

## **ANNOUNCEMENT**

### **UNAUDITED FULL YEAR FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **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 each of the Company, and its subsidiaries namely Koastal Industries Pte Ltd ("KIPL") and EMS Energy Solutions Pte Ltd ("EES"). For latest details on the SOA, please refer to the Company's announcements dated 28 August 2017, 7 August 2017 and 31 July 2017.

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 results announcement for the financial year ended 31 December 2016 ("FY2016").

The Company also wishes to highlight that the Group had incurred a net loss of S\$119.7 million during FY2016. As at 31 December 2016, the Group's current liabilities exceeded its current assets by S\$125.6 million and the Group was in a net liability position of S\$111.9 million. In addition, the Group had received notices of termination of contracts from certain major customers, and received letters of demand from certain creditors and borrowers. Please refer to Company's announcement dated 7 August 2017 for more details.

The unaudited results announcement for FY2016 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 FY2016 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 FY2016 are prepared, is based on the following management's assessment:

- (a) Upon the successful completion of the Company's SOA, the Group's financial position will be substantially improved with the debt to equity conversion.
- (b) The Company is exploring fundraising exercise to strengthen its cash position.

**Due to the foregoing, shareholders are cautioned against placing undue reliance on the unaudited results announcement for FY2016. 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 FULL YEAR RESULTS ANNOUNCEMENTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 Dec 2016 ("FY2016") vs 31 Dec 2015 ("FY2015")

|  | The Group        |                 |                         |
|--|------------------|-----------------|-------------------------|
|  | FY2016           | FY2015          | Increase/<br>(Decrease) |
|  | S\$'000          | S\$'000         | %                       |
| Revenue  | 29,100           | 68,881          | (57.8)                  |
| Cost of sales  | (22,615)         | (55,964)        | (59.6)                  |
| <b>Gross profit</b>  | <b>6,485</b>     | <b>12,917</b>   | <b>(49.8)</b>           |
| <i>Gross profit margin</i>   | 22.3%            | 18.8%           |                         |
| Other income   | 947              | 3,051           | (69.0)                  |
| Expenses   |                  |                 |                         |
| - Administrative   | (10,781)         | (14,392)        | (25.1)                  |
| - Distribution   | (168)            | (175)           | (4.0)                   |
| - Other expenses   | (111,990)        | (7,664)         | n.m.                    |
| - Finance  | (4,060)          | (3,428)         | 18.4                    |
| Share of results of associated companies                             | (189)            | 248             | (176.2)                 |
| <b>Loss before income tax</b>  | <b>(119,756)</b> | <b>(9,443)</b>  | <b>n.m.</b>             |
| Income tax credit/(expense)  | 89               | (797)           | (111.2)                 |
| <b>Total loss for the year attributable to equity of the Company</b> | <b>(119,667)</b> | <b>(10,240)</b> | <b>n.m.</b>             |
| <b>Other Comprehensive Loss for the year:</b>                        |                  |                 |                         |
| Items that may be reclassified subsequently to profit or loss:       |                  |                 |                         |
| Currency translation difference:                                     |                  |                 |                         |
| - On translation of foreign operations                               | (3,926)          | (476)           | n.m.                    |
| Available-for-sale financial assets:                                 |                  |                 |                         |
| -Deferred tax relating to component of other comprehensive income    | (199)            | (7)             | n.m.                    |
| - Gain arising during the year                                       | -                | 42              | n.m.                    |
|  | (199)            | 35              |                         |

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 Dec 2016 ("FY2016") vs 31 Dec 2015 ("FY2015") (Cont'd)

|   | The Group        |                |                         |
|---|------------------|----------------|-------------------------|
|   | FY2016           | FY2015         | Increase/<br>(Decrease) |
|   | S\$'000          | S\$'000        | %                       |
| Share of other comprehensive income of associated companies                   |                  |                |                         |
| - Fair value (loss)/gain on available sale assets                             | (9)              | 4              | n.m.                    |
| - Translation reserve   | (9)              | 4              | n.m.                    |
|   | (18)             | 8              | n.m.                    |
| Items that will not be reclassified subsequently to profit or loss:           |                  |                |                         |
| - (Loss)/gain on revaluation of property                                      | (289)            | 2,825          | n.m.                    |
| - Revaluation (deficit)/surplus, net of deferred tax liabilities              | (57)             | 124            | n.m.                    |
| <b>Other comprehensive income, net of tax</b>                                 | <b>(4,489)</b>   | <b>2,516</b>   | n.m.                    |
| <b>Total comprehensive loss attributable to equity holders of the Company</b> | <b>(124,156)</b> | <b>(7,724)</b> | n.m.                    |

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

|  |          |          |         |
|--|----------|----------|---------|
| Depreciation of property, plant and equipment (PPE)              | (618)    | (471)    | 31.2    |
| Depreciation of investment properties                            | (3)      | (3)      | -       |
| Employee compensation  | (6,512)  | (10,976) | (40.7)  |
| Fair value loss arising from derivative financial instruments    | (60)     | (319)    | (81.2)  |
| Gain on disposal of fixed assets                                 | 283      | -        | n.m.    |
| Foreign exchange (losses)/ gain                                  | (144)    | 1,510    | (109.5) |
| Professional fees  | (771)    | (3,764)  | (79.5)  |
| Impairment loss on intangible assets                             | (7,469)  | (1,800)  | 314.9   |
| Impairment loss on available-for-sale financial assets           | (4,526)  | -        | n.m.    |
| Allowance of losses from construction contracts                  | (99,120) | (914)    | n.m.    |
| Allowance for impairment loss of investment in associate company | (2,815)  | (2,100)  | 34.1    |
| Allowance for doubtful debts                                     | (19,014) | -        | n.m.    |
| Property, plant and equipment written off                        | (249)    | -        | n.m.    |
| Impairment of property, plant and equipment                      | (3,928)  | -        | n.m.    |
| Employee share option expenses                                   | (5)      | (25)     | (80.0)  |
| Interest income  | 112      | 47       | 138.3   |
| Interest expenses  | (4,060)  | (3,428)  | 18.4    |

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 end<br>31 Dec 2016<br>S\$'000 | As at end<br>31 Dec 2015<br>S\$'000 | As at end<br>31 Dec 2016<br>S\$'000 | As at end<br>31 Dec 2015<br>S\$'000 |
| <b>ASSETS</b>                        |                                     |                                     |                                     |                                     |
| <b>Non-Current Assets</b>            |                                     |                                     |                                     |                                     |
| Property, plant and equipment        | 9,542                               | 17,606                              | 8,996                               | 6,086                               |
| Investment property                  | -                                   | 201                                 | -                                   | -                                   |
| Intangible assets                    | -                                   | 7,469                               | -                                   | -                                   |
| Investments in subsidiaries          | -                                   | -                                   | -                                   | 129,251                             |
| Investments in associated company    | -                                   | 6,057                               | -                                   | -                                   |
| Available-for-sale financial assets  | 3,986                               | 9,732                               | -                                   | -                                   |
| Deferred tax assets                  | 125                                 | 125                                 | -                                   | -                                   |
| <b>Total non-current assets</b>      | <b>13,653</b>                       | <b>41,190</b>                       | <b>8,996</b>                        | <b>135,337</b>                      |
| <b>Current Assets</b>                |                                     |                                     |                                     |                                     |
| Inventories                          | 648                                 | 686                                 | -                                   | -                                   |
| Trade and other receivables          | 9,682                               | 29,873                              | 671                                 | 25,129                              |
| Amount due from customers            | 4,783                               | 44,621                              | -                                   | -                                   |
| Prepayments                          | 12                                  | 7,764                               | 12                                  | 41                                  |
| Cash and bank balances               | 433                                 | 8,105                               | 1                                   | 19                                  |
| Assets held for sale                 | 8,578                               | -                                   | -                                   | -                                   |
| <b>Total current assets</b>          | <b>24,136</b>                       | <b>91,049</b>                       | <b>684</b>                          | <b>25,189</b>                       |
| <b>Total Assets</b>                  | <b>37,789</b>                       | <b>132,239</b>                      | <b>9,680</b>                        | <b>160,526</b>                      |
| <b>EQUITY AND LIABILITIES</b>        |                                     |                                     |                                     |                                     |
| <b>Equity</b>                        |                                     |                                     |                                     |                                     |
| Share capital                        | 167,711                             | 167,711                             | 167,711                             | 167,711                             |
| Other reserves                       | (148,453)                           | (143,969)                           | 85                                  | 80                                  |
| Accumulated losses                   | (131,178)                           | (11,511)                            | (197,573)                           | (50,200)                            |
| <b>Total Equity</b>                  | <b>(111,920)</b>                    | <b>12,231</b>                       | <b>(29,777)</b>                     | <b>117,591</b>                      |
| <b>Non-Current Liabilities</b>       |                                     |                                     |                                     |                                     |
| Convertible notes                    | -                                   | 5,218                               | -                                   | -                                   |
| Financial derivative liabilities     | -                                   | 1,892                               | -                                   | -                                   |
| Deferred income tax liabilities      | -                                   | 25                                  | -                                   | -                                   |
| <b>Total non-current liabilities</b> | <b>-</b>                            | <b>7,135</b>                        | <b>-</b>                            | <b>-</b>                            |

# STATEMENT OF FINANCIAL POSITION (CONT'D)

|                                  | Group                               |                                     | Company                             |                                     |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                  | As at end<br>31 Dec 2016<br>S\$'000 | As at end<br>31 Dec 2015<br>S\$'000 | As at end<br>31 Dec 2016<br>S\$'000 | As at end<br>31 Dec 2015<br>S\$'000 |
| <b>Current Liabilities</b>       |                                     |                                     |                                     |                                     |
| Trade and other payables         | 42,600                              | 58,006                              | 6,856                               | 3,960                               |
| Amount due to a director         | 460                                 | 948                                 | -                                   | -                                   |
| Amount due to subsidiaries       | -                                   | -                                   | 32,601                              | 38,975                              |
| Advances from customers          | 2,080                               | 9,783                               | -                                   | -                                   |
| Amount due to contract customers | 59,957                              | 3,404                               | -                                   | -                                   |
| Finance lease liabilities        | -                                   | 3                                   | -                                   | -                                   |
| Bank borrowings                  | 22,670                              | 27,849                              | -                                   | -                                   |
| Borrowings from third parties    | 18,302                              | 10,470                              | -                                   | -                                   |
| Financial derivative liabilities | 2,972                               | 1,020                               | -                                   | -                                   |
| Provision for warranties         | 33                                  | 252                                 | -                                   | -                                   |
| Income tax payable               | 635                                 | 1,138                               | -                                   | -                                   |
| <b>Total current liabilities</b> | <b>149,709</b>                      | <b>112,873</b>                      | <b>39,457</b>                       | <b>42,935</b>                       |
| <b>Total Liabilities</b>         | <b>149,709</b>                      | <b>120,008</b>                      | <b>39,457</b>                       | <b>42,935</b>                       |
| <b>Net (Liabilities)/Assets</b>  | <b>(111,920)</b>                    | <b>12,231</b>                       | <b>(29,777)</b>                     | <b>117,591</b>                      |
| <b>Net Current Liabilities</b>   | <b>(125,573)</b>                    | <b>(21,824)</b>                     | <b>(38,773)</b>                     | <b>(17,746)</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 31 Dec 2016 |           | As at 31 Dec 2015 |           |
|-------------------|-----------|-------------------|-----------|
| S\$'000           | S\$'000   | S\$'000           | S\$'000   |
| Secured           | Unsecured | Secured           | Unsecured |
| 40,972            | -         | 38,319            | -         |

## Amount repayable after one year

| As at 31 Dec 2016 |           | As at 31 Dec 2015 |           |
|-------------------|-----------|-------------------|-----------|
| S\$'000           | S\$'000   | S\$'000           | S\$'000   |
| Secured           | Unsecured | Secured           | Unsecured |
| -                 | -         | 5,218             | -         |

## Details of any collateral

The management has confirmed that no creditors have exercise 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<br>less than<br>one year<br>S\$'000 | Repayable<br>more than<br>one year<br>S\$'000 | Total<br>S\$'000 |
|---|---|---|------------------|
| <b>Bank Borrowings</b>                          |   |   |                  |
| Term Loan 1                                     | 1,680   | -   | 1,680            |
| Term Loan 2                                     | 2,088   | -   | 2,088            |
| Term Loan 3                                     | 887   | -   | 887              |
| Term Loan 4                                     | 2,640   | -   | 2,640            |
| Term Loan 5                                     | 1,993   | -   | 1,993            |
| Term Loan 6                                     | 8,370   | -   | 8,370            |
| Term Loan 7                                     | 106   | -   | 106              |
| Term Loan 8                                     | 1,247   | -   | 1,247            |
| Bills payable                                   | 3,556   | -   | 3,556            |
| Bank overdrafts                                 | 103   | -   | 103              |
|   | <b>22,670</b>                                 | <b>-</b>                                      | <b>22,670</b>    |
| <b>Borrowings from third parties</b>            |   |   |                  |
| Borrowings from third parties 9 <sup>(1)</sup>  | 12,360  | -   | 12,360           |
| Borrowings from third parties 10 <sup>(2)</sup> | 5,942   | -   | 5,942            |
|   | <b>18,302</b>                                 | <b>-</b>                                      | <b>18,302</b>    |
| <b>Total borrowings</b>                         | <b>40,972</b>                                 | <b>-</b>                                      | <b>40,972</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.

### Details of any collateral (Cont'd)

As announced on 19 Sep 2016, Mr Ting Teck Jin and Titanium Holdings LLC have granted share charge of total 271,000,000 shares of the Company held by them to Asean Finance Corporation Limited on 13 Sep 2016 as security for an extension of short-term project loan facility of US\$5.8 million extended by Asean Finance Corporation Limited to KIPL as noted in Term Loan 6.

### Borrowings from third parties

#### Note 1:

In FY2014, a subsidiary of the Group, ~~KIPL~~ **Koastal International Pte Ltd** 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"**);
- (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 ~~KIPL~~ **Koastal International Pte Ltd** 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"**). Unless otherwise defined, all capitalised terms used herein shall have the meanings ascribed to them in the Company's circular dated 30 September 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

**Details of any collateral (Cont'd)**

- (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 ~~KiPL~~ **Koastal International Pte Ltd** 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 ~~KiPL~~ **Koastal International Pte Ltd** pursuant to and in connection with the Notes.



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

**Consolidated Cash Flow Statement**

|   | <b>The Group</b>    |                        |
|---|---------------------|------------------------|
|   | <b>FY2016</b>       | <b>FY2015</b>          |
|   | <b>S\$'000</b>      | <b>S\$'000</b>         |
| <b>Cash flows from operating activities</b>   |                     |                        |
| Loss before tax   | (119,756)           | (9,443)                |
| Adjustments for:  |                     |                        |
| Depreciation of investment properties   | 3                   | 3                      |
| Depreciation of property, plant and equipment   | 618                 | 471                    |
| Employee share option expenses  | 5                   | 25                     |
| Fair value loss arising from derivative financial instruments   | 60                  | 319                    |
| Fair value loss transferred from fair value reserve on disposal of financial assets, available for sale | (199)               | -                      |
| Fair value gain on revaluation of leasehold land and building   | -                   | -                      |
| Gain on disposal of plant and equipment   | (283)               | -                      |
| Life insurance premium expense  | -                   | 15                     |
| Provision for warranties  | (219)               | 78                     |
| Allowance for doubtful debts  | 19,014              | -                      |
| Allowance for losses from construction contracts  | 99,120              | 914                    |
| Share of results of associated company  | 189                 | (248)                  |
| Impairment loss on intangible assets  | 7,469               | 1,800                  |
| Allowance for impairment loss of investment in associate company  | 2,815               | 2,100                  |
| Impairment loss on available-for-sale financial assets  | 4,526               | -                      |
| Impairment of property, plant and equipment   | 3,928               | -                      |
| Plant and equipment written off   | 249                 | -                      |
| Interest expense  | 4,060               | 3,428                  |
| Interest income   | (112)               | (47)                   |
| Unrealised exchange differences   | (3,848)             | (262)                  |
|   | <u>17,639</u>       | <u>(847)</u>           |
| Changes in working capital:   |                     |                        |
| Inventories   | 38                  | (540)                  |
| Trade and other receivables   | 1,178               | 1,005                  |
| Prepayments   | 7,752               | 1,306                  |
| Provision for warranties  | -                   | (289)                  |
| Trade and other payables  | (15,407)            | 10,080                 |
| Advances from contract customers  | (7,703)             | (17,274)               |
| Amount due from contract customers  | -                   | (17,712)               |
| Amount due to contract customers  | (2,730)             | 3,093                  |
| Cash from/(used in) operations  | <u>767</u>          | <u>(21,178)</u>        |
| Income taxes paid   | <u>(528)</u>        | <u>(2,851)</u>         |
| <b>Net cash from/ (used in) operating activities</b>  | <u><b>239</b></u>   | <u><b>(24,029)</b></u> |
| <b>Investing activities</b>   |                     |                        |
| Interest received   | 112                 | 47                     |
| Proceeds from sale of investment property   | 198                 | -                      |
| Proceeds from disposal of property, plant and equipment   | 41                  | 25                     |
| Proceeds from disposal of available-for-sale investments  | 1,220               | -                      |
| Dividend received from associated company   | -                   | 117                    |
| Purchase of property, plant and equipment   | (2,370)             | (4,824)                |
| <b>Net cash used in investing activities</b>  | <u><b>(799)</b></u> | <u><b>(4,535)</b></u>  |

# Consolidated Cash Flow Statement (cont'd)

|  | The Group    |              |
|--|--------------|--------------|
|  | FY2016       | FY2015       |
|  | S\$'000      | S\$'000      |
| <b>Financing activities</b>                                    |              |              |
| Repayment to a director  | (488)        | (8,813)      |
| Decrease in fixed deposits pledged                             | 7,709        | 2,568        |
| Interest paid  | (4,060)      | (1,130)      |
| Proceeds from issuance of ordinary shares                      | -            | 2,024        |
| Share issue expenses   | -            | (97)         |
| Proceeds from bank borrowings                                  | 2,614        | 54,297       |
| Proceeds from convertible loan                                 | -            | 6,708        |
| Repayment of bank borrowings                                   | (4,247)      | (48,580)     |
| Repayment of finance liabilities                               | (3)          | (17)         |
| <b>Net cash provided by financing activities</b>               | <b>1,525</b> | <b>6,960</b> |
| Net changes in cash and cash equivalents                       | 965          | (21,604)     |
| Cash and cash equivalents at beginning of the period           | (638)        | 20,651       |
| Effects of currency translation on cash and cash equivalents   | 3            | 315          |
| <b>Cash and cash equivalents at end of the period (Note A)</b> | <b>330</b>   | <b>(638)</b> |
| <b>Note A: Cash and cash equivalents comprised of:</b>         |              |              |
| Cash and bank balances   | 433          | 8,105        |
| Less: Bank overdrafts  | (103)        | (1,034)      |
| Less: Bank deposits pledged                                    | -            | (7,709)      |
|  | <b>330</b>   | <b>(638)</b> |

**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<br>S\$'000 | Capital reserve<br>S\$'000 | Fair value reserve<br>S\$'000 | Foreign currency translation reserve<br>S\$'000 | Revaluation reserve<br>S\$'000 | Share option reserves<br>S\$'000 | Merger reserve<br>S\$'000 | Other reserve<br>S\$'000 | (Accumulated losses) / Retained earnings<br>S\$'000 | Total equity<br>S\$'000 |
|--|--------------------------|----------------------------|-------------------------------|---|--------------------------------|----------------------------------|---------------------------|--------------------------|---|-------------------------|
| Balance as at 1 Jan 2016   | 167,711                  | 268                        | 161                           | (2,003)   | 6,525                          | 80                               | (149,000)                 | (143,969)                | (11,511)  | 12,231                  |
| Total comprehensive income for the year                          | -                        | -                          | -                             | -   | -                              | -                                | -                         | -                        | (119,667)   | (119,667)               |
| Loss for the year  | -                        | -                          | -                             | -   | -                              | -                                | -                         | -                        | (119,667)   | (119,667)               |
| <b>Other comprehensive income</b>                                |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Currency translation differences:                                |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| On translation of foreign operations                             | -                        | -                          | -                             | (3,926)   | -                              | -                                | -                         | (3,926)                  | -   | (3,926)                 |
| Available-for-sale financial assets:                             |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Deferred tax relating to component of other comprehensive income | -                        | -                          | (199)                         | -   | -                              | -                                | -                         | (199)                    | -   | (199)                   |
| Loss on revaluation of leasehold land and building               | -                        | -                          | -                             | -   | (289)                          | -                                | -                         | (289)                    | -   | (289)                   |
| Share of other comprehensive income of associated companies:     |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Translation reserve  | -                        | -                          | -                             | (9)   | (57)                           | -                                | -                         | (75)                     | -   | (75)                    |
| Fair value gain on available-for-sale financial asset            | -                        | -                          | (9)                           | -   | -                              | -                                | -                         | -                        | -   | -                       |
| <b>Total other comprehensive income for the year, net of tax</b> | -                        | -                          | (208)                         | (3,935)   | (346)                          | -                                | -                         | (4,489)                  | -   | (4,489)                 |

Consolidated Statement of Changes in Equity (cont'd)

| Group                                   | Share capital<br>S\$'000 | Capital reserve<br>S\$'000 | Fair value reserve<br>S\$'000 | Foreign currency translation reserve<br>S\$'000 | Revaluation reserve<br>S\$'000 | Share option reserves<br>S\$'000 | Merger reserve<br>S\$'000 | Other reserve<br>S\$'000 | (Accumulated losses) / Retained earnings<br>S\$'000 | Total equity<br>S\$'000 |
|---|--------------------------|----------------------------|-------------------------------|---|--------------------------------|----------------------------------|---------------------------|--------------------------|---|-------------------------|
| Total comprehensive income for the year | -                        | -                          | (208)                         | (3,935)   | (346)                          | -                                | -                         | (4,489)                  | (119,667)   | (124,156)               |
| Employees share option expenses         | -                        | -                          | -                             | -   | -                              | 5                                | -                         | 5                        | -   | 5                       |
| Balance as at 31 Dec 2016               | 167,711                  | 268                        | (47)                          | (5,938)   | 6,179                          | 85                               | (149,000)                 | (148,453)                | (119,667)   | (111,920)               |

Consolidated Statement of Changes in Equity (cont'd)

| Group  | Share capital<br>S\$'000 | Capital reserve<br>S\$'000 | Fair value reserve<br>S\$'000 | Foreign currency translation reserve<br>S\$'000 | Revaluation reserve<br>S\$'000 | Share option reserves<br>S\$'000 | Merger reserve<br>S\$'000 | Other reserve<br>S\$'000 | (Accumulated losses) / Retained earnings<br>S\$'000 | Total equity<br>S\$'000 |
|--|--------------------------|----------------------------|-------------------------------|---|--------------------------------|----------------------------------|---------------------------|--------------------------|---|-------------------------|
| Balance as at 1 Jan 2015   | 47,050                   | 119,002                    | 122                           | (1,531)   | 3,576                          | 55                               | (149,000)                 | (27,776)                 | 2,480   | 21,754                  |
| Total comprehensive income for the year                          |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Loss for the year  | -                        | -                          | -                             | -   | -                              | -                                | -                         | -                        | (10,240)  | (10,240)                |
| Other comprehensive income                                       |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Currency translation differences:                                |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| On translation of foreign operations                             | -                        | -                          | -                             | (476)   | -                              | -                                | -                         | (476)                    | -   | (476)                   |
| Available-for-sale financial assets:                             |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Gains arising during the year                                    | -                        | -                          | 42                            | -   | -                              | -                                | -                         | 42                       | -   | 42                      |
| Deferred tax relating to component of other comprehensive income |                          |                            | (7)                           |   |                                |                                  |                           | (7)                      |   | (7)                     |
| Gain on revaluation of leasehold land and building               |                          |                            |                               |   | 2,825                          |                                  |                           | 2,825                    |   | 2,825                   |
| Share of other comprehensive income of associated companies:     |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Translation reserve  |                          |                            |                               | 4   |                                |                                  |                           | 4                        |   | 4                       |
| Fair value gain on available-for-sale financial assets           |                          |                            | 4                             |   |                                |                                  |                           | 4                        |   | 4                       |
| Revaluation surplus  | -                        | -                          | -                             |   | 124                            | -                                | -                         | 124                      | -   | 124                     |
| Total comprehensive income for the year, net of tax              | -                        | -                          | 39                            | (472)   | 2,949                          | -                                | -                         | 2,516                    | -   | 2,516                   |
| Total comprehensive income for the year                          | -                        | -                          | 39                            | (472)   | 2,949                          | -                                | -                         | 2,516                    | (10,240)  | (7,724)                 |

Consolidated Statement of Changes in Equity (cont'd)

| Group   | Share capital<br>S\$'000 | Capital reserve<br>S\$'000 | Fair value reserve<br>S\$'000 | Foreign currency translation reserve<br>S\$'000 | Revaluation reserve<br>S\$'000 | Share option reserves<br>S\$'000 | Merger reserve<br>S\$'000 | Other reserve<br>S\$'000 | (Accumulated losses) / Retained earnings<br>S\$'000 | Total equity<br>S\$'000 |
|---|--------------------------|----------------------------|-------------------------------|---|--------------------------------|----------------------------------|---------------------------|--------------------------|---|-------------------------|
| <b>Contribution by owners of the parent</b>                             |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Adjustment pursuant to the restructuring exercise                       | 118,734                  | (118,734)                  | -                             | -   | -                              | -                                | -                         | (118,734)                | -   | -                       |
| Issuance of shares during the period                                    | 2,024                    | -                          | -                             | -   | -                              | -                                | -                         | -                        | -   | 2,024                   |
| Share issue expenses  | (97)                     | -                          | -                             | -   | -                              | -                                | -                         | -                        | -   | (97)                    |
| <b>Contribution by and distributions to others</b>                      |                          |                            |                               |   |                                |                                  |                           |                          |   |                         |
| Employees share option expenses   | -                        | -                          | -                             | -   | -                              | 25                               | -                         | 25                       | -   | 25                      |
| Dividends by <del>KIPL</del> <b>Koastal International Pte Ltd Group</b> | -                        | -                          | -                             | -   | -                              | -                                | -                         | -                        | (3,751)   | (3,751)                 |
| <b>Balance as at 31 Dec 2015</b>  | <b>167,711</b>           | <b>268</b>                 | <b>161</b>                    | <b>(2,003)</b>                                  | <b>6,525</b>                   | <b>80</b>                        | <b>(149,000)</b>          | <b>(143,969)</b>         | <b>(11,511)</b>                                     | <b>12,231</b>           |

- 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<br>Capital<br>S\$'000 | Accumulated<br>Losses<br>S\$'000 | Share<br>Option<br>Reserve<br>S\$'000 | Total<br>S\$'000 |
|---------------------------------------|-----------------------------|----------------------------------|---------------------------------------|------------------|
| <b>Balance as at 1 Jan 2016</b>       | 167,711                     | (50,200)                         | 80                                    | 117,591          |
| Issuance of shares                    | -                           | -                                | -                                     | -                |
| Total comprehensive loss for the year | -                           | (147,373)                        | -                                     | (147,373)        |
| Employees share option expenses       | -                           | -                                | 5                                     | 5                |
| <b>Balance at 31 Dec 2016</b>         | <b>167,711</b>              | <b>(197,573)</b>                 | <b>85</b>                             | <b>(29,777)</b>  |

| Company  | Share<br>Capital<br>S\$'000 | Accumulated<br>Losses<br>S\$'000 | Share<br>Option<br>Reserve<br>S\$'000 | Total<br>S\$'000 |
|--|-----------------------------|----------------------------------|---------------------------------------|------------------|
| <b>Balance as at 1 Jan 2015</b>                                | 47,050                      | (16,006)                         | 55                                    | 31,099           |
| Issuance of shares pursuant to the Acquisition during the year | 118,734                     | -                                | -                                     | 118,734          |
| Total comprehensive loss for the year                          | -                           | (34,194)                         | -                                     | (34,194)         |
| Issuance of Placement shares                                   | 2,024                       | -                                | -                                     | 2,024            |
| Share issue expenses   | (97)                        | -                                | -                                     | (97)             |
| Employees share option expenses                                | -                           | -                                | 25                                    | 25               |
| <b>Balance at 31 Dec 2015</b>                                  | <b>167,711</b>              | <b>(50,200)</b>                  | <b>80</b>                             | <b>117,591</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 or 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 30 Jun 2016.

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

As at 31 Dec 2016, the following employee share options granted under the EMS Employee Share Option Scheme dated 20 Jul 2009, still remain outstanding:

| Share options issued to                                   | Number of options granted | Number of options still remained outstanding as at end of FY2016 | Exercise price per option | Exercisable date           |
|---|---------------------------|--|---------------------------|----------------------------|
| Independent Directors                                     | 2,250,000                 | 2,250,000  | S\$0.027                  | 24 Feb 2015 to 23 Feb 2019 |
| Controlling Shareholder                                   | 10,500,000                | 10,500,000   | S\$0.027                  | 24 Feb 2015 to 23 Feb 2024 |
| Executive Officers<br>(Excluding controlling shareholder) | 3,000,000                 | 3,000,000  | S\$0.027                  | 24 Feb 2015 to 23 Feb 2024 |
|   | <b>15,750,000</b>         | <b>15,750,000</b>  |                           |                            |

(iii) **Outstanding Warrants arising pursuant to the Acquisition**

In FY2015, the Company entered into a warrant exchange agreement with the PV Investors in which the Company allotted 9,702,898 non-listed Warrants at the exercise price of S\$0.276 for each new share in the Company to the PV Investors. The warrants had expired on 3 August 2017.



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

As disclosed in Section 1(b)(ii) on the details of collateral, ~~KIP~~ **Koastal International Pte Ltd** 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.

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\$8,765,768 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 31 Dec 2016 and 31 Dec 2015.

The Company did not have any treasury shares or subsidiary holdings as at 31 Dec 2016 and 31 Dec 2015.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares:

|                                   | <b>No. of ordinary shares</b> | <b>S\$'000</b> |
|-----------------------------------|-------------------------------|----------------|
| As at 31 Dec 2015 and 31 Dec 2016 | 448,735,224                   | 167,711        |

The Company did not have any treasury shares as at 31 Dec 2016 and 31 Dec 2015.

**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. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

**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. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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

The figures have not been audited or reviewed by auditors.

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

Not applicable.

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

Except as disclosed as paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 31 Dec 2015.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The adoption of new/revised Financial Reporting Standards (FRSs) and Interpretations to FRSs (INT FRSs) effective for the current financial year have no material impact on the financial statements of the Group.

**6. Earnings per ordinary share of the group for the current year reported on and the immediate preceding financial year, after deducting any provision for preference dividends**

|   | The Group         |                   |
|---|-------------------|-------------------|
|   | FY2016<br>(Cents) | FY2015<br>(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                      | (26.67)           | (2.30)            |
| (b) On a fully diluted basis  | (26.67)           | (2.30)            |

**Note:**

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

The loss per ordinary share for the financial period under review is calculated based on the weighted average of 448,735,224 (FY2015: 445,063,542) ordinary shares in issue.

As at 31 Dec 2016, there were (i) 15,750,000 (31 Dec 2015: 15,750,000) Share Options under the EMS Energy Employees Share Option Scheme, (ii) 9,702,898 warrants (31 Dec 2015: 9,702,898) and (iii) S\$6,708,000, being the Singapore Dollar equivalent of US\$5.0 million of Convertible Notes (31 Dec 2015: 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 as the Group was in a loss position.

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

|   | The Group                       |                                 | The Company                     |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | As at 31 Dec<br>2016<br>(Cents) | As at 31 Dec<br>2015<br>(Cents) | As at 31<br>Dec 2016<br>(Cents) | As at 31 Dec<br>2015<br>(Cents) |
| Net asset value per ordinary share based on issued share capital at end of year | (24.94)                         | 2.73                            | (6.64)                          | 26.20                           |

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

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

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

**Revenue**

The Group's revenue in FY2016 reduced by 57.8% or S\$39.8 million to S\$29.1 million in FY2016 from S\$68.9 million in FY2015 due to the reduction in revenue from Engineering, Procurement and Construction Management – Marine, Offshore and Trading segment (“EPCM – MOT”).

Globally, the marine, oil and gas industry is undergoing a down cycle, affected by the prolonged downturn in oil and commodity prices. In Singapore, this sector includes many marine and offshore, and precision engineering firms providing oil and gas supporting services. While the industry is now in the midst of consolidation, the Company is looking for opportunities in Singapore to ride through the down cycle by developing capabilities to meet demand in other sectors.

The Engineering, Procurement and Construction Management – Water Treatment (“EPCM – WT”) segment contributed S\$14.7 million (FY2015: S\$11.7 million) to the Group's revenue while the EPCM – MOT contributed to the remaining S\$14.4 million (FY2015: S\$57.2 million) of the Group's revenue in FY2016. The drop in revenue is due primarily to lower number of sales orders received from EPCM – MOT segment arising from the Group's financial difficulty and its ability to deliver projects.

**Cost of sales & gross profit**

The Group's cost of sales had reduced by 59.6% or S\$33.4 million to S\$22.6 million in FY2016 compared to S\$56.0 million in FY2015. Gross profit margin had increased slightly to 22.3% for FY2016 compared to 18.8% for FY2015 mainly attributed to the higher gross profit margin of the EPCM – WT segment. The reduced activities in EPCM – MOT segment, where the cost of sales are generally higher, contributed in the improved gross profit margin.

**Other income**

Other income reduced by 69.0% or S\$2.10 million to S\$0.9 million in FY2016 compared to S\$3.05 million in FY2015 mainly due to the foreign exchange gain of S\$1.5 million in the FY2015 compared to an exchange loss of \$0.1 million in FY2016. This was mainly due to depreciation of USD against SGD. The fall in other income was partially offset by a gain on disposal of fixed assets of S\$0.3 million and interest income of \$0.1 million in FY2016.

**Administrative expenses**

Administrative expenses decreased by S\$3.6 million or 25.1% to S\$10.8 million in FY2016 compared to S\$14.4 million in FY2015 due to the lower employee compensation following the implementation of cost cutting measures.

**Distribution expenses**

Distribution expenses remained relatively unchanged in FY2016 as compared to FY2015.

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

**Other expenses**

Other expenses increased by S\$104.3 million to S\$112.0 million in FY2016 compared to S\$7.7 million in FY2015. The increase was mainly due to the (a) impairment loss on intangible assets of S\$7.5 million, (b) allowance for impairment loss of investment in associate company of S\$2.8 million, (c) allowance for doubtful debts – trade and non-trade debts of S\$19.0 million, (d) allowance for losses of S\$95.5 million arising from various costs including claims by the customer of a major project, (e) allowance for losses from other construction projects of S\$3.6 million, (f) impairment of property, plant and equipment of S\$3.9 million, (g) impairment loss on available-for-sale financial assets of S\$4.5 million, (h) provision for a few uncompleted projects of S\$5.8 million and (i) write-off of old assets in property, plant and equipment of S\$0.2 million.

The allowances for doubtful debts and losses from construction contracts were necessary to account for the possible non-repayment by the debtors who are affected by the severe downturn in the oil and gas industry and due to issues related to the Company's ability to raise funds and complete certain projects respectively.

**Finance costs**

Finance costs increased by 18.4% to S\$4.0 million in FY2016 compared to S\$3.4 million in FY2015 due to higher interest costs.

**Share of results of associated companies**

Share of results of associated companies in FY2016 contributed to share of loss of \$0.2 million against share of profit of \$0.2 million in FY2015 as the associated company experienced a 28% drop in revenue (FY2016: S\$11.1 million vs FY2015: S\$15.3 million), write-off professional expenses of S\$0.9 million for an aborted corporate action and provided for allowance for impairment of assets of S\$1.1 million in FY2016.

**Income tax expense**

Income tax expense decreased by S\$0.9 million or 111.2% mainly due to reversal of over-provision of tax expense in prior years of S\$0.2 million offset by the current year's provision for tax expenses of S\$0.05 million.

Overall, the Group's net loss attributed to equity holders of the Company was S\$119.7 million in FY2016 compared to net loss of S\$10.2 million in FY2015.

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

**Current Assets**

Inventories remained unchanged as at end FY2016 as compared to end FY2015. There was no stock obsolescence during FY2016.

Cash and cash equivalents decreased by S\$7.7 million to S\$0.4 million as at end FY2016 from S\$8.1 million in FY2015 mainly due to utilization of fixed deposit to repay bank borrowings and interest payment.

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

Trade and other receivables reduced by S\$20.2 million to S\$9.7 million as at end FY2016 against S\$29.9 million as at end FY2015 mainly due to the additional allowance for doubtful debts of S\$19.0 million for non-related other receivables. This allowance was necessary to account for the possible non-repayment by the debtors who are affected by the severe downturn in the oil and gas industry and due to issues related to the Company's ability to raise funds and complete certain projects. A number of payments that are supposed to be received upon delivery of a major project become doubtful due to contracts related to the termination of a major project. Trade and other receivables of S\$9.7 million as at 31 Dec 2016 consist of trade receivables net of provision of S\$3.5 million and other receivables of S\$6.2 million consist of rental deposits, other deposits, advances to suppliers and other debtors.

Amount due from customers decreased by S\$39.8 million mainly attributed to the allowance for losses of arising from termination of the contracts of a major project of S\$68.2 million and allowance for losses of S\$5.8 million from projects partially billed but not fully completed and delivered in EES operations. Amount due from customers of S\$4.8 million as at 31 Dec 2016 relates to customers from construction contracts.

Prepayments reduced by S\$7.8 million as at end FY2016 against S\$7.8 million as at end FY2015, mainly due to allowance for losses from construction contracts made for prepayment of project costs arising from termination of the contracts of a major project.

**Non-Current Assets**

Property, plant and equipment comprise mainly of investment in Tuas South shipyard. Property, plant and equipment decreased by S\$8.0 million during FY2016 to S\$9.5 million as at end FY2016 from S\$17.6 million as at end FY2015 mainly due to (i) reclassification of the leasehold building in EES to asset held for sale of S\$5.6 million as the building was sold after FY2016; (ii) impairment of property, plant and equipment of S\$3.9 million for EES operations due to the abortion of commercializing the prototype nature of the product as further R&D funding was necessary; and (iii) depreciation charges of S\$0.6 million. The decrease was partially offset by S\$2.3 million incurred on acquisition of new equipment and construction costs for the Group's new waterfront facility. Depreciation expense was higher in FY2016 due to the depreciation of property, plant and equipment acquired in FY2015 of S\$4.8 million and in FY2016 of S\$2.3 million.

The investment property in EES had been reclassified to asset held for sale of S\$5.6 million in FY2016 as the Group commenced the disposal of the property subsequent to 31 Dec 2016. As at the date of this announcement, the disposal of the property is still in progress.

Allowance for intangible assets of S\$7.5 million had been fully made in FY2016 due to insolvency of the subsidiaries and the Group would not have any recoverable value of the intangible assets of the subsidiaries.

Investment in an associated company reduced by S\$3.0 million to S\$3.0 million as at end FY2016 from S\$6.0 million as at end FY2015 due to the Group's share of loss in the associated company of S\$0.2 million and impairment loss of investment in associated company of S\$2.8 million due to market sentiment and lack of buyer interest. The investment in the associated company amounting to S\$ 2.9 million had been reclassified as asset held for sale as the Group disposed its interest in the associated company subsequent to 31 Dec 2016.

Available-for-sale financial assets had decreased by S\$5.7 million to S\$4.0 million as at end FY2016 from S\$9.7 million as at end FY2015 mainly due to the liquidation of certain insurance policies of S\$1.2 million and allowance for impairment on available-for-sale assets of S\$4.5 million. The liquidation of the insurance policies was meant to provide additional working capital to run the daily operations of the Group. The available-for-sale assets relate to the Company's Put Option and Call Option for PVDO, whose financial performance is similarly experiencing downturn as a result of the overall situation in the oil and gas sector.

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

**Current Liabilities**

Trade and other payables decreased by S\$15.4 million to S\$42.6 million as at end FY2016 compared to S\$58.0 million as at end FY2015 due to allowance for losses of construction contracts made pertaining to termination of contracts of a major project and all the related suppliers for these contracts.

Advances from contract customers reduced by S\$7.7 million to S\$2.1 million as at end FY2016 compared to S\$9.8 million as at end FY2015 mainly due to the adjustment relating to termination of contracts of a major project.

Amount due to customers had increased by S\$56.6 million to S\$60.0 million as at end FY2016 compared to S\$3.4 million as at end FY2015 mainly due to allowance for losses of construction contracts made for claim of S\$56.7 million by the customer arising from termination of contracts of a major project.

Bank borrowings decreased by S\$5.1 million to S\$22.7 million as at end FY2016 from S\$27.8 million as at end FY2015 due to repayment of bank borrowings of S\$4.2 million during the period and foreign exchange losses on translation of foreign currencies loans. Borrowings from third parties had increased by S\$2.6 million to S\$18.3 million as at end FY2016 compared to S\$10.5 million as at end FY2015. These borrowings were obtained mainly for the financing of the Group's projects.

**Non-current Liabilities**

The non-current convertible loan of S\$5.2 million and financial derivatives liabilities of S\$1.9 million had been reclassified to current liabilities as the liabilities has become due and payable on demand after the financial year end.

**Negative working capital and net liability position**

The Group was in a negative working capital position of S\$125.6 million and S\$21.8 million as at end FY2016 and end FY2015 respectively. In addition, the Group was in a net liability position of S\$111.9 million as at end FY2016 compared to net asset position of S\$12.2 million as at end FY2015.

Notwithstanding the above, the Board is of the view that the Group is able to operate as a going concern due to the following:

- a. Upon the successful completion of Company's SOA, the Group's financial position will be substantially improved with the debt to equity conversion.
- b. The Company is exploring fundraising exercise to strengthen its cash position.

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 from Operating Activities**

Net cash from operating activities was S\$0.2 million in FY2016 compared to net cash used of S\$24.0 million used in FY2015 despite the net loss before tax of S\$119.8 million in FY2016 compared to net loss before tax of S\$9.4 million in FY2015.

This was mainly due to allowance for losses from construction contracts of S\$99.1 million, decrease in trade and other payables of S\$15.4 million, decrease in advances from contract customers of S\$7.7 million, decrease in amount due to contract customers of S\$2.7 million.

**Net Cash from Investing Activities**

Net cash used in investing activities of S\$0.8 million in FY2016 was mainly due to the lower purchase of property, plant and equipment of S\$2.3 million and offset with proceeds of S\$1.2 million from the disposal of certain available-for-sale investments held by the Group.

**Net Cash from Financing Activities**

Net cash generated from financing activities of S\$1.5 million in FY2016 was mainly attributed to repayment of bank loan of S\$4.2 million, interest payment of S\$4.0 million, repayment to a director of S\$0.5 million and offset with proceeds from bank borrowings of S\$2.6 million and utilization of fixed deposits of S\$7.7 million.

Net cash inflow of S\$7.0 million in FY2015 were mainly due to proceeds from issuance of ordinary shares of S\$2.0 million and proceeds from borrowings from third parties of S\$54.3 million and offset with repayment to a director of \$8.8 million and repayment of bank borrowings of S\$48.6 million.

Due to the foregoing, the Group has a positive cashflow of S\$0.3 million as at end FY2016 compared to a negative cashflow of S\$0.6 million as at end FY2015.

**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 competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

It has been an extremely challenging FY2016 for the industry, with volatile stock markets and plunging oil prices. Compounding to this situation, the industry is facing repercussions from the potential liquidity crunch faced by marine oil and gas services and supporting companies.

The proposed SOA of the Company dated 13 Jul 2017 was approved without modification by a majority in number representing more than three-fourths in value of the scheme creditors present and voting either in person or by proxy at the Court meeting held on 28 Jul 2017.

The SOA for the KIPL and EES were withdrawn at the respective creditors meetings on 28 Jul 2017 and 25 Aug 2017. The Company is still assessing the impact on the withdrawal of the SOA for the KIPL and EES on the Group and would make the necessary announcement through SGXNET as and when necessary.

The Company will be implementing the approved SOA with debt-to-equity conversion, identifying strategic investor for continuing the construction of the waterfront facility in Tuas South, exploring fundraising exercise and working toward the resumption of 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 FY2016.

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

Not applicable. No dividend has been declared for FY2015.

**(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 / recommended by the Company for FY2016.



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 FY2016.

The Group has not obtained a general mandate from shareholders for IPT in FY2016.

14. **Confirmation pursuant to Catalist Rule 720(1)**

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.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

15. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

**Segment Information**

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management consider business from mainly business segment perspective. The Group has three reportable segments as follows:

**EPCM – MOT**

The EPCM – Marine and Offshore and trading segment are involved in providing engineering, procurement, construction and management, custom fabrication, maintenance and repair, trading of marine and offshore equipment to mainly the marine and offshore oil & gas companies.

**EPCM – WT**

The EPCM - water treatment segment is involved in environmental-related technical services for pollution management, water and waste.

**Others**

“Other” segment includes the Group’s investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

The Group’s reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

### Segment Information (cont'd)

|  | <u>EPCM - MOT</u><br>\$'000 | <u>EPCM - WT</u><br>\$'000 | <u>Others</u><br>\$'000 | <u>Total</u><br>\$'000 |
|--|-----------------------------|----------------------------|-------------------------|------------------------|
| <b>FY2016</b>  |                             |                            |                         |                        |
| <b>Revenue</b>   |                             |                            |                         |                        |
| Revenue from external customers                        | 14,412                      | 14,688                     | -                       | 29,100                 |
| Profit/(loss) from operation                           | 23,230                      | 162                        | (4,713)                 | 18,679                 |
| Interest income  | 110                         | 2                          | -                       | 112                    |
| Interest expenses                                      | (177)                       | -                          | (235)                   | (412)                  |
| Other material non-cash items:                         |                             |                            |                         |                        |
| Allowance for impairment on intangible assets          | (7,469)                     | -                          | -                       | (7,469)                |
| Allowance for losses from construction contracts       | (99,120)                    | -                          | -                       | (99,120)               |
| Allowance for doubtful debts                           | (18,017)                    | -                          | (997)                   | (19,014)               |
| Allowance for impairment of investment in associate    | -                           | -                          | (2,815)                 | (2,815)                |
| Impairment of property, plant and equipment            | (3,928)                     | -                          | -                       | (3,928)                |
| Impairment loss of available-for-sale financial assets | -                           | -                          | (4,526)                 | (4,526)                |
| Property, plant and equipment written off              | (247)                       | -                          | (2)                     | (249)                  |
| Depreciation of property, plant and equipment          | (577)                       | (30)                       | (11)                    | (618)                  |
| Depreciation of investment property                    | (3)                         | -                          | -                       | (3)                    |
| Shares of loss of associates                           | -                           | -                          | (189)                   | (189)                  |
| Fair value loss from derivatives financial instruments | -                           | -                          | (60)                    | (60)                   |
| Exchange gain/(loss)                                   | (32)                        | (13)                       | (99)                    | (144)                  |
| Profit/(loss) before income tax                        | (106,230)                   | 121                        | (13,647)                | (119,756)              |
| Income tax credit/(expense)                            | 141                         | (52)                       | -                       | 89                     |
| Profit/(loss) for the financial year                   | (106,089)                   | 69                         | (13,647)                | (119,667)              |
| <b>Segment assets</b>                                  |                             |                            |                         |                        |
| Non-current assets                                     | 408                         | 259                        | 15,132                  | 15,799                 |
| Current assets   | 6,338                       | 8,668                      | 983                     | 15,989                 |
| Total assets   | 6,746                       | 8,927                      | 16,115                  | 31,788                 |
|  |                             |                            |                         |                        |
| Additions to non-current assets                        | 9                           | -                          | 2,361                   | 2,370                  |
| <b>Segment liabilities</b>                             |                             |                            |                         |                        |
| Non-current liabilities                                | -                           | -                          | -                       | -                      |
| Current liabilities                                    | 133,072                     | 7,508                      | 9,129                   | 149,709                |
| Total liabilities                                      | 133,072                     | 7,508                      | 9,129                   | 149,709                |

### Segment Information (cont'd)

|  | <u>EPCM - MOT</u> | <u>EPCM - WT</u> | <u>Others</u> | <u>Total</u>  |
|--|-------------------|------------------|---------------|---------------|
|  | <u>\$'000</u>     | <u>\$'000</u>    | <u>\$'000</u> | <u>\$'000</u> |
| <b>FY2015</b>  |                   |                  |               |               |
| <b>Revenue</b>   |                   |                  |               |               |
| Revenue from external customers                        | 57,234            | 11,647           | -             | 68,881        |
| Profit/(loss) from operation                           | 2,387             | 1,024            | (4,117)       | (706)         |
| Interest income  | 46                | 1                | -             | 47            |
| Interest expenses                                      | (1,141)           | (5)              | (2,282)       | (3,428)       |
| Other material non-cash items:                         |                   |                  |               |               |
| Allowance for impairment on goodwill                   | (1,800)           | -                | -             | (1,800)       |
| Allowance for foreseeable losses                       | (914)             | -                | -             | (914)         |
| Allowance for impairment of investment in associate    | -                 | -                | (2,100)       | (2,100)       |
| Depreciation   | (437)             | (30)             | (4)           | (471)         |
| Shares of profit of associates                         | -                 | -                | 248           | 248           |
| Fair value loss from derivatives financial instruments | -                 | -                | (319)         | (319)         |
| Profit/(loss) before income tax                        | (1,859)           | 990              | (8,574)       | (9,443)       |
| Income tax expense                                     | (670)             | (127)            | -             | (797)         |
| Profit/(loss) for the financial year                   | (2,529)           | 863              | (8,574)       | (10,240)      |
| <b><u>Segment assets</u></b>                           |                   |                  |               |               |
| Non-current assets                                     | 12,792            | 287              | 28,111        | 41,190        |
| Current assets   | 82,550            | 7,720            | 779           | 91,049        |
| Total assets   | 95,342            | 8,007            | 28,890        | 132,239       |
| Investment in associates                               | -                 | -                | 6,057         | 6,057         |
| Additions to non-current assets                        | 644               | -                | 4,180         | 4,824         |
| <b><u>Segment liabilities</u></b>                      |                   |                  |               |               |
| Non-current liabilities                                | 25                | -                | 7,110         | 7,135         |
| Current liabilities                                    | 59,151            | 6,399            | 47,323        | 112,873       |
| Total liabilities                                      | 59,176            | 6,399            | 54,433        | 120,008       |

## Segment Information (cont'd)

### Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitor property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties attributable to each segment. All assets are allocated to the reportable segments except for certain assets included in "Others" not reported to the chief operating decision maker.

### Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments.

### Geographical segments

Segment revenue is based on the region where services are rendered and the region where the customers are located. Non-current assets are shown by geographical region where the assets are located.

Non-current assets in current financial year consist of property, plant and equipment and available-for-sale financial assets.

|  | <b>FY2016</b> | <b>FY2015</b> |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Revenue from external customers</b> |               |               |
| China                                  | 97            | 34,356        |
| Vietnam                                | 27,480        | 21,116        |
| Singapore                              | 1,306         | 5,027         |
| Malaysia                               | 183           | 102           |
| Others                                 | 34            | 8,280         |
|  | <u>29,100</u> | <u>68,881</u> |
| <br><b>Non-current assets</b>          |               |               |
| Singapore                              | <u>17,920</u> | <u>31,171</u> |
| <br>Vietnam                            | <u>259</u>    | <u>287</u>    |

**16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments**

Please refer to paragraph 8 above.

**17. A breakdown of sales**

| Group  | FY2016<br>S\$'000 | FY2015<br>S\$'000 | Increase/<br>(Decrease)<br>% |
|--|-------------------|-------------------|------------------------------|
| Sales reported for first half year                               | 15,970            | 39,765            | (59.8)                       |
| Operating (losses)/profit after tax reported for first half year | (2,853)           | 248               | n.m.                         |
| Sales reported for second half year                              | 13,130            | 29,116            | (54.9)                       |
| Operating losses after tax reported for second half year         | (116,814)         | (10,488)          | n.m.                         |

**18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

No dividend was declared by the Company for FY2016 and FY2015.

**19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or CEO or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

| Name          | Age | Family relationship with any director and/or substantial shareholder | Current position and duties, and the year the position was first held                          | Details of changes in duties and position held, if any, during the year |
|---------------|-----|--|--|---|
| Ting Teck Seh | 55  | Brother of Ting Teck Jin, Executive Chairman/CEO                     | *Director, EMS Offshore Pte Ltd, a wholly-owned subsidiary of the Company, since 13 March 2006 | No change   |

\* Mr Ting Teck Seh is not on the payroll of the Group.

BY ORDER OF THE BOARD  
EMS Energy Limited

Wong Chuen Shya  
Company Secretary  
31 August 2017

*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 Catalyst. 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.*

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