

UPDATE ANNOUNCEMENT

1. FINANCIAL POSITION OF THE GROUP AND ABILITY TO OPERATE AS A GOING CONCERN

The board of directors (the “**Board**”) of EMS Energy Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement released by the Company on 1 August 2016 in relation to, *inter alia*, the restructuring and/or negotiating of payment schedules with its creditors (the “**1 August Announcement**”).

Further to the release of the 1 August Announcement, the Group has received further letters of demand from various creditors, and certain creditors have also issued statutory notices of demand and/or commenced legal proceedings (see paragraph 2 below for further details). In addition, the Board wishes to update the shareholders of the Company (“**Shareholders**”) that:

- whilst negotiations have been ongoing with certain creditors on repayment schedules, these have not been finalised to date and have taken longer than management had anticipated;
- subsequent to the end of FY2015, the Group has yet divested any of its non-core assets to raise proceeds for working capital needs;
- whilst the Group has in the past managed to refinance certain of its bank borrowings, the Group believes that future funding and/or refinancing will be extremely challenging and notices of default have since been served on the Group by certain of its bankers;
- due to a delay in completion of certain projects namely (i) the supply of a unit of derrick equipment set and (ii) the supply of equipment for 2 units of 12,000 BHP anchor handling tug supply vessel, the Group has not been able to collect payment from its customers in respect of such projects which in turn materially adversely affects the Group’s operating cash flow requirements; and
- the Group’s cash and bank balances are insufficient to fulfil claims and demands from its creditors.

In view of the foregoing and the cash flow constraints currently faced by the Group, the Board is of the view that that the Company and certain Group entities (namely Koastal Industries Pte. Ltd. (“**KIPL**”) and EMS Energy Solutions Pte. Ltd. (“**EES**”) are no longer able to operate as a going concern. Accordingly, the Board wishes to inform Shareholders that the Group has appointed financial and legal advisers to explore the restructuring of the existing debt obligations and liabilities of the Company, EES and KIPL by way of schemes of arrangement under Section 210 of the Companies Act (Cap. 50) (the “**Companies Act**”).

2. UPDATE ON CLAIMS AND LEGAL PROCEEDINGS

As at the date of this announcement, the Group has received letters of demand, notice of legal proceedings, as well as statutory notices of demand under the Companies Act from various creditors (including vendors, service providers, lenders, and ex-employees) aggregating to approximately S\$19.8

million. Of the S\$19.8 million, S\$11.4 million were from trade and other creditors, while the remaining S\$8.4 million were from banks.

Since the 1 August Announcement, the Group has also received notice of 14 legal proceedings, commenced by parties against the Group in respect of certain of the foregoing claims. As at the date hereof, the aggregate amount claimed under such proceedings is approximately S\$3.4 million.

Entities in the Group have also received three statutory notices of demand under the Companies Act demanding payments within 21 days of service of the respective notices:

Group Entity	Amount Demanded	Date of Notice
EES	S\$58,500	31 August 2016
EES	S\$115,609.28	7 September 2016
KIPL	US\$1,907,272.38	22 September 2016

No payment has been made on these amounts as at the date hereof.

EES has received a summon issued by the Ministry of Manpower to attend an inquiry before the Assistant Commissioner for Labour in relation to claims made by an ex-employee under the Employment Act (Cap. 91).

3. PROPOSED SCHEMES OF ARRANGEMENT

The Company, KIPL and EES, intend to, in the week of 26 September 2016, file applications with the High Court of the Republic of Singapore ("**Court**") to propose schemes of arrangement under Section 210 of the Companies Act (the "**Schemes of Arrangement**") for the purposes of implementing and facilitating the restructuring of their respective debt obligations and liabilities (the "**Applications**"). Such entities will also apply, under Section 210(10) of the Companies Act, for a restraint of further proceedings in any action or proceeding against such entities, except by leave of the Court and subject to such terms as the Court imposes.

Through the filing of the Applications, the Company is seeking to effect a consensual restructuring of the Group's debt and liabilities in a manner which would maximise the value of the Group and its assets for its creditors and shareholders. In particular, the Company believes that notwithstanding the current difficulties, there remains a prospect of rehabilitating the Group and obtaining greater value from its business and assets if it is allowed to carry on its business in the ordinary course of nature, without the threat and distraction of proceedings and other action which may be taken by its creditors.

The Company will, in compliance with the Catalist Rules, make the relevant disclosures in the event of any material developments, including the result of the Application.

4. TRADING SUSPENSION

In view of the foregoing, the Board will also be requesting for the conversion of the trading halt into a suspension under Rule 1303(3) of the Catalist Rules.

By Order of the Board
EMS Energy Limited

Ting Teck Jin
Executive Chairman
23 September 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.*

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