

## ANNOUNCEMENT

### UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE 3 MONTHS ENDED 30 JUNE 2018

#### Cautionary Note:

Since 1 August 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 3 August 2018.

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 2018 (“2Q2018”).

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”) with effect from its audited financial year ended 31 Dec 2017 results following the placement of KIPL under creditors’ voluntary liquidation on 24 Oct 2017. The Group incurred a net loss of S\$20.7 million and S\$21.9 million in 2Q2018 and the 6 months ended 30 Jun 2018 (“1H2018”) respectively. As at 30 Jun 2018, the Group’s current liabilities exceeded its current assets by S\$104.7 million and the Group was in a net liability position of S\$93.7 million.

The unaudited results announcement for 2Q2018 has been prepared on the assumption that the Group is able to continue as a going concern to the best of knowledge and belief of the Directors, and having made all reasonable enquiries to the management on the abovementioned. As at the date of this announcement, the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. The unaudited results announcement for 2Q2018 did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the unaudited financial statements for 2Q2018 are prepared, is based on the following management’s assessment:

- (a) The Company has signed a term sheet to raise S\$7.5 million cash for the development of its shipyard under construction at Tuas. Furthermore, the deal includes injection of certain operating entities of the investor and the investor agrees to further invest in the Company through a 1 for 1 rights issue upon completion of the SOA and a placement.
- (b) The management is confident that it will be able to successfully complete the implementation of the SOA of the Company and EES, and thus significantly reducing the Company’s liabilities.

Due to the foregoing, shareholders are cautioned against placing undue reliance on the unaudited results announcement for 2Q2018. 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) 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**

Three months period ended 30 Jun 2018 (“2Q2018”) vs three months period ended 30 Jun 2017 (“2Q2017”)

Six months period ended 30 Jun 2018 (“1H2018”) vs six months period ended 30 Jun 2017 (“1H2017”)

	Group			Group		
	2Q2018 S\$'000	2Q2017 S\$'000	Increase/ (Decrease) %	1H2018 S\$'000	1H2017 S\$'000	Increase/ (Decrease) %
<b>Continuing operations</b>						
Revenue	-	3,271	n.m.	454	5,908	(92.3)
Cost of sales	-	(3,107)	n.m.	(450)	(5,127)	(91.2)
<b>Gross profit</b>	-	<b>164</b>	n.m.	<b>4</b>	<b>781</b>	(99.5)
<i>Gross profit margin</i>	<i>0.0%</i>	<i>5.0%</i>		<i>0.9%</i>	<i>13.2%</i>	
Other income	896	63	n.m.	878	404	117.3
Expenses						
- Administrative	(856)	(1,475)	(41.9)	(1,989)	(2,890)	(31.2)
- Distribution	-	(16)	n.m.	-	(37)	n.m.
- Other expenses	-	(15)	n.m.	-	(30)	n.m.
- Finance	(60)	(740)	(91.9)	(136)	(991)	(86.3)
- Allowance for impairment of amount due from deconsolidated subsidiaries	(20,703)	-	n.m.	(20,703)	-	n.m.
Loss in disposal of associated company	-	-	n.m.	-	(108)	n.m.
<b>Loss before income tax</b>	<b>(20,723)</b>	<b>(2,019)</b>	n.m.	<b>(21,946)</b>	<b>(2,871)</b>	n.m.
Income tax expense	-	-	n.m.	-	-	n.m.
<b>Total loss for the period attributable to equity of the Company</b>	<b>(20,723)</b>	<b>(2,019)</b>	n.m.	<b>(21,946)</b>	<b>(2,871)</b>	n.m.

Note: n.m. - not meaningful

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

	Group		Increase/ (Decrease) %	Group		Increase/ (Decrease) %
	2Q2018 S\$'000	2Q2017 S\$'000		1H2018 S\$'000	1H2017 S\$'000	
<b>Other comprehensive income :</b>						
Items that may be reclassified subsequently to profit or loss :						
Currency translation differences						
- On translation of foreign operations	-	87	n.m.	-	2,642	n.m.
	-	87	n.m.	-	2,642	n.m.
Share of other comprehensive income of associated company						
- Currency translation differences	-	-	n.m.	-	(1)	n.m.
- Fair value gain	-	-	n.m.	-	5	n.m.
	-	-	n.m.	-	4	n.m.
Items that will not be reclassified subsequently to profit or loss :						
Share of other comprehensive income of associated company						
- Revaluation (deficit)	-	-	n.m.	-	(1,862)	n.m.
	-	-	n.m.	-	(1,862)	n.m.
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>87</b>	<b>n.m.</b>	<b>-</b>	<b>784</b>	<b>n.m.</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(20,723)</b>	<b>(1,932)</b>	<b>n.m.</b>	<b>(21,946)</b>	<b>(2,087)</b>	<b>n.m.</b>

Note: n.m. - not meaningful

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

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

	2Q2018	2Q2017	Increase/ (Decrease)	1H2018	1H2017	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	(11)	(156)	(92.9)	(23)	(192)	(88.0)
Allowance for impairment of amount due from deconsolidated subsidiaries	(20,703)	-	n.m.	(20,703)	-	n.m.
Fair value loss arising from derivative financial instruments	-	(15)	n.m.	-	(30)	n.m.
Foreign exchange gain	707	8	n.m.	386	346	11.6
Employee compensation	(243)	(814)	(70.1)	(557)	(1,835)	(86.6)
Professional fees	(97)	(90)	7.8	(226)	(462)	(51.1)
Interest expenses	(60)	(740)	(91.9)	(136)	(991)	(86.3)

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

**STATEMENT OF FINANCIAL POSITION**

	Group		Company	
	As at 30 Jun 2018 S\$'000	As at 31 Dec 2017 S\$'000	As at 30 Jun 2018 S\$'000	As at 31 Dec 2017 S\$'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	10,988	11,022	10,802	10,808
<b>Total non-current assets</b>	<b>10,988</b>	<b>11,022</b>	<b>10,802</b>	<b>10,808</b>
<b>Current Assets</b>				
Inventories	548	548	-	-
Trade & other receivables	593	296	8,640	14,103
Amount due from deconsolidated subsidiaries	-	20,293	-	1,616
Prepayments	902	388	70	4
Cash and bank balances	73	511	-	57
	<u>2,116</u>	<u>22,036</u>	<u>8,710</u>	<u>15,780</u>
Assets held for sale				
- Leasehold land & building	-	5,600	-	-
	<u>-</u>	<u>5,600</u>	<u>-</u>	<u>-</u>
<b>Total current assets</b>	<b>2,116</b>	<b>27,636</b>	<b>8,710</b>	<b>15,780</b>
<b>Total Assets</b>	<b>13,104</b>	<b>38,658</b>	<b>19,512</b>	<b>26,588</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	167,711	167,711	167,711	167,711
Other reserves	(142,703)	(142,703)	85	85
Accumulated losses	(118,685)	(96,739)	(200,818)	(198,442)
<b>Total Equity</b>	<b>(93,677)</b>	<b>(71,731)</b>	<b>(33,022)</b>	<b>(30,646)</b>
<b>Current Liabilities</b>				
Trade & other payables	47,836	46,463	9,567	8,970
Advances from contract customers	-	408	-	-
Amount due to customers	1,169	615	-	-
Amount due to deconsolidated subsidiaries	32,953	32,716	32,441	32,373
Bank borrowings	1,552	6,916	1,552	6,916
Borrowings from third parties	14,296	14,296	-	-
Convertible loan	7,083	7,083	7,083	7,083
Financial derivative liabilities	1,892	1,892	1,892	1,892
	<u>106,781</u>	<u>110,389</u>	<u>52,535</u>	<u>57,234</u>
<b>Total current liabilities</b>	<b>106,781</b>	<b>110,389</b>	<b>52,535</b>	<b>57,234</b>
<b>Total Liabilities</b>	<b>106,781</b>	<b>110,389</b>	<b>52,535</b>	<b>57,234</b>
<b>Net Liabilities</b>	<b>(93,677)</b>	<b>(71,731)</b>	<b>(33,022)</b>	<b>(30,646)</b>
<b>Net Current Liabilities</b>	<b>(104,665)</b>	<b>(82,753)</b>	<b>(43,825)</b>	<b>(41,454)</b>

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 2018		As at 31 Dec 2017	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
22,931	-	28,295	-

**Amount repayable after one year**

As at 30 Jun 2018		As at 31 Dec 2017	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Details of any collateral as at 30 Jun 2018**

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 less than one year	Repayable more than one year	Total
	S\$'000	S\$'000	S\$'000
<b>Bank Borrowings</b>			
Bills payable	1,552	-	1,522
	<b>1,552</b>	<b>-</b>	<b>1,522</b>
<b>Borrowings from third parties / Convertible loan</b>			
Borrowings from third parties <sup>(1)</sup>	14,296	-	14,296
Convertible loan <sup>(2)</sup>	7,083	-	7,083
	<b>21,379</b>	<b>-</b>	<b>21,379</b>
<b>Total borrowings</b>	<b>22,931</b>	<b>-</b>	<b>22,931</b>

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.

**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.

**Details of any collateral as at 30 Jun 2018 (Cont'd)**

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

**Details of any collateral as at 30 Jun 2018 (Cont'd)**

- (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\$8.9 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**

	The Group		The Group	
	2Q2018 S\$'000	2Q2017 S\$'000	1H2018 S\$'000	1H2017 S\$'000
<b>Cash flows from operating activities</b>				
Loss before income tax	(20,723)	(2,019)	(21,946)	(2,871)
Adjustments for:				
Depreciation of property, plant and equipment	11	156	23	192
Fair value loss arising from derivative financial instruments	-	15	-	30
Fair value loss transferred from fair value reserve on disposal of financial assets, available for sale	-	-	-	6
Provision for warranties	-	-	-	(33)
Allowance for impairment of amount due from deconsolidated subsidiaries	20,703	-	20,703	-
Loss / (Gain) on disposal of property, plant and equipment	-	(5)	4	(5)
Loss on disposal of associated company	-	-	-	108
Interest expense	60	740	136	991
Unrealised exchange differences	(648)	710	(173)	3,272
	<b>(597)</b>	<b>(403)</b>	<b>(1,253)</b>	<b>1,690</b>
Changes in working capital:				
Inventories	-	469	-	(3,043)
Trade and other receivables	(31)	(1,106)	(297)	3,551
Prepayments	(412)	12	(514)	(91)
Trade and other payables	141	1,351	1,258	(2,224)
Advances from contract customers	-	419	(408)	752
Amount due from contract customers	-	(58)	-	(131)
Amount due to contract customers	554	(827)	554	(2,794)
<b>Cash used in operations</b>	<b>(345)</b>	<b>(143)</b>	<b>(660)</b>	<b>(2,290)</b>
Income taxes paid	-	(17)	-	(60)
<b>Net cash used in operating activities</b>	<b>(345)</b>	<b>(160)</b>	<b>(660)</b>	<b>(2,350)</b>

**Consolidated Cash Flow Statement (Cont'd)**

	The Group		The Group	
	2Q2018	2Q2017	1H2018	1H2017
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Investing activities</b>				
Proceeds from disposal of assets held for sale	-	-	5,600	-
Proceeds from disposal of associated company	-	-	-	2,860
Proceeds from disposal of property, plant and equipment	-	5	22	5
Purchase of property, plant and equipment	-	-	(15)	-
<b>Net cash from investing activities</b>	<b>-</b>	<b>5</b>	<b>5,607</b>	<b>2,865</b>
<b>Financing activities</b>				
Loan from a director	102	57	109	1,056
Increase in fixed deposits pledged	-	(142)	-	(322)
Interest paid	-	(560)	(17)	(633)
Proceeds from bank borrowings	-	386	-	386
Repayment of bank borrowings	-	-	(5,371)	(795)
<b>Net cash from/(used in) financing activities</b>	<b>102</b>	<b>(259)</b>	<b>(5,279)</b>	<b>(308)</b>
Net changes in cash and cash equivalents	(243)	(414)	(332)	207
Cash and cash equivalents at beginning of the period	309	958	398	330
Effects of currency translation on cash and cash equivalents	-	(3)	-	4
<b>Cash and cash equivalents at end of the period (Note A)</b>	<b>66</b>	<b>541</b>	<b>66</b>	<b>541</b>
<b>Note A:</b>				
<b>Cash and cash equivalents comprised of:</b>				
Cash and bank balances as per statement of financial position	73	649	73	649
Less: Bank overdrafts	(7)	(108)	(7)	(108)
Cash and cash equivalents as per statement of cash flow	66	541	66	541

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 Apr 2018	167,711	-	-	34	6,178	85	(149,000)	(142,703)	(97,962)	(72,954)
Loss for the period	-	-	-	-	-	-	-	-	(20,723)	(20,723)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(20,723)	(20,723)
Balance as at 30 Jun 2018	<u>167,711</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>6,178</u>	<u>85</u>	<u>(149,000)</u>	<u>(142,703)</u>	<u>(118,685)</u>	<u>(93,677)</u>

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)

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 Apr 2017	167,711	268	(42)	(3,383)	4,317	85	(149,000)	(147,755)	(130,629)	(110,673)
Loss for the period	-	-	-	-	-	-	-	-	(2,019)	(2,019)
<b>Other comprehensive income</b>										
Currency translation differences:										
On translation of foreign operations	-	-	-	87	-	-	-	87	-	87
<b>Total other comprehensive income for the period, net of tax</b>	-	-	-	87	-	-	-	87	-	87
<b>Total comprehensive income for the period</b>	-	-	-	87	-	-	-	87	(2,019)	(1,932)
Balance as at 30 Jun 2017	<u>167,711</u>	<u>268</u>	<u>(42)</u>	<u>(3,296)</u>	<u>4,317</u>	<u>85</u>	<u>(149,000)</u>	<u>(147,668)</u>	<u>(132,648)</u>	<u>(112,605)</u>

- 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	Accumulated Losses	Share Option Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Apr 2018	167,711	(198,748)	85	(30,952)
Total comprehensive loss for the period	-	(2,070)	-	(2,070)
<b>Balance at 30 Jun 2018</b>	<b>167,711</b>	<b>(200,818)</b>	<b>85</b>	<b>(33,022)</b>

Company	Share Capital	Accumulated Losses	Share Option Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Apr 2017	167,711	(197,924)	85	(30,128)
Total comprehensive loss for the period	-	(340)	-	(340)
<b>Balance at 30 Jun 2017</b>	<b>167,711</b>	<b>(198,264)</b>	<b>85</b>	<b>(30,468)</b>

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 in since 31 Mar 2018 to 30 Jun 2018.

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

As at 30 Jun 2018, 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 2Q2018	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
	<b>850,000</b>	<b>850,000</b>		

(iii) Warrants

As at 30 Jun 2018, there were no outstanding warrants. As at 30 Jun 2017, the Company had 9,702,898 non-listed warrants at the exercise price of S\$0.276 for each new share in the Company arising from a warrant exchange agreement with the PV Investors entered into in 2015. The warrants had expired on 3 Aug 2017.

**(iv) 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\$8.9 million against the Company as Corporate Guarantor and the Company has admitted the claim to its approved SOA.

Save for the aforementioned Share Options, Warrants and Convertible Notes, the Company did not have any other outstanding convertibles as at 30 Jun 2018 and 30 Jun 2017.

The Company did not have any treasury shares or subsidiary holdings as at 30 Jun 2018 and 30 Jun 2017.

**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.**

	<b>30 Jun 2018</b>	<b>31 Dec 2017</b>
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 2018 and 31 Dec 2017.

**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 as at 31 Dec 2017.

**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.**

In adopting the new SFRS(I), the Group is required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

The Group have adopted the new SFRS(l)s from the financial year beginning 1 January 2018. The adoption of the new SFRS(l)s is assessed to have no material impact on the Group's financial statements.

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).**

	The Group	
	2Q2018 (Cents)	2Q2017 (Cents)
(Loss) per ordinary share for the period attributable to equity holders of the Company:		
(a) Based on weighted average number of ordinary shares in issue	(4.62)	(0.45)
(b) On a fully diluted basis	(4.62)	(0.45)

**Note:**

The loss per ordinary share for the financial period under review is calculated based on the weighted average of 448,735,224 (2Q2017: 448,735,224) ordinary shares in issue.

As at 30 Jun 2018, there were (i) Nil (30 Jun 2017: 14,250,000) Share Options under the EMS Energy Employees Share Option Scheme, (ii) Nil warrants (30 Jun 2017: 9,702,898) and (iii) S\$6,708,000, being the Singapore Dollar equivalent of US\$5.0 million of Convertible Notes (30 Jun 2017: S\$6,708,000) convertible up to 21,873,912 Exchanged Shares. The outstanding Share Options, Warrants 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 2Q2018 and 2Q2017 as the Group was in a loss position in 2Q2018 and 2Q2017.

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.**

	The Group		The Company	
	As at 30 Jun 2018 (Cents)	As at 31 Dec 2017 (Cents)	As at 30 Jun 2018 (Cents)	As at 31 Dec 2017 (Cents)
Net asset value per ordinary share based on issued share capital at end of period	(20.88)	(15.99)	(7.36)	(6.83)

Net asset value per share as at end 30 Jun 2018 is calculated based on 448,735,224 shares (31 Dec 2017: 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. 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.

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

**Revenue**

The Group's revenue in 2Q2018 of Nil compared to 2Q2017 of S\$3.3 million was due to no project billings in the said quarter by KPL for the project in Vietnam which commenced prior to the cessation of KIPL operations in Sep 2016. Due to cessation of KIPL operations, the project agreements previously signed under KIPL was novated to KPL. Going forward, revenue from these novation agreements will be recognized under KPL.

The breakdown of the Group's revenue is as follows:

S\$' million	2Q2018	2Q2017	Change	Reason for the change
EPCM-MOT	-	1.5	(1.5)	No project billings from KPL's existing project in the current quarter
EPCM-WT	-	1.8	(1.8)	Cessation of operation
<b>Total</b>	<b>-</b>	<b>3.3</b>	<b>(3.3)</b>	

**Cost of sales & gross profit**

The Group's cost of sales had reduced by 100.0% or S\$3.1 million to Nil in 2Q2018 as compared to S\$3.1 million in 2Q2017 resulting in a gross profit of Nil in 2Q2018 compared to a gross profit of S\$0.2 million in 2Q2017.

There was no cost of sales in 2Q2018 due to no project billings by KPL in the current quarter.

**Other income**

Other income increased to S\$0.9 million in 2Q2018 from S\$0.06 million in 2Q2017 is mainly due to gain in revaluation of foreign exchange of the amount due from/to the deconsolidated subsidiaries.

**Other losses**

Other losses increased to S\$20.7 million in 2Q2018 from Nil in 2Q2017 is mainly due to impairment of the amount due from deconsolidated subsidiaries.

**Administrative expenses**

Administrative expenses decreased by S\$0.6 million or 42.0% to S\$0.9 million in 2Q2018 compared to S\$1.5 million in 2Q2017 mainly due to the lower employee compensation arising from headcount reduction as part of the cost cutting measures.

Depreciation of PPE is decreased mainly due to the deconsolidation of the subsidiaries.

**Distribution and other expenses**

There was no distribution and other expenses due to the cessation of KIPL operations in Vietnam.

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

**Finance costs**

Finance costs reduced to S\$0.06 million in 2Q2018 as compared to S\$0.74 million 2Q2017 due to repayment of bank loan.

**Income tax expense**

There was no income tax expense incurred by the Group for 2Q2018 as the KIPL and EES had ceased operations since Sep 2016.

Due to the foregoing, the Group's loss attributed to equity holders of the Company was S\$20.7 million in 2Q2018 as compared to a net loss of S\$2.0 million in 2Q2017.

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

**Current Assets**

The Group's trade and other receivables increased by S\$0.3 million to S\$0.6 million as at 30 Jun 2018 as compared to S\$0.3 million as at 31 Dec 2017 were mainly due to the increase in amount due from contract customer amounting S\$0.2 million and the novation of contracts from KIPL to KPL resulting in an increase of S\$0.1 million. While the Company's trade and other receivables decreased by S\$5.5 million to S\$8.6 million as at 30 Jun 2018 as compared to S\$14.1 million as at 31 Dec 2017, mainly due to repayment of receivables due from subsidiary.

Cash and cash equivalents decreased by S\$0.43 million to S\$0.07 million as at 30 Jun 2018 from S\$0.5 million as at 31 Dec 2017 mainly due to reduce in net cash used in operating activities.

The decrease of S\$20.7 million in amount due from deconsolidated subsidiaries is mainly due to impairment assessment conducted by the management and deemed that they are not recoverable.

The increase in prepayments due to advances paid to supplier for job-in-progress amounting S\$0.5 million in KPL.

The sale of the leasehold land and buildings (10 Tuas Avenue 11) with carrying amount of S\$5.6 million to SPCO Holdings Pte Ltd was completed on 16 Mar 2018 for a consideration of \$5.6 million.

**Current Liabilities**

Trade and other payables increased by S\$1.3 million to S\$47.8 million as at 30 Jun 2018 compared to S\$46.5 million as at 31 Dec 2017 mainly due to unpaid salary payable, increase in accrual of expenses and amount due to director. The S\$47.8 million of trade and other payables consist of approximately S\$35.8 million in trade payables and approximately S\$12.0 million in other payables.

Advances from contract customers decreased to nil compared to S\$0.4 million as at 31 Dec 2017 due to cessation of KIPL operations in Vietnam.

The increase of S\$0.2 million in amount due to deconsolidated subsidiaries is mainly due to foreign exchange revaluation.

(ii) **Commentary on the Statements of Financial Position (Cont'd)**

Bank borrowings decreased by S\$5.4 million to S\$1.5 million as at 30 Jun 2018 from S\$6.9 million as at 31 Dec 2017 due to repayment of bank loans.

**Negative working capital and net liability position**

The Group was in a negative working capital position of S\$104.7 million and S\$82.8 million as at 30 Jun 2018 and 31 Dec 2017 respectively. In addition, the Group was in a net liability position of S\$93.7 million as at 30 Jun 2018 compared to S\$71.7 million as at 31 Dec 2017.

Notwithstanding the above, the board of directors (the “**Board**”) is of the view that the Group is able to operate as a going concern due to the following:

- a. The Company has signed a term sheet to raise S\$7.5 million cash for the development of its shipyard under construction at Tuas. Furthermore, the deal includes injection of certain operating entities of the investor and the investor agrees to further invest in the Company through a 1 for 1 rights issue upon completion of SOA and a placement.
- b. The management is confident that it will be able to successfully complete the implementation of the SOA of the Company and EES, and thus significantly reducing the Company’s liabilities.

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

(iii) **Commentary on the cash flows statement**

**Net Cash used in Operating Activities**

Net cash used in operating activities was S\$0.3 million in 2Q2018 compared to net cash used in operating activities of S\$0.2 million in 2Q2017.

The net cash used in operating activities of S\$0.3 million in 2Q2018 was mainly due to higher losses from business activities, increase in prepayments of S\$0.4 million and offset by an increase in amounts due to contract customers of S\$0.5 million.

**Net Cash from Investing Activities**

There were no movements in the cash relating to investing activities for 2Q2018.

**Net Cash used in Financing Activities**

Net cash from financing activities in 2Q2018 was S\$0.1 million compared to net cash used in financing activities of S\$0.3 million in 2Q2017.

The net cash from financing activities of S\$0.1 million in 2Q2018 was mainly due to the loan from a director.

Due to the foregoing, the Group had cash and cash equivalents of S\$0.07 million as at end 2Q2018 compared to cash and cash equivalents of S\$0.5 million as at end 2Q2017.

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 is currently in the midst of implementing the scheme of arrangement of the Company after the scheme was sanctioned by the High Court on 8 Sep 2017.

The scheme of arrangement for EES was sanctioned by the High Court at a hearing on 31 July 2018, and EES will be taking necessary steps to implement the scheme for the restructuring of EES.

Barring from unforeseen circumstances, the Directors are cautiously optimistic about the Group revival upon the implementation of the Company and EES schemes. The management is working towards the definitive agreement with the investor for the Tuas South Shipyard and the application for the resumption trading of the Company's shares.

**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 2Q2018.

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

Not applicable. No dividend has been declared for 2Q2017.

**(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.**

No dividend has been declared or recommended for 2Q2018.

**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 did not enter into any IPT of more than S\$100,000 in 2Q2018.

The Group has not obtained a general mandate from shareholders for IPT.

**14. Confirmation Pursuant to Rule 705(5) of the Catalist 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 for the 3 months ended 30 Jun 2018 to be false and misleading in any material aspect.

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

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

BY ORDER OF THE BOARD  
EMS Energy Limited

Chew Kok Liang  
Company Secretary  
14 August 2018

*This announcement has been prepared by EMS Energy Limited (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

*This announcement has not been examined or approved by 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.*