

ANNOUNCEMENT

PROPOSED DISPOSAL OF EQUITY INTEREST IN AN ASSOCIATED COMPANY

1. INTRODUCTION

The Board of Directors of EMS Energy Limited ("**Company**", together with its subsidiaries, "**Group**") wishes to announce that it and its wholly-owned subsidiary, EMS Offshore Pte. Ltd. ("**Vendor**"), had on 3 November 2016 entered into a deed of sale and purchase ("**Deed**") with Ting Teck Jin ("**TTJ**", the Company's Executive Chairman, Chief Executive Officer and controlling shareholder), Oilfield Services & Supplies Group Pte. Ltd. ("**OSSG**"), Victor Oilfield Services Pte. Ltd. ("**VOS**"), Ong See Beng ("**OSB**", together with VOS, "**Purchasing Parties**"), the Estate of Ong See Kong ("**Estate of OSK**") and Oilfield Services & Supplies Pte Ltd ("**OSS**") in relation to the Vendor's proposed disposal of its 20% equity interest in OSSG for a consideration of S\$2,800,000 ("**Total Consideration**") ("**Proposed Disposal**").

In connection with the Deed, the Vendor, the Purchasing Party and Straits Law Practice LLC ("**Escrow Agent**") had on 3 November 2016 entered into an escrow agreement ("**Escrow Agreement**").

2. INFORMATION ON OSSG AND THE PURCHASING PARTY

OSSG is a Singapore-incorporated company, which is principally engaged in the business of manufacture, rental and servicing of downhole tools and equipment that are used primarily in oil and gas exploration.

As at the date of this announcement, OSSG has 150,000 ordinary shares in its share capital, of which 30,000 ordinary shares are held by the Vendor. The Vendor proposes to sell its 30,000 ordinary shares in the capital of OSSG ("**Sale Shares**"), representing 20% of the issued shares in OSSG. On completion of the Proposed Disposal ("**Completion**"), OSSG will cease to be an associated company.

In addition to the Vendor, the other shareholders of OSSG include VOS, OSB and the Estate of OSK.

The Purchasing Party comprises independent third parties, who are not related to any director or substantial shareholder of the Company.

3. RATIONALE

The Proposed Disposal is intended to liquidate the Group's investment in OSSG and apply the proceeds towards the Group's working capital. In the recent announcements released by the Company on 23 September 2016 and 28 September 2016, it was mentioned that the Group is currently facing cash flow difficulties and had filed the applications with the High Court of the Republic of Singapore ("Court") to propose schemes of arrangement under Section 210 of the Companies Act (Cap. 50) (the "Companies Act") in connection with the proposed restructuring of the respective debt obligations and liabilities of the Company, Koastal Industries Pte. Ltd. ("KIPL") and EMS Energy Solutions Pte. Ltd. ("EES") (the "Schemes of Arrangement"). The Board of Directors believes that the net proceeds will be able to ease the working capital needs of the Group during this difficult time.

4. SALIENT TERMS OF THE DEED

4.1 Consideration

The Total Consideration of S\$2,800,000 was arrived at on a willing buyer-willing seller basis after taking into account the financial performance and prospects of OSSG. As of first half of financial year ended 30 June 2016 ("1H2016"), the Group's share of losses of associated company was S\$169,000 compared to the share of profit of S\$193,000 for first half of the financial year ended 30 June 2015 ("1H2015").

The Total Consideration will be paid in the following manner:

- (a) S\$700,000 ("**Initial Consideration**") has been paid by the Purchasing Party to the Escrow Agent on 7 November 2016; and
- (b) the balance S\$2,100,000 ("**Balance Consideration**") will, subject to fulfilment of the Condition Precedent (as defined below), be paid by the Purchasing Party to the Vendor on Completion.

Pursuant to the Deed, on Completion:

- (i) the Escrow Agent will pay the Initial Consideration to the Vendor in accordance with the terms of the Escrow Agreement;
- (ii) the Purchasing Party will pay the sum of S\$1,964,249.58 to the Vendor (being part of the Balance Consideration);
- (iii) on behalf of OSS, the Purchasing Party will pay the sum of S\$60,000 to the Vendor (being the net outstanding amount payable by OSS to the Vendor); and
- (iv) at the request and direction of the Vendor, the Purchasing Party will pay the sum of S\$135,750.42 to OSS (being the net outstanding amount payable by EMS Energy Solutions Pte. Ltd. (a wholly-owned subsidiary of the Vendor) to OSS).

The payment of the Total Consideration in the manner set out in paragraphs (i) to (iv) above will constitute full and final discharge and settlement of the Purchasing Party's obligation to the Vendor in respect of the entire amount of the Total Consideration.

4.2 Condition Precedent

Completion is conditional upon the approval of shareholders of the Company ("**Shareholders**") being obtained at an extraordinary general meeting of the Company ("**EGM**") to be convened in respect of the Proposed Disposal ("**Condition Precedent**").

In the event the Condition Precedent is not fulfilled by 31 March 2017 (or such other date as may be agreed between the parties) ("**Last Stop Date**"), the Deed will cease and no party will have any claim against the other parties, save for any antecedent breach. For the avoidance of doubt, in the event of the aforesaid cessation of the Deed, the parties' original rights and obligations outside of the Deed will not be affected.

4.3 Resignation as Director of OSSG

TTJ is currently a director of OSSG and OSS. On Completion, he will resign as director of each of OSSG and OSS.

4.4 Vendor Group Undertakings

Pursuant to the Deed, the Company has undertaken, and TTJ has undertaken to procure the Company to, convene the EGM as soon as practicable to seek the approval from the Shareholders for the Proposed Disposal.

Pursuant to the Deed, TTJ has further undertaken that:

- (a) he will exercise his voting powers as the majority and controlling Shareholder to vote in favour of the Proposed Disposal at the EGM; and
- (b) he will not, prior to the date of the EGM, sell or otherwise dispose of his voting rights in the capital of the Company or do anything to disqualify or prohibit him from voting his shares in the capital of the Company ("**Shares**") in favour of the Proposed Disposal.

5. USE OF PROCEEDS AND LOSS ON DISPOSAL

The net proceeds from the Proposed Disposal, after taking into consideration of the set-offs between the Purchasing Parties, the Vendor, OSS and EMS Energy Services Pte. Ltd. (as described in 4.1 (iii) and (iv)), as well as deducting estimated costs and expenses of S\$60,000, amounts to approximately S\$2.66 million ("**Net Proceeds**").

The Net Proceeds represent a deficit of approximately S\$3.20 million over the book value of the Sale Shares of approximately S\$5.87 million as at 30 June 2016. The Proposed Disposal will give rise to an estimated net loss on disposal of approximately S\$3.13 million as at 30 June 2016 for the Group.

The Group intends to apply the Net Proceeds towards the working capital of the Group.

6. FINANCIAL EFFECTS

6.1 Assumptions

The pro forma financial effects of the Proposed Disposal on the Company presented below are strictly for illustrative purposes only and do not reflect the actual financial effects or future financial performance and condition of the Company and/or the Group following Completion.

The pro forma financial effects of the Proposed Disposal are calculated based on the latest audited financial statements of the Group for the financial year ended 31 December 2015 ("**FY2015**") and the following assumptions:

- (a) that Completion had taken place on 31 December 2015 for purposes of the financial effect on the net tangible assets ("**NTA**") per Share; and
- (b) that Completion had taken place on 1 January 2015 for purposes of the financial effect on the earnings per Share ("**EPS**").

6.2 NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	4,762	1,448 ⁽¹⁾
Number of Shares	448,735,224	448,735,224
NTA per Share (cents)	1.06	0.32

Note:

- (1) The NTA after the Proposed Disposal is derived after deducting estimated costs and expenses of approximately S\$60,000 and losses incurred on the impairment of investment in an associate of approximately S\$3.25 million.

6.3 EPS

	Before the Proposed Disposal	After the Proposed Disposal
Loss after tax attributable to the Shareholders (S\$'000)	(10,240)	(13,554) ⁽¹⁾
Weighted average number of Shares (excluding treasury Shares)	445,063,542	445,063,542
EPS (cents)	(2.30)	(3.05)

Note:

- (1) The loss after tax attributable to the Shareholders is derived after taking into consideration the estimated costs and expenses of approximately S\$60,000 and losses incurred on the impairment of investment in an associate of approximately S\$3.25 million.

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of Section B: Rules of Catalist of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**") are as follows:

Rule 1006	Bases	Relative Figure
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	69.9%, computed based on the net asset value of the Sale Shares of approximately S\$5.87 million as at 30 Jun 2016 compared with the Group's net asset value of approximately S\$8.40 million as at 30 Jun 2016.
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits	Not applicable. The Group's share of net loss after tax of approximately S\$0.17 million was attributable to the Sale Shares for 1H2016 and the Group also incurred net loss after tax of approximately S\$2.85 million for 1H2016.
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	28.4%, computed based on Total Consideration of S\$2,800,000 and the market capitalisation of the Company of S\$9,872,175 (determined by multiplying the existing number of shares in issue, being 448,735,224 shares as at the date of this announcement, by S\$0.022, being the last traded price of such shares on 20 September 2016, being the last market day the shares were traded on the SGX-ST immediately preceding the date of the suspension of the trading of its shares on 26 September 2016).
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable. This is not an acquisition.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such asset.	Not applicable. This is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Having regard to the above, as the relative figures computed based on Rules 1006(a) exceeds 50%, the Proposed Disposal would result in a "major transaction" under Rule 1014 of the Catalist Rules and is subject to the approval of Shareholders at the EGM.

8. EGM AND CIRCULAR

The Company will convene an EGM to seek the approval of Shareholders for the Proposed Disposal. A circular containing further details of the Proposed Disposal and enclosing the notice of EGM will be despatched by the Company to the Shareholders in due course.

9. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein, none of the directors or controlling Shareholders has any interest, direct or indirect, in the Proposed Disposal (other than their direct or indirect shareholdings in the Company).

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 Disposal and the Group, and the directors of the Company 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 of the Company has 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. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Deed and the Escrow Agreement will be made available during normal business hours at the registered office of the Company for a period of three months commencing from the date of this announcement.

13. CAUTION IN TRADING

Shareholders are advised to exercise caution when trading in their Shares. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed or that no changes will be made to the terms thereof. Where in doubt as to the action they should take, Shareholders should consult their financial, tax, legal or other professional advisers.

By Order of the Board

Ting Teck Jin
Executive Chairman
3 November 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 Catalyst rules. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (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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