

# **EMAS OFFSHORE ENTERS INTO SETTLEMENT AGREEMENT WITH PERISAI PETROLEUM TEKNOLOGI BERHAD**

Extended Stock Exchange Notice: EMAS Offshore Limited

## **1. INTRODUCTION**

The Board of Directors (the "Board") of EMAS Offshore Limited (the "Company" or "EOCL", and together with its subsidiaries, the "Group") refers to the announcements released by the Company dated 4 October 2016, 11 October 2016, 13 October 2016, 19 October 2016, 28 October 2016 and 18 November 2016 in relation to, among others, the acquisition of shares in SJR Marine (L) Ltd ("SJR") from Perisai Petroleum Teknologi Berhad ("PPTB", and the initial acquisition of shares in SJR, the "Initial Acquisition"). Reference is further made to the announcements released by the Company dated 25 November and 1 December 2016 in relation to the extension of the put option (the "Put Option") held by PPTB to sell to the Company all of its remaining 51.0% equity interest in SJR (the "Put Option Shares"), and to the announcement released by the Company dated 8 December 2016 in relation to, amongst others, the Company's termination of the Put Option.

## **2. THE SETTLEMENT AGREEMENT**

By a share sale agreement dated 30 November 2012 (the "Principal Agreement"), PPTB had inter alia agreed to dispose and the Company had inter alia agreed to acquire 50% of the equity interest in SJR upon the terms and conditions contained therein. An extended stock exchange announcement was released to the market upon signing of the Principal Agreement. As announced by the Company on 28 March 2013, the parties later agreed to reduce the said equity stake from 50% to 49%.

The Company and PPTB entered into supplemental agreements on 5 December 2012, 28 March 2013 and 28 June 2013, to vary the terms of the Principal Agreement (the Principal Agreement and such supplemental agreements collectively referred to as the "SSA"). The sale of the said 49% equity stake was completed on 26 December 2013.

As announced by the Company on 3 October 2016, the Company and PPTB were in discussions and working towards resolving various issues amongst themselves, including in relation to the Put Option. On 1 December 2016, the Company announced that it had reached an interim agreement with PPTB to defer the exercise of the Put Option to after close of business on 8 December 2016.

Despite efforts made by the parties, the Company and PPTB had yet to fully resolve the various issues amongst themselves. As announced by the Company on 8 December 2016, the Company on the same date issued a notification of termination of the SSA. On 8 December 2016, PPTB issued a letter to EOCL disputing the issuance of the termination notice and further issued a put option notice to EOCL seeking to exercise its Put Option rights, requiring EOCL to acquire the Put Option Shares. EOCL disputed PPTB's exercise of its Put Option rights.

Accordingly, the parties had actual and potential disputes, differences, claims and counterclaims against each other arising from or in connection with the SSA and/or the Put Option rights (the "Disputes").

On 23 December 2016, the Company and PPTB entered into a settlement agreement (the "Settlement Agreement") to achieve a full and final settlement of the Disputes. The Settlement Agreement inter alia includes the following main terms:

- At the Completion Date (as defined below) PPTB shall sell, and EOCL shall purchase, the Put Option Shares, and against delivery of the Put Option Shares EOCL shall pay part of the Consideration (as defined below) amounting to an aggregate amount of US\$20,000,000 in cash to PPTB ("Completion").
- Subject to Completion, the total consideration ("Consideration") for the Put Option Shares shall be US\$43,031,406.55 and the accrued Deferred Payment Interest (as defined below).
- The completion date (the "Completion Date") shall be the next business day, or any other business day as the parties may agree, following fulfilment (or waiver) of the last Condition Precedent (as defined below), which shall be within a period of up to four months from the date of the Settlement Agreement, or at the request of each party and with the consent of the other party at its absolute discretion, such consent not to be unreasonably withheld, further extension of a period of one month per request, subject always to a maximum of four months in aggregate of extension (the "Long Stop Period"). Where PPTB requires any further extensions beyond the four months extended period, such further extensions may be granted with the consent of EOCL (which consent shall not be unreasonably withheld in the case where such further extension is being sought to dismiss an appeal envisaged in the scenario of the Scheme (as defined below)).
- Completion is inter alia conditional upon satisfaction of the following conditions precedent within the Long Stop Period by PPTB and/or EOCL (as the case may be) (the "Conditions Precedent"):
  - PPTB shall provide EOCL with evidence that PPTB has obtained the approval of its board of directors and shareholders inter alia in respect of the sale of the Put Option Shares to EOCL.
  - PPTB shall provide EOCL with evidence of the binding agreement of its noteholders and financial lenders in respect of the restructuring of the S\$125 million 6.875% Notes due 2016 issued by Perisai Capital (L) Ltd (the "Bond Restructuring"), and the restructuring of any outstanding indebtedness it owes to any such financial lenders or, in the alternative to any such approval or agreement, if a creditors' scheme of arrangement is required in relation to PPTB, PPTB shall provide EOCL with evidence that PPTB has obtained an order granted by the High Court of Malaya sanctioning a creditors' scheme of arrangement for the Bond Restructuring, or the restructuring of any outstanding indebtedness owed to any of its financial lenders ("Scheme").
  - EOCL shall provide PPTB with evidence that EOCL has obtained a US\$20,000,000 secured term loan facility from an existing bank lender ("Existing Bank Lender") for the purpose of part financing and purchase of the Put Option Shares and a US\$1,500,000 secured term loan facility from the Existing Bank Lender for the purpose of working capital ("US\$21.5M EOCL Loan"), to be secured by way of a

first ranking charge (“First Ranking Share Charge”) over EOCL’s interest in all of issued share capital of the shares of SJR.

- PPTB shall inter alia provide EOCL with a duly executed deed of waiver and subordination in relation to (i) the waiver of a US\$13,815,579.71 shareholder's loan (the "PPTB Shareholder's Loan") with respect to an aggregate value of US\$8,449,230.17 (the "PPTB Partial Shareholder's Loan"), unless PPTB elects to capitalise the PPTB Partial Shareholder's Loan no later than 10 days before the Completion Date, and (ii) the subordination of the PPTB Shareholder's Loan with respect to an aggregate of US\$5,366,349.54 payable to PPTB (the "PPTB Remaining Shareholder's Loan") granted in favour of the Existing Bank Lender , which subordination rights shall be valid for a period of fifteen (15) years only or until such time the indebtedness in favour of the Existing Bank Lender has been fully settled, whichever is earlier.
- PPTB shall provide EOCL with a duly executed deed of priority and subordination in favour of the Existing Bank Lender where (i) EOCL’s payment obligations in respect of the Deferred Payment Amount (as defined below) will be subordinated to EOCL’s payment obligations owing to the Existing Bank Lender under the US\$21.5M EOCL Loan) and all of EOCL’s other outstanding loans or other indebtedness owing to the Existing Bank Lender; and (ii) the Second Ranking Share Charge (as defined below) will be subordinated to the First Ranking Share Charge over the shares in SJR granted by EOCL to the Existing Bank Lender as security for the US\$21.5M EOCL Loan, and which subordination rights shall be valid for a period of fifteen (15) years only or until such time the indebtedness in favour of the Existing Bank Lender has been fully settled, whichever is earlier.
- PPTB shall provide EOCL with one or more duly executed deed(s) of subordination in favour of the certain other existing lenders of EOCL (“Other Existing Lenders”) where EOCL’s payment obligations in respect of the Deferred Payment Amount (as defined below) will be subordinated to EOCL’s payment obligations in respect of certain other existing EOCL loans of not more than US\$545,000,000 (“Existing EOCL Loans”) owing to such Other Existing Lenders, which subordination rights shall be valid for a period of fifteen (15) years only or until such time the indebtedness in respect of the Existing EOCL Loans owing to such Other Existing Lenders have been fully settled, whichever is earlier. For the avoidance of doubt, the subordination of EOCL’s payment obligations in respect of the Deferred Payment Amount as envisaged under this condition will not be applicable in the case where marine vessel *Enterprise 3* is sold by SJR.
- PPTB shall provide SJR with a duly executed deed of subordination in favour of the Existing Bank Lender where, the SJR’s payment obligations in respect of PPTB’s Remaining Shareholder Loan will be subordinated to (i) SJR’s payment obligations owing to Existing Bank Lender under the existing US\$20,500,000 loan granted to it by Existing Bank Lender and the additional US\$3,500,000 loan to be extended to it by Existing Bank Lender and all of SJR’s other outstanding loans or other indebtedness owed to Existing Bank Lender and (ii) EOCL’s payment obligations owing to the Existing Bank Lender under the US\$21.5M EOCL Loan, which

subordination rights shall be valid for a period of fifteen (15) years only or until such time the indebtedness in favour of Existing Bank Lender has been fully settled, whichever is earlier.

- EOCL shall inter alia provide PPTB with a duly executed deed of waiver in relation to a US\$8,449,230.17 shareholder's loan (the "EOCL Shareholder's Loan"), unless EOCL elects to capitalise the EOCL Shareholder's Loan no later than 10 days before the Completion Date.
- EOCL and PPTB shall execute a second priority ranking charge over the shares in the SJR (which ranks after the First Ranking Share Charge as security for the Deferred Payment Amount).
- Subject to Completion, EOCL shall pay the remaining part of the Consideration in the following instalments:
  - on the date falling on the 15th year anniversary from the Completion Date or the date on which EOCL's payment obligations owing to the Existing Bank Lender under the US\$21.5M EOCL Loan and all of EOCL's other indebtedness or where applicable, other indebtedness owing to the Existing Bank Lender and to the Other Existing Lenders under the Existing EOCL Loans have been fully repaid, whichever is the earlier ("Maturity Date"), EOCL shall pay an aggregate amount of US\$23,031,406.55 (the "Deferred Payment Amount") and procure SJR to repay (i) the PPTB Remaining Shareholder's Loan and (ii) interest at the rate of one per cent. per annum of the PPTB Remaining Shareholder's Loan which shall accrue from the Completion Date to the date of actual payment of the PPTB Remaining Shareholder's Loan (the "PPTB Remaining Shareholder's Loan Interest"); and
  - on the Maturity Date, EOCL shall pay to PPTB interest at the rate of one per cent. per annum of the Deferred Payment Amount which shall accrue from the Completion Date to the date of actual payment of the Deferred Payment Amount (the "Deferred Payment Interest").
- If Completion does not occur by Completion Date:
  - the Settlement Agreement shall terminate in its entirety and the obligations of EOCL and PPTB shall cease provided always however that such termination shall not release EOCL or PPTB from any liability which at time of such termination has already accrued to any other party or parties or which may accrue thereafter in respect of any act, omission or breach prior to such termination, nor compromise any rights of the parties which have accrued to the parties; and
  - the rights and obligations under the SSA remain unchanged and the rights and obligations of EOCL and PPTB prior to the date of execution of the Settlement Agreement shall be restored to their respective position as if the Settlement Agreement was never executed by the parties.

### 3. ADDITIONAL INFORMATION ABOUT SJR

SJR is incorporated in the Federal Territory of Labuan, Registration Number LL05378, with its registered office at Level 1, Lot 7, Block F, Saguking Commercial Building, Jalan Patau-Patau, 87000 Federal Territory of Labuan, Malaysia.

SJR is a single purpose company which owns the marine vessel *Enterprise 3* (the "Vessel"). Currently, the Vessel is not on contract.

The current board of directors of SJR are:

- Dato' Dr Mohammed Ariffin Bin Hj. Aton
- Adarash Kumar A/L Chranji Lal Amarnath
- Datuk Zainol Izzet Bin Mohammed Ishak
- Lee Chye Tek Lionel

SJR does not have any employees and all management functions have been carried out by EOCL and PPTB.

As at the date of this announcement, SJR has a total issued and paid-up share capital of US\$ 4,000,000, comprising 4,000,000 ordinary shares of USD1.00 each.

Please find below certain key financial figures (all in US\$mil):

Year ended	Revenue	Profit/ (Loss)	Total Assets	Total Debt
31 December 2013	16.4	6.1	78.3	39.6
31 December 2014	-	(5.3)	77.3	43.8
31 December 2015	-	(4.5)	72.4	43.4

*Source: Audited financial statements*

### 4. SIGNIFICANCE OF THE SETTLEMENT AGREEMENT TO THE COMPANY

Subject to Completion, the entering into of the Settlement Agreement enables the Group to avoid a protracted legal dispute with PPTB which can be expected to be time consuming for the management and costly to the Group. It also seeks to remove market and operational uncertainties which would then allow the Group to focus on the business development opportunities such as procuring contracts for the Vessel. The commercial terms of the settlement, especially with the Deferred Payment Amount, also significantly reduces the cash upfront vis-à-vis what would have been under the previous terms of the put option.

### 5. AGREEMENTS WITH SENIOR MANAGEMENT OR BOARD OF DIRECTORS

There are no agreements entered into, or that are planned to be entered into, in connection with the Settlement Agreement for the benefit of senior employees or members of the board of directors of the Company or for the senior employees or board of directors of SJR, save for potential appointments in the ordinary course of business necessary for EOCL being the 100% owner of SJR upon Completion.

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This notice is made pursuant to the Oslo Stock Exchange's Continuing Obligations section 3.4 and is subject to disclosure in accordance with the Norwegian Securities Trading Act section 5-12.

The Company is dual listed on the Oslo Stock Exchange and the Singapore Stock Exchange.

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