

## **ANNOUNCEMENT**

### **LEGAL PROCEEDING INITIATED BY THE COMPANY**

The Board of Directors ("Board") of the Company wishes to announce that the Company and its subsidiary, Eco Water Technologies (M) Sdn Bhd (Company Registration No. 345348P) ("Eco Water") has commenced legal proceedings on 4 December 2009 in the High Court of Johor Bahru in the state of Johor, Malaysia against Wong Fook Ming, Wong Kim Sang and Nah Kee Wee (collectively, the "Defendants").

This is in relation to the purchase of a 50% stake in the capital of Airchem Holdings Sdn Bhd ("Airchem Holdings") by the Company and Eco Water pursuant to a share sale agreement dated 6 June 2005 (the "Share Sale Agreement") between the Company (formerly known as Eco Water Limited) and Eco Water (formerly known as Tropical Interest Sdn Bhd) on one hand and Wong Fook Ming and Wong Kim Sang on the other. Pursuant to the Share Sale Agreement, Wong Fook Min and Wong Kim Sang represented and guaranteed that the profit after tax of Airchem Holding would not be less than S\$2 million ("Profit Guarantee") for a period of 48 months ending in June 2009.

In addition, Wong Fook Ming and Nah Kee Wee provided a Letter of Indemnity and Guarantee dated 7 July 2005 in favour of the Company and Eco Water for the Profit Guarantee (the "Guarantee and Indemnity"), in which Wong Fook Min and Nah Kee Wee individually and/or collectively irrevocably undertook to guarantee the profit after tax of Airchem Holdings pursuant to the terms and conditions set out in the Share Sale Agreement.

Upon completion of the Share Sale Agreement on 6 June 2005, the shareholding in the capital of Airchem Holdings held by Eco Water was subsequently increased to 52.38% when Eco Water was allotted and issued additional shares for a consideration of S\$100,000. Eco Water has since transferred 35% of shares in the capital of Airchem Holdings on 17 July 2009, thereby resulting in Eco Water holding 17.38% as at 17 July 2009 after the transfer.

The audited accounts of Airchem Holdings during the 48 months period ending in June 2009 revealed that Airchem Holdings incurred a loss of RM3,052,896 (approximately S\$1,272,040 at the exchange rate of S\$1.00 to RM2.40 as at 30 June 2009). As such, the Profit Guarantee and the Guarantee and Indemnity have been breached, and the Defendants are liable to the Company and Eco Water for the sum of approximately S\$1,047,600 based on shareholdings of 52.38% held by Eco Water in Airchem as at 30 June 2009 that the Company and Eco Water are entitled to under the Share Sale Agreement and the Guarantee and Indemnity.

The Company and Eco Water shall take all steps necessary to recover the sums owing to them by the Defendants. The Company shall also keep shareholders informed of any material developments in this matter in the future, as and when appropriate. The Board is of the opinion that this legal proceeding will have no significant impact on the Company's financial position for the current year.

By Order of the Board  
EMS Energy Limited

Gwendolyn Gn Jong Yuh  
Company Secretary  
28 December 2009

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities*

*Trading Limited (“**Exchange**”). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

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