

ANNOUNCEMENT

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE 3 MONTHS ENDED 30 JUNE 2019

Cautionary Note:

Since 1 Aug 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 6 August 2019.

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 unaudited financial results announcement for the 3 months ended 30 Jun 2019 ("**2Q2019**").

The Company also wishes to highlight that the Group had deconsolidated the accounts of KIPL and its subsidiaries (namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte Ltd and Koastal Eco Industries Co., Ltd) ("**KIPL group**") following the placement of KIPL under creditors' voluntary liquidation on 24 Oct 2017. The Group incurred a net loss of S\$11.8 million and S\$12.4 million in 2Q2019 and 6 months ended 30 Jun 2019 ("**1H2019**") respectively. As at 30 Jun 2019, the Group's current liabilities exceeded its current assets by S\$110.6 million and the Group was in a net liability position of S\$110.5 million.

The unaudited results announcement for 2Q2019 has been prepared on a going concern basis. The validity of the going concern basis on which the unaudited financial statements for 2Q2019 are prepared, is subject to the followings:

- (a) The successful implementation of the SOA of the Company and EES which would significantly reduce the Company's liabilities; and
- (b) The Company had on 15 May 2019 entered into a definitive sale and purchase agreement in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company, which would allow the Company to diversify into the new business of ship repair, module construction and ship-building and potentially resolve its financial and business viability issues.

The Company is currently in close discussion with the SGX-ST and the Company's Sponsor on the Company's next steps after the Company announced on 28 June 2019 that it is unable to submit the resumption proposal pursuant to Rule 1304(1) of the Catalist Rules by 30 June 2019.

Due to the foregoing, shareholders are cautioned against placing undue reliance on the unaudited results announcement for 2Q2019. 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)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Three months period ended 30 Jun 2019 ("2Q2019") vs three months period ended 30 Jun 2018 ("2Q2018")

Six months period ended 30 Jun 2019 ("1H2019") vs six months period ended 30 Jun 2018 ("1H2018")

	Group					
	2Q2019	2Q2018	Increase/ (Decrease)	1H2019	1H2018	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	1,849	-	n.m.	1,909	454	n.m.
Cost of sales	(1,126)	-	n.m.	(1,151)	(450)	n.m.
Gross Profit	723	-	n.m.	758	4	n.m.
<i>Gross profit margin</i>	<i>39.1%</i>	<i>0.0%</i>		<i>39.7%</i>	<i>0.9%</i>	
Other income	92	777	(88.2)	92	874	(89.5)
	815	777	4.9	850	878	(3.2)
<u>Other items of expense</u>						
Administrative expenses	(695)	(737)	(5.7)	(1,295)	(1,985)	(34.8)
Reversal/(allowance) made for amount due from deconsolidated subsidiaries	50	(20,703)	n.m.	159	(20,703)	n.m.
Other expenses - Cost of construction in progress written-off	(10,750)	-	n.m.	(10,750)	-	n.m.
Finance cost	(1,260)	(60)	n.m.	(1,319)	(136)	n.m.
Loss before tax	(11,840)	(20,723)	(42.9)	(12,355)	(21,946)	(43.7)
Income tax expense	-	-	-	-	-	-
Total comprehensive loss for the period	(11,840)	(20,723)	(42.9)	(12,355)	(21,946)	(43.7)

Note:

n.m. - Not meaningful

UNAUDITED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

1(a)(ii) Notes to consolidated statement of comprehensive income

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

	Group					
	2Q2019	2Q2018	Increase/ (Decrease)	1H2019	1H2018	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	6	11	(45.5)	12	23	(47.8)
Staff costs (excluding directors' remuneration)	158	243	(35.0)	294	521	(43.6)
Professional fees	66	82	(19.5)	103	196	(47.4)
Interest expenses	1,260	60	n.m.	1,319	136	n.m.
Operating lease payments	105	135	(22.2)	236	287	(17.8)
Property, plant and equipment written-off	10,750	-	n.m.	10,750	-	n.m.
Loss on foreign exchange	133	84	58.3	224	427	(47.5)
Reversal/(allowance) made for amount due from deconsolidated subsidiaries	50	(20,703)	n.m.	159	(20,703)	n.m.
Gain on scrap disposals	(92)	-	n.m.	(92)	(85)	8.2

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

	Group		Company	
	As at 30-Jun-19	As at 31-Dec-18	As at 30-Jun-19	As at 31-Dec-18
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	94	10,853	41	10,797
Total non-current assets	94	10,853	41	10,797
<u>Current assets</u>				
Trade and other receivables	405	148	5,075	68
Prepayments	1,045	1,521	1	4
Cash and cash equivalents	102	107	-	1
Total current assets	1,552	1,776	5,076	73
Total assets	1,646	12,629	5,117	10,870
<u>Equity</u>				
Share capital	167,711	167,711	167,711	167,711
Accumulated losses	(129,331)	(116,976)	(222,211)	(210,757)
Other reserves	(148,881)	(148,881)	85	85
Total deficit	(110,501)	(98,146)	(54,415)	(42,961)
<u>Current liabilities</u>				
Trade and other payables	49,408	48,170	15,918	10,210
Amount owing to deconsolidated subsidiaries	33,176	33,193	32,435	32,441
Advance from contract customers	818	1,852	-	-
Bank borrowings	1,670	1,746	1,746	1,746
Borrowings from third parties	17,414	16,380	-	-
Convertible loan	7,769	7,542	7,541	7,542
Financial derivative Liabilities	1,892	1,892	1,892	1,892
Income tax payable	-	-	-	-
Total current liabilities	112,147	110,775	59,532	53,831
Total equity and liabilities	1,646	12,629	5,117	10,870

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	As at 30 Jun 2019		As at 31 Dec 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or on demand	26,853	-	25,668	-
Amount repayable after one year	-	-	-	-

Details of any collateral as at 30 June 2019

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 in one year, or on demand S\$'000	Repayable after one year S\$'000	Total S\$'000
Bank borrowings			
Bills payables	1,670	-	1,670
Borrowing from third parties ⁽¹⁾	17,414	-	17,414
Convertible loan ⁽²⁾	7,769	-	7,769
Total borrowings	26,853	-	26,853

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 2019 (Cont'd)

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**"); and
- (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**"). The Notes matured on 12 Jun 2018. 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

- (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.

The Company had on 27 October 2016 received a letter of demand from Venstar III making a claim under a corporate guarantee furnished by the Company to Venstar III on behalf of KPL in respect of a subscription agreement entered into on 11 June 2015, for the sum of S\$7.7 million and the interest accrued thereon. The Company has admitted the outstanding amount of S\$9.7 million (included the interest accrued) claimed by Venstar III to its approved SOA. The corporate guarantee had thus crystallised into a real liability.

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

	Group			
	2Q2019	2Q2018	1H2019	1H2018
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Loss before tax	(11,840)	(20,723)	(12,355)	(21,946)
Adjustments for:				
Depreciation of property, plant and equipment	6	11	12	23
Loss allowance made for amount due from deconsolidated subsidiaries	-	20,703	-	20,703
Write back of allowance for impairment due from deconsolidated subsidiaries	(50)	-	(50)	4
Write-off of property, plant and equipment	10,750	-	10,750	-
Interest expense	1,260	60	1,319	136
Unrealised exchange differences	5	(648)	(14)	(173)
Operating cash flow before movements in working capital	131	(597)	(338)	(1,253)
Working capital changes:				
Inventories	30	-	-	-
Trade and other receivables	(202)	(31)	(205)	(297)
Prepayments	608	(412)	475	(514)
Trade and other payables	380	141	787	1,258
Advances from contract customers	-	-	-	(408)
Amount due from customers	(1,035)	-	(1,035)	-
Amount owing to contract customers	-	554	-	554
Cash used in operations	(219)	252	22	593
Income taxes paid	-	-	-	-
Net cash used in operating activities	(88)	(345)	(316)	(660)
Investing activities				
Purchase of property, plant and equipment	(2)	-	(3)	(15)
Proceeds from disposal of property, plant and equipment	-	-	-	22
Proceeds from disposal of asset held for sale	-	-	-	5,600
Net cash (used in)/from investing activities	(2)	-	(3)	5,607
Financing activities				
Loan from a director	88	102	214	109
Loan from third parties	-	-	100	-
Interest paid	-	-	-	(17)
Repayment of bank borrowings	-	-	-	(5,371)
Net cash from/(used in) financing activities	88	102	314	(5,279)
Net changes in cash and cash equivalents	(2)	(243)	(5)	(332)
Cash and cash equivalents at beginning of the period	104	309	107	398
Cash and cash equivalents at end of the period	102	66	102	66

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

	Share capital	Foreign currency translation reserve	Revaluation reserve	Share option reserve	Merger reserve	Other reserves	Accumulated losses	Total equity
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group								
2019								
Balance as at 1 Jan 2019	167,711	34	-	85	(149,000)	(148,881)	(116,976)	(98,146)
Loss for the period	-	-	-	-	-	-	(515)	(515)
Other comprehensive income								
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(515)	(515)
Balance as at 31 Mar 2019	167,711	34	-	85	(149,000)	(148,881)	(117,491)	(98,661)
Loss for the period	-	-	-	-	-	-	(11,840)	(11,840)
Other comprehensive income								
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(11,840)	(11,840)
Balance as at 30 Jun 2019	167,711	34	-	85	(149,000)	(148,881)	(129,331)	(110,501)
2018								
Balance as at 1 Jan 2018	167,711	34	6,178	85	(149,000)	(142,703)	(96,739)	(71,731)
Loss for the period	-	-	-	-	-	-	(1,223)	(1,223)
Other comprehensive income								
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(1,223)	(1,223)
Balance as at 31 Mar 2018	167,711	34	6,178	85	(149,000)	(142,703)	(97,962)	(72,954)
Loss for the period	-	-	-	-	-	-	(20,723)	(20,723)
Other comprehensive income								
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(20,723)	(20,723)
Balance as at 30 Jun 2018	167,711	34	6,178	85	(149,000)	(142,703)	(118,685)	(93,677)

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*)

Company	Share capital	Share option reserve	Accumulated losses	Total equity
	SGD'000	SGD'000	SGD'000	SGD'000
<u>2019</u>				
Balance as at 1 Jan 2019	167,711	85	(210,757)	(42,961)
Loss for the period	-	-	(344)	(344)
Other comprehensive income				
Foreign currency translation differences	-	-	-	-
Total comprehensive income for the period	-	-	(344)	(344)
Balance as at 31 Mar 2019	167,711	85	(211,101)	(43,305)
Loss for the period	-	-	(11,110)	(11,110)
Other comprehensive income				
Foreign currency translation differences	-	-	-	-
Total comprehensive income for the period	-	-	(11,110)	(11,110)
Balance as at 30 Jun 2019	167,711	85	(222,211)	(54,415)
<u>2018</u>				
Balance as at 1 Jan 2018	167,711	85	(198,442)	(30,646)
Loss for the period	-	-	(306)	(306)
Other comprehensive income				
Foreign currency translation differences	-	-	-	-
Total comprehensive income for the period	-	-	(306)	(306)
Balance as at 31 Mar 2018	167,711	85	(198,748)	(30,952)
Loss for the period	-	-	(2,070)	(2,070)
Other comprehensive income				
Foreign currency translation differences	-	-	-	-
Total comprehensive income for the period	-	-	(2,070)	(2,070)
Balance as at 30 Jun 2018	167,711	85	(200,818)	(33,022)

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 2019 to 30 Jun 2019.

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

As at 30 Jun 2019, the following employee share options granted under the EMS Employee Share Option Scheme dated 22 Aug 2009, still remain outstanding:

Share option issued to	Number of option granted	Number of options still remaind outstanding as at 30 Jun 2019	Exercise price per option	Exercisable date
Independent Directors	150,000	150,000	S\$0.027	23 Feb 2015 to 22 Feb 2020
Controlling Shareholder	700,000	700,000	S\$0.027	27 Apr 2015 to 26 Apr 2025
	850,000	850,000		

The Company had 850,000 share options outstanding as at 30 Jun 2018.

The EMS Employee Share Option Scheme will lapse on 21 August 2019.

(iii) 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. The Notes matured on 12 Jun 2018.

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\$9.7 million against the Company as Corporate Guarantor and the Company has admitted the claim to its approved SOA.

Save for the aforementioned Share Options and Convertible Notes, the Company did not have any other outstanding convertibles as at 30 Jun 2019 and 30 Jun 2018. The Company did not have any treasury shares or subsidiary holdings as at 30 Jun 2019 and 30 Jun 2018.

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.

	30 Jun 2019	31 Dec 2018
Total number of shares excluding treasury shares	448,735,224	448,735,224

The Company did not have any treasury shares as at 30 Jun 2019 and 31 Dec 2018.

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 for the financial year ended 31 Dec 2018.

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 Group adopted the new financial reporting framework SFRS (I) as required by all Singapore-incorporated companies listed on the Singapore Exchange (SGX) for annual periods beginning on or after 1 Jan 2018. There is no change to the Group's and the Company's accounting policies under SFRS or material adjustments on the initial transition to the new framework SFRS (I).

The Group has adopted SFRS(I) 16 Leases with effect from 1 Jan 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption and has not restated comparatives for the 2018 reporting period as permitted under the specific transition

provisions in the standard. On adoption of SFRS(I) 16 Leases, the Group did not recognized any right-of-use assets or lease liabilities as at 30 Jun 2019.

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)**

	Group			
	2Q2019 (Cents)	2Q2018 (Cents)	1H2019 (Cents)	1H2018 (Cents)
Earnings Per Ordinary Share				
Based on weighted average number of ordinary shares in issue and on fully diluted basis	(2.64)	(4.62)	(2.75)	(4.89)
Weighted average number of ordinary shares issued	448,735,224	448,735,224	448,735,224	448,735,224

Note:

As at 30 Jun 2019, there were (i) 850,000 (30 Jun 2018: 850,000) Share Options under the EMS Energy Employees Share Option Scheme and (ii) no Convertible Notes (30 Jun 2018: S\$6,708,000), being the Singapore Dollar equivalent of US\$5.0 million of Convertible Notes which could be convertible up to 21,873,912 Company's shares. The outstanding Share Options 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 2Q2019 and 2Q2018 as the Group was in a loss position in 2Q2019 and 2Q2018.

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**

	Group		Company	
	30-Jun-19 (Cents)	31-Dec-18 (Cents)	30-Jun-19 (Cents)	31-Dec-18 (Cents)
Net asset value per ordinary share	(24.62)	(21.87)	(12.13)	(9.57)
Number of ordinary shares issued	448,735,224	448,735,224	448,735,224	448,735,224

The Company did not have any treasury shares as at 30 Jun 2019 and 31 Dec 2018.

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

STATEMENT OF COMPREHENSIVE INCOME

Revenue

The Group recorded revenue of S\$1.8 million in 2Q2019. This was due to the completion of one of the Vietnam projects that the Group novated from KIPL, which had ceased operations in Sep 2016. No revenue was recorded in 2Q2018 due to no project billings.

Cost of sales & gross profit

The Group recorded cost of sales of S\$1.1 million in 2Q2019 due to the completion of one of the Vietnam projects that the Group novated from KIPL, which been ceased operations in Sep 2016. As a result, gross profit of S\$0.7 million was recognized.

Other income

	Group					
			Increase/ (Decrease)			Increase/ (Decrease)
	2Q2019 S\$'000	2Q2018 S\$'000	%	1H2019 S\$'000	1H2018 S\$'000	%
Gain on scrap disposals	92	-	n.m.	92	85	8.2
Foreign exchange gain	-	774	n.m.	-	781	n.m.
Other income	-	3	n.m.	-	8	n.m.
	<u>92</u>	<u>777</u>		<u>92</u>	<u>874</u>	

Note:

n.m. - Not meaningful

Gain on scrap disposal comprises sale of office and storage containers, gantry crane, cables, wire rope and electric panels and forklift from the water facility situated at Tuas South Street 15 following the termination of lease with Jurong Town Corporation ("JTC") on 6 Jun 2019. The exchange gain in 2Q2018 was mainly due to the strengthening of USD for amount due from deconsolidated subsidiaries. Where else, the USD exchange rate has been weakening since the start of 2019.

Administrative expenses

Administrative expenses decreased by S\$0.04 million or 5.7% to S\$0.7 million in 2Q2019 as compared with 2Q2018 was mainly due to lower staff costs, professional fees and operating lease expenses offset by higher loss on foreign exchange.

Reversal/(allowance) made for amount due from deconsolidated subsidiaries

In 2Q2019, the reversal of S\$0.05 million was mainly due to payment collected from deconsolidated subsidiaries. The Company had in 2Q2018 made an allowance for impairment of S\$20.07 million due from deconsolidated subsidiaries.

Other expense – Cost of construction in progress written-off

In 2Q2019, the capitalized cost for the construction in progress of the waterfront facility situated at Tuas South Street 15 was written-off after the lease was terminated and the premise was returned to JTC on 6 Jun 2019. The repayment scheme of rental arrears as well as other charges such as damages, reinstatement works and property tax will only be finalized upon the trading of the Company shares resumed.

Interest Expenses

In 2Q2019, interest expenses increased by S\$1.2 million to S\$1.3 million as compared with 2Q2018 was mainly due to the accruals of bank borrowings, borrowing from third parties and interest on convertible loan for 1H2019. Such interest expenses for the corresponding period were not accrued in 2Q2018 but have been accounted for in the fourth quarter ended 31 December 2018.

STATEMENT OF FINANCIAL POSITION**Non-Current Assets**

Property, Plant and Equipment decreased by S\$11.0 million to S\$0.09 million mainly due to the write-off of construction cost in progress for the waterfront facility situated at Tuas South Street 15 following the termination of lease with JTC and the premise was returned to JTC on 6 Jun 2019.

Current Assets

Trade and other receivables increased by S\$0.3 million as at 30 Jun 2019. The increased in trade and other receivables was mainly due to billing rendered following the completion of one of the Vietnam projects.

Prepayments decreased by S\$0.5 million as at 30 Jun 2019 was mainly due to the amount being transferred to cost of sale following the completion of a Vietnam project.

Current Liabilities

Trade and other payables increased by S\$1.2 million to S\$49.4 million, mainly due to the accrual of interest payable to borrowings from third parties, staff costs, directors' fee, JTC costs, loan from a director and third parties and recognition of cost from suppliers following the completion of Vietnam project.

Advance from contract customers decreased by S\$1.0 million to S\$0.8 million was due to amount transferred to revenue following the completion of a Vietnam project.

Borrowings from bank, third parties and convertible loan increased by S\$1.2 million to S\$26.9 million mainly due to the accrual of interest payable to various parties.

The Group's total deficit increased by S\$12.4 million to S\$110.5 million as at 30 Jun 2019, mainly due to the decrease in retained earnings as a result of losses incurred for 2Q2019.

Negative working capital and net liabilities position

The Group was in a negative working capital position of S\$110.6 million and S\$109.0 million as at 30 Jun 2019 and 31 Dec 2018 respectively. In addition, the Group was in a net liability position of S\$110.5 million as at 30 Jun 2019 compared to S\$98.1 million as at 31 Dec 2018.

Notwithstanding the above, the unaudited results announcement for 2Q2019 has been prepared on a going concern basis, subject to the followings:

- a. The successful implementation of the SOA of the Company and EES which would significantly reduce the Company's liabilities; and
- b. The Company had on 15 May 2019 entered into a definitive sale and purchase agreement in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company, which would allow the Company to diversify into the new business of ship repair, module construction and ship-building and potentially resolve its financial and business viability issues.

The Company is currently in close discussion with the SGX-ST and the Company's Sponsor on the Company's next steps after the Company announced on 28 June 2019 that it is unable to submit the resumption proposal pursuant to Rule 1304(1) of the Catalist Rules by 30 June 2019.

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

STATEMENT OF CASH FLOW

The decrease in cash and cash equivalents of S\$0.002 million in 2Q2019 was mainly due to:

- i) net cash outflow of S\$0.09 million from operating activities; and
- ii) net cash inflow of S\$0.09 million from financing activities

Net cash outflow from operating activities of S\$0.09 million was mainly attributable to cash generated from operations of S\$0.1 million, offset by decrease in working capital of S\$0.2 million. Net cash of S\$0.4 million collected from trade and other receivables and prepayments was mainly due to the project billings during

the period. Correspondingly, trade and other payables increased by S\$0.4 million mainly due to amount due to suppliers following the completion of a Vietnam project. Amount due from customers reduced by S\$1.0 million was mainly due to recognition of advance receipts from project customers to profit and loss account following the completion of a Vietnam project.

Net cash generated from financing activities of S\$0.09 million was due to a loan from a director.

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 and EES are in the midst of implementing their respective SOAs. The completion of the SOAs are contingent upon the successful resumption of trading of the Company's shares which the Company is required to submit to SGX-ST a resumption proposal addressing the financial and business viability issues.

The Company had on 15 May 2019 entered into a definitive Sale and Purchase Agreement with in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company. The Board believes that the proposed acquisition would allow the Company to diversify into the new business of ship repair, module construction and ship-building, which could potentially resolve its financial and business viability issues.

On 28 Jun 2019, the Company announced that it is unable to submit the resumption proposal pursuant to Rule 1304(1) of the Catalyst Rules by 30 June 2019. The Company is currently in close discussion with the SGX-ST and the Company's Sponsor on the Company's next steps.

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 2Q2019.

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

Not applicable. No dividend has been declared for 2Q2018.

(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 and the reason(s) for the decision

No dividend has been declared or recommended for 2Q2019 as the Company does not have profits available for the declaration of dividends.

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 has not obtained a general mandate from shareholders for IPTs.

14. Confirmation Pursuant to Rule 705(5) of the Catalyst 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 the Company that, to the best of our knowledge, nothing has come to attention of the Board which may render the unaudited financial statements of the Group and the Company for 2Q2019 to be false and misleading in any material aspect.

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

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

BY ORDER OF THE BOARD
EMS Energy Limited

Wee Woon Hong
Company Secretary
6 August 2019

This announcement has been prepared by EMS Energy Limited (the "Company") and its contents have been reviewed by the Company's continuing sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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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