

ANNOUNCEMENT

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE 3 MONTHS ENDED 31 MAR 2019

Cautionary Note:

Since 1 August 2016 and up to the date of this announcement, announcements have been made by the Company in relation to the scheme of arrangement (“SOA”) of the Company, and its subsidiary, EMS Energy Solutions Pte Ltd (“EES”) as well as the liquidation of Koastal Industries Pte Ltd (“KIPL”). For latest details on the aforementioned, please refer to the Company’s announcement dated 6 May 2019.

Given the uncertainties arising from the on-going SOA, the Company would like to remind Shareholders that there are high degree of uncertainties as to the full implications and impact of the aforesaid SOA on the unaudited financial results announcement for the 3 months ended 31 Mar 2019 (“1Q2019”).

The Company also wishes to highlight that the Group had deconsolidated the accounts of KIPL and its subsidiaries (namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte Ltd and Koastal Eco Industries Co., Ltd) (“KIPL group”) following the placement of KIPL under creditors’ voluntary liquidation on 24 Oct 2017. The Group incurred a net loss of S\$0.5 million in 1Q2019. As at 31 Mar 2019, the Group’s current liabilities exceeded its current assets by S\$109.5 million and the Group was in a net liability position of S\$98.7million.

The unaudited results announcement for 1Q2019 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 1Q2019 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 1Q2019 are prepared, is based on the following management’s assessment:

- (a) The management is confident that it will be able to successfully complete the implementation of the SOA of the Company and EES, and thus significantly reducing the Company’s liabilities.
- (b) The Company is expected to enter into SPA with NVS Holdings Pte. Ltd. and Son Truong Co Ltd (collectively, the “Vendors”) on or before 15 May 2019 in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company. The Board believes that the proposed acquisition would allow the Company to acquire a new business, which could potentially resolve its financial and business viability issues.
- (c) The Company is also exploring other opportunities that could satisfy the going concern and business viability issues and would make an announcement when necessary.

Due to the foregoing, shareholders are cautioned against placing undue reliance on the unaudited results announcement for 1Q2019. Shareholders should also consult their stockbroker, bank manager, solicitor or other professional adviser if they have any doubt about the actions that they should take. The Company will make the necessary announcements as and when there are further developments.

PART I - INFORMATION REQUIRED FOR QUARTERLY RESULTS ANNOUNCEMENTS

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months period ended 31 Mar 2019 (“1Q2019”) vs three months period ended 31 Mar 2018 (“1Q2018”)

	Group		Increase/ (Decrease) %
	1Q2019 S\$'000	1Q2018 S\$'000	
Continuing operations			
Revenue	60	454	(86.8)
Cost of sales	(24)	(450)	(94.7)
Gross profit	36	4	800.0
<i>Gross profit margin</i>	60%	0.9%	
Other income	-	96	n.m.
Expenses			
- Administrative	(492)	(1,247)	60.6
- Interest Expenses	(59)	(76)	(22.4)
Loss before income tax	(515)	(1,223)	(57.9)
Income tax expense	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(515)	(1,223)	(57.9)

Note: n.m. - not meaningful

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

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

	1Q2019	1Q2018	Increase/ (Decrease)
	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	(6)	(12)	(50.0)
Foreign exchange (loss)/gain	19	(343)	n.m.
Employee compensation	(234)	(278)	(15.8)
Professional fees	(49)	(130)	(62.3)
Interest expenses	(59)	(76)	(22.4)

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 31 Mar 2019 S\$'000	As at 31 Dec 2018 S\$'000	As at 31 Mar 2019 S\$'000	As at 31 Dec 2018 S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	10,848	10,853	10,793	10,797
Total non-current assets	10,848	10,853	10,793	10,797
Current Assets				
Inventories	30	-	-	-
Trade & other receivables	151	148	104	68
Advances to suppliers	1,133	1,243	-	-
Prepayments	521	278	6	4
Cash & cash balances	104	107	4	1
Total current assets	1,939	1,776	114	73
Total Assets	12,787	12,629	10,907	10,870
EQUITY AND LIABILITIES				
Equity				
Share capital	167,711	167,711	167,711	167,711
Other reserves	(148,881)	(148,881)	85	85
Accumulated losses	(117,491)	(116,976)	(211,101)	(210,757)
Total Equity	(98,661)	(98,146)	(43,305)	(42,961)
Current Liabilities				
Trade & other payables	48,576	48,170	10,497	10,210
Amount due to deconsolidated subsidiaries	33,188	33,193	32,437	32,441
Amount due to customers	2,024	1,852	-	-
Bank borrowings	1,746	1,746	1,746	1,746
Borrowings from third parties	16,480	16,380	100	-
Convertible loan	7,542	7,542	7,542	7,542
Financial derivative liabilities	1,892	1,892	1,892	1,892
Total current liabilities	111,448	110,775	54,214	53,831
Total Liabilities	111,448	110,775	54,214	53,831
Net Liabilities	(98,661)	(98,146)	(43,305)	(42,961)
Net Current Liabilities	(109,509)	(108,999)	(54,100)	(53,758)

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 Mar 2019		As at 31 Dec 2018	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Secured	Secured	Unsecured
25,768	-	25,668	-

Amount repayable after one year

As at 31 Mar 2019		As at 31 Dec 2018	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral as at 31 Mar 2019

The management has confirmed that no creditors have exercised their rights on any of the collateral given by the Company and no cross-default clauses have been triggered as at the date of this announcement.

	Repayable less than one year	Repayable more than one year	Total
	S\$'000	S\$'000	S\$'000
Bank Borrowings			
Bills payable	1,746	-	1,746
	1,746	-	1,746
Borrowings from third parties / Convertible loan			
Borrowings from third parties ⁽¹⁾	16,480	-	16,480
Convertible loan ⁽²⁾	7,542	-	7,542
	24,022	-	24,022
Total borrowings	25,768	-	25,768

The bank borrowings are generally secured by short-terms deposits, mortgages over the Group's properties, assignment of contract and charge over project proceeds, pledge of insurance policies, corporate guarantees issued by the subsidiaries and/or the Company and joint and several guarantees of directors of the subsidiaries.

Details of any collateral as at 31 Mar 2019 (Cont'd)

Borrowings from third parties

Note 1:

In FY2014, a subsidiary of the Group, Koastal International Pte Ltd (“**KPL**”) entered into a put and call option deed with Philip Ventures Enterprise Fund 3 Ltd and Venstar Investments II Ltd (collectively the “**PV Investors**”). The PV Investors hold 100% of the shares in the capital of Overseas Drilling Holdings Ltd (“**ODH**”). ODH in turn acquired 10% stake of the share capital of PV Drilling Overseas Company Private Limited (“**PVDO**”) for a purchase consideration of US\$4,196,000 (approximately S\$5,257,000). In addition to the purchase consideration, ODH has also made capital injections of US\$1,020,000 and US\$1,584,000 (approximately S\$3,255,000 in total) in Nov 2014 and Mar 2015 respectively. The purchase consideration and capital injection amounted to S\$8,512,000 (“**Investment Amount**”) is expected to be settled in Singapore Dollars.

Under the above arrangement,

- (a) The PV Investors has granted the subsidiary a call option to require the PV Investors to sell to the Company all the shares of ODH at 122.5% of the Investment Amounts (“**Call Option**”);
- (b) The subsidiary has granted the PV Investors the option to require the subsidiary to purchase all of the shares of ODH held by the PV Investors at 122.5% of the Investment Amounts (“**Put Option**”); and
- (c) The Put Option and Call Option are exercisable 18 months from Aug 2014 and will expire 30 days thereafter.

The matching terms of the Call Option and the Put Option have effectively resulted in a bridging loan arrangement for the Company to acquire 10% interest in PVDO. The borrowings from the PV Investors is measured at amortised cost using the effective interest method after taking into account the fair value of share warrants issued to the PV Investors.

The Put Option and Call Option were lapsed on Mar 2016. The PV Investors has sent letter of demand and as at the date of this announcement, the Company and the PV Investors are in discussion with the aim to reach a settlement.

Note 2:

In Jun 2015, a subsidiary of the Group KPL entered into a subscription agreement with Venstar Investments III Ltd (“**Venstar III**”) in relation to the issue and subscription of convertible notes with an aggregate principal value of US\$5.0 million (the “**Notes**”), convertible at the option of Venstar III into new ordinary shares in the capital of the Company (the “**Exchange Shares**”), subject to and in accordance with the terms and conditions of the Notes. The Notes has a maturity date of 36 months from the issue date of the Notes (“**Maturity Date**”). The Notes matured on 12 Jun 2018. Unless otherwise defined, all capitalised terms used herein shall have the meanings ascribed to them in the Company’s circular dated 30 Sep 2015.

The terms of the conversion are:

- (a) 25.0% of the principal amount of the Notes may be converted in whole or in part at the time of the Listing (the “**First Tranche Exchanged Shares**”);
- (b) 35.0% of the principal amount of the Notes, together with any balance principal amount not converted pursuant to paragraph (a) above may be converted in whole or in part at any time during the period commencing on the earlier of (i) the first anniversary of the Listing and (ii) the date falling six (6) months prior to the Maturity Date, and ending on the Maturity Date (the “**Second Tranche Exchanged Shares**”); and
- (c) the remaining principal amount of the Notes which has not been converted pursuant to paragraphs (a) and (b) above may be converted in whole or in part at any time during the period commencing on the earlier of (i) the second anniversary of the Listing and (ii) the date falling six (6) months prior to the Maturity Date, and ending on the Maturity Date (the “**Third Tranche Exchanged Shares**”).

The conversion price of the Notes (the “**Conversion Price**”) are as follows:

- (a) in respect of the First Tranche Exchanged Shares, the conversion price for each First Tranche Exchanged Share shall be S\$0.23; and
- (b) in respect of the Second Tranche Exchanged Shares and the Third Tranche Exchanged Shares, the conversion price for each such share shall be S\$0.345; and
- (c) in any other case:
 - (i) in respect of the First Tranche Exchanged Shares, the conversion price for each First Tranche Exchanged Share shall be equivalent to a 33.0% discount to the issue price of the consideration shares issued for the Acquisition; and
 - (ii) in respect of the Second Tranche Exchanged Shares and the Third Tranche Exchanged Shares, the conversion price for each such share shall be equivalent to the issue price of the consideration shares issued for the Acquisition.

The security granted to Venstar III comprises a personal guarantee executed by a Director in favour of Venstar III, as well as the corporate guarantee that KPL and the Director are to procure to be executed by the Company in favour of Venstar III in accordance with the terms of the Convertible Notes Subscription Agreement and any and every other document (including all amendments, variations and/or modifications thereto) from time to time executed to secure the obligations of KPL pursuant to and in connection with the Notes.

The Company had on 27 October 2016 received a letter of demand from Venstar III making a claim under a corporate guarantee furnished by the Company to Venstar III on behalf of KPL in respect of a subscription agreement entered into on 11 June 2015, for the sum of S\$7.5 million and the interest accrued thereon. The Company has admitted the outstanding amount of S\$9.4 million (included the interest accrued) claimed by Venstar III to its approved SOA. The corporate guarantee had thus crystallised into a real liability.

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

Consolidated Cash Flow Statement

	The Group	
	1Q2019	1Q2018
	S\$'000	S\$'000
Cash flows from operating activities		
Loss before income tax	(515)	(1,223)
Adjustments for:		
Depreciation of property, plant and equipment	6	12
Loss on disposal of property, plant and equipment	-	4
Interest expense	59	76
Unrealised exchange differences	(19)	475
	(469)	(656)
Changes in working capital:		
Inventories	(30)	-
Trade and other receivables	(3)	(266)
Prepayment	(243)	(102)
Trade and other payables	407	1,176
Advances from contract customers	-	(408)
Amount due from suppliers/contract customers	110	-
Net cash used in operating activities	(228)	(256)

	The Group	
	1Q2019	1Q2018
	S\$'000	S\$'000
Investing activities		
Proceeds from disposal of available-for-sale investments	-	5,600
Proceeds from disposal of property, plant and equipment	-	22
Purchase of property, plant and equipment	(1)	(15)
Net cash (used in)/from investing activities	<u>(1)</u>	<u>5,607</u>
Financing activities		
Loan from a director/third parties	226	7
Interest paid	-	(76)
Repayment of bank borrowings	-	(5,371)
Net cash (used in)/from financing activities	<u>226</u>	<u>(5,440)</u>
Net changes in cash and cash equivalents	<u>(3)</u>	<u>(89)</u>
Cash and cash equivalents at beginning of the period	<u>107</u>	<u>398</u>
Cash and cash equivalents at end of the period	<u>104</u>	<u>309</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity

Group	Share capital S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Foreign currency translation reserve S\$'000	Revaluation reserve S\$'000	Share option reserves S\$'000	Merger reserve S\$'000	Other reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Balance as at 1 Jan 2019	167,711	-	-	34	-	85	(149,000)	(148,881)	(116,976)	(98,146)
Loss for the period	-	-	-	-	-	-	-	-	(515)	(515)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(515)	(515)
Balance as at 31 Mar 2019	167,711	-	-	34	-	85	(149,000)	(148,881)	(117,491)	(98,661)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

Consolidated Statement of Changes in Equity

Group	Share capital S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Foreign currency translation reserve S\$'000	Revaluation reserve S\$'000	Share option reserves S\$'000	Merger reserve S\$'000	Other reserve S\$'000	(Accumulated losses) / Retained earnings S\$'000	Total equity S\$'000
Balance as at 1 Jan 2018	167,711	-	-	34	6,178	85	(149,000)	(142,703)	(96,739)	(71,731)
Loss for the period	-	-	-	-	-	-	-	-	(1,223)	(1,223)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(1,223)	(1,223)
Balance as at 31 Mar 2018	<u>167,711</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>6,178</u>	<u>85</u>	<u>(149,000)</u>	<u>(142,703)</u>	<u>(97,962)</u>	<u>(72,954)</u>

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (*cont'd*).

STATEMENT OF CHANGES IN EQUITY

Company	Share Capital	Accumulated Losses	Share Option Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Jan 2019	167,711	(210,757)	85	(42,961)
Total comprehensive loss for the period	-	(344)	-	(344)
Balance at 31 Mar 2019	167,711	(211,101)	85	(43,305)

Company	Share Capital	Accumulated Losses	Share Option Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Jan 2018	167,711	(198,442)	85	(30,646)
Total comprehensive loss for the period	-	(306)	-	(306)
Balance at 31 Mar 2018	167,711	(198,748)	85	(30,952)

1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

(i) Details of changes in the Company’s issued share capital:

There were no changes in the Company’s share capital since 31 December 2018 to 31 March 2019.

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

As at 31 Mar 2019, the following employee share options granted under the EMS Employee Share Option Scheme dated 20 July 2009, still remain outstanding:

Share options issued to	Number of options granted	Number of options still remained outstanding as at end of 4Q2018	Exercise price per option	Exercisable date
Independent Directors	150,000	150,000	S\$0.027	23 Feb 2015 to 22 Feb 2020
Controlling Shareholder	700,000	700,000	S\$0.027	27 Apr 2015 to 26 Apr 2025
	850,000	850,000		

The Company had 850,000 share options outstanding as at 31 March 2018.

(iii) Convertible Notes

As disclosed in Section 1(b)(ii) on the details of collateral, KPL entered into a subscription agreement with Venstar III in relation to the Notes, convertible at the option of Venstar III into Exchange Shares, subject to and in accordance with the terms and conditions of the Notes. The Notes has a maturity date of 36 months from the issue date of the Notes. The Notes matured on 12 June 2018.

In view of the on-going restructuring and non-payment of interests, Venstar III has since demanded repayment. As at the date of this announcement, the Company has received a Proof of Debt from Venstar III with full outstanding amount of S\$8.9 million against the Company as Corporate Guarantor and the Company has admitted the claim to its approved SOA.

Save for the aforementioned Share Options and Convertible Notes, the Company did not have any other outstanding convertibles as at 31 March 2019 and 31 March 2018. The Company did not have any treasury shares or subsidiary holdings as at 31 March 2019 and 31 March 2018.

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

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

The Company did not have any treasury shares as at 31 March 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by auditors.

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

Not applicable.

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

Except as disclosed as paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited consolidated financial statements for the financial year ended 31 December 2018.

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

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

The Group has adopted SFRS(I) 16 with effect from 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption and has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. On adoption of SFRS(I) 16 Leases, the Group did not recognised any right-of-use assets or lease liabilities as at 31 March 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (a) based on the weighted average number of ordinary shares on issue; and (b) on a fully diluted basis (detailing any adjustments made to the earnings).

	The Group	
	1Q2019 (Cents)	1Q2018 (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	(0.11)	(0.27)
(b) On a fully diluted basis	(0.11)	(0.27)

Note:

The loss per ordinary share for the financial period under review is calculated based on the weighted average of 448,735,224 (1Q2018: 448,735,224) ordinary shares in issue.

As at 31 March 2019, there were (i) 850,000 (31 March 2018: 850,000) Share Options under the EMS Energy Employees Share Option Scheme and (ii) no Convertible Notes (31 March 2018: S\$6,708,000, , being the Singapore Dollar equivalent of US\$5.0 million of Convertible Notes which could be convertible up to 21,873,912 Company's shares. The outstanding Share Options and Convertible Notes were not included in the weighted average number of ordinary shares for the purpose of computing the diluted loss per share for 1Q2019 and 1Q2018 as the Group was in a loss position in 1Q2019 and 1Q2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	The Group		The Company	
	As at 31 Mar 2019 (Cents)	As at 31 Dec 2018 (Cents)	As at 31 Mar 2019 (Cents)	As at 31 Dec 2018 (Cents)
Net asset value per ordinary share based on issued share capital at end of period	(21.99)	(21.87)	(9.65)	(9.57)

Net asset value per share as at 31 March 2019 and 31 December 2018 are calculated based on 448,735,224 shares.

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

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

Revenue

The Group's revenue decreased to S\$0.06 million in 1Q2019 as compared to revenue of S\$0.5 million in 1Q2018 due to slow down in business activities and reduction to progress billing from uncompleted projects.

Cost of sales & gross profit

The Group's cost of sales had reduced by 94.7% or S\$0.4 million to S\$0.02 million in 1Q2019 compared to S\$0.4 million in 1Q2018. The reduction was due to goodwill replacement from suppliers. The Group recorded gross profit of S\$0.04 million in 1Q2019 compared to gross profit of S\$0.004 million in 1Q2018.

Other income

Other income was nil in 1Q2019 compared to S\$0.1 million in 1Q2018 mainly due to the absence of scrap and disposal income recognized in 1Q2018.

Administrative expenses

Administrative expenses decreased by S\$0.8 million or 60.6% to S\$0.5 million in 1Q2019 compared to S\$1.2 million in 1Q2018, mainly due to lower employee compensation arising from further headcount reduction since 1Q2018 as part of the cost cutting measures.

Depreciation decreased by S\$0.01 million mainly due to disposal of computers and workshop equipment in 2018.

Interest Expenses

Interest Expenses decreased by 22.4% or S\$0.02 million to S\$0.06 million in 1Q2019 as compared to S\$0.08 million in 1Q2018 due to lower outstanding bank borrowings as a result of repayment of bank loan since 1Q2018.

Foreign Exchange Gain/(Loss)

Foreign exchange gain of S\$0.02 million in 1Q2019 as compared to the foreign exchange loss of S\$0.34 million in 1Q2018 was due to the revaluation of trade receivables and trade payables denominated in USD, where USD was appreciating against SGD.

Professional fees

Professional fees decreased by 62.3% for S\$0.08 million to S\$0.05 million in 1Q 2019 as compared to S\$0.13 million in 1Q2018 due to lower legal fee incurred in 1Q2019.

Income tax expense

There was no income tax expense incurred by the Group for 1Q2019 due to losses for the reporting financial period.

Overall, the Group recorded a net loss attributed to equity holders of the Company of S\$0.5 million in 1Q2019.

(ii) Commentary on the Statements of Financial Position

Non-Current Assets

There is no significant change in the Group's property, plant and equipment as at 31 Mar 2019, amounting to S\$10.8 million as compared to S\$10.9 million as at 31 Dec 2018.

Current Assets

The presence of inventories of S\$0.03 million as at 31 Mar 2019 was due to the purchase of stock for trading during Q12019

Trade and other receivables increased slightly by S\$0.01 million to S\$0.15 million as at 31 Mar 2019 as compared to S\$0.14 million as at 31 December 2018. This was mainly due increase in GST receivable from IRAS.

Advances to suppliers decreased slightly by S\$0.1 million to S\$1.1 million as at 31 Mar 2019 compared to S\$1.2 million as at 31 Dec 2018 due to the cost being charged out to income statement upon completion of project.

Cash and bank balances remain at S\$0.1 million as at 31 Mar 2019.

Current Liabilities

Trade and other payables increased by S\$0.4 million to S\$48.6 million as at 31 Mar 2019 compared to S\$48.2 million as at 31 December 2018, mainly due to the increase of (i) amount due from trade creditors not under the scheme of arrangement of S\$0.2 million, (ii) amount due to director S\$0.1 million and (iii) unpaid salary payable, and other costs from statutory and professional services amounting to S\$0.1 million in 1Q2019.

Amount due to customers increased by S\$0.1 million to S\$2.0 million compared to S\$1.9 million as at 31 Mar 2019 due to increase in advance payment received from customers.

Negative working capital and net liability position

The Group was in a negative working capital position of S\$109.5 million and S\$109.0 million as at 31 Mar 2019 and 31 December 2018 respectively. In addition, the Group was in a net liability position of S\$98.7 million as at 31 Mar 2019 compared to S\$98.1 million as at 31 December 2018.

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

- (a) The management is confident that it will be able to successfully complete the implementation of the SOA of the Company and EES, and thus significantly reducing the Company’s liabilities.
- (b) The Company is expected to enter into SPA with NVS Holdings Pte. Ltd. and Son Truong Co Ltd (collectively, the “Vendors”) on or before 15 May 2019 in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company. The Board believes that the proposed acquisition would allow the Company to acquire a new business, which could potentially resolve its financial and business viability issues.
- (c) The Company is also exploring other opportunities that could satisfy the going concern and business viability issues and would make an announcement when necessary.

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

(iii) Commentary on the cash flows statement

Net Cash used in Operating Activities

Net cash used in operating activities was S\$0.2 million in 1Q2019 compared to net cash used in operating activities of S\$0.3 million in 1Q2018.

The net cash used in operating activities of S\$0.2 million in 1Q2019 was mainly due to operating loss of S\$0.5 million after adjusting for non-cash items which included, interest expense of S\$0.06 million, foreign exchange gain S\$0.02 million, increase in inventories of S\$0.03 million, increase in trade and other receivables of S\$0.003 million, increase in prepayment of S\$0.24 million, increase in trade and other payables of \$0.4 million and decrease in advances to supplier of S\$0.11 million.

Net Cash used in Investing Activities

Net cash used in investing activities was S\$0.001 million in 1Q2019 compared to net cash generated from investing activities of S\$5.6 million in 1Q2018. The net cash generated from investing activities in 1Q2018 was due to the proceeds from the sale of the leasehold land and buildings (10 Tuas Avenue 11), which was completed on 23 March 2018 to SPCO Holdings Pte Ltd.

Net Cash from Financing Activities

Net cash generated in financing activities in 1Q2019 was S\$0.2 million compared to net cash used in from financing activities of S\$5.4 million in 1Q2018. The net cash generated in financing activities in 1Q2019 was loan from a third party while the net cash used in 1Q2018 was mainly due to repayment of borrowings.

Due to the foregoing, the Group had net cash and cash equivalents of S\$0.1 million as at end 1Q2019 compared to cash and cash equivalent of S\$0.3 million as at end 1Q2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement had previously been disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

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

The Company is expected to enter into SPA with NVS Holdings Pte. Ltd. and Son Truong Co Ltd (collectively, the "Vendors") on or before 15 May 2019 in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company. The Board believes that the proposed acquisition would allow the Company to acquire a new business, which could potentially resolve its financial and business viability issues.

The Company would be dealing with aftermath on return of Tuas South Premises to JTC and believes it would help in its resumption application as it no longer needs to bear the burden of paying monthly rental on the Premises.

Barring from unforeseen circumstances, the Directors are cautiously optimistic about the Group revival upon the implementation of the Company and EES SOAs.

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 1Q2019.

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

Not applicable. No dividend has been declared for 1Q2019.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfer receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared, recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 1Q2019 as the Company does not have profits available for the declaration of dividends.

13. If the Group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not enter into any IPT of more than S\$100,000 in 1Q2019.

The Group has not obtained a general mandate from shareholders for IPT in 1Q2019.

14. Confirmation Pursuant to Rule 705(5) of the Catalist Rules

We, Mr Ting Teck Jin and Mr Lim Poh Boon being two directors of the Company, do hereby confirm on behalf of the Board of the Company that, to the best of our knowledge, nothing has come to attention of the Board which may render the unaudited financial statements for the 3 months ended 31 Mar 2019 to be false and misleading in any material aspect.

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

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

BY ORDER OF THE BOARD
EMS Energy Limited

Wee Woon Hong
Company Secretary
11 May 2019

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

The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST 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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