

ANNOUNCEMENT

HALF YEAR FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

PART I - INFORMATION REQUIRED FOR HALF YEAR 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

Six months period ended 30 June 2016 ("1H2016") vs six months period ended 30 June 2015 ("1H2015")

	The Group		
	1H2016	1H2015	Increase/ (Decrease)
	S\$'000	S\$'000	%
Continuing operations			
Revenue	15,970	44,940	(64.5)
Cost of sales	(11,231)	(34,396)	(67.3)
Gross profit	4,739	10,544	(55.1)
<i>Gross profit margin</i>	<i>29.7%</i>	<i>23.5%</i>	
Other income	1,178	1,475	(20.1)
Expenses			
- Administrative	(5,993)	(9,088)	(34.1)
- Distribution	(61)	(68)	(10.3)
- Finance	(1,988)	(1,367)	45.4
Share of results of associated companies	(169)	193	(187.6)
Profit before income tax	(2,294)	1,689	(235.8)
Income tax expense	(559)	(522)	7.1
Total profit for the period attributable to equity of the Company	(2,853)	1,167	(344.5)
Other Comprehensive Loss for the period:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation difference:			
- On translation of foreign operations	(908)	(279)	225.4
Available-for-sale financial assets:			
- Fair value loss transferred from fair value reserve on disposal of financial assets	(69)	-	n.m.
- Gain arising during the period	-	5	n.m.
	(69)	5	
Share of other comprehensive income of associated company:			
- Fair value loss on available-for-sale assets	(9)	-	n.m.
- Translation reserve	(10)	4	(350.0)
	(19)	4	(575.0)
Other comprehensive loss, net of tax	(996)	(270)	268.9
Total comprehensive income for the period attributable to equity holders of the Company	(3,849)	897	(529.1)

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

	The Group		Increase/ (Decrease)
	1H2016	1H2015	
	S\$'000	S\$'000	%
Depreciation of property, plant and equipment (PPE)	(359)	(234)	53.4
Foreign exchange (losses)/ gain	627	493	27.2
Employee share option expenses	(13)	(12)	8.3
Interest expenses	(1,988)	(1,367)	45.4
Staff costs	(4,152)	(6,138)	(32.4)

Note: n.m. - not meaningful

1(b)(i) A balance sheet (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 end 30 Jun 2016 S\$'000	As at end 31 Dec 2015 S\$'000	As at end 30 Jun 2016 S\$'000	As at end 31 Dec 2015 S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	18,964	17,606	7,905	6,086
Investment property	190	201	-	-
Intangible assets	7,469	7,469	-	-
Investments in subsidiaries	-	-	129,251	129,251
Investments in associated company	5,868	6,057	-	-
Available-for-sale financial assets	8,885	9,732	-	-
Deferred tax assets	120	125	-	-
Total non-current assets	41,496	41,190	137,156	135,337
Current Assets				
Inventories	1,052	686	-	-
Trade & other receivables	27,349	29,873	16,047	25,129
Amount due from customers	39,809	44,621	-	-
Prepayments	6,022	7,764	41	41
Cash & cash equivalents	9,367	8,105	1	19
Total current assets	83,599	91,049	16,089	25,189
Total Assets	125,095	132,239	153,245	160,526
EQUITY AND LIABILITIES				
Equity				
Share capital	167,711	167,711	167,711	167,711
Other reserves	(144,952)	(143,969)	93	80
Accumulated losses	(14,364)	(11,511)	(51,313)	(50,200)
Total Equity	8,395	12,231	116,491	117,591
Non-Current Liabilities				
Bank borrowings	1,508	-	-	-
Convertible notes	5,218	5,218	-	-
Financial derivative liabilities	1,892	1,892	-	-
Deferred income tax liabilities	25	25	-	-
Total non-current liabilities	8,643	7,135	-	-

STATEMENT OF FINANCIAL POSITION (CONT'D)

	Group		Company	
	As at end 30 Jun 2016 S\$'000	As at end 31 Dec 2015 S\$'000	As at end 30 Jun 2016 S\$'000	As at end 31 Dec 2015 S\$'000
Current Liabilities				
Trade & other payables	57,751	58,954	36,754	42,935
Advances from contract customers	7,330	9,783	-	-
Amount due to customers	1,800	3,404	-	-
Finance lease liabilities	-	3	-	-
Bank borrowings	26,709	27,849	-	-
Borrowings from third parties	11,760	10,470	-	-
Financial derivative liabilities	1,050	1,020	-	-
Provision for warranty	174	252	-	-
Current income tax liabilities	1,483	1,138	-	-
Total current liabilities	108,057	112,873	36,754	42,935
Total Liabilities	116,700	120,008	36,754	42,935
Net Assets	8,395	12,231	116,491	117,591
Net Current Liabilities	(24,458)	(21,824)	(20,665)	(17,746)

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 2016		As at 31 Dec 2015	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
38,469	-	38,322	-

Amount repayable after one year

As at 30 Jun 2016		As at 31 Dec 2015	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
6,726	-	5,218	-

Details of any collateral

	Repayable less than one year S\$'000	Repayable more than one year S\$'000	Total S\$'000
Bank Borrowings			
Term Loan 1	1,680	-	1,680
Term Loan 2	3,500	-	3,500
Term Loan 3	1,899	-	1,899
Term Loan 4	5,392	-	5,392
Term Loan 5	1,651	-	1,651
Term Loan 6	7,414	-	7,414
Term Loan 7	63	-	63
Term Loan 8	106	-	106
Term Loan 9	-	1,508	1,508
Bills payable	4,136	-	4,136
Bank overdrafts	868	-	868
	26,709	1,508	28,217
Borrowings from third parties			
Borrowings from third parties 9 ⁽¹⁾	11,760	-	11,760
Borrowings from third parties 10 ⁽²⁾	-	5,218	5,218
	11,760	5,218	16,978
Total borrowings	38,469	6,726	45,195

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

Details of any collateral (cont'd)

Borrowings from third parties

Note 1:

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

Under the above arrangement,

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

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

Note 2:

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

The terms of the conversion are:

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

Details of any collateral (cont'd)

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

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

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

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

Consolidated Cash Flow Statement

	The Group	
	1H2016	1H2015
	S\$'000	S\$'000
Cash flows from operating activities		
Total (loss)/ profit	(2,294)	1,689
Adjustments for:		
Depreciation of investment properties	2	1
Depreciation of property, plant and equipment	357	207
Employee share option expenses	13	12
Fair value loss arising from derivative financial instruments	30	-
Fair value loss transferred from fair value reserve on disposal of financial assets, available for sale	(79)	-
Gain on disposal of plant and equipment	-	(15)
Life insurance premium expense	9	12
Provision for warranties	-	(111)
Provision for foreseeable losses from construction contract	-	914
Share of results of associated company	169	(189)
Interest expense	1,988	1,367
Interest income	(8)	-
Unrealised exchange differences	(974)	(184)
	<u>(787)</u>	<u>3,703</u>
Changes in working capital:		
Inventories	(396)	(90)
Trade and other receivables	(186)	6,416
Prepayments	2,728	2,235
Provision for warranties	(78)	-
Trade and other payables	(212)	(3,891)
Advances from contract customers	(2,002)	(11,825)
Amount due from contract customers	3,076	(15,033)
Amount due to contract customers	(1,455)	5,359
Cash used in operations	<u>688</u>	<u>(13,126)</u>
Income taxes paid	<u>(161)</u>	<u>(103)</u>
Net cash from/ (used in) operating activities	<u>527</u>	<u>(13,229)</u>
Investing activities		
Interest received	8	-
Proceeds from disposal of property, plant and equipment	-	40
Proceeds from disposal of available-for-sale investments	839	-
Dividend received from associated company	-	117
Purchase of property, plant and equipment	<u>(1,730)</u>	<u>(1,849)</u>
Net cash used in investing activities	<u>(883)</u>	<u>(1,692)</u>

Consolidated Cash Flow Statement (cont'd)

	The Group	
	1H2016	1H2015
	S\$'000	S\$'000
Financing activities		
Loan from/ (repayment to) a director	623	(8,073)
(Increase)/ decrease in fixed deposits pledged	(33)	2,568
Interest paid	(1,055)	(141)
Proceeds from issuance of ordinary shares	-	2,024
Share issue expenses	-	(97)
Proceeds from third parties loan	357	-
Proceeds from convertible loan	-	6,708
Proceeds from bank borrowings	2,259	-
Repayment of bank borrowings	(596)	(2,581)
Repayment of finance liabilities	(3)	(8)
Net cash provided by financing activities	1,552	400
Net changes in cash and cash equivalents	1,196	(14,521)
Cash and cash equivalents at beginning of the period	(638)	20,651
Effects of currency translation on cash and cash equivalents	232	580
Cash and cash equivalents at end of the period (Note A)	790	6,710
Note A: Cash and cash equivalents comprised of:		
Cash and bank balances	9,400	15,083
Less: Bank overdrafts	(868)	(664)
Less: Bank deposits pledged	(7,742)	(7,709)
	790	6,710

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 January 2016	167,711	268	161	(2,003)	6,525	80	(149,000)	(143,969)	(11,511)	12,231
Total comprehensive income for the year										
Profit for the period	-	-	-	-	-	-	-	-	(2,853)	(2,853)
Other comprehensive income										
Currency translation differences:										
On translation of foreign operations	-	-	-	(908)	-	-	-	(908)	-	(908)
Available-for-sale financial assets:										
Fair value loss transferred from fair value reserve on disposal of financial assets	-	-	(69)	-	-	-	-	(69)	-	(69)
Share of other comprehensive income of associated companies:										
Translation reserve	-	-	-	(10)	-	-	-	(10)	-	(10)
Fair value gain on available-for-sale financial asset	-	-	(9)	-	-	-	-	(9)	-	(9)
Total other comprehensive income for the year, net of tax	-	-	(78)	(918)	-	-	-	(996)	-	(996)
Total comprehensive income for the period	-	-	(78)	(918)	-	-	-	(996)	(2,853)	(3,849)
Employees share option expenses	-	-	-	-	-	13	-	13	-	13
Balance as at 30 June 2016	167,711	268	83	(2,921)	6,525	93	(149,000)	(144,952)	(14,364)	8,395

Consolidated Statement of Changes in Equity (cont'd)

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 January 2015	47,050	119,002	122	(1,531)	3,576	55	(149,000)	(27,776)	2,480	21,754
Total comprehensive income for the year	-	-	-	-	-	-	-	-	1,167	1,167
Profit for the period	-	-	-	-	-	-	-	-	1,167	1,167
Other comprehensive income										
Currency translation differences:										
On translation of foreign operations	-	-	-	(279)	-	-	-	(279)	-	(279)
Available-for-sale financial assets:										
Gains arising during the year	-	-	5	-	-	-	-	5	-	5
Share of other comprehensive income of associated companies:										
Translation reserve	-	-	-	4	-	-	-	4	-	4
Total other comprehensive income for the year, net of tax	-	-	5	(275)	-	-	-	(270)	-	(270)
Total comprehensive income for the period	-	-	5	(275)	-	-	-	(270)	1,167	897
Contribution by owners of the parent										
Adjustment pursuant to the restructuring exercise	118,734	(118,734)	-	-	-	-	-	(118,734)	-	-
Issuance of shares during the period	2,024	-	-	-	-	-	-	-	-	2,024
Share issue expenses	(97)	-	-	-	-	-	-	-	-	(97)
Contribution by and distributions to others										
Employees share option expenses	-	-	-	-	-	12	-	12	-	12
Dividends by Koastal Group	-	-	-	-	-	-	-	-	(3,751)	(3,751)
Balance as at 30 June 2015	167,711	268	127	(1,806)	3,576	67	(149,000)	(146,768)	(104)	20,839

- 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 (Restated) S\$'000	Accumulated Losses (Restated) S\$'000	Share Option Reserve S\$'000	Total S\$'000
Balance as at 1 Jan 2016	167,711	(50,200)	80	117,591
Total comprehensive loss for the period	-	(1,113)	-	(1,113)
Employees share option expenses	-	-	13	13
Balance at 30 Jun 2016	167,711	(51,313)	93	116,491

Company	Share Capital S\$'000	Accumulated Losses S\$'000	Share Option Reserve S\$'000	Total S\$'000
Balance as at 1 Jan 2015	47,050	(16,006)	55	31,099
Issuance of shares pursuant to the Acquisition during the year	118,734	-	-	118,734
Total comprehensive loss for the period	-	(1,202)	-	(1,202)
Issuance of Placement shares during 1H2015	2,024	-	-	2,024
Share issue expenses	(97)	-	-	(97)
Employees share option expenses	-	-	12	12
Balance at 30 Jun 2015	167,711	(17,208)	67	150,570

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as 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 was no other new issuance of new ordinary shares during 1H2016.

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

As at end of 1H2016, 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 1H2015	Exercise price per option	Exercisable date
Independent Directors	2,250,000	2,250,000	S\$0.027	24 February 2015 to 23 February 2019
Controlling Shareholder	10,500,000	10,500,000	S\$0.027	24 February 2015 to 23 February 2024
Executive Officers	3,000,000	3,000,000	S\$0.027	24 February 2015 to 23 February 2024
	15,750,000	15,750,000		

(iii) Outstanding Warrants arising pursuant to the Acquisition

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

Under the above arrangement,

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

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

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

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

The terms of the conversion are:

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

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

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

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

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

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

The Company does not have any outstanding convertibles or treasury shares as at 30 June 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 01 Jan 2016 and 30 Jun 2016	<u>448,735,224</u>	<u>167,711</u>

The Company has no treasury shares as at 30 Jun 2016 and 31 Dec 2015.

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

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed 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 financial statements as at 31 December 2015.

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 year reported on and the immediate preceding financial year, after deducting any provision for preference dividends

	The Group	
	1H2016 (Cents)	1H2015 (Cents)
Earnings per ordinary share for the period based on Group profit attributable to equity holders of the Company:	(2,853)	1,167
(a) Based on weighted average number of ordinary shares in issue	(0.64)	0.27
(b) On a fully diluted basis	(0.64)	0.27

Note:

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

The profit per ordinary share for the financial period under review is calculated based on the weighted average of 448,735,224 (1H2015: 438,904,434) ordinary shares in issue.

As at 30 June 2016, there were (i) 15,750,000 (30 June 2015: 15,750,000) share options ("**Share Options**") under the EMS Energy Employees' Share Options Scheme, (ii) 9,702,898 Warrants (30 June 2015: nil) and (iii) S\$6,708,000, being the Singapore Dollar equivalent of US\$5.0 million of Convertible Notes (30 June 2015: nil) convertible up to 21,873,912 Exchanged Shares. The Share Options, Warrants and Convertible Notes are deemed to be antidilutive as at 30 June 2016 and are not included in the weighted average number of ordinary shares for the purpose of computing the diluted earnings per share.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current year reported on and (b) immediately preceding financial year

	The Group		The Company	
	As at 30 Jun 2015 (Cents)	As at 31 Dec 2015 (Cents)	As at 30 Jun 2016 (Cents)	As at 31 Dec 2015 (Cents)
Net asset value per ordinary share based on issued share capital at end of period / year	1.87	2.73	25.96	26.20

Net asset value per share as at end 30 Jun 2016 is calculated based on 448,735,224 shares (31 Dec 2015: 448,735,224 shares).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on**

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

Revenue

Group's revenue in 1H2015 reduced by 64.5% or S\$28.97 million to S\$15.97 million in 1H2016 from S\$44.94 million in 1H2015 due to the reduction in revenue from Engineering, Procurement and Construction Management – Marine and Offshore & Trading segment ("**EPCM – Marine and Offshore & Trading**"). The Engineering, Procurement and Construction Management – Water Treatment ("**EPCM – Water Treatment**") segment contributed S\$6.06 million (1H2015: S\$6.02 million) to the Group's revenue while the EPCM – Marine and Offshore & Trading contributed to the remaining S\$9.91 million (1H2015: S\$38.88 million) of the Group's revenue in 1H2016.

Cost of sales & gross profit

The Group's cost of sales had reduced by 67.3% or S\$23.17 million to S\$11.23 million in 1H2016 compared to S\$34.40 million in 1H2015. Gross profit margin had increased to 29.7% for 1H2016 compared to 23.5% for 1H2015 mainly attributed to the EPCM – Water Treatment segment.

Other income

Other income reduced by 20.1% or S\$0.30 million to S\$1.18 million in 1H2016 compared to S\$1.48 million in 1H2015 mainly due to the absence of a late payment fees of S\$0.48 million charged to a customer in previous 1H2015 for long overdue receivables partially offset by higher foreign exchange gain in the current 1H2016.

Distribution expenses

Distribution expenses had remained relatively unchanged for both 1H2016 and 1H2015.

Administrative expenses

Administrative expenses reduced by S\$3.10 million or 34.1% to S\$5.99 million in 1H2016 compared to S\$9.09 million in 1H2015 mainly due to the reduction in staff costs and professional fees .

Finance costs

Finance costs increased by S\$0.62 million or 45.5% mainly due to the increased in both bank borrowings and borrowings from third parties.

Share of results of associated companies

Share of results of associated companies reduced by S\$0.36 million to share of S\$0.17 million losses in 1H2016 against S\$0.19 million share of profits in 1H2015.

Income tax expense

Income tax expense increased marginally by S\$37,000 or 7.1%.

Overall, the Group's net loss attributed to equity holders of the Company was S\$2.85 million in 1H2016 compared to profit of S\$1.17 million in 1H2015.

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

Current Assets

Cash and cash equivalents increased by S\$1.30 million to S\$9.40 million as at end 1H2016 from S\$8.11 million attributed to the positive cash flow of the EPCM – Water Treatment segment from its proceeds collected from its projects.

Trade and other receivables reduced by S\$2.52 million to S\$27.35 million as at end 1H2016 against S\$29.87 million as at end FY2015 mainly due to the reduction in non-related trade receivables by S\$1.23 million non-related other receivables by S\$0.99 million.

Amount due from customers has also increased by S\$4.81 million mainly attributed to the increase in the projects work-in-progress for the EPCM – Marine and Offshore & Trading segment.

Prepayments, mainly for project costs, had also reduced by S\$1.74 million to S\$39.81 million as at end 1H2016 against S\$44.62 million as at end FY2015.

Inventories increased by S\$0.37 million to S\$1.05 million as at end 1H2016 compared to S\$0.69 million as at end FY2015 mainly due to the increase in stock-in-transit for trading sales. There was no stock obsolescence during the financial year.

Non-Current Assets

Property, plant and equipment increased by S\$1.36 million during 1H2015 to S\$18.96 million as at end 1H2016 from S\$17.61 million as at end FY2015 mainly due to S\$1.73 million incurred on acquisition of new equipment and construction costs for the Group's new waterfront facility partially offset by depreciation charges of S\$0.36 million.

Investment in an associated company reduced by S0.19 million to S\$5.87 million as at end 1H2016 from S\$6.06 million as at end FY2015 due to the reduction in the Group's share of profit and other comprehensive income of the associated company.

Available-for-sale financial assets had reduced by S\$0.88 million to S\$8.85 million as at end 1H2016 from S\$9.73 million as at end FY2015 mainly attributed to the liquidation of certain insurance policies. The available-for-sales assets for the Group comprised of investment in life insurance policies of S\$0.39 million and investment in unquoted securities of S\$8.51 million.

Current Liabilities

Trade and other payables had reduced by S\$1.20 million to S\$57.75 million as at end 1H2016 compared to S\$58.95 million as at end FY2015 mainly due to the reduction in trade payables to non-related parties by S\$1.44 million, reduction in accrual for project costs by S\$1.64 million partially offset by the increased in non-trade other payables by S\$1.46 million.

Down payment from customers reduced by S\$2.45 million to S\$7.33 million as at end 1H2016 compared to S\$9.78 million as at end FY2015 mainly due to the recognition of revenue for payments received from customers previously.

Amount due to customers had also reduced by S\$1.60 million to S\$1.80 million as at end 1H2016 compared to S\$3.40 million as at end FY2015 due to billings to customers for work done.

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

Bank borrowings had increased by S\$1.14 million to S\$26.71 million as at end 1H2016 from S\$27.85 million as at end FY2015 due to the increase in proceeds from bank borrowing of S\$0.75 million partially offset by repayment of bank borrowings of S\$0.56 million during the period and foreign exchange losses on translation of foreign currencies loans. Borrowings from third parties had increase by S\$1.29 million to S\$11.76 million as at end 1H2016 compared to S\$10.47 million as at end FY2015. These borrowings were obtained mainly for the financing of the Group's projects, working capital investment in unquoted securities (classified as available-for-sales assets).

Non-current Liabilities

The non-current bank borrowings had increased by S\$1.51 million mainly due to the proceeds from the construction loans for the development of the Group's new waterfront yard facility.

The Group is in a net current liabilities position of S\$24.43 and S\$21.82 million as at end 1H2016 and end FY2015 respectively.

The net assets position of the Group has also weaken to S\$8.41 million as at end 1H2016 compared to S\$12.23 million as at end FY2015.

The Company is actively exploring various options to improve its financial positions including addressing its net current liabilities position and will update the shareholders as soon as practicable.

Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

(iii) Commentary on the cash flows statement**Net Cash from Operating Activities**

Net cash from operating activities was S\$0.53 million in 1H2015 compared to net cash of S\$13.23 million used in 1H2015 despite the net loss before tax of S\$2.30 million in 1H2016 compared to net profit before tax of S\$1.69 million in 1H2015. The positive net cash from operating activities was mainly due to more favorable changes in the Group's working capital as follows:

	Favourable / (Adverse)	
	1H2016	1H2015
	S\$'000	S\$'000
Inventories	(396)	(90)
Trade and other receivables	(186)	6,416
Prepayments	2,728	2,235
Provision for warranties	(78)	-
Trade and other payables	(212)	(3,891)
Advances from contract customers	(2,002)	(11,825)
Amount due from contract customers	3,076	(15,033)
Amount due to contract customers	(1,455)	5,359
	<u>1,475</u>	<u>(16,829)</u>

Net Cash from Investing Activities

Net cash used in investing activities had reduced by S\$0.81 million, to S\$0.88 million in 1H2016 compared to S\$1.69 million in 1H2015 mainly due to the proceeds of S\$0.84 million from the disposal of certain available-for-sale investments held by the Group.

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

Net Cash from Financing Activities

Net cash provided by financing activities had increased by S\$1.15 million to S\$1.55 million in 1H2016 compared to S\$0.40 million in 1H2015. The net cash provided by financing activities in 1H2016 were mainly attributed to loan of S\$0.62 million extend by a director, proceeds from third parties loan of S\$0.36 million and proceeds from bank borrowings of S\$1.71 million, partially offset by interest payment of S\$1.06 million. The net cash provided by financing activities in 1H2015 were mainly attributed to proceeds received from convertible loans of S\$6.71 million, decrease in fixed deposits of S\$2.57 million pledged for the Group's bank borrowing and net proceeds of S\$1.93 million from the issuance of placement shares, partially offset by repayment of S\$8.07 million loans to a director and repayment of bank borrowings of S\$2.58 million.

Overall the cash and cash equivalent of the Group has weaken to S\$0.79 million as at end 1H2016 compared to S\$6.71 million as at end 1H2015.

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

No forecast or prospect statement had previously been disclosed to shareholders. The Company refers to its view stated in paragraph 10 of its previous FY2015 results announcement dated 29 February 2016 and its Annual Reports for the financial year ended 31 December 2015, and its view remains unchanged as at the date of this announcement.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

It has been an extremely challenging first half of 2016 for the industry, with volatile stock markets and plunging oil prices. Compounding to this situation, marine oil and gas companies are facing repercussions from the potential bankruptcy of major marine oil and gas companies.

The current sentiment in the market is one of belt tightening, with demand in the offshore and marine to wane. Given these obstacles in our operating environment, the Group plans to streamline its core operations, which include amongst other, cutting costs and manpower and building up its businesses to ensure steady stream of recurring income to weather the storm.

As at the latest date, the testing facilities for Derrick Equipment Set ("DES") and winches for the Group's new waterfront facility at Tuas South have been completed while construction of the workshop and main building has been progressing well. The scheduled completion date still remained at around end of 2H2016.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Year of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

11. Dividend (cont'd)

(d) Books closure date

Not applicable

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

No dividend has been declared.

13. CONFIRMATION BY THE BOARD OF DIRECTORS

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 half year ended 30 Jun 2016 to be false and misleading in any material aspect.

On behalf of the Board

Ting Teck Jin
Executive Chairman and Chief Executive Officer

Lim Poh Boon
Non-Executive and Independent Director

BY ORDER OF THE BOARD

Gwendolyn Gn
Company Secretary

Date: 10 August 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 Catalist 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.*

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.