

ANNOUNCEMENT

ENTRY INTO NON-BINDING TERM SHEET

1. BACKGROUND

- 1.1. The Board of Directors of EMS Energy Limited (the “**Company**”) wishes to announce that the Company had on 25 May 2018 entered into a non-binding term sheet (“**TS**”) with Qian Investment Holding Pte Ltd (the “**Investor**”) pursuant to which the Company proposes to *inter alia*:
 - 1.1.1. allot and issue to the Investor an aggregate of 5,000,000,000 new ordinary shares (each a “**Placement Share**”) in the capital of the Company (the “**Proposed Placement**”), which when issued, shall rank *pari passu* in all respects with all other ordinary shares in the capital of the Company (the “**Shares**”) existing then; and
 - 1.1.2. subject to the Completion (as defined below) of the Proposed Placement, carry out the Post-Completion Corporate Exercises (as defined below), which shall include the acquisition of the international sales and marketing of lubricant additives business (“**New Business**”) that the Investor is involved in and such acquisition may take place by an acquisition of shares and/or assets as the Company and the Investor (each a “**Party**” and together, the “**Parties**”) may agree. The transactions described above are hereinafter referred to as the “**Proposed Transactions**”.
- 1.2. The TS is intended to set out in broad terms the salient terms and conditions of the Proposed Transactions in order for the Parties to engage in discussions with the objective of entering into definitive agreement(s) relating to the same (the “**Definitive Agreement**”) which shall include a placement agreement (the “**Placement Agreement**”) and agreements for the injection of the New Business. The TS is not legally binding on the Parties. The Proposed Transactions are conditional upon the Parties entering into the Definitive Agreement on terms to be mutually agreed. Further details will be announced in the event the Definitive Agreement is entered into by the Company.
- 1.3. The Parties will negotiate in good faith for the Definitive Agreement to be entered into on or before the expiry of three (3) months from the date of the TS (or such later date as the Parties may agree in writing).

2. THE INVESTOR

The Investor is a company incorporated in Singapore and is a solution provider with experience in the lubricant additive and petroleum-related industries. The Investor provides supply chain, technical, manufacturing, as well as sales and marketing services. In addition, the Investor is in the downstream lubricant additive manufacturing business.

The Investor is an unrelated third party which has no connection (including business relationships) with the Company, its Directors and substantial shareholders, and are not persons to whom the Company is prohibited from issuing shares to, as provided for by Rule 812 of SGX-ST Listing Manual Section B: Rules of Catalyst. The Investor does not hold any shares, directly or indirectly, in the Company at the date of this announcement.

The Investor expressed its interests in pursuing the lubricant additive business through a blending facility in Singapore and is of the view that the Company’s Tuas South facility is suitable for such investment. The Company identified the Investor through its existing network and contacts and there was no commission payable to any placement agent and/or arranger.

3. RATIONALE AND USE OF PROCEEDS OF THE PROPOSED PLACEMENT

- 3.1. The proposed issue price of each Placement Share is S\$0.0015 (“**Issue Price**”), with the aggregate placement consideration amounting to S\$7,500,000 (“**Gross Proceeds**”).
- 3.2. Subject to *inter alia*, the requisite approvals in under Sections 5.1.1 and 5.1.2 (*Conditions Precedent*) being obtained, the entire Gross Proceeds will be used for the construction of the lubricant additive blending facility and a tolling station at the Company’s premises located at 12 Tuas South Street 15, Singapore 636908 (the “**Property**”).
- 3.3. Based on the discussion with the Scheme Manager on the Proposed Transactions, the Proposed Placement is necessary to carry out the Scheme and to formulate the trading resumption proposal for the submission to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

4. SCHEME OF ARRANGEMENT

Pursuant to a scheme of arrangement with the Company’s creditors dated 13 July 2017 proposed in accordance with Section 210 of the Companies Act (Cap. 50 of Singapore) (the “**Scheme**”) which was sanctioned by the Court on 8 September 2017 and took effect on and from 13 September 2017, the Company shall undertake a debt-to-equity conversion by issuing and allotting no more than 725,000,000 new ordinary shares in the capital of the Company (the “**Scheme Shares**”) to the creditors under the Scheme (“**Scheme Creditors**”) at S\$0.08 for each Scheme Share.

5. CONDITIONS PRECEDENT

- 5.1. The Investor’s obligation to subscribe for the Placement Shares shall be subject to, *inter alia*, the following conditions precedent (“**Conditions Precedent**”) having been satisfied on or prior to the completion of the Proposed Placement (“**Completion**”):
 - 5.1.1. all relevant and required corporate authorisations and approvals of the Company approving the execution of the Definitive Agreement and all transactions contemplated therein, including the approval of the shareholders of the Company for the allotment and issue of the Scheme Shares, Placement Shares and Rights Shares (as defined below), injection of the New Business and change in the core business of the Company to the New Business and (if required by the Investor) the appointment of such persons as may be nominated by the Investor in its sole and absolute discretion onto the board of directors of the Company, such appointments taking effect upon Completion, being obtained at an extraordinary general meeting of the Company;
 - 5.1.2. receipt of the written approval of the Jurong Town Corporation for the change of use of the Property to that set out under Section 3.2 on terms acceptable to the Investor;
 - 5.1.3. receipt of the listing and quotation notice from the SGX-ST for the dealing in and quotation for the Placement Shares and the Rights Shares on the Catalist board (“**Catalist**”) of the SGX-ST;
 - 5.1.4. in-principle approval of the SGX-ST for the injection of the New Business into the Company;
 - 5.1.5. a ruling from the Securities Industry Council of Singapore confirming that no obligation to make a general offer pursuant to the Singapore Code on Take-overs and Mergers arises from the allotment and issue by the Company of the Placement Shares and Rights Shares to the Investor, as well as a whitewash waiver of the shareholders of the Company being obtained with respect to such a general offer, if necessary;

- 5.1.6. completion of the allotment and issue of the Scheme Shares by the Company to the Scheme Creditors in accordance with the Scheme;
 - 5.1.7. no injunction or other order shall have been issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Definitive Agreement or the transactions proposed therein or any part thereof and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
 - 5.1.8. approval for the resumption of trading in the Company's shares on Catalist having been obtained and such approval being in full force and effect, and where such approval is subject to conditions, (i) such conditions being acceptable to the Parties and (ii) if such conditions are required to be fulfilled on or before Completion, such conditions having been fulfilled;
 - 5.1.9. the warranties of the Company contained in the Definitive Agreement shall be true in all respects on and as of the date of the Definitive Agreement and shall have the same force and effect as though made on and as of the date of Completion;
 - 5.1.10. all other consents and approvals (including court sanction) required under any and all applicable laws for the Scheme, the Definitive Agreement and all transactions contemplated therein being obtained;
 - 5.1.11. no circumstances shall have arisen, or an event of force majeure shall have occurred, which may have a material adverse effect on the businesses, operations, prospects or condition (financial or otherwise) of the Company or its subsidiaries;
 - 5.1.12. the completion of a due diligence review on the Company and its subsidiaries to the Investor's satisfaction (including but not limited to financial, operational, tax and legal aspects); and
 - 5.1.13. any other conditions determined by the Investor to be necessary pursuant to the due diligence review.
- 5.2. The Investor is entitled to waive, to such extent as it may in its absolute discretion think fit, any of the Conditions Precedent. For the avoidance of doubt, Completion will only take place after all the Conditions Precedent set out above have been satisfied (or waived by the Investor). The Company shall use its best endeavours to procure the satisfaction of the Conditions Precedent within 6 months of the date of the Placement Agreement.

6. POST-COMPLETION CORPORATE EXERCISES

- 6.1. Following completion of the Proposed Placement, the Company shall undertake the following corporate exercises ("**Post-Completion Corporate Exercises**"):
 - 6.1.1. a rights issue of up to 6,173,000,000 new Shares (the "**Rights Shares**") on the basis of one (1) Rights Share for every one (1) existing Share at an issue price of S\$0.0015 for each Rights Share (the "**Proposed Rights Issue**") – the Investor shall provide an irrevocable undertaking in favour of the Company that it will subscribe and pay for its 5,000,000,000 Rights Shares entitlements under the Proposed Rights Issue ("**Investor Entitlement**"). The proceeds of the Investor Entitlement shall be used for the purpose set out under Section 3.2 above and general corporate working capital purposes of the Company or such other purposes as the Directors of the Company may approve; and

6.1.2. an issuance of up to 1,650,000,000 new Shares (the “**AAPL Shares**”) to Alternative Advisors Pte. Ltd. (“**AAPL**”) being in payment of AAPL’s fees in the amount of S\$2,475,000 for services rendered in relation to a debt restructuring exercise undertaken by the Company (“**AAPL’s Fees**”) at an issue price of S\$0.0015 for each AAPL Share, which shall be deemed to be fully offset by AAPL’s Fees. The AAPL Shares shall be issued only after the Proposed Rights Issue and hence, have no entitlement to the Rights Shares in the above Proposed Rights Issue; and

6.1.3. complete the acquisition of the New Business.

6.2. Immediately following the issue of the Scheme Shares, Placement Shares, Rights Shares and AAPL Shares, the Investor will hold approximately 70% of the total issued share capital of the Company on a fully diluted basis.

7. UNDERTAKING BY TING TECK JIN

Mr Ting Teck Jin, the Executive Chairman and controlling shareholder of the Company, has agreed to maintain his current shareholding interest in the Company and vote in favour of all resolutions of the Company to give effect to the transactions contemplated in the TS and the Definitive Agreement.

8. SERVICE CONTRACT

The Company will negotiate a service or consultancy contract with Mr Ting Teck Jin on terms to be agreed between the Parties and Mr Ting Teck Jin.

9. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions or the Investor, other than through their respective shareholdings in the Company.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) as appropriate when there are material developments to the Proposed Transactions, including the entry into any Definitive Agreement.

11. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors have been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

12. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution when dealing in Shares. Shareholders should note that the Proposed Transactions are subject to, *inter alia*, negotiation, execution and delivery of the Definitive Agreement and the Conditions Precedent being met. There is no assurance that the Parties will enter into the Definitive Agreement or that the Conditions Precedent will be met. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board
EMS Energy Limited

Chew Kok Liang
Company Secretary
28 May 2018

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 Catalist. 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.

The contact persons for the Sponsor are Mr Alvin Soh, Head of Catalist Operations, Senior Vice President, and Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.