced on 19 Sep 2016, Mr Ting Teck Jin and Titanium Holdings LLC have granted share charge of total 271,000,000 shares of the Company held by them to Asean Finance Corporation Limited on 13 Sep 2016 as security for an extension of short-term project loan facility of US\$5.8 million extended by Asean Finance Corporation Limited to KIPL as noted in Term Loan 6.

Borrowings from third parties

Note 1:

In FY2014, a subsidiary of the Group, Koastal International Pte Ltd ("KPL") entered into a put and call option deed with Philip Ventures Enterprise Fund 3 Ltd and Venstar Investments II Ltd (collectively the "**PV Investors**"). The PV 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 Nov 2014 and Mar 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 PV Investors has granted the subsidiary a call option to require the PV 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 PV Investors the option to require the subsidiary to purchase all of the shares of ODH held by the PV Investors at 122.5% of the Investment Amounts ("**Put Option**");
- (c) The Put Option and Call Option are exercisable 18 months from Aug 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 PV Investors is measured at amortised cost using the effective interest method after taking into account the fair value of share warrants issued to the PV Investors.

The Put Option and Call Option were lapsed on Mar 2016. The PV Investors has sent letter of demand and as at the date of this announcement, the Company and the PV Investors are in discussion with the aim to reach a settlement.

Note 2:

In Jun 2015, a subsidiary of the Group KPL 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 ("**Maturity Date**"). Unless otherwise defined, all capitalised terms used herein shall have the meanings ascribed to them in the Company's circular dated 30 Sep 2015.

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**");
- (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

Details of any collateral as at 30 Jun 2017 (Cont'd)

- (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 in favour of Venstar III, as well as the corporate guarantee that KPL 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 KPL 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 Cash Flow Statement

| | The Group | | The Group | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2Q2017 S\$'000 | 2Q2016 S\$'000 | 1H2017 S\$'000 | 1H2016 S\$'000 |
| Cash flows from operating activities | | | | |
| Loss before income tax | (2,019) | (5,006) | (2,871) | (2,294) |
| Adjustments for: | | | | |
| Depreciation of investment properties | - | 1 | - | 2 |
| Depreciation of property, plant and equipment | 156 | 178 | 192 | 357 |
| Employee share option expenses | - | 6 | - | 13 |
| Fair value loss arising from derivative financial instruments | 15 | 15 | 30 | 30 |
| Fair value loss transferred from fair value reserve on disposal of financial assets, available for sale | - | (92) | 6 | (79) |
| Fair value gain on revaluation of leasehold land and building | - | 662 | - | - |
| Provision for warranties | - | 59 | (33) | - |
| Life insurance premium | - | 9 | - | 9 |
| Share of results of associated company | - | 204 | - | 169 |
| Gain on disposal of property, plant and equipment | (5) | - | (5) | - |
| Loss on disposal of associated company | - | - | 108 | - |
| Interest expense | 740 | 1,014 | 991 | 1,988 |
| Interest income | - | (5) | - | (8) |
| Unrealised exchange differences | 710 | 3,132 | 3,272 | (974) |
| | (403) | 177 | 1,690 | (787) |
| Changes in working capital: | | | | |
| Inventories | 469 | (206) | (3,043) | (396) |
| Trade and other receivables | (1,106) | (5,892) | 3,551 | (186) |
| Prepayments | 12 | 205 | (91) | 2,728 |
| Provision for warranties | - | (78) | - | (78) |
| Trade and other payables | 1,351 | 4,165 | (2,223) | (212) |
| Advances from contract customers | 419 | 321 | 752 | (2,002) |
| Amount due from contract customers | (58) | 3,580 | (131) | 3,076 |
| Amount due to contract customers | (827) | (4,208) | (2,794) | (1,455) |
| Cash used in operations | (143) | (1,936) | (2,289) | 688 |
| Income taxes paid | (17) | 35 | (60) | (161) |
| Net cash (used in)/from operating activities | (160) | (1,901) | (2,349) | 527 |

Consolidated Cash Flow Statement (Cont'd)

| | The Group | | The Group | |
|--|--------------|----------------|--------------|--------------|
| | 2Q2017 | 2Q2016 | 1H2017 | 1H2016 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Investing activities | | | | |
| Interest received | - | 5 | - | 8 |
| Proceeds from disposal of available-for-sale investments | - | 790 | - | 839 |
| Proceeds from disposal of associated company | - | - | 2,860 | - |
| Proceeds from disposal of property, plant and equipment | 5 | - | 5 | - |
| Purchase of property, plant and equipment | - | (1,730) | - | (1,730) |
| Net cash (used in)/from investing activities | 5 | (935) | 2,865 | (883) |
| Financing activities | | | | |
| Loan from a director | 57 | 1,266 | 1,056 | 623 |
| Increase in fixed deposits pledged | (142) | (7,742) | (322) | (33) |
| Interest paid | (560) | (81) | (633) | (1,055) |
| Proceeds from convertible loan | - | 357 | - | 357 |
| Proceeds from bank borrowings | 386 | 1,611 | 386 | 2,259 |
| Repayment of bank borrowings | - | - | (795) | (596) |
| Repayment of finance liabilities | - | - | - | (3) |
| Net cash provided by/(used in) financing activities | (259) | (4,589) | (308) | 1,552 |
| Net changes in cash and cash equivalents | (414) | (7,425) | 208 | 1,196 |
| Cash and cash equivalents at beginning of the period | 958 | 8,210 | 330 | (638) |
| Effects of currency translation on cash and cash equivalents | (3) | 5 | 4 | 232 |
| Cash and cash equivalents at end of the period (Note A) | 541 | 790 | 541 | 790 |
| Note A: Cash and cash equivalents comprised of: | | | | |
| Cash and bank balances as per statement of financial position | 649 | 9,400 | 649 | 9,400 |
| Less: Bank overdrafts | (108) | (868) | (108) | (868) |
| Less: Bank deposits pledged | - | (7,742) | - | (7,742) |
| Cash and bank balances as per statement of cash flow | 541 | 790 | 541 | 790 |

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 | Share capital S\$'000 | Capital reserve S\$'000 | Fair value reserve S\$'000 | Foreign currency translation reserve S\$'000 | Revaluation reserve S\$'000 | Share option reserves S\$'000 | Merger reserve S\$'000 | Other reserve S\$'000 | (Accumulated losses) / Retained earnings S\$'000 | Total equity S\$'000 |
|---|--------------------------|----------------------------|-------------------------------|---|--------------------------------|----------------------------------|---------------------------|--------------------------|---|-------------------------|
| Balance as at 1 Apr 2017 | 167,711 | 268 | (42) | (3,383) | 4,317 | 85 | (149,000) | (147,755) | (130,629) | (110,673) |
| Loss for the period | - | - | - | - | - | - | - | - | (2,019) | (2,019) |
| Other comprehensive income Currency translation differences: On translation of foreign operations | - | - | - | 87 | - | - | - | 87 | - | 87 |
| Total other comprehensive income for the period, net of tax | - | - | - | 87 | - | - | - | 87 | - | 87 |
| Total comprehensive income for the period | - | - | - | 87 | - | - | - | 87 | (2,019) | (1,932) |
| Balance as at 30 Jun 2017 | 167,711 | 268 | (42) | (3,296) | 4,317 | 85 | (149,000) | (147,668) | (132,648) | (112,605) |

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)

Consolidated Statement of Changes in Equity (cont'd)

| Group | Share capital | Capital reserve | Fair value reserve | Foreign currency translation reserve | Revaluation reserve | Share option reserves | Merger reserve | Other reserve | (Accumulated losses) / Retained earnings | Total equity |
|---|----------------|-----------------|--------------------|--------------------------------------|---------------------|-----------------------|------------------|------------------|--|--------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 Apr 2016 | 167,711 | 268 | 173 | (3,245) | 5,863 | 87 | (149,000) | (145,854) | (8,802) | 13,055 |
| Profit for the period | - | - | - | - | - | - | - | - | (5,562) | (5,562) |
| Other comprehensive income | | | | | | | | | | |
| On translation of foreign operations | - | - | - | 332 | - | - | - | 332 | - | 332 |
| Fair value loss transferred from fair value reserve on disposal of financial assets | - | - | (81) | - | - | - | - | (81) | - | (81) |
| Gain on revaluation of property | - | - | - | - | 662 | - | - | 662 | - | 662 |
| Share of other comprehensive income of associated company:- | | | | | | | | | | |
| - Translation reserve | - | - | - | (8) | - | - | - | (8) | - | (8) |
| - Fair value (loss)/gain | - | - | (9) | - | - | - | - | (9) | - | (9) |
| Total other comprehensive income for the period, net of tax | - | - | (90) | 324 | 662 | - | - | 896 | - | 896 |
| Total comprehensive income for the period | - | - | (90) | 324 | 662 | - | - | 896 | (5,562) | (4,666) |
| Contribution by owners of the parent | | | | | | | | | | |
| Employees share option expenses | - | - | - | - | - | 6 | - | 6 | - | 6 |
| Balance as at 30 Jun 2016 | 167,711 | 268 | 83 | (2,921) | 6,525 | 93 | (149,000) | (144,952) | (14,364) | 8,395 |

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

| Company | Share Capital | Accumulated Losses | Share Option Reserve | Total |
|---|----------------|--------------------|----------------------|-----------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 Apr 2017 | 167,711 | (197,924) | 85 | (30,128) |
| Total comprehensive loss for the period | - | (340) | - | (340) |
| Balance at 30 Jun 2017 | 167,711 | (198,264) | 85 | (30,468) |

| Company | Share Capital | Accumulated Losses | Share Option Reserve | Total |
|---|----------------|--------------------|----------------------|----------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 Apr 2016 | 167,711 | (50,789) | 87 | 117,009 |
| Total comprehensive loss for the period | - | (524) | - | (524) |
| Employees share option expenses | - | - | 6 | 6 |
| Balance at 30 Jun 2016 | 167,711 | (51,313) | 93 | 116,491 |

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

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

There were no changes in the Company's share capital since 31 Mar 2017 to 30 Jun 2017.

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

As at 30 Jun 2017, the following employee share options granted under the EMS Employee Share Option Scheme dated 20 July 2009, still remain outstanding:

| Share options issued to | Number of options granted | Number of options still remained outstanding as at end of 2Q2017 | Exercise price per option | Exercisable date |
|---|---------------------------|--|---------------------------|----------------------------|
| Independent Directors | 2,250,000 | 2,250,000 | S\$0.027 | 24 Feb 2015 to 23 Feb 2019 |
| Controlling Shareholder | 10,500,000 | 10,500,000 | S\$0.027 | 24 Feb 2015 to 23 Feb 2024 |
| Executive Officers (Excluding controlling shareholder) | 3,000,000 | 1,500,000 | S\$0.027 | 24 Feb 2015 to 23 Feb 2024 |
| | 15,750,000 | 14,250,000 | | |

(iii) Warrants

In FY2015, the Company entered into a warrant exchange agreement with the PV Investors in which the Company allotted 9,702,898 non-listed Warrants at the exercise price of S\$0.276 for each new share in the Company to the PV Investors. The warrants had expired on 3 Aug 2017.

(ii) Convertible Notes

As disclosed in Section 1(b)(ii) on the details of collateral, KPL entered into a subscription agreement with Venstar III in relation to the Notes, convertible at the option of Venstar III into 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.

In view of the on-going restructuring and non-payment of interests, Venstar III has since demanded repayment. As at the date of this announcement, the Company has received a Proof of Debt from Venstar III with full outstanding amount of S\$8,765,768 against the Company as Corporate Guarantor and the Company has admitted the claim to its approved SOA.

Save for the aforementioned Share Options, Warrants and Convertible Notes, the Company did not have any other outstanding convertibles as at 30 Jun 2017 and 30 Jun 2016.

The Company did not have any treasury shares or subsidiary holdings as at 30 Jun 2017 and 30 Jun 2016.

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 30 Jun 2017 and 31 Dec 2016 | 448,735,224 | 167,711 |

The Company did not have any treasury shares as at 30 Jun 2017 and 31 Dec 2016.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 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 as 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 as compared to the audited consolidated financial statements as at 31 Dec 2016.

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 (a) based on the weighted average number of ordinary shares on issue; and (b) on a fully diluted basis (detailing any adjustments made to the earnings).**

| | The Group | |
|--|-------------------|-------------------|
| | 2Q2017 (Cents) | 2Q2016 (Cents) |
| (Loss)/Earnings per ordinary share for the period attributable to equity holders of the Company: | | |
| (a) Based on weighted average number of ordinary shares in issue | (0.45) | (1.24) |
| (b) On a fully diluted basis | (0.45) | (1.24) |

Note:

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

The loss per ordinary share for the financial period under review is calculated based on the weighted average of 448,735,224 (2Q2016: 448,735,224) ordinary shares in issue.

As at 30 Jun 2017, there were (i) 14,250,000 (30 Jun 2016: 15,750,000) Share Options under the EMS Energy Employees Share Option Scheme, (ii) 9,702,898 warrants (30 Jun 2016: 9,702,898) and (iii) S\$6,708,000, being the Singapore Dollar equivalent of US\$5.0 million of Convertible Notes (30 Jun 2016: S\$6,708,000) convertible up to 21,873,912 Exchanged Shares. The outstanding Share Options, Warrants and Convertible Notes were not included in the weighted average number of ordinary shares for the purpose of computing the diluted loss per share for 2Q2017 and 2Q2016 as the Group was in a loss position in 2Q2017 and 2Q2016.

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.**

| | The Group | | The Company | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | As at 30 Jun 2017 (Cents) | As at 31 Dec 2016 (Cents) | As at 30 Jun 2017 (Cents) | As at 31 Dec 2016 (Cents) |
| Net asset value per ordinary share based on issued share capital at end of period | (25.09) | (25.04) | (6.79) | (6.64) |

Net asset value per share as at end 30 Jun 2017 is calculated based on 448,735,224 shares (31 Dec 2016: 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. 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.**

(i) **Commentary on the Group's Income Statement**

Revenue

The Group's revenue in 2Q2017 of \$3.3 million compared to 2Q2016 of S\$3.0 million was slightly increased due to project billings in the said quarter by KIPL for the existing project in Vietnam which started prior to the cessation of KIPL operations in Sep 2016.

The breakdown of the Group's revenue is as follows:

| S\$' million | 2Q2017 | 2Q2016 | Change | Reason for the change |
|---------------------|---------------|---------------|---------------|---|
| EPCM-MOT | 1.5 | 0.6 | 0.9 | Project billings from KIPL's existing project |
| EPCM-WT | 1.8 | 2.4 | (0.7) | Lower business activities in Vietnam |
| Total | 3.3 | 3.0 | 0.2 | |

Cost of sales & gross profit

The Group's cost of sales had reduced by 25.7% or S\$1.1 million to S\$3.1 million in 2Q2017 compared to S\$4.2 million in 2Q2016 resulting in a gross profit of \$0.2 million in 2Q2017 compared to a gross loss of S\$1.2 million in 2Q2016.

The significant cost of sales amounting to S\$4.2 million in 2Q2016 was mainly due to additional cost incurred by KIPL for project rectification works.

Other income

Other income reduced by 46.1% in 2Q2017 compared to 2Q2016 of S\$0.1 million mainly attributed to the absence of commission income arising from cessation of KIPL operations.

Administrative expenses

Administrative expenses decreased by S\$1.2 million or 45.4% to S\$1.5 million in 2Q2017 compared to S\$2.7 million in 2Q2016 due to the lower employee compensation arising from headcount reduction as part of the cost cutting measures.

Distribution expenses

Distribution expenses increased to S\$16,000 in 2Q2017 as compared to S\$4,000 in 2Q2016 mainly due the reclassification of KIPL's car-related expenses from cost of sales to distribution expenses following the cessation of KIPL operations.

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

Other expenses

Other expenses remained the same in 2Q2017 as compared to 2Q2016.

Finance costs

Finance costs decreased by 27.0% to S\$0.7 million in 2Q2017 compared to S\$1.0 million in 2Q2016 due to partial repayment of bank borrowings in previous quarters. The banks had also stopped charging KIPL interest on outstanding borrowings since KIPL's application to court for its scheme of arrangement in Sep 2016.

Share of results of associated company / Loss on disposal of associated company

There was no share of results of associated company in 2Q2017 as the Group had disposal the associated company in 1Q2017.

Income tax expense

There was no income tax expense incurred by the Group for 2Q2017 as the two major subsidiaries had ceased operations since Sep 2016.

Due to the foregoing, the Group's loss attributed to equity holders of the Company was S\$2.0 million in 2Q2017 as compared to a net loss of S\$5.6 million in 2Q2016.

(ii) **Commentary on the Statements of Financial Position**

Current Assets

Inventories increased by S\$3.0 million to S\$3.7 million as at 30 Jun 2017 as compared to S\$0.6 million at 31 Dec 2016. The increase was due to work in progress projects for EPCM – WT segment in Vietnam.

Trade and other receivables reduced by S\$3.5 million to S\$6.1 million as at 30 Jun 2017 as compared to S\$9.6 million as at 31 Dec 2016 mainly due to repayment of S\$2.3 million by debtors and settlement of loan owing by a director of a foreign subsidiary of S\$1.2 million. The S\$6.1 million of trade and other receivables consist of approximately S\$4.7 million in trade receivables and approximately S\$1.3 million in other receivables. There were no provisions for doubtful debts during the quarter.

Amount due from customers increased slightly to S\$4.0 million as at 30 Jun 2017 mainly contributed from the revenue generated from EPCM – WT segment for projects in Vietnam.

Cash and cash equivalents increased by S\$0.2 million to S\$0.6 million as at 30 Jun 2017 from S\$0.4 million as at 31 Dec 2016 mainly due to proceeds from disposal of associated company. The fixed deposits of S\$0.3 million as at 30 Jun 2017 were pledged for trade facilities in Vietnam.

The Group disposed its investment in an associated company in 1H2017 for proceeds of S\$2.8 million.

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

The leasehold land and building of S\$5.6 million relates to the investment property in EES which had been reclassified to asset held for sale of S\$5.6 million as the Group commenced the disposal of the property subsequent to 31 Dec 2016. As at the date of this announcement, the disposal of the property is still in progress.

Non-Current Assets

Property, plant and equipment comprise mainly of investment in Tuas South shipyard. Property, plant and equipment decreased S\$0.2 million to S\$9.4 million as at 30 Jun 2017 mainly due to depreciation charges.

Current Liabilities

Trade and other payables decreased by S\$1.2 million to S\$41.4 million as at 30 Jun 2017 compared to S\$42.6 million as at 31 Dec 2016 due to payments made mainly for projects, statutory and professional services. The S\$41.4 million of trade and other payables consist of approximately S\$37.6 million in trade payables and approximately S\$3.8 million in other payables.

Advances from contract customers increased by S\$0.8 million as at 30 Jun 2017 mainly contributed from projects in Vietnam.

Amount due to customers comprises the claims by a customer of KIPL, Shanghai Shipyard Co. Ltd, amounting to S\$57.2 million in relation to the termination of contracts of a major project. Amount due to customers decreased by S\$2.0 million to S\$57.2 million as at 30 Jun 2017 compared to S\$60.0 million as at 31 Dec 2016 mainly due to recognition of revenue from the projects in Vietnam.

Bank borrowings increased by S\$0.2 million to S\$22.9 million as at 30 Jun 2017 from S\$22.7 million as at 31 Dec 2016 for Vietnam operations during the period.

Borrowings from third parties had increased by S\$0.4 million to S\$12.7 million as at 30 Jun 2017 mainly due to interest expense on the loan.

Negative working capital and net liability position

The Group was in a negative working capital position of S\$126.1 million and S\$126.0 million as at 30 Jun 2017 and 31 Dec 2016 respectively. In addition, the Group was in a net liability position of S\$112.6 million as at 30 Jun 2017 compared to S\$112.4 million as at 31 Dec 2016.

Notwithstanding the above, the Board is of the view that the Group is able to operate as a going concern due to the following:

- a. Upon the successful completion of Company's scheme of arrangement, the Group's financial position will be substantially improved with the debt to equity conversion.
- b. The Group would no longer require to consolidate the accounts of KIPL after the liquidation of KIPL on 24 Oct 2017 thus eliminating a considerable liabilities to the Group financials.
- c. The Company is exploring fundraising exercise to strengthen its cash position.

The Company will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

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

Net Cash used in Operating Activities

Net cash used in operating activities was S\$0.2 million in 2Q2017 compared to S\$1.9 million in 2Q2016.

The net cash used in operating activities of S\$0.2 million in 2Q2017 was mainly due to lower losses from business activities, decrease in trade and other receivables of S\$1.1 million, decrease in amount due to contract customers of S\$0.8 million and offset with decrease in trade and other payables of S\$1.4 million.

Net Cash from Investing Activities

Net cash of S\$4,666 from investing activities during 2Q2017 from disposal of office equipment whereas net cash used in investing activities in 2Q2016 of S\$1.0 million was mainly due to purchase of property, plant and equipment of S\$1.7 million offset by proceeds from disposal of available-for-sale investments of S\$0.8 million.

Net Cash used in Financing Activities

Net cash used in financing activities in 2Q2017 was S\$0.3 million compared to net cash used in 2Q2016 of S\$4.6 million.

The net cash used in financing activities of S\$0.3 million in 2Q2017 was mainly due to interest payment of S\$0.6 million offset with proceeds from bank borrowings of S\$0.4 million.

Due to the foregoing, the Group had cash and cash equivalents of S\$0.5 million as at end 2Q2017 compared to cash and cash equivalents of S\$0.8 million as at end 2Q2016.

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.

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 is currently in the midst of implementing the scheme of arrangement of the Company after the scheme was sanctioned by the High Court on 8 Sep 2017.

The Creditors' Voluntary Liquidation of KIPL commenced on 24 Oct 2017 and the sanction of the scheme proposed by EES has been fixed for hearing on 12 Feb 2018 at 2.30pm in the High Court as a creditor has indicated that it wishes to contest the application.

Barring from unforeseen circumstances, the Directors are cautiously optimistic about the Group revival upon the SOA implementation, finding a strategic investor for the Tuas South Shipyard as well as a strategic investor for the Group which may or may not introduce a new business.

The Company is working towards resumption trading of the Company's shares at the soonest possible timeframe.

11. Dividend

If a decision regarding dividend has been made:-

(a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared for 2Q2017.

(b) Amount per share (cents) and previous corresponding period (cents).

Not applicable. No dividend has been declared for 2Q2016.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfer receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared or recommended for 2Q2017.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPT"), 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.

The Group did not enter into any IPT of more than S\$100,000 in 2Q2017.

The Group has not obtained a general mandate from shareholders for IPT in 2Q2017.

14. Confirmation Pursuant to Rule 705(5) of the Catalist Rules

We, Mr Ting Teck Jin and Mr Lim Poh Boon being two directors of the Company, do hereby confirm on behalf of the board of directors of the Company (the "Board") that, to the best of our knowledge, nothing has come to attention of the Board which may render the interim financial statements for the 3 months ended 30 Jun 2017 to be false and misleading in any material aspect.

15. Confirmation pursuant to Rule 720(1) of the Catalist Rules

The Company has procured the undertakings from all its Directors and executive officers (in the format set out in Appendix 7H) as required under Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD
EMS Energy Limited

Chew Kok Liang
Company Secretary
15 December 2017

This announcement 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 Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

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

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