

ANNOUNCEMENT

PROPOSED DISPOSAL OF PROPERTY

1. INTRODUCTION

The board of directors (the “**Board**”) of EMS Energy Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that EMS Energy Solutions Pte. Ltd. (“**EES**”), a wholly-owned subsidiary of the Company has entered into a sale and purchase agreement dated 14 October 2016 (the “**Agreement**”) with SPCO Holdings Pte. Ltd. (the “**Purchaser**”) for the sale of the Company’s property at 10 Tuas Avenue 11, Singapore 639076 (the “**Property**”) at the price of S\$5,600,000.00 (the “**Proposed Disposal**”).

2. INFORMATION ON THE PROPERTY

The Property is a leasehold property and used as corporate office and production facility by the Group. The land area of the Property is approximately 4,180 square metres.

Based on a valuation report dated 10 October 2016 (the “**Valuation Report**”) by Dennis Wee Realty Pte. Ltd., the market value of the Property is S\$5.60 million. The valuation was commissioned by EES.

The book value of the Property as at 31 December 2015 was approximately S\$5.6 million.

3. PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED DISPOSAL

3.1. The Sale Price

The sale price of the Property is S\$5,600,000.00 (the “**Sale Price**”), exclusive of goods and services tax.

The Sale Price was arrived at after arms’ length negotiations between EES and the Purchaser, and on a “willing-buyer, willing-seller” basis, taking into account the market value of the Property.

3.2. Deposit

Pursuant to the Agreement, the Purchaser shall on signing of the Agreement pay to EES a sum of S\$180,000.00 together with goods and services tax thereon by way of deposit (the “**Deposit**”).

3.3. Conditions Precedent

The Agreement is conditional upon satisfaction of the following conditions:

- (a) the passing of a resolution by the shareholders of EES approving the sale contemplated by the Agreement at a duly convened meeting of EES; and
- (b) as required pursuant to the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), the passing of a resolution by the shareholders of the Company being the listed holding company of EES, approving the sale contemplated by the Agreement at a duly convened meeting of the Company.

EES shall use all reasonable endeavours to ensure the satisfaction of the conditions set out above as soon as reasonably practicable and in any event by the expiry of the date falling six (6) months from the date of the Agreement or such later date as the parties may mutually agree in writing.

3.4. JTC Approvals

The sale of the Property is subject to the approval from JTC Corporation ("**JTC**") in respect of the following:

- (a) the sale and purchase/transfer/assignment of the Property to the Purchaser;
- (b) the proposed use of the Property by the Purchaser for the purposes of industrial usage – Offshore & Marine, Oil & Gas, Industrial & Petrochemical Engineering works which includes fabrication, construction and installation of parts related to vessels and platforms both for local and overseas projects, specialised HVAC & R System, and repair and maintenance of sea going vessels and platforms,

together, the "**JTC Approvals**".

For the purposes of the Agreement, JTC Approval in paragraph 3.4(a) shall refer to the letter of in-principle approval issued by JTC granting its approval to the transfer of the Property subject to the terms and conditions in such letter.

3.5. Completion

The balance of the purchase price shall be paid and the sale and purchase herein shall be completed:

- (a) twelve (12) weeks from the date of the Agreement; or
- (b) four (4) weeks from the date of the JTC's in-principle letter for the JTC Approvals are granted; or
- (c) four (4) weeks from the date of JTC's written acceptance of the Environmental Baseline Study ("**EBS**") if required by JTC and confirmation that environmental measures (including decontamination) need not be carried out; or
- (d) if decontamination is required, four (4) weeks from JTC's acceptance of the undertaking of EES to carry out EBS (including decontamination) and to furnish EBS and/or carry out such environmental measures (including decontamination) as may be required after completion; or
- (e) if paragraphs 3.5(c) and (d) above apply, four (4) weeks from JTC's acceptance of the undertaking of EES to carry out EBS (including decontamination) and to furnish EBS and/or carry out such environmental measures (including decontamination) as may be required after completion; or
- (f) two (2) weeks from the date of approval of the shareholders of the Company for the sale of the Property,

whichever is the latest date (hereinafter referred to as "**the date fixed for completion**").

4. MORTGAGE ON THE PROPERTY

The Property has been mortgaged to United Overseas Bank Limited ("**UOB**") under a mortgage executed by EES in favour of UOB ("**Mortgage**"). The Mortgage is to be discharged before completion.

5. RATIONALE FOR THE PROPOSED DISPOSAL

The Property is not a core asset of the Group as the Group has reduced its factory-based operations by outsourcing and any future factory-based requirement will be housed in its waterfront facility once completed. In addition, the Proposed Disposal will also substantially reduce the Group's liabilities. In addition, the Company has been looking for buyer for the Property for the last two years but have yet to receive any offer higher than or close to the current offer by the Purchaser. The Board is of the reasonable opinion that this Proposed Disposal is in the best interests of the Shareholders, as the asset is already mortgaged to a bank to obtain borrowings for the Group. The Management expects the net proceeds to be fully utilised to repay the outstanding bank borrowings and thus, helps to reduce the Group's accrued and future interest payable.

The Purchaser is a local contractor in marine contracting business and a potential partner in certain project work. They had approached the Company for renting part of the facility but accepted Group's preference in outright sale.

6. USE OF PROCEEDS

The entire proceeds arising from this Proposed Disposal shall be used for repayment of bank borrowings.

7. LOSS ON THE PROPOSED DISPOSAL

The Group is expected to record a net loss of approximately S\$60,000 from the Proposed Disposal, after taking into account the book value of the Property of approximately S\$5.60 million as at 31 December 2015 and estimated expenses of S\$60,000 on the disposal of the Property.

8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The proforma financial effects of the Group after the Proposed Disposal set out below are for illustrative purposes only and should not be taken as an indication of the actual future financial performance or position of the Group following the Proposed Disposal, nor a projection of the future financial performance or position of the Group after completion of the Proposed Disposal.

The proforma financial effects of the Proposed Disposal are based on the Company's audited financial statements for the financial year ended 31 December 2015 ("FY2015"):

8.1. Net tangible assets ("NTA") per share

Assuming that the Proposed Disposal had been completed on 31 December 2015, the NTA per share of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	12,231	12,171
Number of issued shares	448,735,224	448,735,224
NTA per share (Singapore cents)	2.73	2.71

8.2. Earnings per share ("EPS")

Assuming that the Proposed Disposal had been completed on 1 January 2015, the EPS of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss after tax (S\$'000)	10,240	10,300
Number of issued shares	448,735,224	448,735,224
EPS (Singapore cents)	(2.30)	(2.30)

9. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED DISPOSAL

The relative figures computed⁽¹⁾ on the bases of Rule 1006 of the Listing Manual in respect of the Proposed Disposal are as follows:

Rule	Bases of computation	Size of relative figure
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	63.9% ⁽²⁾
1006(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits	N.A.
1006(c)	Aggregate value of consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	56.7% ⁽⁴⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(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 and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) The figures computed here are based on the results for the six months period ended 30 June 2016 ("1H2016") which were announced by the Company on 10 August 2016.
- (2) "Net asset" means the total assets less total liabilities. Based on the net asset value of the Property of S\$5,367,000 and the Group's unaudited net asset value of approximately S\$8,395,000 as at 30 June 2016.
- (3) The asset proposed to be disposed of, is classified under the Property, Plant and Equipment held by EES. As such rule 1006(b) is not applicable.

- (4) The figures were calculated based on the (A) the aggregate value of consideration of S\$5,600,000 and (B) the market capitalisation of the Company of approximately 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).

As the relative figures computed on the bases set out in Rules 1006(a) and (c) of the Listing Manual exceed 50%, the Proposed Disposal constitutes a major transaction within the meaning of Rule 1014 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of shareholders of the Company.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

11. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract for such appointment is proposed to be entered into between the Company and any such person.

12. INSPECTION OF DOCUMENTS

Copies of the Agreement and Valuation Report will be made available for inspection during normal business hours at the registered office of the Company at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542 for a period of three (3) months from the date of this announcement.

13. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

A circular containing further details on the Proposed Disposal and enclosing a notice of extraordinary general meeting in connection therewith will be despatched to shareholders of the Company in due course.

By Order of the Board
EMS Energy Limited

Ting Teck Jin
Executive Chairman
17 October 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.

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